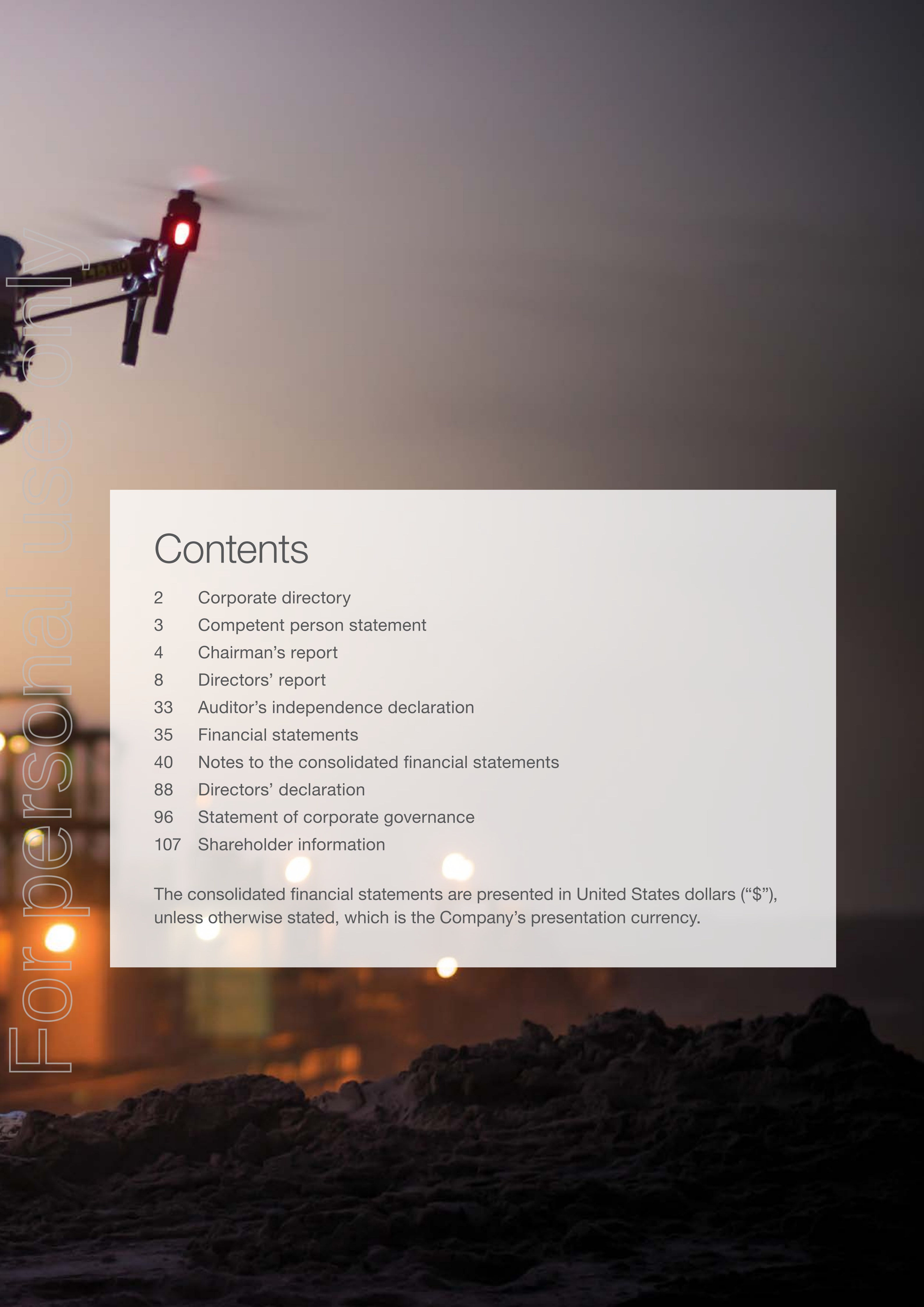
MRC
Mineral Commodities

ANNUAL REPORT 2018



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The consolidated financial statements are presented in United States dollars ("$"), unless otherwise stated, which is the Company's presentation currency.

Corporate directory

Directors

Mark Victor Caruso	Executive Chairman and Chief Executive Officer
Joseph Anthony Caruso	Non-Executive Director
Peter Patrick Torre	Non-Executive Director and Company Secretary
Guy Redvers Walker	Non-Executive Director
Colin Ross Hastings	Independent Non-Executive Director

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Auditors

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38 Station Street
Subiaco WA 6008

Solicitors

Dominion Legal Pty Ltd
17 Lacey Street
Perth WA 6000

ENSafrica
150 West Street
Sandton
Johannesburg 2196
South Africa

Bankers

Westpac Banking Corporation
Level 3, Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000

Share registry

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth WA 6000

Stock exchange listing

The Company's shares are listed on the Australian Securities Exchange (ASX) under ASX Code MRC

Website address

www.mineralcommodities.com

Competent person statement

The information, if any, in this report which relates to Exploration Results, Mineral Resources or Ore Reserves for Tormin is based on information compiled by Dr Joseph A.P. Drake-Brockman, who is a Member of the AusIMM and is an independent consultant to the Company. Dr Drake-Brockman is an employee of Drake-Brockman Geoinfo Pty Limited and has over 36 years' of exploration and mining experience in a variety of mineral deposits and styles. Dr Drake-Brockman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). The information from Dr Drake-Brockmanwas prepared under the JORC Code (2012). Dr Drake-Brockmanconsents to inclusion in the report of the matters based on this information in the form and context in which it appears.

The information, if any, in this report which relates to Mineral Resources for Munglinup is based on information compiled by Mr Adriaan du Toit who is a member of the AusIMM and an independent consultant to Gold Terrace Pty Ltd. Mr du Toit is the Director and Principal Geologist of AEMCO Pty Ltd and has over 27 years' of exploration and mining experience in a variety of mineral deposits and styles. Mr du Toit has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined by the JORC Code (2012). The information from Mr du Toit was prepared under the JORC Code (2012). Mr du Toit consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

The information, if any, in this report which relates to the Ore Reserve for Munglinup is based on information compiled by Mr Daniel Hastings, who is a Member of the AusIMM. Mr Hastings is an employee of Hastings Bell Pty Ltd and a consultant to the Company. Mr Hastings has sufficient experience relevant to the type of deposit under consideration to qualify as a Competent Person as defined by the JORC Code (2012). Mr Hastings consents to the inclusion in the report of the matters based on the reviewed information in the form and context in which it appears.

The information, if any, in this report that relates to metallurgy, the process plant and infrastructure design for Munglinup is based on information compiled and reviewed by Mr David Pass, who is a Member of the AusIMM. Mr Pass is an employee of Battery Limits Pty Ltd. Mr Pass has sufficient experience relevant to process plant and infrastructure design thereof to qualify as a Competent Person as defined by the JORC Code (2012). Mr Pass consents to the inclusion in the report of the matters based on the reviewed information in the form and context in which it appears.

The information, if any, in this report which relates to Exploration Results, Mineral Resources or Ore Reserves for Xolobeni is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and Principal Geologist of Al Maynard & Associates Pty Ltd and has over 38 years' of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves ("JORC Code (2004)"). This information was prepared and first disclosed under the JORC Code (2004). It has not been updated since to comply with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code (2012)") on the basis that the information has not materially changed since it was last reported. Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

Chairman’s report

Dear Shareholders,

The 2018 year provided Mineral Commodities Ltd (“MRC” or “the Company”) with record operations and processing performance while maintaining its culture-driven safety standard.

The Company progressively and successfully advanced its stated diversification into strategic battery minerals during the year through the progress made on the Munglinup Graphite Project and the recently announced Skaland Graphite AS acquisition.

The Tormin Mineral Sands Operation (“Tormin Operation”) continued to generate positive cash flows which were achieved through record processing plant throughput and recoveries in 2018. This placed the Company in an enviable position of having fully funded 2019 business development activities, including exploration programs, project feasibility studies and the proposed acquisition of Norwegian graphite producer Skaland Graphite AS.

During 2019, the Company is expecting positive outcomes from a number of project feasibility studies and which, subject to the necessary regulatory approvals, off-take agreements and financing, will lead to formal project declarations and full design/construction commitments.

The Directors’ Report, which follows in the financial statements, contains a full account of the financial and operating performance of the Company for the 2018 year, in addition to its diversification initiatives and mineral resources.

The Company has reported, for the 2018 year, total revenue of US$55.4 million, EBITDA of US$14.7 million, EBIT of US$10.5 million and a NPAT of US$8.8 million.

In addition, the Company generated cash flow from operations of US$14.5 million for the 2018 year. This operating cash generation funded capital expenditure of US$9.6 million for the year, the repayment of approximately US$2.1 million in debt and US$3.8 million in dividends paid during 2018.

Cash on hand at year end increased to US$12.4 million, up from US$11.0 million cash on hand at the commencement of the year.

The declaration of a final dividend of 0.7 Australian cents per share, in conjunction with the interim 0.6 Australian cents per share, increased full-year dividends declared for the 2018 financial year to 1.3 Australian cents per share, above the prior year’s 1.2 Australian cents per share dividend.

While financial performance and shareholder returns are a significant Board consideration, of primary importance to MRC and the Board is the safety of its workers and its responsibilities to the environment and the communities in which we work.

The entrained commitment to developing a safe working environment and culture is evident.

Encouragingly, 2018 saw a reduction in the overall 12 month rolling Total Recordable Injury Frequency Rate average from 19 down to 6 by year end. Significantly, since commencement of operations in late 2013, the Company has incurred one Lost Time Injury in April 2017, for in excess of 2.8 million man hours worked.

The Company continued its strong investment in, and commitments to, the social and economic upliftment of Historically Disadvantaged South Africans (“HDSA”) and the ongoing support of its Black Economic Empowerment (“BEE”) partners in the Tormin Operation and the Xolobeni Mineral Sands Project.

During the year, the Company spent over Rand 7.2 million on its HDSA Social Labour Plan, including through bursaries, scholarships, traineeships, apprenticeships, adult basic education programs, community-based enterprise and infrastructure support development, and the sponsoring of full-time teachers at local schools.

Further to this, the Company’s BEE preferential procurement expenditure in 2018 was Rand 398 million, exceeding all targets set under the South African Mining Charter.

The Company completed its biannual independent Environmental Authorisation Compliance Audit. The Tormin Operation is over 92% compliant with the relevant conditions contained in the Environmental Management Program for the NEMA Environmental Authorisation, and over 88% compliant in relation to its Environmental Mitigation Compliance. The Company also rectified, via a 24G Application, a minor breach of a previously approved expansion of its existing stockpile footprint.

Resource replenishment at the Tormin Operation is continuing. The Company is currently assessing its options with regards to the most appropriate mining rate in consideration of resource replenishment rates, and pending the outcome of the Company's mining right renewal and expansion applications processes.

The Tormin Operation's Mining Right Renewal applications were submitted to the South African Department of Mineral Resources ("DMR") in August 2018. A decision was anticipated by March 2019, however, the Company is permitted to continue to operate whilst the renewal application process takes its due course.

The Tormin Operation's Section 102 Mining Right Expansion application's Environmental Impact Assessment and Environmental Management Programme reports containing all public comments were submitted to the DMR in November 2018.

The Section 102 Application and associated mining programs include a minimum 10-year mine life on expanded areas covered under the application, including the adjoining northern beaches and the inland strand deposits located on the Company owned freehold farm land. On granting of the expansion right, the Company intends to adopt a phased development program with an initial increase in primary beach concentration capacity followed by construction of a Mineral Separation Plant that will produce final products from the Company's concentrates.

The Company also has a number of prospecting right applications in various stages of assessment and appeal. These prospecting right applications are not core to, and will not affect, the current Tormin Operation and planned expansion covered under the Section 102 Application.

MRC acknowledges its historical challenges in obtaining permitting access to new prospecting and mining tenure for its Tormin Operation. The Company remains committed to working with its BEE Partners, the DMR and other South African regulatory authorities on achieving a satisfactory outcome to support the long term success of the Tormin Operation.

The new Mining Charter was regulated under the Minerals Resources and Petroleum Development Act after much public consultation with industry and all interested and affected parties. The new legislation will require the Company to adjust the ownership structure of Mineral Sands Resources (Pty) Ltd from the current 50% BEE ownership structure to allow for the inclusion of Tormin Operation's HDSA employees' equity participation and local community equity equivalent participation.

The Company's Xolobeni Mineral Sands Project on the Eastern Cape of South Africa remains a world class mineral sands deposit with a JORC compliant resource of 346Mt @ 5% Total Heavy Mineral ("THM").

Since his appointment in February 2018, the Minister of Mines for South Africa, the Honourable Gwede Mantashe, has visited the Xolobeni Mineral Sands Project area a number of times to understand the community issues between the pro- and anti-mining groups. The intention of the Minister's intervention, as publicly stated, is to resolve the impasse.

The Company continues to consider that the Xolobeni Mineral Sands Project has compelling socio-economic benefits for the area and can be developed in conjunction with the eco-tourism and agricultural initiatives that are being put forward by various stakeholders.

During 2018, MRC has continued to execute its jurisdictional and commodity diversification strategy.

On 30 May 2018, the Company released highly positive results on its Pre-Feasibility Study ("PFS") for the Munglinup Graphite Project, located near Esperance in Western Australia. The project continues to demonstrate extremely attractive financial returns, benefiting from an exceptionally high grade with mineralisation open along strike and at depth, with a granted mining lease located in close proximity to excellent infrastructure in one of the world's best mining jurisdictions.

Munglinup's graphite concentrate product is well suited for purification and spheroidisation for use as a battery anode material for the electric vehicle market, and as an expandable graphite predominately for the fire retardant market.

The Munglinup Graphite Project PFS demonstrated the project's potential as a robust, low capital and low operating cost operation, with a post-tax project NPV of A$139 million, IRR of 48% and average annual EBIT of A$42.4 million generated over an expected minimum mine life of nine years, producing an average annual production of 54,800 tonnes of graphite concentrate.

An Ore Reserve of 3.4 million tonnes at an average grade of 15.9% Total Graphitic Carbon ("TGC") was declared in the Munglinup Project PFS, comprising a Proven Reserve of 1.4 million tonnes at 15.8% TGC and a Probable Reserve of 2.0 million tonnes at 16.0% TGC.

A Definitive Feasibility Study ("DFS") for the Munglinup Graphite Project was subsequently commissioned, with considerable progress achieved in advancing metallurgical test work, resource evaluation, drilling, core sampling, environmental studies, hydrological/geotechnical drilling and regulatory submissions.

Optimisation test work released on 22 October 2018 depicted a significant mass split to the coarse fraction and high grades achieved for finer flakes, with the coarse flake fraction (+150μm) at around 50% of the concentrate at high average TGC grades (up to 97.7%) and high-grade fines (-150μm) concentrate produced with up to an average of 98.3% TGC across the finer size fractions.

The Munglinup Graphite Project was referred to the Department of Environment and Energy (Federal) and the Environmental Protection Authority (State) in November 2018 for assessment. The Company is awaiting the outcomes of these assessments, which are expected to be finalised in the second half of 2019.

The Company has recently appointed Mondium, a joint venture between Monadelphous and Lycopodium, to undertake early engagement works and value engineering within the DFS phase, and subsequently to undertake Front-End Engineering Design to fast-track the full design and construct phase of the Munglinup Graphite Project.

Following release of positive DFS results and granting of the necessary approvals, the Company expects to acquire a further 39% joint venture interest in the Munglinup Graphite Project to bring its overall interest to 90%, and to then proceed to full project declaration shortly thereafter.

As recently announced on 4 April 2019, the Company has entered into a Share Purchase Agreement with Leonhard Nilsen & Sønner – Eiendom AS to purchase Skaland Graphite AS ("Skaland"), for the total consideration of US$9.2 million, comprising an initial cash consideration at settlement of US$4.8 million, and a further US$4.4 million to be paid over five years.

Skaland operates the Trælen Graphite Mine and Skaland Processing Facility in Norway, which is the largest flake graphite producer in Europe and the highest-grade flake graphite mine in the world with mill feed grade averaging around 28% Carbon. Skaland currently averages around 10,000 tonnes of graphite concentrate production per annum and accounts for around 2% of global annual natural flake graphite production. The project is considered to have significant potential to expand the current production profile.

The Skaland acquisition is subject to customary conditions precedent, including all required regulatory approvals to increase production to a minimum of 14,000 tonnes per annum and the assignment or transfer of material permits and contracts. Completion of conditions precedent and full settlement is expected to occur in the second quarter of 2019, with an outside date of end September 2019.

Although Skaland has been in continuous operation since 2007, no JORC compliant Mineral Resource or Ore Reserve currently exists for the Trælen Deposit. Significant drilling exists across the deposit and this has been reviewed by external consultants at various times since the deposit was originally defined in 1998 and updated in 2002 as containing just over 500kt of graphite. Following completion of the transaction, it is the Company's intention to conduct a work program to define the high value optimum plan for conversion of the Mineral Resource to JORC compliant Ore Reserves.

Both Skaland's acquisition and its exploration work program will be funded using existing cash reserves of the Company and operating cash flows generated from Skaland.

The Skaland acquisition is considered an excellent opportunity for the Company to gain near term graphite production capacity. When combined with the upcoming development of the Munglinup Graphite Project, the Company will, in a very short time, become a major global strategic graphite producer with two high-grade graphite assets in Tier 1 jurisdictions.

The Company has also continued to progress its downstream graphite processing opportunities and studies, including purification and spheroidisation of its graphite concentrate for use in battery anode material for the electric vehicle market, and expandable graphite for the fire retardant and insulation markets.

In May 2018, the results of expandable graphite testwork conducted by Dorfner ANZAPLAN were released which indicated excellent expandable characteristics for Munglinup graphite, suitable for a broad range of expandable graphite markets.

The Company also engaged the University of Adelaide to undertake research and development on the Munglinup graphite concentrate for the production of graphene and graphene related products, using the University's proprietary methods. Focused on developing graphene production routes that are low cost, environmentally friendly and scalable, the initial phase of the research and development, if successful, will be followed by a pilot scale program.

Further work continued on the potential of utilising Doral's, a wholly owned subsidiary of Iwatani Corporation, fused alumina facility in Kwinana as a possible site for downstream graphite processing, with its existing infrastructure, permitting, access to power and connectivity.

The Company has also continued pursuing exploration opportunities in Western Australia, aligned with the Company's long-term strategy of commodity diversification through exploration upside and targeting commodities crucial to battery technology.

The Company has acquired eight new exploration licences and has entered into joint venture agreements on two other exploration tenements in Western Australia. The Company is targeting lithium (Yandeyarra and Geraldton Prospects), channel iron (Glen Florrie Prospect), gold-copper (Doolgunna and Cave Hill Prospects) and vanadium (Triple Eight Prospect).

Major exploration work in the year concentrated on a first phase exploration and bulk sampling campaign within the Doolgunna Gold and Copper Prospect to confirm historical intersections and gold recoveries along a quartz reef known as the Revere Reef. There are other targets and gold occurrences on the Doolgunna tenements, however the Revere Reef was assigned priority status due to its potential to host high-grade gold associated with strong metasomatic alteration and outcrops of quartz reef and stockwork structures.

The Company announced in September 2018 outstanding assay results from its bulk sampling and RC drilling program on the Revere Reef, with 17 g/t Au to 326 g/t Au calculated gold grades from bulk sample testing over a 900m section of exposed quartz reef. These initial bulk sample results and first-pass drilling campaign confirm that the Revere Reef system is a priority target for the discovery of a significant high-grade gold deposit.

On behalf of the Board, I thank all the dedicated employees, our BEE Partners and contractors of the Company for their efforts and commitment throughout the year. These efforts have delivered another successful result for the year and have continued to provide returns to its shareholders.

We thank shareholders for their support and anticipate the 2019 year will deliver another solid financial performance for the Company. The Company is well positioned in 2019 to become a significant player in the world graphite market through its Tier 1 graphite assets and the life of mine extensions at Tormin will see a continued successful delivery of our diversification and expansion strategies.

Mark V. Caruso
Chairman

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Mineral Commodities Ltd (the "Company") and the entities it controlled at the end of, or during, the year ended 31 December 2018. The consolidated financial statements are presented in United States dollars ("$"), unless otherwise stated, which is the Company's presentation currency.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

Mark Victor Caruso

Joseph Anthony Caruso

Peter Patrick Torre

Guy Redvers Walker

Colin Ross Hastings

Principal activities

The principal activities of the Group during the year were:

- mineral sands mining and processing at the Group's Tormin Mineral Sands Operation ("Tormin" or the "Tormin Operation") in the Western Cape Province of South Africa;
- undertaking exploration and evaluation for the future development of the Munglinup Graphite Project ("Munglinup" or the "Munglinup Project") in the Great Southern Region of Western Australia;
- undertaking initial entry acquisition and exploration activities in Iran; and
- investigations into other mineral resources, particularly through MRC Exploration Australia Pty Ltd, focused on several tenements within Western Australia.

Dividends

Unfranked and partially franked dividends paid or declared by the Company to members since the end of the previous financial year were:

	Australian Cents per share	Total amount A$	Date of Payment
Declared and paid during the year 2018			
Final 2017 ordinary	0.7	2,904,591	14 May 2018
Interim 2018 ordinary	0.6	2,526,549	12 October 2018
Total amount		5,431,140	

As the final 2017 ordinary dividend was unfranked and the interim 2018 ordinary dividend was partially franked, there are income tax consequences for the owners of the Company relating to these dividends.

Subsequent to year end, the Directors declared a final dividend for the year ended 31 December 2018 of 0.7 Australian cent per ordinary share, partially franked to 15% of the ordinary dividend (or partially franked to 0.105 Australian cent per ordinary share). This equates to a total distribution of A$2,947,641 based on the number of ordinary shares on issue at the date of this report. As the dividend was partially franked, there are income tax consequences for the owners of the Company relating to this dividend.

Review of operations

SAFETY, ENVIRONMENT AND COMMUNITY

The Company's impeccable safety record continued during the 2018 year, highlighted by December 2018 being the fifteenth month in succession to see a positive decline in the twelve month Total Reportable Injury Frequency Rate ("TRIFR"). Since Tormin Mineral Sands Operations commenced in late 2013, there has been only one Lost Time Injury (LTI") incurred in 2017, with in excess of 2.8 million man-hours worked to year end December 2018.

The Company continued its strong commitment to social and economic development in the communities in which it works. During the year the Company spent in excess of ZAR7.2 million on its Social Labour Plan ("SLP") initiatives, including approximately ZAR5.6 million on human resources development initiatives, incorporating bursaries, scholarships, traineeships, apprenticeships and adult basic education and training ("ABET") programs The Company continued to sponsor full-time Mathematics and English teachers at various local primary and secondary schools in Tormin's local South African Matzikama Municipality.

In addition, Local Enterprise Development ("LED") investment in community infrastructure exceeded ZAR1.6 million. The Company identified and has procured long lead materials for a new fit-out of the Nuwerus High School boarding house, located in the Matzikama Municipality. The Tormin Operation supported small business development and purchased an 8-tonne FAW truck and transferred ownership to a local small business operator, with the operator becoming a courier for the mine. The Company will also be supporting another local small business operator in 2019 to establish a local fisheries distribution company.

The Company's Broad-Based Black Economic Empowerment ("BBBEE") preferential procurement with Historically Disadvantaged South Africans ("HDSA") in 2018 was approximately ZAR398 million (2017: ZAR336 million), exceeding all targets set in this regard.

TORMIN – OPERATIONAL PERFORMANCE

The Company continued its strong operating performance during 2018. The following key production and sales metrics were achieved:

Production and Sales Summary	Full Year ended 31 December 2018	Full Year ended 31 December 2017
Mining Production		
Tonnes (dmt)	2,650,099	2,052,621
Grade:	17.35%	26.97%
- Garnet	12.55%	19.74%
- Ilmenite	3.14%	5.25%
- Zircon	0.55%	1.03%
- Rutile	0.38%	0.49%
- Leucoxene	0.73%	0.46%
Garnet Stripping Plant / Secondary Concentrator Plant		
Tonnes processed (dmt)	858,631	843,567
Tonnes produced		
- Garnet concentrate (dmt, net of refeed)	278,205	211,393
- Ilmenite concentrate (dmt, net of refeed)	108,630	138,913
- Zircon/Rutile concentrate (dmt)	16,996	22,111
% zircon in concentrate	68.31%	70.66%
% rutile in concentrate	17.43%	17.70%
Sales		
Tonnes sold		
- Garnet concentrate (wmt)	213,281	243,962
- Ilmenite concentrate (wmt)	106,750	282,098
- Zircon/Rutile concentrate (wmt)	17,968	23,152

Run of Mine ("ROM") production for the 2018 year of 2,650,099 tonnes (2017: 2,052,621 tonnes) was achieved, being 29% above the previous year. The increase in ore mined for the year reflects continued strong mining performance aimed at providing adequate ROM buffer stocks and ensuring sufficient feed for the improved primary beach concentrator throughput rates that was achieved in 2018.

ROM ore grading 17.35% Valuable Heavy Minerals ("VHM") was mined for the year, consisting of a garnet grade 12.55%, ilmenite grade 3.14%, zircon grade 0.55% and rutile grade 0.38%. The VHM grade diminished from the previous year in line with expectations, and was above the Annual Tormin Mineral Resource VHM grade of 15.92% released in February 2018.

Primary Beach Concentrator ("PBC") plant feed rates, availability and mineral recoveries for the 2018 year were a record, with PBC feed of 2,433,801 tonnes, being 26% above the previous year (2017: 1,924,795 tonnes).

The PBC operated at an average combined 296tph (tonnes per hour) at a 93.7% utilisation (of total time) to achieve the record annual plant feed, with the performance significantly above the prior year's 242tph at 90.7% utilisation. Combined with the Tailings Scavenger Plants ("TSP"), the PBC/TSP recoveries increased in comparison to the previous year for all valuable minerals, with zircon recoveries exceeding 93%, and recoveries of other valuable minerals exceeding 87%.

The Garnet Stripping Plant / Secondary Concentrator Plant ("GSP/SCP") availability and mineral recoveries for the 2018 year were also a record. Total GSP feed of 858,631 tonnes (2017: 843,567 tonnes) included 151,031 tonnes of previously stockpiled garnet concentrate that was re-processed to extract excess zircon, to produce a medium grade ilmenite concentrate and to increase the garnet concentrate grade and revenues. The GSP operated at an average 105tphr at a 93.8% utilisation (of total time) to achieve the record annual plant feed, compared to the prior year's 109tphr at 88.6% utilisation.

Zircon/rutile concentrate production for the year of 16,996 tonnes produced (2017: 22,111 tonnes) was below prior year production due to the lower mined grades, being offset in part by improved processing plant throughput, availability and recoveries. Contained zircon of 68.31% in concentrate was slightly below the prior year's contained zircon of 70.66%, whilst contained rutile of 17.43% in concentrate was aligned to the previous year's contained rutile of 17.70%.

Ilmenite concentrate production for the year was 108,630 tonnes (2017: 138,913 tonnes net of refeed) was also below prior year production due to the lower mined grades, partially offset by improved processing plant throughput, availability and recoveries in addition to ilmenite extracted from garnet concentrate re-feed campaigns.

Garnet concentrate production for the year of 278,205 tonnes net of refeed (2017: 211,393 tonnes net of refeed) was achieved at a significantly improved +77% grade of contained garnet in concentrate. Net production increases for the year were due to substantially higher processing plant recoveries and throughput achieved, more than offsetting lower mined grades and the impact on net garnet concentrate volumes produced as ilmenite, zircon and rutile were extracted to their payable concentrates during garnet concentrate refeed campaigns.

TORMIN COSTS

The following key summary of unit costs and revenue is presented below:

Summary of Unit Costs & Revenues	2018 Full Year	2017 Full Year
Mining cash costs per tonne of ore mined ($/t ore)	2.72	1.92
Processing cash costs per tonne of ore processed ($/t ore)	4.84	5.79
Production cash costs per tonne of net final concentrates produced ($/dmt)	57.68	50.31
Cost of goods sold per tonne of final concentrates sold ($/wmt) (1)	110.08	77.47
Revenue per tonne of final concentrates sold ($/wmt)	156.95	113.33
Revenue to cost of goods sold ratio	1.43	1.46

Note 1:- Cost of goods sold includes production cash costs, product handling, transport and selling costs, royalties, stock movements, and depreciation and amortisation. Excludes corporate and financing costs.

Mining cash cost per tonne of ore mined for the year was $2.72/t (2017: $1.92/t), with cost increases over the prior year due to higher diesel prices and additional maintenance on an aging fleet.

Processing cash cost per tonne of ore processed for the year was $4.84/t (2017: $5.79/t), with the unit cost decrease over the prior year due to the substantially higher PBC throughput rate, partially offset by increased diesel prices impacting diesel powered generation costs.

Production cash costs per net tonne of zircon/rutile, ilmenite and garnet concentrate produced for the year was $57.68/t (2017: $50.31/t), with the cost increase over prior year due to additional mining activity, processing plant utilisation and PBC throughput required to compensate for decreasing mine grades, coupled with higher diesel prices and additional maintenance.

Cost of goods sold per tonne sold for the year was $110.08/t (2017: $77.47/t), with the increase in unit costs over the prior year due to higher production cash costs and a change in the mix of products sold with a greater relative proportion of high value zircon/rutile concentrate sold in the 2018 year.

TORMIN – SALES AND MARKETING

Sales revenue for the year was $53.5 million (2017: $60.9 million), with the decrease in revenue over the prior year due to lower concentrate shipments, partially offset by higher zircon, rutile and ilmenite concentrate prices achieved.

Zircon/rutile concentrate shipments for the year were 17,968 tonnes (2017: 23,152 tonnes), with available sales volumes impacted by lower mined grades. Irrespective of the tonnes sold, revenue generated in 2018 from zircon/rutile concentrate sales was materially higher than prior year, with the Company able to achieve a year-on-year average price increase of circa 45% for its contained zircon in concentrate and circa 65% for its contained rutile in concentrate.

The Company's zircon/rutile concentrate is the highest grade zircon concentrate being delivered into China, and the Company continues to experience strong demand and pricing support for this product. Whilst zircon and rutile prices are expected to moderate during the course of 2019 from the peaks achieved during 2018, it is currently expected that on a year-on-year basis the average price for both zircon and rutile in 2019 should be aligned with or marginally higher than that achieved in 2018.

Ilmenite concentrate shipments for the year were 106,750 tonnes (2017: 282,098 tonnes), with the lower shipments in 2018 a result of a planned 50,000 tonne shipment delayed to the first quarter of 2019 and a substantive drawdown during the course of 2017 on previously stockpiled inventories. The impact of lower ilmenite revenues arising from less shipment volumes was partially offset by the Company achieving in 2018 a year-on-year average price increase of circa 25% for its ilmenite concentrate.

The Company also continues to experience strong demand and pricing support for its ilmenite concentrate. Whilst demand and pricing of titanium feedstocks are expected to moderate over the course of 2019, the Company is currently expecting that on a year-on-year basis the average prices for the Company's ilmenite concentrate in 2019 should be aligned with or marginally higher than that achieved in 2018.

Garnet concentrate sales for the year were 213,281 wet metric tonnes (2017: 243,962 wet metric tonnes) shipped or stockpiled under a life of mine Offtake Agreement with GMA Garnet Group ("GMA"). The GMA Offtake Agreement was amended in 2017, with the parties agreeing for GMA to take by shipment or to stockpile 240,000 dry metric tonnes for 2017, reverting back to the original 210,000 dry metric tonnes contracted for the balance of the life of mine.

Unit revenue per tonne of total zircon/rutile, ilmenite and garnet concentrates sold for the year was $156.95/t (2017 $113.33/t). The increase in the average concentrate price over the prior year was due to improved pricing for the Company's zircon/rutile and ilmenite concentrates, and a change in the relative mix of products sold with a greater relative proportion of high value zircon/rutile concentrate sold in the 2018 year.

TORMIN – WORK-IN-PROGRESS AND FINAL CONCENTRATE INVENTORY

The Company is pleased to be able to report that inventories of work-in-progress ("WIP") and final concentrates at 31 December 2018 remain strong and will further assist in underpinning future production performance, sales/shipments and operating cash generation.

These stock holdings are summarised as follows:

	WIP & Finished Goods at 31 Dec 2018	WIP & Finished Goods at 31 Dec 2017
Run of Mine Ore Stockpile (total tonnes - Tormin processing plant)	**73,036**	35,568
Heavy Mineral Concentrate Stockpile (total tonnes - Tormin processing plant)	**8,297**	93,421
Zircon / Rutile Concentrate Bagged (total tonnes - Tormin, Cape Town or in-transit)	**1,116**	1,362
Ilmenite Concentrate Stockpiles (total tonnes - Tormin, Saldanha Bay or in-transit)	**82,844**	26,584
Garnet Concentrate Stockpiles (total tonnes - Tormin, Saldanha Bay, in-transit or held on behalf of GMA)	**705,655**	684,882

Heavy mineral concentrate ('HMC') stockpiles were substantially lower at 31 December 2018. During the year, HMC production was supplemented by garnet concentrate re-feed campaigns. Following the completion of this garnet re-feed campaign, there will be available capacity in the GSP/SCP circuit which will need to be addressed going forward due to the reduction in PBC feed grade which is directly related to the lower ROM grades as current HMC production is not sufficient to feed the capacity of the GSP/SCP circuit.

Ilmenite concentrate finished goods increased by 31 December 2018, with a bulk ilmenite concentrate shipment planned for the last quarter of 2018 to be shipped in the first quarter of 2019.

TORMIN – RESOURCE

The annual Tormin Mineral Resource review was completed in February 2019, with results as follows:

Category	Resource Million Tonnes	Total Heavy Mineral (1) (% in Resource)	Ilmenite (% in Resource)	Zircon (% in Resource)	Rutile (% in Resource)	Garnet (% in Resource)
Indicated Resource – Dec 2013	**2.70**	**49.40%**	**10.60%**	**3.40%**	**0.70%**	**25.30%**
Tonnes Mined – FY2014	1.07	53.83%	17.26%	4.76%	0.65%	31.16%
Inferred Resource – Dec 2014	**2.70**	**38.14%**	**10.05%**	**2.21%**	**0.46%**	**25.22%**
Tonnes Mined – FY2015	1.62	49.57%	16.15%	3.88%	0.60%	28.94%
Inferred Resource – Dec 2015	**2.70**	**28.01%**	**6.97%**	**1.56%**	**0.55%**	**18.54%**
Tonnes Mined – FY2016	1.81	45.97%	12.97%	2.78%	0.61%	29.21%
Inferred Resource – Dec 2016	**1.80**	**28.08%**	**6.15%**	**1.65%**	**0.53%**	**18.99%**
Tonnes Mined – FY2017	2.05	27.57%	5.81%	1.10%	0.50%	19.40%
Inferred Resource – Dec 2017	**1.80**	**15.92%**	**2.72%**	**0.79%**	**0.43%**	**11.45%**
Tonnes Mined – FY2018	2.65	17.35%	3.14%	0.55%	0.38%	12.55%
Inferred Resource – Dec 2018 (3)	**2.27 (2)**	**14.16%**	**2.30%**	**0.43%**	**0.19%**	**7.90%**

(1) Includes other valuable heavy minerals e.g. leucoxene and magnetite
(2) 5% Heavy Mineral ("HM") cut-off grade used
(3) Refer ASX Release of 28 February 2019

Since commencement of operations at Tormin, the Company has mined in excess of 9.2 million tonnes. The tonnage mined is materially more than the original Indicated Resource of 2.7 million tonnes, which is supportive of the replenishing nature of the deposit where resource blocks are mined more than once per year.

The inferred resources tonnage has increased to 2.27 million tonnes. Resource replenishment is occurring but at a rate that is slower than the mining rate. The Company is unable to report a replenishment grade or quantity under the 2012 JORC code. The Company continues to conduct grade reconciliation and sample grading on a daily basis as part of the mining operation to correlate between stated resource and actual resource in terms of quantity, grade and replenishment.

The resource grade has lowered and total heavy mineral content is now 14.16% at a cut-off grade of 5% Heavy Mineral ("HM").

A total of 2.65 million tonnes was mined during the financial year ended 31 December 2018 at a total HM grade of 17.35%, significantly exceeding the December 2017 Inferred Resource of 1.8 million tonnes at a grade of 15.92% HM. During the 2018 year the Company has effectively mined 147% of the December 2017 Inferred Resource at a 9% higher grade than that inferred, supporting the strong replenishment properties of the Tormin beach.

The nature of the resource replenishment is typical of modern day beach placer deposits found along the West Coast of South Africa and the South-Eastern Tamil Nadu coast of India.

The Company is confident that with the grant of additional identified onshore and northern beach mining and prospecting areas currently under application, that the additional mining areas will allow the current beach mining areas to replenish.

TORMIN – PERMITTING

The Section 24G Application determination was received in December 2018, and a fine of ZAR1.25 million (US$0.1 million) was imposed on the Company.

The Company considers the fine excessive given the nature of the alleged minor infringements and the fact that the Department of Mineral Resources ("DMR") had previously given permission to commence the activities under the Environmental Management Programme ("EMP"). The Company is liaising with the relevant committee in an attempt to negotiate a lower fine. For the avoidance of doubt, the Company will not be formally appealing the determination.

During the September 2018 quarter, the Company reported that it had lodged its financial performance bond for the Klipvley Karoo Kop Prospecting Right Application (10259 PR) covering the farming area to the north of the current Tormin operations. Subsequently, the Company received notification from the DMR of the refusal of an Environmental Authorisation Application ("EAA") for the Prospecting Right, which was the final step for the granting of the Prospecting Right to this area. The Company has filed an Appeal against the refusal of the EAA and considers there are strong technical and legal grounds for the Appeal to be successful.

In early 2019, EAA approval was received in respect of the Company's Prospection Right Applications 10261 PR and 10262 PR.

The Company is still awaiting a decision regarding the environmental approval Appeal submitted in June 2018 for the De Punt Prospecting Right Application (10240 PR), which is situated directly adjoining the southern boundary of the Company owned Geelwal Karoo Farm where the Tormin operations are located.

These prospecting right areas are not core to and will not affect the current Tormin mining operations and planned expansion covered under the Section 102 Extended Mining Rights Application ("Section 102 Application").

As previously reported, the Company has lodged a Section 102 Application for the adjoining northern beaches and the inland strand deposits located on the Company owned freehold farm land. The Section 102 Application includes the preparation and submission of a full Mining Work Programme, which details a minimum 10-year mine life program on the expanded areas covered under the application. On granting of the requisite permitting, the Company intends to adopt a phased development program with an initial increase in primary beach concentration capacity and subsequently incorporate the construction of a Mineral Separation Plant ("MSP") to produce final products from the Company's concentrates.

The Company has concluded all aspects of the Section 102 Application public participation process. The final versions of the Environmental Impact Assessment ("EIA") and EMP reports with all public comments were submitted on 13 November 2018. The DMR now has 107 days to hand down a final decision, which, based on the legislative timeframes, is by 24 March 2019.

The Mining Right Renewal applications for both the current Tormin Mining Rights (162 and 163) were submitted to the DMR in August 2018. These applications are under consideration and a decision is also expected in March 2019. The Company is able to continue to operate whilst the renewal application process takes its due course.

The Company maintains its optimism in the push by the current government and the DMR to reinvigorate mining in South Africa and is confident, whilst the process has been frustrating in the past, that the quality of its assets in South Africa warrant persistence to ensure that permitting for the Tormin mine expansion is given every opportunity of success.

XOLOBENI MINERAL SANDS PROJECT

Since his appointment in February 2018, the Minister of Mines for South Africa, the Honourable Gwede Mantashe, has undertaken a number of visits to the Xolobeni project area in an attempt to understand the community issues between the pro and anti-mining groups. The intention of the Minister's intervention, as publicly stated, is to resolve the impasse in relation to the progression of mining in the area.

The Company, through its subsidiary Transworld Energy and Minerals Resources (SA) (Pty) Ltd ("TEM"), has been engaged as a respondent in litigation with Xolobeni traditional land owners. In a landmark decision, the High Court of South Africa has ruled against the Company and the DMR in finding that the fully informed consent from affected traditional land owners who hold informal land rights under the Interim Protection of Informal Land Rights Act ("IPILRA") must be obtained prior to the granting of any mining rights. This ruling is in conflict with the current Mineral and Petroleum Resources Development Act ("MPRDA") legislation which provides for consultation, not consent, which is vested in the competent authority, the DMR. The decision has been appealed by various groups including the Chamber of Mines in South Africa and the DMR.

The Company continues to consider that the Xolobeni Mineral Sands Project has compelling socio-economic benefits for the area and can be developed in conjunction with the eco-tourism and agricultural initiatives that are being put forward by various stakeholders.

2018 MINING CHARTER

On 27 September 2018, the Minister of Mines for South Africa, the Honourable Gwede Mantashe, published the Broad-Based Black Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry, 2018 ("Mining Charter, 2018").

This sets out the composition of the required minimum 30% Broad-Based Black Economic Empowerment ("BBBEE") shareholding.

Applications for mining rights that are pending at the commencement of the Mining Charter, 2018 will be granted if the applicants have a 26% BBBEE shareholding in place (in accordance with the 2010 Mining Charter) with a requirement to increase to 30% within five years. There appears to be no restriction in respect of the commercial nature of the equity increase (i.e. sale or subscription and dilution), the class of beneficiary (it can be a community, an entrepreneur or employees) or in respect of the level within a company at which the transaction is implemented (holding level or asset level).

For new mining rights to be issued, there will be a requirement for the mining right to be held 30% by BBBEE shareholders, with a minimum 20% to be held by a BBBEE entrepreneur and 5% to be held by HDSA employees. Significantly, 5% of the employees' stake will be a free carry and non-transferable. Communities must hold an equity equivalent 5% interest in the mining right.

For new mining rights to be issued, there will be a requirement that 1% of Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") is paid to communities and employees as a trickle dividend from the sixth year of a mining right until dividends are declared or at any point in a 12-month period where dividends are not declared.

The Mining Charter, 2018 will increase the target to procure services from BBBEE entities from 70% to 80% and increase the target to procure goods from BBBEE entities from 50% (in respect of consumer goods) and 40% (in respect of capital goods) to 70%. Up to 5% of the total procurement budget on mining goods and up to 10% of budget on services may be offset using supplier and/or enterprise development.

The Company is currently assessing the impacts of the Mining Charter, 2018.

The Company's operating subsidiary for the Tormin Mineral Sands Operation, Mineral Sands Resources (Pty) Ltd ("MSR"), has a 50% BBBEE shareholding. Irrespective of the fact that MSR's 50% BBBEE shareholding exceeds the minimum 30% shareholding required under the Mining Charter, 2018, and that MSR already has mining right applications in place, the Company is currently considering appropriate amendments in the ownership structure of MSR to comply with the full intentions of the new Mining Charter, 2018.

The Company's subsidiary for the Xolobeni Mineral Sands Project, Transworld Energy and Minerals Resources (SA) (Pty) Ltd) ("TEM"), has a 26% BBBEE shareholding. As this 26% BBBEE shareholding is less than the minimum 30% BBBEE shareholding required under the Mining Charter, 2018, the Company will be giving due consideration at the appropriate time to the necessary amendments in the ownership structure of TEM to comply with the full intentions of the Mining Charter, 2018.

MUNGLINUP GRAPHITE PROJECT

MRC Graphite Pty Ltd ("MRCG"), a wholly owned subsidiary of the Company, continued to progress the Munglinup Graphite Project during 2018. Following the Pre-Feasibility Study ("PFS") results, released to the ASX on 30 May 2018, a Definitive Feasibility Study ("DFS") was commissioned, with Battery Limits engaged to manage the DFS.

The PFS results demonstrated the project's potential as a robust, low capital and low operating cost operation. The PFS highlighted:

- A post-tax project NPV of A$139 million;
- A post-tax project IRR of 48%;
- Average annual EBIT of A$42.4 million; and
- Net cash flow of A$216.5 million.

An Ore Reserve of 3.4 million tonnes at an average grade of 15.9% Total Graphitic Carbon ("TGC") was declared in the PFS, comprising a Proven Reserve of 1.4 million tonnes at 15.8% TGC and a Probable Reserve of 2.0 million tonnes at 16.0% TGC. The expected minimum mine life is nine years with an average annual production of 54,800t of graphite concentrate.

MRCG has made considerable progress throughout the 2018 year in advancing the Munglinup Graphite Project, through significant activities across metallurgical test work, resource evaluation, drilling, core sampling, environmental studies and hydrological/geotechnical drilling in its DFS.

As part of the DFS, the Company carried out optimisation test work on flake size distribution and final grades of the concentrate with results, as released on 22 October 2018, confirming graphite concentrate flake size distribution and grade improvements.

The results showed that the coarse flake fraction (+150μm) can be maintained at around 50% of the concentrate at high average Total Graphite Content ("TGC") grades (up to 97.7%) and that high-grade fines (-150μm) concentrate can be produced with up to an average of 98.3% TGC across the finer size fractions. The Company is particularly pleased with the high grades achieved for the finer flakes and the mass split to the coarse fraction.

The Company remains on schedule to deliver the Munglinup Graphite Project DFS in March 2019. Permitting for the project is ongoing with the environmental approvals currently under consideration by the relevant government departments. The project was referred to the Department of Environment and Energy (Federal) and the Environmental Protection Authority (State) in November 2018 for assessment. MRCG is awaiting the outcomes of these assessments which are expected to be finalised shortly. It is hoped that the outcomes will be positive for MRCG allowing for onsite construction to begin later in the year after the annual wet period, however, should the worst-case scenario be realised, it is possible that a delay of 54 to 70 weeks may be incurred.

During the year, the Company acquired E74/565, an exploration licence adjoining the mining lease hosting the Munglinup graphite deposit. Previous airborne geophysical surveys undertaken in 2011 resulted in the identification of significant anomalies within the Company's current mining lease that extend into E74/565. The acquisition of this adjoining exploration licence will provide significant benefit to the Munglinup Graphite Project in terms of consolidation of mineral prospectivity, and availability of additional areas for infrastructure.

Expandable graphite testwork, conducted by European consultancy group Dorfner ANZAPLAN, was completed with results released on 10 May 2018. The results exhibited excellent expandable volumes for Munglinup graphite of 400 ml/g for coarse (+300 micron) flakes and expansion volumes of 305 ml/g for medium (+180 to -300 micron) flakes. The graphite was shown to be suitable for a broad range of expandable graphite markets.

The Company also executed a Research Agreement with the University of Adelaide ("UoA"), for the testing of graphite concentrate from Munglinup for the production of graphene and graphene related products, using the University's proprietary methods. UoA is at the forefront of graphene research in Australia, leading the Australian Research Council ("ARC") research hub for graphene. The Research Agreement is focused on developing graphene production routes that are low cost, environmentally friendly and scalable. This proof of concept study, if successful, will be followed by a pilot scale program.

The Company also announced on 13 December 2018 an additional one year extension to the Memorandum of Understanding ("MOU") between MRCG and Doral Fused Materials Pty Ltd ("Doral"), a wholly owned subsidiary of Iwatani Corporation, for exclusive access to the Doral fused alumina facility site. As previously announced, the fused alumina facility has been identified as a possible site for downstream graphite processing due to the existing infrastructure, permitting, access to power and connectivity.

IRAN

The Company has continued to actively establish its presence in Iran and has reviewed in excess of 36 greenfields, brownfields and operating mining projects.

The unilateral withdrawal in May 2018 by the United States of America from the United Nation ("UN") sanctioned Joint Comprehensive Plan of Action has provided a significant obstacle to expanding the Company's footprint in Iran. Management is actively monitoring the situation and remains committed to extracting value from its first mover advantage in Iran.

AUSTRALIAN EXPLORATION

The Company, via its wholly owned subsidiary, MRC Exploration Australia Pty Ltd ("MRCEA"), has acquired eight new exploration licences and has entered into joint venture agreements on two other exploration tenements in Western Australia. The Company is targeting lithium (Yandeyarra and Geraldton Prospects), channel iron (Glen Florrie Prospect), gold-copper (Doolgunna and Cave Hill Prospects) and vanadium (Triple Eight Prospect). Exploration work completed on the Doolgunna Prospect is reported separately below.

These additional Australian exploration licences also support the Company's long-term strategy of commodity diversification through exploration upside. Exploration work in these areas involves a $1.5 million fully funded minimum commitment over the next two years.

During 2018, the following activities were conducted on the Company's exploration prospects in Western Australia:

- Glen Florrie Prospect - The Company commenced negotiations on access arrangements with the pastoral lease holder underlying the Glen Florrie Prospect;
- Geraldton Prospect - Applications have been submitted for two tenements considered prospective for lithium and tantalum bearing pegmatite in the Mid West region;
- Collie Triple Eight Titanomagnetite Project - The Company entered into an option agreement to acquire the historic Triple Eight Titanomagnetite Project near Collie in Western Australia. The acquisition comprises an active mining lease that expires on 25 June 2038, with the initial option to earn 51% for a cash consideration of A$25,000 and a minimum expenditure of A$250,000.

  Subject to satisfaction of the initial option, the Company has a right to purchase the remaining 49% for A$500,000. The acquisition of this prospective vanadium project is consistent with the Company's corporate strategy of geopolitical diversification and targeting commodities crucial to the battery technology revolution taking place;
- Yandeyarra Prospect - The Company is working towards a heritage agreement with the Yamatji Marlpa Aboriginal Corporation, which represents the relevant native title holders and has engaged with the Mugarinya Community Association with a view to negotiating an access agreement allowing access to the Yandeyarra Reserve; and
- Doolgunna Gold and Copper Prospect – as described following.

DOOLGUNNA GOLD AND COPPER PROSPECT

During the first half of the 2018 year, MRCEA conducted a first phase exploration and bulk sampling campaign to confirm historical intersections and gold recoveries along a quartz reef known as the Revere Reef located on tenement E51/1766.

There are other targets and gold occurrences on the Doolgunna tenements, however the Revere Reef was assigned priority status due to its potential to host high-grade gold associated with strong metasomatic alteration and outcrops of quartz reef and stockwork structures.

The Company announced on 5 September 2018 outstanding assay results from its bulk sampling and RC drilling program, with 17 g/t Au to 326 g/t Au calculated gold grades from bulk sample testing over a 900m section of exposed quartz reef. These initial bulk sample results and first-pass drilling campaign confirm that the Revere Reef system is a priority target for the discovery of a significant high-grade gold deposit.

A 41-hole RC drilling program for 1,500m was completed during the September 2018 quarter and was focused along a NE-trending alteration system within the Doolgunna formation which hosts the Revere Reef system. The holes intersected several narrow, low grade intervals of gold mineralisation based on the assay results received from conventional 50g fire assay analysis. The lower than expected assay results most likely reflect a high nugget gold distribution, consistent with the very coarse, visible gold observed in rock chip samples of the reef. As a result, the future analysis of drill samples has adopted methods considered more appropriate for coarse gold detection.

To further investigate the potential of a high nugget gold distribution, five bulk samples were collected from three shallow prospecting pits located along a 900 metre section of the Revere Reef system. After some on-site processing, the final concentrates of three samples were submitted to the Perth Mint for grade determination. All bulk samples returned highly encouraging calculated gold results as summarised in the below table.

Bulk sampling grade results

Area	Sample (kg)	Recovered Gold (Perth Mint – grams)	Au Grade (g/t)
Main reef contact zone – not quartz, Central Pit	293.4	95.58	325.77
Main quartz reef in Central Pit	271.6	82.25	302.84
South Pit – near surface sample	258.5	4.44	17.18

A drilling and trenching program was commenced at Doolgunna during the December 2018 quarter in response to the encouraging results seen during the first exploration program. A further 7,345m were drilled and a bulk sampling program was completed. The program will concentrate on trying to deliver a Mineral Resource on previously identified high-grade gold mineralisation zones. This drilling and trenching program will allow MRC to fully investigate the near surface potential of this identified reef discovery.

CONSOLIDATED RESULT AND FINANCIAL POSITION

Revenue for the year was $55.4 million (2017: $62.6 million), a 12% decrease on the prior year. Lower sales revenue was due to substantially lower concentrate volumes shipped during the current year, partially offset by higher zircon, rutile and ilmenite concentrate prices achieved.

Gross profit margins were generally maintained, with the Revenue to Cost of Goods Sold Ratio for the year of 1.43 (2017: 1.46), as the impacts of decreasing mine grades and production cash cost increases were mostly offset by improved processing plant performance and higher sales prices achieved for the Company's zircon, rutile and ilmenite concentrates.

Corporate administration and share incentive expenses for the year of $7.4 million (2017: $5.8 million) were incurred, with the increase over the prior year a result of the Company investing in greater management talent with the aim of executing its strategic growth initiatives, in addition to full amortisation on long term incentive performance rights exceeding the pre-established exercise price.

Earnings Before Interest, Tax, Depreciation and Amortisation for the Group ("EBITDA") was $14.7 million (2017: $19.1 million), a 23% decrease on the prior year. The lower overall sales volumes and revenue, in-conjunction with increased corporate overheads translated into the lower reported EBITDA for the 2018 year, when compared to 2017 results.

Net finance costs for 2018 of $0.1 million (2017: $0.8 million net finance income) were reported, with the prior financial year's reported net finance income assisted by foreign currency hedging gains.

The profit before income tax expense ("NPBT") was $10.4 million (2017: $14.0 million), a 25% decrease on the prior year.

The profit of the consolidated entity after income tax attributable to members of the parent entity ("NPAT") for 2018 year was $8.8 million (2017: $9.9 million), an 11% decrease on the prior year.

The main contributors towards the decreased NPAT when compared to 2017 results, were the lower shipping volumes and mined grades, and increased diesel, maintenance, corporate and net finance costs. The impacts of these were partially offset by improved sales pricing and plant performance, and a lower effective tax rate for the current year of 16% (2017: 29%).

At 31 December 2018, the Company had $12.4 million in cash (2017: $11.0 million), with trade and other receivables of $6.0 million (2017: $6.1 million).

Net working capital as at 31 December 2018 was $13.4 million (2017: $15.8 million).

Borrowings as at 31 December 2018 were $5.1 million (2017: $4.2 million). The increased borrowings reflect additional debt funding for six new 745 Articulated Dump Trucks for the Tormin Operation, partially offset by $1.5 million repayments against the GMA loan facility previously provided to finance Tormin's Garnet Stripping Plant.

Net assets of the Group as at 31 December 2018 were $42.1 million (2017: $45.9 million). Contributing to the decrease in reported net assets were foreign exchange differences on translation of foreign owned operations due to a significant weakening of the Rand from 1 January 2018 to 31 December 2018, and a restatement of retained earnings at 1 January 2018 arising from the application of the new accounting standard AASB 15 Revenue for Contracts with Customers. Further information regarding the impacts of the application of AASB 15 Revenue for Contracts with Customers is contained in Note 1.8 of the Financial Statements.

Strong net cash inflow from operating activities for the year of $14.5 million (2017: $22.3 million) continued to fund the Company's significant investment program and dividend distributions.

Net cash investments in acquisitions, exploration, feasibility studies, mine development, property, plant and equipment during 2018 totalled $9.3 million (2017: $5.4 million)

The Company's dividend payment strategy to provide cash returns to shareholders continued, with a further $3.8 million (2017: $5.2 million) distributed in dividends during 2018.

CORPORATE AND FINANCIAL

The Board of the Company was pleased to be able to declare and pay during the year a 0.7 Australian cent per share final dividend in respect of the 2017 year, followed by an interim dividend for the half year ended 2018 of 0.6 Australian cent per ordinary share.

Subsequent to year end, the Directors declared a final dividend for the year ended 31 December 2018 of 0.7 Australian cent per ordinary share, partially franked to 15% of the ordinary dividend (or partially franked to 0.105 Australian cent per ordinary share). This equates to a total distribution of A$2,947,641 based on the number of ordinary shares on issue at the date of this report. As the dividend was partially franked, there are income tax consequences for the owners of the Company relating to this dividend.

The current and expected future cash position and earnings of the Company is expected to continue to provide for the payment of future dividends as part of the Company's overall capital management strategy.

The Company continues to actively pursue business development opportunities in the industrial minerals, base metals and precious metals sectors, in accordance with the Company's strategy to diversify both in commodities and jurisdictions.

OUTLOOK

Tormin operations will continue to focus on optimising the mining and processing value chain to deliver results in line with 2018 figures. In addition, a concerted effort will continue to be made to secure the full granting of the Company's current mining right renewal application, the Section 102 application for expanded mining rights and its prospecting right applications.

Until such time that additional permitting is granted allowing an expansion and access to the inland strand and northern beach resources, the Company recognises it will need to continue to address issues surrounding mining a replenishing beach and the uncertainties relating to replenishment quantities and grade. Mitigation management includes the adjustment of mining rates to allow sufficient time for the active beach mining areas to replenish, which may result in the scaling back of operations at various periods throughout the year and increasing production from the amphibious excavator that will allow access to the previously unmined portions of the resource which sit within the perimeter of the lower tidal boundaries and surf zone.

Management will drive the completion of the Definitive Feasibility Study for the Munglinup Graphite Project and expedite the requisite studies and regulatory approvals to fast track this project to development.

The advancement of the permitting process in South Africa for the expansion of the Tormin mining operation, combined with the progress of the tier 1 jurisdiction Munglinup Graphite Project and the success of the initial drilling at the Doolgunna Gold Prospect in Western Australia, sees the Company well positioned in 2019 to deliver on its stated expansion and diversification business development strategy.

Significant changes in the state of affairs

Details of the year's operational performance and the resulting financial impact are set out in the review of operations above.

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, other than what has been disclosed elsewhere in this financial report, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Company or the Group in future financial years unless otherwise disclosed in this Directors' Report.

Events since the end of the financial year

Other than disclosed in the review of operations above, there have been no other material matters arising subsequent to the end of the financial year.

Likely developments and expected results of operations

Likely developments in the operations of the Group that were not finalised at the date of this report are included in the review of operations above and as detailed in the Outlook section.

The Board will continue to review other projects and opportunities in the interests of increasing shareholder value.

Environmental regulation

The Group is subject to various environmental regulations in respect to its exploration, development and production activities.

In the course of its normal mining and exploration activities, the Group adheres to all 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.

Greenhouse gas and energy data reporting requirements

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use in Australia. For the measurement period, the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Schedule of mining and prospecting tenements

Mining and prospecting tenements currently held or under application by the Group are:

Country	Location	Right / Tenement Number	Type of Right / Tenement	Status	Beneficial Interest
South Africa	Tormin	(WC)30/5/1/2/2/162 MR	Mining	Granted – subject to renewal application	100%
	Tormin	(WC)30/5/1/2/2/163 MR	Mining	Granted – subject to renewal application	100%
	Tormin	(WC)30/5/1/1/2/10036 PR	Prospecting	Granted	100%
	Tormin	(WC)30/5/1/1/2/10199 PR	Prospecting	Granted	100%
	Tormin	(WC) 30/5/1/1/2/10259 PR	Prospecting	EA Refused – under appeal	100%
	Tormin	(WC)30/5/1/1/2/10240 PR	Prospecting	EA granted subject to appeal	100%
	Tormin	(WC)30/5/1/1/2/10261 PR	Prospecting	EA granted subject to appeal	100%
	Tormin	(WC) 30/5/1/1/2/10262 PR	Prospecting	EA granted subject to appeal	100%
	Xolobeni - Kwanyana block	EC30/5/1/1/2/10025 PR	Prospecting	Subject to moratorium - Converting to Mining Right	100%
	Xolobeni	EC30/5/1/1/2/10025 MR	Mining	Subject to moratorium - Under Application	100%
Australia	Cave Hill	E51/1867	Exploration	Granted	100%
	Doolgunna	E51/1766	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Bone	E51/1770	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Lucky Dog	P51/2787	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Lucky Dog	P51/2788	Exploration	Granted	0% (Option to earn-in to 90%)
	Glen Florrie	ELA08/2963	Exploration	Granted	100% (90%)
	Harvey Vanadium	M70/888	Mining	Granted	0% (Option to earn-in up to 100%)
	Paynes Find	M59/714	Mining	In Transfer	0% (Option to earn-in to 90%)
	Paynes Find – Edon Pegmatites	E59/2325	Exploration	Granted	100% (90%)
	Paynes Find – Wydgee Pegmatites	E59/2326	Exploration	Granted	100% (90%)
	Munglinup	M74/245	Mining	Granted	51% (Option to acquire 90%)
	Munglinup	E74/505	Exploration	Granted	51% (Option to acquire 90%)
	Munglinup	E74/565	Exploration	Granted	100%
	Yandeyarra	E47/3884	Exploration	Granted	100%
	Yandeyarra	E47/3885	Exploration	Granted	100%
	Yandeyarra	E47/3916	Exploration	Granted	100%
	Yandeyarra	E45/5109	Exploration	Granted	100%

Information on Directors

Mark Victor Caruso	Executive Chairman and Chief Executive Officer	Age 57

Experience and expertise

Mr Mark Caruso has extensive experience in mining, earthmoving and civil engineering construction earthworks. He has been a Director of the Company since September 2000. He was previously Chairman of Allied Gold Mining PLC ("AGMP"), responsible for the delivery of the Gold Ridge Project in the Solomon Islands and the Simberi Gold Project in Papua New Guinea. After resigning from AGMP, he transitioned into the position of Executive Chairman of the Company in August 2012.

Other current directorships

Connexion Telematics Ltd

Former directorships in the last 3 years

Perpetual Resources Limited

Special responsibilities

Chairman of the Board
Chief Executive Officer

Interests in shares and options

79,514,228 ordinary shares in the Company – indirect holding [1]
15,784 ordinary shares in the Company – direct holding

Joseph Anthony Caruso	Non-Executive Director	Age 73

Experience and expertise

Mr Joseph Caruso was appointed as Non-Executive Director of the Company in September 2000. He 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. He has considerable experience in managing and administration of engineering, mining, raw materials production operations, earthmoving and related infrastructure utilities services resource contracts.

Other current directorships

None

Former directorships in the last 3 years

None

Special responsibilities

Member of the Remuneration and Nomination Committee

Interests in shares and performance rights

78,007,485 ordinary shares in the Company [1]

Peter Patrick Torre CA, AGIA, MAICD	Non-Executive Director and Company Secretary	Age 47

Experience and expertise

Mr Torre was appointed Company Secretary of the Company in July 2006, and as a Director of the Company on 1 April 2010. He is a Chartered Accountant, a Chartered Secretary and a member of the Australian Institute of Company Directors. He was previously a partner of an internationally affiliated firm of Chartered Accountants. Mr Torre is the Company Secretary of several ASX listed companies.

Other current directorships

Volt Power Group Limited
VEEM Ltd

Former directorships in the last 3 years

WestStar Industrial Ltd

Special responsibilities

Company Secretary and member of the Audit, Compliance and Risk Committee

Interests in shares and performance rights

1,625,000 ordinary shares in the Company

1. J A Caruso and M V Caruso are both directors of and have a relevant interest in Zurich Bay Holdings Pty Ltd, which holds 78,007,485 shares in the Company. Mr Mark Caruso also holds shares indirectly through Regional Management Pty Ltd and Property and Equity Nominees Pty Ltd.

Guy Redvers Walker BCA, CA, CFA, CMInstD | **Non-Executive Director** | **Age 49**

Experience and expertise

Mr Walker is a highly accomplished director and senior investment management executive with over 22 years' financial markets experience. He currently and in the past has sat on the boards of listed mining companies including exploration, development and production companies. He has extensive experience in capital raising through both traditional banks and alternative lenders.

Other current directorships

Metals Exploration plc

Former directorships in the last 3 years

None

Special responsibilities

Non-Executive Director, Chairman of the Audit, Compliance and Risk Committee and member of the Remuneration and Nomination Committee

Interests in shares and performance rights

1,200,000 ordinary shares in the Company

Colin Ross Hastings BSc (Geology), MSc (Economic Geology), MAusIMM | **Age 68**

Independent Non-Executive Director

Experience and expertise

Mr Ross Hastings was appointed as a non-executive Director in April 2015. He is a geologist with over 32 years' experience in mining and exploration, project generation and project development, covering Australia and overseas. He has a strong geotechnical background with 10 years' experience in this field and has extensive experience in mining related disciplines and processes. From 1996 to 2014, Mr Hastings was involved with Allied Gold PLC's Simberi Gold Project where his roles included management of exploration and the feasibility and pre-development studies for mine construction. Mr Hastings then progressed to General Manager Resource Development and concluded his tenure at St Barbara subsequent to the merger between it and Allied Gold Mining PLC.

Other current directorships

None

Former directorships in the last 3 years

Perpetual Resources Limited

Special responsibilities

Chairman of the Remuneration and Nomination Committee and member of the Audit, Compliance and Risk Committee

Interests in shares and performance rights

1,150,000 ordinary shares in the Company

Directors and Key Management Personnel Shareholdings

The relevant interest of each Director and key management personnel in the share capital of the Company, shown in the Register of Directors' and Key Management Personnel Shareholding at the date of the Directors' Report is as follows:

		Balance as at 1 January 2018	Received as remuneration	Increase as a result of performance rights exercised	Purchased on market	Balance as at 31 December 2018
Mark Caruso	Indirect	79,164,228	-	-	350,000	79,514,228
	Direct	15,784	-	-	-	15,784
Joseph Caruso		77,007,485	-	1,000,000	-	78,007,485
Peter Torre		625,000	-	1,000,000	-	1,625,000
Guy Walker		200,000	-	1,000,000	-	1,200,000
Ross Hastings		150,000	-	1,000,000	-	1,150,000
Tony Sheard		250,000	-	2,000,000	-	2,250,000
Surinder Ghag		-	-	-	-	-
Bahman Rashidi		-	-	-	-	-
Fletcher Hancock		-	-	-	-	-

Meetings of Directors

The number of meetings of the Company's Board of Directors and each of the Board committees held during the year ended 31 December 2018, and the number of meetings attended by each Director were:

Name	Directors' Meetings		Meetings of committees			
			Audit, Compliance and Risk		Remuneration and Nomination	
	A	B	A	B	A	B
Mark Victor Caruso	6	6	0	0	0	0
Joseph Anthony Caruso	6	6	0	0	8	7
Peter Patrick Torre	6	6	4	4	0	0
Guy Redvers Walker	6	6	4	4	8	8
Colin Ross Hastings	6	6	4	4	8	8

A being total of meetings eligible to attend
B being total of meetings actually attended

Other 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.

Remuneration report (Audited)

This remuneration report sets out the remuneration information for the Company's non-executive Directors, executive Directors, other key management personnel and the key executives of the Group and the Company. 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
F. Other transactions with key management personnel

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 key management personnel, if any, 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 and consultancy; and
(c) Benefits, including the provision of a motor vehicle and superannuation.

Fees payable to non-executive Directors reflect the demands which are made on, and the responsibilities of the Directors. The Board reviews Non-Executive Directors' fees and payments on an annual basis. The Non-Executive Directors fee pool was set at $500,000 on 30 May 2008 at the Annual General Meeting. Non-Executive Director fees are paid with an aggregate limit (currently $500,000) which is approved by the shareholders from time to time. Non-Executive Directors serve in accordance with a standard letter of appointment which sets out the remuneration arrangements.

Executives are offered a competitive base pay which is reviewed annually to ensure the pay is competitive with the market.

There were short term cash incentives provided to the Executive Chairman, Chief Financial Officer ("CFO"), Technical Services Manager ("TSM") and Group Legal Counsel ("GLC"). Long-term incentives are provided to Directors and other key management personnel to incentivise them to deliver long-term shareholder returns.

These are determined based on what the Board views as reasonable based on market conditions. Any grant of securities to Directors of the Company must be approved by shareholders in a general meeting.

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.

As at 31 December 2018, the short term cash bonus incentives were up to 25% of base pay calculated on Company performance and other key performance indicators. Directors' fees are fixed.

	2018	2017	2016	2015	2014
Profit/(loss) for the year after tax (USD)	8,823,231	9,932,930	3,777,834	10,576,785	8,376,344
Closing share price (AUD)	17.0 cents	13.0 cents	13.0 cents	10.0 cents	11.0 cents
Dividends paid (AUD)	5,431,140	6,884,012	4,049,416	-	-

Voting and comments made at the Company's 2018 Annual General Meeting

The Company received more than 25% votes against the approval of the Remuneration Report, and as such, has recorded its first strike in accordance with the *Corporations Act 2001*. Following the 2018 Annual General Meeting, the Remuneration and Nomination Committee formally sought explanations from certain shareholders on the reasons why votes were cast against the Remuneration Report. Information was received by the Remuneration and Nomination Committee and considered in light of the reasons provided.

B. DETAILS OF REMUNERATION

The key management personnel of the Group are:

- the Directors of the Company;
- Mr Tony Sheard, the Chief Financial Officer ("CFO");
- Mr Surinder Ghag, the Technical Services Manager ("TSM"), appointed on 4 September 2017;
- Mr Bahman Rashidi, the General Manager – Iran, ("GM Iran") appointed on 1 October 2017;
- Mr Fletcher Hancock, the Group Legal Counsel ("GLC"), appointed on 11 May 2018; and
- Mr Logan Francis, the Chief Operating Officer ("COO"), appointed on 17 October 2016, resigned on 24 May 2017.

The amounts disclosed are applicable for the Company.

Details of the remuneration of Directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of the Company are set out in the following tables. Non-cash benefits in the form of performance rights were provided to Directors during the 2016 financial year, to the CFO in the 2017 financial year and to the TSM and GM Iran in the 2018 financial year. The following fees are applicable to Directors and key management personnel of the Company.

Name	Year	Cash salary (A$)	Cash bonus (A$)	Annual and long service leave (A$)	Post-employment benefits (A$)	Share-based payments (Options & Performance rights) (A$)	Totals (A$)	Percentage performance based(%)	Share based payments as a percentage of remuneration (%)
Directors									
Executive Chairman									
Mark Caruso [1]	2018	579,710	662,500	68,385	20,290	-	**1,330,885**	49.8	-
	2017	580,168	150,000	42,613	19,832	17,684	**810,297**	18.5	2.2
Joseph Caruso	2018	63,927	-	-	6,073	52,705	**122,705**	-	43.0
	2017	63,927	-	-	6,073	37,795	**107,795**	-	35.1
Peter Torre	2018	150,000	-	-	-	52,705	**202,705**	-	26.0
	2017	150,000	-	-	-	37,795	**187,795**	-	20.1
Guy Walker	2018	80,000	-	-	-	52,705	**132,705**	-	39.7
	2017	80,000	-	-	-	37,795	**117,795**	-	32.1
Ross Hastings [2]	2018	84,036	-	-	6,941	52,705	**143,682**	-	36.7
	2017	83,409	-	-	6,941	37,795	**128,145**	-	29.5
Total Director Remuneration	**2018**	**957,673**	**662,500**	**68,385**	**33,304**	**210,820**	**1,932,682**	**34.3**	**10.9**
	2017	957,504	150,000	42,613	32,846	168,864	1,351,847	11.1	12.5
Other Key Management Personnel									
Tony Sheard	2018	248,762	51,313	8,122	26,238	202,073	**536,508**	9.6	37.7
	2017	253,930	68,750	2,848	21,070	33,927	**380,525**	18.1	8.9
Logan Francis (appointed 17 October 2016, resigned 24 May 2017)	2018	-	-	-	-	-	**-**	-	-
	2017	99,217	-	11,168	8,173	-	**118,558**	-	-
Surinder Ghag (appointed 4 September 2017)	2018	221,407	55,574	7,490	20,572	26,142	**331,185**	16.8	7.9
	2017	57,430	17,372	5,868	6,029	-	**86,699**	20.0	-
Bahman Rashidi (appointed 1 October 2017) [3]	2018	164,384	-	9,750	15,616	159,330	**349,080**	-	45.6
	2017	102,695	-	-	3,904	-	**106,599**	-	-
Fletcher Hancock (appointed 11 May 2018)	2018	121,471	29,142	-	11,540	-	**162,153**	18.0	-
Total Key Management Personnel Remuneration	**2018**	**1,713,697**	**798,529**	**93,747**	**107,270**	**598,365**	**3,311,608**	**24.1**	**18.1**
	2017	1,470,776	236,122	62,497	72,022	202,791	2,044,206	11.6	9.9

1. Mr Caruso received non-monetary benefits in addition to the remuneration above for personal insurance of A$72,962 (2017: A$59,882) and a driver for business use of A$nil (2017: A$40,157). Mr Caruso, as a working Director, is not personally insured under the Group's insurance policies for accident, injury or death. The Company in 2018 also purchased Mr Caruso a A$116,544 Toyota LandCruiser motor vehicle for business and personal use. This car has been financed by the Company.
2. Mr Hastings has provided consulting services to one of the Company's projects during the year ended 31 December 2018. Consultancy fees have been included in his cash salary. Comparatives have been reclassified to conform to current year presentation.
3. Mr Rashidi was a consultant to the Company prior to becoming an employee on 1 October 2017. Consultancy fees have been included in his cash salary in the 2017 comparative year.

Other short and long term benefits forming part of the service agreements are detailed below:

Cash bonus

The Executive Chairman was entitled to an annual bonus of 25% of the Base Remuneration, measured against the following criteria, 20% weighting for each:

1. Mine production against budget;
2. Positive progress towards the review of the Tormin Mining Rights, including Mining Rights for the Northern Beaches and Geelwal Karoo Inland Mining Area;
3. Achieving Budget Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") taking into account uncontrollable variables at the discretion of the Board;
4. Munglinup project progress against agreed project plan and deliverables; and
5. Securing additional prospecting permits for the Company.

Future bonuses of the Executive Chairman will be at the sole discretion of the Board.

The measurable objectives were chosen to ensure the Executive Chairman was incentivised to meet budgeted production and EBITDA, to secure further mining and prospecting tenure for the Company's Tormin operations and to progress the Company's strategy of diversifying from its mineral sands projects in South Africa.

The Chairman of the Remuneration and Nomination Committee assessed the performance of the Executive Chairman and reviewed his performance against the above set measurable objectives, taking into account other mitigating factors throughout the year. The Remuneration and Nomination Committee has reviewed the assessment and awarded 75% of the full bonus of 25% of the Base Remuneration.

In 2018 the Executive Chairman received an additional one-off special bonus of A$550,000 in recognition of his performance in generating the uplift in the Company's share price during 2018, resulting in the increased market capitalisation and individual shareholder value created. In considering whether or not to pay this one-off bonus, the Board canvassed its largest shareholders' opinions before it made its final decision to award the bonus.

The CFO, Tony Sheard, was entitled to an annual bonus of 25% of the Base Remuneration, measured against the following criteria:

1. Performance against scope of services set out in the employment contract at the sole discretion of the Executive Chairman -70%;
2. Board Reporting within set timing each month -10%; and
3. Achieving EBITDA against budget taking into account uncontrollable variables at the discretion of the Board -20%.

Future bonus of the CFO will be at the sole discretion of the Board.

The measurable objectives were chosen to ensure the CFO was incentivised to meet budgeted EBITDA; to ensure the CFO performed each of the tasks outlined in his employment contract which are typical of that for a CFO position, and timely reporting to the Board to ensure business decisions can be made on a timely and informed basis.

The Executive Chairman assessed the performance of the CFO against the above measurable objectives and awarded 75% of the full bonus of 25% of the Base Remuneration.

The Technical Services Manager, Surinder Ghag, was entitled to an annual bonus of 25% of the Base Remuneration, measured against the following criteria:

1. Tormin processing plant performance recoveries and throughput rates against budget -25%;
2. Tormin HMC expansion progress against agreed project plan and deliverables -25%;
3. Tormin business improvement initiatives -10%;
4. Munglinup project progress against agreed project plan and deliverables -25%; and
5. Achieving EBITDA against budget taking into account uncontrollable variables at the discretion of the Executive Chairman -15%.

Future bonus of the Technical Services Manager will be at the sole discretion of the Board.

The measurable objectives were chosen to ensure the Technical Services Manager was incentivised to meet budgeted production and EBITDA, to progress the Company's strategy of diversifying from its mineral sands projects in South Africa and to ensure the Technical Services Manager performed each of the tasks outlined in his employment contract which are typical of that for a Technical Services Manager position.

The Executive Chairman assessed the performance of the Technical Services Manager against the above measurable objectives and awarded 90% of the full bonus of 25% of the Base Remuneration for the year.

The Group Legal Counsel, Fletcher Hancock, was entitled to an annual bonus of 25% of the Base Remuneration, measured against the following criteria:

1. Legal project progress against agreed project plan and deliverables -80%;
2. Achieving EBITDA against budget taking into account uncontrollable variables at the discretion of the Executive Chairman -20%.

Future bonus of the Group Legal Counsel will be at the sole discretion of the Board.

The measurable objectives were chosen to ensure the Group Legal Counsel was incentivised to ensure legal and statutory compliance and EBITDA, and to ensure the Group Legal Counsel performed each of the tasks outlined in his employment contract which are typical of that for a Group Legal Counsel position.

The Executive Chairman assessed the performance of the Group Legal Counsel against the above measurable objectives and awarded 88% of the full bonus of 25% of the Base Remuneration on a pro rata basis for the year.

Relative proportions of fixed versus variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expenses in the previous table:

Name	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	2018	2017	2018	2017	2018	2017
Directors						
Executive Chairman						
Mark Caruso	50%	79%	50%	19%	0%	2%
Non-Executive Directors						
Joseph Caruso	57%	65%	0%	0%	43%	35%
Peter Torre	74%	80%	0%	0%	26%	20%
Guy Walker	60%	68%	0%	0%	40%	32%
Ross Hastings	63%	71%	0%	0%	37%	29%
Other Key Management Personnel						
Tony Sheard	52%	73%	10%	18%	38%	9%
Logan Francis	0%	100%	0%	0%	0%	0%
Surinder Ghag	75%	80%	17%	20%	8%	0%
Bahman Rashidi	54%	100%	0%	0%	46%	0%
Fletcher Hancock	82%	-	18%	-	0%	-

C. SERVICE AGREEMENTS

Mark Caruso

Commencement date	6 August 2012
Term	No fixed term
Total Remuneration package	A$600,000 per annum (inclusive of statutory superannuation), effective from 12 September 2014, and cash bonus as set out above
Termination benefits	12 months' base salary plus any payment in lieu of notice

Peter Torre

Commencement date	1 November 2012
Term	No fixed term
Total Remuneration package	A$150,000 per annum
Termination benefits	12 months' base salary plus any payment in lieu of notice

Tony Sheard

Commencement date	1 January 2015
Term	No fixed term
Total Remuneration package	A$275,000 per annum (inclusive of statutory superannuation) and cash bonus as set out above
Termination benefits	Nil unless constructive redundancy in which case 12 months' salary

Logan Francis

Commencement date	17 October 2016, resigned 24 May 2017
Term	No fixed term
Total Remuneration package	A$290,000 per annum (inclusive of statutory superannuation) and cash bonus as set out above
Termination benefits	Nil unless constructive redundancy in which case 12 months' salary

Surinder Ghag

Commencement date	4 September 2017
Term	No fixed term
Total Remuneration package	A$246,375 per annum (inclusive of statutory superannuation) and cash bonus as set out above
Termination benefits	Nil unless constructive redundancy in which case 12 months' salary

Bahman Rashidi

Commencement date	1 October 2017
Term	No fixed term
Total Remuneration package	A$180,000 per annum (inclusive of statutory superannuation)
Termination benefits	Nil unless constructive redundancy in which case 12 months' salary

Fletcher Hancock

Commencement date	11 May 2018
Term	No fixed term
Total Remuneration package	A$207,500 per annum (inclusive of statutory superannuation)
Termination benefits	Nil unless constructive redundancy in which case 12 months' salary

There are no other service agreements.

D. SHARE BASED COMPENSATION

Employee Options

No options were granted as remuneration during the year ended 31 December 2018. No options vested during the year.

The terms and conditions of each grant of options are as follows:

Grant Date	Expiry date	Exercise price	Fair Value at grant date	Options at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year	Balance at the end of the year	Vested at the end of the year
27 May 2015	30 May 2018	20 cents	4.90 cents	5,000,000	-	-	-	5,000,000	-	-
07 Sept 2015	31 Mar 2018	20 cents	5.40 cents	1,000,000	-	-	-	1,000,000	-	-
Total				**6,000,000**	**-**	**-**	**-**	**6,000,000**	**-**	**-**

Details of options over ordinary shares in the Company provided as remuneration to key management personnel are shown below:

	Balance as at 1 January 2018	Received as remuneration	Options exercised	Options lapsed	Balance as at 31 December 2018
Mark Caruso	5,000,000	-	-	5,000,000	-
Tony Sheard	1,000,000	-	-	1,000,000	-
Total	**6,000,000**	**-**	**-**	**6,000,000**	**-**

No options are on issue to any other key management employees.

Grant of Performance Rights

The issue of Performance Rights was approved by shareholders at a general meeting of the Company held on 25 May 2016. The Incentive Performance Rights Plan is designed to provide long-term incentives for senior managers and above (including directors) to deliver long-term shareholder returns. Performance Rights granted under the plan carry no dividend or voting rights.

The following performance rights were issued to the key management personnel during the year:

	Grant Date	Expiry Date	Barrier Price (A$) ^	No of Performance Rights
Bahman Rashidi	22 May 2018	1 October 2021	20 cents	1,000,000
Surinder Ghag	25 September 2018	30 September 2021	20 cents	1,000,000

^ Rights will convert to shares if the Company's share price exceeds the Barrier Price for thirty consecutive days.

Each performance right issued to Mr Rashidi was valued at A$0.28, with 333,333 rights vesting on both 1 October 2018 and 1 October 2019 and the remaining 333,334 rights vesting on 1 October 2020 once the share price exceeds the Barrier Price for thirty consecutive days.

Each performance right for Mr Ghag was valued at A$0.136 with 500,000 shares vesting 11 October 2019 once the share price exceeds the Barrier Price for five consecutive days and the remaining 500,000 shares vesting on 11 October 2020 once the share price exceeds the Barrier Price for five consecutive days. Vesting of these performance rights is also subject to meeting a key result areas weighted score of greater than 50% against certain key performance indicators:

- Tormin operational performance against budget – 25%
- Tormin expansion and other project deliverables – 25%
- Munglinup project deliverables – 25%
- Other project deliverables and business improvement initiatives – 25%

Details of performance rights over ordinary shares in the Company provided as remuneration to key management personnel are shown below:

	Balance as at 1 Jan 2018	Received as remuneration	Performance rights vested and exercised	Performance rights vested and not exercised	Balance as at 31 December 2018
Joseph Caruso	1,000,000	-	1,000,000	-	**-**
Peter Torre	1,000,000	-	1,000,000	-	**-**
Guy Walker	1,000,000	-	1,000,000	-	**-**
Ross Hastings	1,000,000	-	1,000,000	-	**-**
Tony Sheard	2,000,000	-	2,000,000	-	**-**
Bahman Rashidi	-	1,000,000	-	333,333	**1,000,000**
Surinder Ghag	-	1,000,000	-	-	**1,000,000**
Fletcher Hancock	-	-	-	-	**-**
Total	**6,000,000**	**2,000,000**	**6,000,000**	**333,333**	**2,000,000**

Mr Rashidi's 333,333 performance rights vested and not exercised as at 31 December 2018 are valued at A$93,333.

E. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Mine Site Construction Services ("MSCS"), a company associated with Mr Mark Caruso and Mr Joseph Caruso has provided the following services to the Company during 2018:

- Provision of executive services.

The amount paid by the Company to MSCS for the year ended 31 December 2018 was $224,340 (2017: $134,155). This is considered to be an arm's length commercial consultancy contract at normal commercial rates.

- Provision of office space.

The amount paid by the Company to MSCS for the year ended 31 December 2018 was $148,625 (2017: $158,510). This is considered to be an arm's length commercial rent. There is a formal sub lease in place.

- Provision of secretarial staff to the Executive Chairman.

The amount paid by the Company to MSCS for the year ended 31 December 2018 was $nil (2017: $82,372). The amounts payable are pursuant to an Executive Service Agreement and have been reimbursed on an arm's length basis at normal commercial rates.

- Provision of technical staff.

The amount paid by the Company to MSCS for the year ended 31 December 2018 was $236,880 (2017: $288,627). The amounts payable have been in respect to the provision of technical staff at the Groups' head office and at the Tormin project and have been reimbursed on an arms-length basis at normal commercial rates.

- Others

The amount paid by the Company to MSCS for the year ended 31 December 2018 was $337,253 (2017:$202,267). The amounts payable have been in respect of the acquisition of a new vehicle for the Executive Chairman, telecommunication charges and miscellaneous payments made by MSCS on behalf of the Company. The amounts have been reimbursed on an arms-length basis at normal commercial rates.

As at 31 December 2018, amount payable to MSCS is $126,284.

Ross Hastings, one of the Directors, has provided consulting services to one of the Company's projects during the year ended 31 December 2018. The amount paid by the Company to Ross Hastings for the year ended 31 December 2018 was $8,209 (2017: $7,934). The amounts payable have been reimbursed on an arm's length basis at normal commercial rates.

Hastings Bell Pty Ltd, a Company associated with Daniel Hastings, the son of Ross Hastings, has provided business development consultancy services to the Company during 2018. The amount paid by the Company to Hastings Bell Pty Ltd for the year ended 31 December 2018 was $305,734 (2017: $185,452). This is considered to be an arm's length commercial consultancy contract at normal commercial rates.

End of the audited remuneration report

Insurance of officers

During the financial year, the Group has paid an insurance premium to insure the Directors and secretaries of the Company and its controlled entities. The provision of details in respect to the terms and conditions of the policy are prohibited from disclosure under the terms of the policy.

Proceedings on behalf of the Group

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

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.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit, Compliance and Risk 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, Compliance and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year, the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd and BDO Tax (WA) Pty Ltd, its related practices and related firms:

	31 December 2018 $	31 December 2017 $
Non-audit services		
Taxation and company secretarial (South African entities)		
BDO Tax (WA) Pty Ltd	**24,946**	53,135
	24,946	53,135

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 33 and forms part of this report.

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

Mark Caruso
Executive Chairman

Perth, Western Australia,
28 February 2019

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

As lead auditor of Mineral Commodities Ltd for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 28 February 2019

Financial statements

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Consolidated income statement

For the year ended 31 December 2018

	Notes	31 December 2018 $	31 December 2017 $
Revenue from continuing operations			
Sale of product	2.2	**53,523,922**	60,930,269
Other revenue	2.2	**1,875,241**	1,677,565
		55,399,163	62,607,834
Expenses			
Mining and processing costs	2.3(i)	**(37,501,716)**	(43,412,215)
Other expenses from ordinary activities			
Administration expenditure	2.3(ii)	**(6,913,831)**	(5,477,138)
Impairment charge		**-**	(234,771)
Share based payment expenses	7.2	**(441,253)**	(304,270)
Financial expenses/income	5.2	**(102,756)**	794,178
Profit before income tax		**10,439,607**	13,973,618
Income tax expense	2.4(i)	**(1,616,376)**	(4,040,688)
Profit after income tax		**8,823,231**	9,932,930
Profit is attributable to:			
Owners of Mineral Commodities Ltd		**8,823,231**	9,932,930
Non-controlling interest		**-**	-
		8,823,231	9,932,930
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	2.5	**2.10**	2.45
Diluted earnings per share	2.5	**2.08**	2.45

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Notes	31 December 2018 $	31 December 2017 $
Profit for the year		**8,823,231**	9,932,930
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets	5.3(b)	**-**	276,901
Exchange differences on translation of foreign operations	5.3(b)	**(8,063,464)**	3,486,282
Other comprehensive income for the year, net of tax		**(8,063,464)**	3,763,183
Total comprehensive income for the year		**759,767**	13,696,113
Total comprehensive income for the year is attributable to:			
Owners of Mineral Commodities Ltd		**759,767**	13,696,113
Non-controlling interest		**-**	-
		759,767	13,696,113

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

For the year ended 31 December 2018

	Notes	31 December 2018 $	31 December 2017 $
ASSETS			
Current assets			
Cash and cash equivalents	4.1	**12,410,510**	10,975,817
Trade and other receivables	4.2	**5,166,481**	4,997,379
Inventories	4.3	**25,756,725**	9,141,797
Other investments, including derivatives		**753,796**	542,368
Total Current Assets		**44,087,512**	25,657,361
Non-current assets			
Trade and other receivables	4.2	**856,715**	1,058,129
Exploration expenditure	3.1	**15,369,068**	11,200,454
Mine development expenditure	3.2	**5,240,911**	7,306,979
Property, plant and equipment	3.3	**15,320,565**	17,027,635
Total Non-Current Assets		**36,787,259**	36,593,197
Total Assets		**80,874,771**	62,250,558
LIABILITIES			
Current liabilities			
Trade and other payables	4.4	**7,066,484**	3,691,145
Unearned revenue	4.5	**1,670,100**	1,793,475
Contract liability	4.6	**18,098,880**	-
Borrowings	5.1	**2,277,728**	2,072,320
Employee benefits	7.1	**355,057**	362,760
Current tax liabilities		**1,263,859**	1,921,341
Total Current Liabilities		**30,732,108**	9,841,041
Non-current liabilities			
Provisions	3.5	**247,834**	169,144
Long term borrowings	5.1	**2,788,682**	2,133,721
Employee benefits	7.1	**99,024**	73,273
Deferred tax liabilities	2.4(b)	**4,955,747**	4,105,003
Total Non-current Liabilities		**8,091,287**	6,481,141
Total Liabilities		**38,823,395**	16,322,182
NET ASSETS		**42,051,376**	45,928,376
Equity			
Contributed equity	5.3(a)	**64,919,201**	64,420,299
Reserves	5.3(b)	**(21,439,180)**	(13,116,794)
Accumulated losses	5.3(c)	**(1,542,284)**	(5,488,768)
Parent entity interest		**41,937,737**	45,814,737
Non-controlling interest	5.3(d)	**113,639**	113,639
TOTAL EQUITY		**42,051,376**	45,928,376

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2018

	Notes	31 December 2018 $	31 December 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**55,216,674**	66,417,311
Payments to suppliers and employees		**(40,585,762)**	(44,076,945)
Income tax paid		**(128,299)**	-
Net cash inflow from operating activities	4.1(ii)	**14,502,613**	22,340,366
Cash flows from investing activities			
Payments for exploration expenditure		**(4,612,163)**	(276,934)
Payments for property, plant and equipment		**(4,141,718)**	(2,767,146)
Payments for investments		**(174,812)**	-
Acquisition of exploration assets		**(676,765)**	(2,499,233)
Proceeds from disposal of property, plant and equipment		**9,467**	149,044
Advance to third parties		**91,180**	(78,735)
Interest received		**122,378**	46,030
Net cash outflow from investing activities		**(9,382,433)**	(5,426,974)
Cash flows from financing activities			
Dividends paid to shareholders	2.6	**(3,831,078)**	(5,181,303)
Proceeds from borrowings		**2,974,756**	1,792,979
Repayment of borrowings		**(2,114,387)**	(5,345,633)
Interest paid on borrowings		**(186,751)**	(161,157)
Net cash inflow/ (outflow) from financing activities		**(3,157,460)**	(8,895,114)
Net increase in cash and cash equivalents		**1,962,720**	8,018,278
Cash and cash equivalents at beginning of financial year		**10,975,817**	2,873,135
Effects of exchange rate changes on cash and cash equivalents		**(528,027)**	84,404
Cash and cash equivalents at end of financial year	4.1	**12,410,510**	10,975,817

The above statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Contributed equity $	Reserves $	Accumulated losses $	Totals $	Non-controlling interest $	Total equity $
For the year ended 31 December 2018						
At 1 January 2018	**64,420,299**	**(13,116,794)**	**(5,488,768)**	**45,814,737**	**113,639**	**45,928,376**
Adjustment to opening retained earnings (refer Note 1.8)	-	-	(1,246,942)	**(1,246,942)**	-	**(1,246,942)**
Adjusted 1 January 2018	64,420,299	(13,116,794)	(6,735,710)	**44,567,795**	113,639	**44,681,434**
Profit for the year	-	-	8,823,231	**8,823,231**	-	**8,823,231**
Other comprehensive income for the year	-	(8,063,464)	-	**(8,063,464)**	-	**(8,063,464)**
Total comprehensive income for the year	-	(8,063,464)	8,823,231	**759,767**	-	**759,767**
Transaction with owners in their capacity as owners:						
Conversion of unlisted performance rights	498,902	(498,902)	-	**-**	-	**-**
Share based payments	-	441,253	-	**441,253**	-	**441,253**
Transfer to retained earnings on expiry of unlisted options	-	(201,273)	201,273	**-**	-	**-**
Dividends paid	-	-	(3,831,078)	**(3,831,078)**	-	**(3,831,078)**
Balance at the end of the year	**64,919,201**	**(21,439,180)**	**(1,542,284)**	**41,937,737**	**113,639**	**42,051,376**

	Contributed equity $	Reserves $	Accumulated losses $	Totals $	Non-controlling interest $	Total equity $
For the year ended 31 December 2017						
At 1 January 2017	**63,437,092**	**(17,189,759)**	**(10,240,395)**	**36,006,938**	**113,639**	**36,120,577**
Profit for the year	-	-	9,932,930	**9,932,930**	-	**9,932,930**
Other comprehensive loss for the year	-	3,763,183	-	**3,763,183**	-	**3,763,183**
Total comprehensive income for the year	-	3,763,183	9,932,930	**13,696,113**	-	**13,696,113**
Transaction with owners in their capacity as owners:						
Issue of share based payments	983,207	-	-	**983,207**	-	**983,207**
Transfer to retained earnings on expiry of unlisted options	-	309,782	-	**309,782**	-	**309,782**
Dividends paid	-	-	(5,181,303)	**(5,181,303)**	-	**(5,181,303)**
Balance at the end of the year	**64,420,299**	**(13,116,794)**	**(5,488,768)**	**45,814,737**	**113,639**	**45,928,376**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. BASIS OF PREPARATION

This section provides information about the overall basis of preparation that is considered to be useful in understanding these financial statements. Accounting policies specific to the various components of the financial statements are located within the relevant section of the report.

1.1 Corporate information

Mineral Commodities Ltd (the "Company") is a company limited by shares, domiciled and incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange ("ASX"). The nature of the operations and principal activities of the Company and its controlled entities are described in the Directors' Report and in the segment information in Note 2.1.

The financial report of the Company for the year ended 31 December 2018 was authorised for issue in accordance with a resolution of directors with effect on 28 February 2019.

1.2 Basis of accounting

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *Corporations Act 2001*. Mineral Commodities Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) *Compliance with IFRS*

The consolidated financial statements of the Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(ii) *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for the following:

- financial assets and liabilities

(iii) *Presentation currency*

The consolidated financial statements are presented in United States dollars ("USD"), which is the Company's presentation currency.

1.3 Comparative Information

Certain comparatives have been reclassified to conform to current year presentation.

1.4 Principles of consolidation

The consolidated financial statements include the financial statements of the parent entity, Mineral Commodities Ltd, and its controlled entities (together referred to hereafter as the "Group"). A list of significant controlled entities is presented in Note 6.1.

Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Non-controlling interests in the results and equity of the entities that are not controlled by the Group is shown separately in the Income Statement, Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity respectively.

1.5 Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is the Company's presentation currency.

- assets and liabilities for each balance sheet presented have been translated at the closing rate at the date of balance sheet;
- results for the cash flow statement were translated at average daily exchange rates from 1 January 2018 to 31 December 2018; and
- exchange differences on translating income, expenses and movements in equity and reserves at annual average exchange rates and assets and liabilities at closing exchange rates from functional currency to presentation currency are taken to the foreign currency translation reserve in the equity section and under other comprehensive income/(expense) in the statement of comprehensive income.

(ii) Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.6 Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST and VAT except where the GST and VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST and VAT 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 and VAT included. The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as part of receivables in the consolidated balance sheet. Cash flows are included in the statements of cash flows on a gross basis and the GST and VAT 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 and VAT recoverable from, or payable to, the relevant taxation authority.

1.7 Critical accounting estimates and judgements

The Group makes significant estimates and judgements concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are found in the following notes:

Note 2.2: Revenue recognition

Note 2.4: Recognition of deferred taxes

Note 3.1: Exploration and evaluation expenditure

Note 3.2: Development expenditure

Note 3.3: Property, plant and equipment

Note 3.5: Rehabilitation provisions

1.8 Application of new and revised Australian Accounting Standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- AASB 9 Financial Instruments, and
- AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed below.

AASB 15 Revenue from Contracts with Customers

The Group has applied AASB 15 Revenue from Contracts with Customers (as amended) for the first time in the current period. AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. The Company has considered AASB 15 in detail and has identified one difference in revenue recognition in comparison to prior periods. Under the Company's prior period accounting policy, revenue from the stockpiling of goods was recognised when there was evidence that there had been a transfer of risks and rewards to the customer. This is based on a contractual obligation of the customer to take final delivery and make full and final payment for all amounts delivered to the stockpile, which is clearly identified and available to the buyer. Under AASB 15, revenue recognition requires transfer of control, which is a sterner test than transfer of risk and rewards. A thorough review of our current commercial contract for the stockpiling of goods does not support effective transfer of control at that point in time as the Company retains legal title and has the ability to control the use of the product.

New Revenue Accounting Policy

Revenue is recognised when the significant control of products has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The timing of the transfer of control varies depending on the individual terms of the sales agreement. Generally for the Group, this is based on free-on-board ("FOB") sales where transfer of control passes at port of origin or cost, insurance and freight ("CIF") sales where control passes at port of destination. Sales revenue is recognised for FOB and CIF sales on bill of lading date. Sales revenue comprises gross revenue earned from the provision of product to customers. Sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metals price, assay, weight and moisture content between the time of delivery and the time of final settlement of sales proceeds.

The majority of the Group's revenue is derived from product sales with revenue recognised at a point in time when control of the goods has transferred to the customer.

Revenue from the sales of garnet product has two performance obligations, sale of product and transportation services, both of which are satisfied at a point in time. Revenue from the stockpiling of goods is deferred until final sale of product when control of product is finally transferred.

The Group adopted AASB 15 using the cumulative catch-up method. The nature and effect of these changes are disclosed below.

Impact on profit/(loss) for the year	31 December 2018 $
Revenue	-
Cost of sales	-
Income tax expense	-
Profit for the year	-
Earnings per share from continuing operations	
Basic earnings per share	0.00 cents
Diluted earnings per share	0.00 cents

Revenue after AASB 15 adoption has had nil impact during the year ended 31 December 2018.

	As previously reported under AASB 118 $	AASB 15 adjustments $	As restated $
Impact on assets, liabilities and equity as at 1 January 2018			
Accounts receivable	4,997,379	(2,649,440)	2,347,939
Inventories	9,141,797	16,085,457	25,227,254
Deferred tax	(4,105,003)	563,758	(3,541,245)
Contract liabilities	-	(15,449,440)	(15,449,440)
Opening accumulated losses	5,488,768	1,449,664	6,938,432

Contract liabilities and inventories have increased due to the initial recognition of garnet in inventory as a result of an accounting policy change after adopting the new AASB 15 "Revenue" standard. In prior periods, the Company recognised garnet stockpiling revenue as incurred. Under AASB 15, garnet stockpiling revenue does not meet the definition of a performance obligation that transfers control to the customer, therefore costs associated with producing this garnet in prior periods has been recognised as inventory and related revenue previously recognised in profit or loss has been recognised as a contract liability until this revenue is able to be recognised in future periods.

Accounts receivable for garnet stockpiling revenue recognised in advance of $2,649,440 has been reversed as again AASB 15 does not allow garnet stockpiling revenue recognition.

	As previously reported under AASB 118 $	AASB 15 adjustments $	As restated $
Impact on assets, liabilities and equity as at 31 December 2018			
Accounts receivable	5,166,481	-	5,166,481
Inventories	10,624,149	15,132,576	25,756,725
Deferred tax	(5,440,669)	484,922	(4,955,747)
Contract liabilities	-	(18,098,880)	(18,098,880)
Reserves	20,192,238	1,246,942	21,439,180

This reconciliation highlights the impact of AASB 15 on accounting balances incurred during the year.

Contract liabilities and inventories have increased due to the recognition of garnet in inventory at the GMA Secured stockpile, as stockpiling of goods does not support effective transfer of control at that point in time as the Company retains legal title and has the ability to control the use of the product. AASB 15 adjustments to contract liabilities of $18,098,880 reflects the recognition of garnet in inventory at the GMA Secured stockpile. AASB 15 adjustments to inventory of $15,132,576 also reflects recognition of garnet in inventory at the GMA Secured stockpile at a year end stock value.

AASB 9 Financial Instruments

The Group applies, for the first time, AASB 9 Financial Instruments. AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The adoption of AASB 9 Financial Instruments from 1 January 2018 resulted in the Group's accounting policies being updated with no adjustments to the amounts recognised in the financial statements.

This standard amends the classification and measurement of the financial assets. It introduces an 'expected credit loss' model rather than 'incurred loss' model for impairment of the financial assets. Refer to 5.4(a) for further details on trade receivables - impairment.

Reclassification of available for sale financial assets to fair value through profit or loss (FVTPL): At 31 Dec 2017, the Group had shares and units in unlisted entities classified as available-for-sale (AFS) financial assets of $24,689. On 1 January 2018, these have been reclassified into the fair value through profit or loss category. There were no cumulative fair value changes in the Group's available for sale financial assets in other comprehensive income (OCI) as at 1 January 2018 and therefore no adjustments were required on transition to opening retained earnings.

1.9 Impact of standards issued but not yet applied by the entity

AASB 16 Leases was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $1,177,186. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

2. FINANCIAL PERFORMANCE

This section highlights key financial performance of the Group for the reporting period including, where applicable, the accounting policies applied and the key estimates and judgements made.

2.1 Segment information

(i) Description of segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors that makes strategic decisions.

There is no goodwill attaching to any of the segments. There has been no impact on the measurement of the assets and liabilities reported for each segment.

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

1. Mineral Sands mining and production (Tormin Mineral Sands project) – South Africa;
2. Mineral Sands exploration (Xolobeni Mineral Sands project) – South Africa;
3. Exploration activities - Australia;
4. Exploration activities - Iran; and
5. Corporate (management and administration of the Company's projects and marketing and sales of finished products) – Australia, South Africa, the United Kingdom and Iran.

(ii) Segment results, segment assets and segment liabilities

The segment information provided to the chief operating decision maker for the reportable segments for the year ended 31 December 2018 is as follows:

2018	Tormin project $	Xolobeni project $	Australia exploration $	Iran exploration $	Corporate $	Consolidation eliminations $	Total $
Total segment revenue	**54,756,765**	-	-	-	**55,299,993**	-	**110,056,758**
Inter-segment revenue	**(54,657,595)**	-	-	-	-	-	**(54,657,595)**
Revenue from external customers	**99,170**	-	-	-	**55,299,993**	-	**55,399,163**
Adjusted EBITDA	**6,044,671**	**(3,972)**	-	**99,047**	**1,588,187**	**6,925,257**	**14,653,190**
Depreciation and amortisation	**4,020,769**	-	-	-	**90,058**	-	**4,110,827**
Impairment	-	-	-	-	-	-	-
Total segment assets	**29,926,020**	**5,204,416**	**8,304,561**	**854,943**	**32,810,759**	**3,774,072**	**80,874,771**
Total segment liabilities	**13,937,142**	**5,107,103**	**8,305,914**	**781,526**	**9,246,047**	**1,445,663**	**38,823,395**

2017	Tormin project $	Xolobeni project $	Australia exploration $	Iran exploration $	Corporate $	Consolidation eliminations $	Total $
Total segment revenue	62,999,406	-			62,530,280	-	125,529,686
Inter-segment revenue	(62,921,852)	-	-	-	-	-	(62,921,852)
Revenue from external customers	77,554	-	-	-	62,530,280	-	62,607,834
Adjusted EBITDA	7,363,755	364	(1,474)	-	11,716,949	67,557	19,147,151
Depreciation and amortisation	4,369,223	-	-	-	91,179	-	4,460,402
Impairment	-	-	-	-	234,771	-	234,771
Total segment assets	23,154,827	6,052,554	3,994,228	427,572	115,583,829	(86,962,452)	62,250,558
Total segment liabilities	11,738,223	5,935,185	3,824,467	-	79,871,318	(85,047,011)	16,322,182

(iii) *Reconciliation of EBIT (segment result) to profit before tax*

Adjusted EBITDA reconciles to operating profit before income tax as follows:

	31 December 2018 $	31 December 2017 $
Adjusted EBITDA	**14,653,190**	19,147,151
Interest expense	**(102,756)**	(478,360)
Depreciation and amortisation	**(4,110,827)**	(4,460,402)
Impairment	**-**	(234,771)
Operating profit before income tax	**10,439,607**	13,973,618

2.2 Revenue

Accounting Policies

Revenue is recognised when the significant control of products has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The timing of the transfer of control varies depending on the individual terms of the sales agreement. Generally for the Group, this is based on free-on-board ("FOB") sales where transfer of control passes at port of origin or cost, insurance and freight ("CIF") sales where control passes at port of destination. Sales revenue is recognised for FOB and CIF sales on bill of lading date. Sales revenue comprises gross revenue earned from the provision of product to customers. Sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metals price, assay, weight and moisture content between the time of delivery and the time of final settlement of sales proceeds.

The majority of the Group's revenue is derived from product sales with revenue recognised at a point in time when control of the goods has transferred to the customer.

Revenue from the sales of garnet product has two performance obligations, sale of product and transportation services, both of which are satisfied at a point in time. Revenue from the stockpiling of goods is deferred until final sale of product when control of product is finally transferred.

	31 December 2018 $	31 December 2017 $
From continuing operations		
Sales revenue		
Sale of product	**53,523,922**	60,930,269
Other revenue		
Stockpile area maintenance fee	**1,776,071**	1,600,011
Other income	**99,170**	77,554
	1,875,241	1,677,565

2.3 Expenses

	31 December 2018 $	31 December 2017 $
This note provides an analysis of expenses by nature.		
(i) Mining and processing costs		
Mining and processing costs include the following material expenditure items:		
Transport of product	**13,638,210**	18,249,474
Fuel	**6,723,039**	4,906,181
Wages and salaries	**6,216,226**	5,054,237
Repairs and maintenance	**4,565,983**	3,452,234
Depreciation and amortisation – mining and processing assets	**4,020,769**	4,369,223
(ii) Administration expenses		
Administration expenses include the following material expenditure items:		
Directors and key management personnel remuneration	**2,476,421**	1,567,086
Depreciation – corporate assets	**90,058**	91,179

2.4 Taxation

(i) Income tax expense

Accounting Policies

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Mineral Commodities Ltd is the head entity in the tax-consolidated group. The head entity and the controlled entities in the tax-consolidated group continue to account for their own current and deferred tax amounts. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The Company and the other entities in the tax-consolidated group have entered into a tax funding agreement and a tax sharing agreement.

The following provides an analysis of the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	31 December 2018 $	31 December 2017 $
The components of income tax expense comprise:		
Current tax	**1,373,645**	1,768,748
Deferred tax	**660,212**	2,524,411
Adjustments for current tax of prior periods	**(417,481)**	(252,471)
	1,616,376	4,040,688
Income tax expense is attributable to:		
Profit from continuing operations	**1,616,376**	4,040,688
Aggregate income tax benefit	**1,616,376**	4,040,688
Deferred income tax benefit included in income tax expense comprises:		
Decrease in deferred tax assets	**798,802**	(808,499)
Increase in deferred tax liabilities	**(138,590)**	1,759,384
	660,212	950,885

Numerical reconciliation of income tax expense to prima facie tax expense

	31 December 2018 $	31 December 2017 $
Profit from continuing operations before income tax expense	**10,439,607**	13,973,618
Prima facie tax payable on profit from ordinary activities before at a rate of 30% (2017: 30%)	**3,131,882**	4,192,085
Foreign tax rate differential	**(49,803)**	(180,417)
Tax at consolidated amount	**3,082,079**	4,011,668
Tax effect of:		
Entertainment	**5,999**	3,546
Foreign exchange impact	**(1,319,065)**	-
Donations	**12,410**	9,122
Amortisation of exploration and evaluation asset	**92,076**	91,311
Gain on disposal of assets	**-**	(7,000)
Share based payment	**132,376**	91,281
AASB15 adjustment to opening retained earnings	**528,700**	-
Other non-assessable items	**1,186**	93,231
Utilisation of income tax losses/ capital losses	**(501,904)**	-
Adjustment for current tax of prior period	**(417,481)**	(252,471)
Income tax expense	**1,616,376**	4,040,688

	31 December 2018 $	31 December 2017 $
Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:	-	-
Current tax – credited directly to equity	-	-
Net deferred tax – debited (credited) to equity		
	-	-

(ii) Deferred tax assets and liabilities

Accounting Policies

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. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Significant Judgement – Deferred taxes recognised

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. As a result of this review, at balance date, it was determined that losses of $Nil (2017: $Nil) at 30% have been brought to account as it is now probable that they will be recovered.

(a) Deferred tax assets

	31 December 2018 $	31 December 2017 $
Recognised deferred tax assets		
Tax losses	**10,656**	7,274
Trade and other receivables	**-**	6,450
Provisions/accrued expenditure	**251,780**	175,029
Business related expenditure and borrowing costs	**221,495**	39,690
	483,931	228,443
Set-off against deferred tax liabilities	**(483,931)**	(228,443)
	-	-

Movements	Tax losses $	Trade and other receivables $	Provisions/ accrued expenditure $	Business related expenditure and borrowing costs $	Total $
At 1 January 2018	7,274	6,450	175,029	39,690	**228,443**
(charged) / credited					
- to profit or loss	3,382	(6,450)	76,751	181,805	**255,488**
- to other comprehensive income	-	-	-	-	-
At 31 December 2018	10,656	-	251,780	221,495	**483,931**

Movements	Tax losses $	Trade and other receivables $	Provisions/ accrued expenditure $	Business related expenditure and borrowing costs $	Total $
At 1 January 2017	756,059	97,607	151,479	31,797	1,036,942
(charged) / credited					
- to profit or loss	(748,785)	(91,157)	23,550	7,893	(808,499)
- to other comprehensive income	-	-	-	-	-
At 31 December 2017	7,274	6,450	175,029	39,690	228,443

(b) Deferred tax liabilities

	31 December 2018 $	31 December 2017 $
Unrealised foreign exchange gain	**1,328,771**	692,237
Property, plant and equipment	**4,094,683**	3,610,792
Prepayments	**16,224**	30,417
	5,439,678	4,333,446
Set-off against deferred tax assets	**(483,931)**	(228,443)
	4,955,747	4,105,003

Movements	Unrealised foreign exchange gain $	Property, plant and equipment $	Prepayments $	Total $
At 1 January 2018	692,237	3,610,792	30,417	**4,333,446**
(charged) / credited				
- to profit or loss	636,534	483,891	(14,193)	**1,106,232**
- to other comprehensive income	-	-	-	**-**
At 31 December 2018	**1,328,771**	**4,094,683**	**16,224**	**5,439,678**

Movements	Unrealised foreign exchange gain $	Property, plant and equipment $	Prepayments $	Total $
At 1 January 2017	190,408	2,362,399	21,255	2,574,062
(charged) / credited				
- to profit or loss	501,829	1,248,393	9,162	1,759,384
- to other comprehensive income	-	-	-	-
At 31 December 2017	692,237	3,610,792	30,417	4,333,446

2.5 Earnings per share

(i) Basic earnings per share

Accounting Policies

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

	2018 US Cents	2017 US Cents
From continuing operations attributable to the ordinary equity holders of the Company	2.10	2.45
Total basic earnings per share attributable to the ordinary equity holders of the Company	2.10	2.45

(ii) Diluted earnings per share

Accounting Policies

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

	2018 US Cents	2017 US Cents
From continuing operations attributable to the ordinary equity holders of the Company	**2.08**	2.45
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**2.08**	2.45

	2018 $	2017 $
(a) Reconciliation of earnings used in the calculation of earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**8,823,231**	9,932,930
Diluted earnings/(loss) per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share:		
From continuing operations	**8,823,231**	9,932,930

	2018 Number	2017 Number
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**419,708,741**	406,037,470
Adjustment for calculation of diluted earnings per share:		
- Options	**(1,947,802)**	-
- Performance rights	**6,078,434**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**423,839,373**	406,037,470

The table below details the number of options and performance rights that have been granted and are on issue as at 31 December 2018. As the options issued in a prior period were in the money during 2018, although they also lapsed during 2018, and the performance rights' vesting conditions have been met as at 31 December 2018, these potential ordinary shares have been included in the determination of dilutive earnings per share.

Number	Type of Security	Exercise price	Expiry date
500,000	Performance Rights	AUD $0.20	31 May 2020
300,000	Performance Rights	AUD $0.20	31 May 2021
1,000,000	Performance Rights	AUD $0.20	31 May 2021
1,000,000	Performance Rights	AUD $0.20	1 Oct 2021
1,000,000	Performance Rights	AUD $0.20	30 Sept 2021

2.6 Dividends

Accounting policies

Dividends are recognised as a liability at the time the Directors resolve to pay or declare the dividend.

	Dividend per share US Cents	2018 $
Dividends recognised during the year		
2018		
Final 2017 ordinary	**0.49**	**2,048,898**
Interim 2018 ordinary	**0.43**	**1,782,180**
		3,831,078
2017		
Final 2016 ordinary	0.89	3,605,697
Interim 2017 ordinary	0.37	1,575,606
		5,181,303

3. CAPITAL EXPENDITURE, OPERATING ASSETS AND REHABILITATION OBLIGATIONS

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

3.1 Exploration and evaluation assets

Accounting Policies

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises direct costs and does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Exploration expenditure for each area of interest is carried forward as an asset provided the rights to tenure of the area of interest are current and one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interests is continuing.

Exploration expenditure is written off when it fails to meet at least one of the conditions outlined above or an area of interest is abandoned.

When a decision is made to develop an area of interest, all carried forward exploration expenditure in relation to the area of interest is transferred to development expenditure.

No amortisation is charged during the exploration and evaluation phase.

Please refer to note 3.4 for the Group's accounting policy on impairment of exploration and evaluation assets.

Significant judgement

The carrying value of exploration assets is reviewed on an area of interest basis. Exploration in Australia and Iran is in its infancy stages and is being carried forward on the basis that these areas have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Recoupment of the capitalised exploration and evaluation expenditure of the Xolobeni Mineral Sands area of interest in South Africa is dependent on either the successful development and commercial exploitation or the settlement of the proposed transaction, as announced to the Australian Securities Exchange ("ASX") in July 2016, to divest of the Company's interest in Transworld Energy and Resources (SA) Pty Ltd ("TEM"), which owns the Xolobeni Mineral Sands Project. The Xolobeni exploration asset is being carried forward on that basis.

The proposed transaction has not resulted in Xolobeni being classified as held for sale in accordance with AASB 5 as at 31 December 2018, as it is not highly probable that the transaction will complete due to required regulatory approvals, stage of negotiation of the consideration and involvement of a third party who holds shares in TEM.

	Note	31 December 2018 $	31 December 2017 $
As at 1 January		**11,200,454**	6,460,268
Acquisition of exploration asset		**676,765**	3,495,811
Expenditure during the year		**4,612,164**	249,939
Re-classification: transfer from / (to) property, plant and equipment	3.3	**562,532**	204,501
Exchange differences		**(1,682,847)**	789,935
As at 31 December		**15,369,068**	11,200,454

3.2 Development expenditure

Accounting Policies

Development expenditure

Development expenditure represents the accumulated exploration, evaluation, land and development expenditure incurred by or on behalf of the Group in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after commencement of production, such expenditure is carried forward as part of the development expenditure only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

The estimated recoverable reserves and life of the mine and the remaining useful life of each class of asset are reassessed at least annually. Where there is a change in the reserves/resources amortisation rates are correspondingly adjusted. Please refer to the table in note 3.3 for basis of amortisation rates used.

Please refer to note 3.4 for the Group's accounting policy on impairment of development expenditure.

Significant judgement

Reserves and Resources

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

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

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

	31 December 2018 $	31 December 2017 $
As at 1 January	**7,306,979**	7,656,202
Expenditure during the year	**-**	-
Amortisation expense	**(1,138,527)**	(1,127,091)
Exchange differences	**(927,541)**	777,868
	5,240,911	7,306,979

Carrying value assessment

The Company is currently going through a Section 102 Mining Right Extension Application for access to the Northern Beaches and the Inland Strand, for an overall 11 year Life of Mine ("LOM") from this point (including for the current Tormin Mining Rights). The Company has concluded all aspects of the Section 102 Application public participation process and the final submission of the Environmental Impact Assessment and Environmental Management Programme reports, with all public comments, was submitted on 13 November 2018. The DMR now has 107 days to hand down a final decision. Based on the legislative timetable, the Company expects a final decision on the Section 102 Application in Q1 2019.

Despite the fact that the current Mining Rights technically expired on 26 November 2018, in accordance with section 24(5) of the Mineral and Petroleum Resources Development Act, mining rights continue in force until such time as the renewal application is determined. The Company has submitted an application for renewal of the existing Mining Rights over the current area (i.e. without extending the mining area). The renewal application was filed with the DMR no less than 60 working days before 26 November 2018. Given permitting uncertainty, the Company has undertaken a conservative impairment assessment of the carrying value of the Tormin assets as at 31 December 2018. This impairment assessment is based on mining the existing resource for 12 months from 31 December 2018 and, given MSR owns the underlying pastoral land known as Farm Geelwal Karoo, sell the remaining inventory stockpiles, using current prices. Based on these assumptions the carrying value of the Tormin assets did not exceed their recoverable amount.

The Group is confident that the assessment of the Mining Rights will be positively progressed in the 2019 financial year.

3.3 Property, plant and equipment

Accounting Policies

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.

Items of plant and equipment are initially recorded at cost and include any expenditure that is directly attributable to acquisition of the items. 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 profit for the year in which they are incurred.

De-commissioning assets relates to capitalised restoration costs expected to be incurred.

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.

Depreciation of property, plant and equipment

Depreciation and amortisation are provided to expense the cost of property, plant and equipment, and de-commissioning assets and development, over its estimated useful life on a straight line or units of usage (activity) basis.

The basis of depreciation and amortisation of each asset is reviewed annually and changes to the basis of depreciation and amortisation are made if the straight line or units of production basis is no longer considered to represent the expected pattern of consumption of economic benefits.

The reserves and life of each mine and the remaining useful life of each class of asset are reassessed at regular intervals and the depreciation and amortisation rates adjusted accordingly on a prospective basis. The estimated useful lives for the main categories of assets are as follows:

Fixed Asset Category	Estimated Useful Life
Mine properties and development	The shorter of applicable mine life or generally 10 years
Land	Not depreciated
Mine buildings	The shorter of applicable mine life or generally 10 years
Excavators and loaders working in significant salt exposed conditions	Generally 12,000 hours' operation
All other heavy earth moving vehicles	Generally 18,000 hours' operation
Light and other mobile vehicles	Generally 5 years
Mine specific machinery, plant and equipment	The shorter of applicable mine life or generally 10 years
Other machinery, plant and equipment	Generally 10 years
Computer hardware	Generally 4 years
Software acquisitions and development	Generally 3 years
Office leasehold fit-outs	Generally lease term, including extensions
Other office furniture and fittings	Generally 10 years

Note: For assets under a finance lease, if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term or its useful life.
Note: "Generally" implies that if a specific asset or class of assets useful life is reasonably able to be determined as less than that stipulated above, then the applicable lower estimated useful life is to be used.

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 profit for the year of disposal.

Significant judgement

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life mine development assets which requires significant estimation and judgement. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

The estimated recoverable reserves and life of the mine and the remaining useful life of each class of asset is reassessed at least annually based upon latest resource information and replenishment rates. In circumstances where conversion of resources into reserves is expected, applicable resources are included in life of mine assessments and reassessments. In circumstances where there is reasonable evidence of natural replenishment of resources, the applicable natural replenishment resource estimates are included in the life of mine assessments and reassessments.

Where the lives of the assets are shorter than the mine life, their costs are amortised based on the useful life of the assets. Where there is a change in the estimated life of mine, amortisation rates are correspondingly adjusted which may change the depreciation and amortisation charges in the statement of profit or loss and other comprehensive income.

The Group has sought clarity on the status of its current mining right applications (refer note 3.2 – Carrying value assessment for further details) and is confident that the assessment of the mining rights will be positively progressed in the 2019 financial year. On that basis there has been no change to the estimation of useful lives of assets since 31 December 2017.

	Freehold land and buildings $	Furniture, fittings and equipment $	Plant and machinery $	Mine vehicles $	Decommissioning asset $	Capex work in progress $	Total $
Year ended 31 December 2018							
Cost at fair value							
As at 1 January 2018	592,731	697,395	26,158,995	145,713	169,145	1,101,875	**28,865,854**
Additions	-	-	-	-	111,583	4,141,718	**4,253,301**
Disposals	(9,467)	-	-	-	-	-	**(9,467)**
Re-classifications	-	146,943	(189,080)	-	-	(520,395)	**(562,532)**
Exchange differences	(82,104)	(88,907)	(3,642,448)	(20,377)	(32,894)	(435,344)	**(4,302,674)**
As at 31 December 2018	501,160	755,431	22,327,467	125,336	247,834	4,287,854	**28,245,082**
Accumulated depreciation and amortisation							
As at 1 January 2018	(26,771)	(527,764)	(11,144,047)	(71,979)	(67,658)	-	**(11,838,219)**
Depreciation and amortisation	(15,533)	(114,672)	(2,798,234)	(27,999)	(15,863)	-	**(2,972,300)**
Disposals	-	-	-	-	-	-	**-**
Exchange differences	5,030	67,711	1,790,102	12,385	10,775	-	**1,886,002**
As at 31 December 2018	(37,274)	(574,725)	(12,152,179)	(87,593)	(72,746)	-	**(12,924,517)**
Net book amount							
Cost at fair value	501,160	755,431	22,327,467	125,336	247,834	4,287,854	**28,245,082**
Accumulated depreciation and amortisation	(37,274)	(574,725)	(12,152,179)	(87,593)	(72,746)	-	**(12,924,517)**
Net book amount	463,886	180,706	10,175,288	37,743	175,088	4,287,854	**15,320,565**
Year ended 31 December 2017							
Cost at fair value							
As at 1 January 2017	532,707	572,318	21,886,412	125,523	152,016	631,242	**23,900,218**
Additions	-	68,773	2,193,080	5,622	-	2,868,457	**5,135,932**
Disposals	-	-	(513,020)	-	-	-	**(513,020)**
Re-classifications	-	11,712	2,193,080	-	-	(2,409,293)	**(204,501)**
Exchange differences	60,024	44,592	399,443	14,568	17,129	11,469	**547,225**
As at 31 December 2017	592,731	697,395	26,158,995	145,713	169,145	1,101,875	**28,865,854**
Accumulated depreciation and amortisation							
As at 1 January 2017	(9,174)	(360,149)	(7,339,628)	(42,117)	(45,605)	-	**(7,796,673)**
Depreciation and amortisation	(15,403)	(128,160)	(3,150,659)	(23,358)	(15,731)	-	**(3,333,311)**
Disposals	-	-	381,615	-	-	-	**381,615**
Exchange differences	(2,194)	(39,455)	(1,035,375)	(6,504)	(6,322)	-	**(1,089,850)**
As at 31 December 2017	(26,771)	(527,764)	(11,144,047)	(71,979)	(67,658)	-	**(11,838,219)**
Net book amount							
Cost at fair value	592,731	697,395	26,158,995	145,713	169,145	1,101,875	**28,865,854**
Accumulated depreciation and amortisation	(26,771)	(527,764)	(11,144,047)	(71,979)	(67,658)	-	**(11,838,219)**
Net book amount	565,960	169,631	15,014,948	73,734	101,487	1,101,875	**17,027,635**

3.4 Impairment of non-current assets

Accounting Policies

The carrying amounts of the Group's exploration and evaluation assets, development expenditure and property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

Indicators of impairment – exploration and evaluation assets

The carrying amounts of the Group's exploration and evaluation assets are reviewed at each reporting date, to determine whether any of the following indicators of impairment exists:

(i) Tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed; or

(ii) Substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is not budgeted or planned; or

(iii) Exploration for, and evaluation of, resources in the specific area have not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area; or

(iv) Sufficient data exists to indicate that although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Impairment testing – other assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Refer note 3.2 – Carrying value assessment for further details of the assessment of Tormin assets.

3.5 Rehabilitation provisions

Accounting Policies

Provisions for environmental rehabilitation are recognised when the Group has a present legal or constructive obligation as a result of exploration, development and/or production activities undertaken and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The estimated future obligations include the costs of removing facilities and restoring the affected areas and is the best estimate of the present value of the future expenditure required to settle the environmental rehabilitation at reporting date, based on current legal requirements. Any changes in the estimate are reflected in the present value of the environmental rehabilitation provision at the reporting date, with a corresponding change in the cost of the associated asset.

Significant judgement

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

	31 December 2018 $	31 December 2017 $
Non-current		
Environmental rehabilitation provision	**247,834**	169,144

3.6 Commitments for expenditure

The Group has the following commitments for expenditure for which no liabilities have been recorded in the financial statements as the goods or services have not been received, including non-cancellable operating lease rentals:

a) Capital commitments

Committed at the reporting date but not recognised as liabilities, payable:

Property, plant and equipment	**-**	365,108

b) Operating lease commitments

Accounting Policies

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

Non-cancellable operating leases contracted for but not capitalised in the accounts:

	31 December 2018 $	31 December 2017 $
Within one year	**671,868**	1,548,449
Later than one year but no later than five years	**505,318**	513,523
Greater than 5 years	**-**	-
	1,177,186	2,061,972

Operating lease commitments include contracted amounts for offices and plant and equipment under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

4. WORKING CAPITAL MANAGEMENT

This section provides information about the Group's working capital balances and management, including cash flow information.

4.1 Cash and cash equivalents

Accounting Policies

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

The carrying amounts of cash and cash equivalents represent fair value. Bank balances and deposits held at call earn interest at floating rates based upon market rates.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

	31 December 2018 $	31 December 2017 $
Cash assets		
Cash at bank and in hand	**12,410,510**	10,975,817

(i) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 5.4(a)(ii).

(ii) Reconciliation of profit after income tax to cash flow from operating activities

	31 December 2018 $	31 December 2017 $
Profit for the year	**8,823,231**	9,932,930
Adjustments for:		
Depreciation and amortisation	**4,110,827**	4,460,402
Loss on disposal of asset	**-**	1,415
Impairment loss	**-**	234,771
Net finance costs	**(122,378)**	(188,730)
Share based payments	**441,253**	304,270
Net exchange differences	**(2,469,541)**	(774,824)
Tax expense	**1,616,376**	4,040,688
Change in operating assets and liabilities:		
(Increase) / decrease in trade debtors	**(58,868)**	2,535,152
(Increase) / decrease in inventories	**(529,471)**	(227,346)
Increase in trade payables and unearned revenue	**3,251,928**	1,613,449
(Decrease) / increase in income tax payable	**(657,482)**	-
Increase in provisions	**96,738**	408,189
	14,502,613	22,340,366

(iii) Non-cash investing and financing activities

	31 December 2018 $	31 December 2017 $
Acquisition of plant and equipment by means of finance leases	**-**	93,627
Acquisition of exploration assets by means of ordinary shares Issued	**-**	983,207
	-	1,076,834

Plant and equipment acquired by finance leases in 2018 of $2,849,774 were receipted by the Company and immediately repatriated to the supplier. These cash inflows and outflows have therefore been recognised in the 2018 cash flow statement.

(iv) *Net debt reconciliation*

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	31 December 2018 $	31 December 2017 $
Cash and cash equivalents	**12,410,510**	10,975,817
Borrowings – repayable within one year (including overdraft)	**(2,277,728)**	(2,072,320)
Borrowings – repayable after one year	**(2,788,682)**	(2,133,721)
Net debt	**7,344,100**	6,769,776
Cash and cash equivalents	**12,410,510**	10,975,817
Gross debt – variable interest rates	**(5,066,410)**	(4,206,041)
Net debt	**7,344,100**	6,769,776

	Other assets	Liabilities from financing activities				
	Cash $	Finance leases due within 1 year $	Finance leases due after 1 year $	Borrowings due within 1 year $	Borrowings due after 1 year $	Total $
Net debt as at 1 January 2017	2,873,135	(1,317,069)	(437,073)	(1,135,523)	(4,500,000)	**(4,516,530)**
Cash flows	8,018,278	750,519	428,352	(370,247)	2,375,000	**11,201,902**
Foreign exchange adjustments	84,404	-	-	-	-	**84,404**
Net debt as at 31 December 2017	10,975,817	(566,550)	(8,721)	(1,505,770)	(2,125,000)	**6,769,776**
Cash flows	1,849,687	(211,178)	(2,154,961)	5,770	1,500,000	**989,318**
Foreign exchange adjustments	(414,994)	-	-	-	-	**(414,994)**
Net debt as at 31 December 2018	**12,410,510**	**(777,728)**	**(2,163,682)**	**(1,500,000)**	**(625,000)**	**7,344,100**

4.2 Trade and other receivables

Accounting Policies

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Loans and receivables are recognised initially at fair value and subsequently 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.

	31 December 2018 $	31 December 2017 $
Current		
Trade receivables	**1,890,032**	3,509,234
Less: Provision for impairment of receivables	**-**	(21,500)
	1,890,032	3,487,734
Other receivables (i)	**3,222,371**	1,407,103
Prepayments	**54,078**	102,542
	5,166,481	4,997,379
Non-current		
Security deposits (iii)	**204,779**	235,003
Advance to Blue Bantry (iv)	**575,065**	666,245
Other receivables	**76,871**	156,881
	856,715	1,058,129

(i) Includes $1,374,248 (2017: $844,089) of VAT refundable from the South African Revenue Service.

(ii) Includes a secured deposit of $204,779 (2017: $235,003) with FirstRand Bank Limited held as security for a performance guarantee issued by the Bank in favour of the South African Department of Minerals and Energy in respect of Mineral Sands Resources (Pty) Ltd 's obligations under the Tormin Mining Rights.

(iii) An amount of ZAR 8.25 million (2017: ZAR 8.25 million) has been advanced to the BEE partner, Blue Bantry (refer note 8.2 for further details).

Impairment of receivables
No impairment of receivables has been recognised by the Group for the year ended 31 December 2018.

Fair values and credit risk
Except for the non-current trade receivables, due to the short term nature of these receivables the carrying values represent their respective fair values as at 31 December 2018 and 2017. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The non-current trade receivables have a fair value of $Nil as at 31 December 2018, compared to a carrying amount of $Nil (2017: fair value of $Nil and carrying amount of $Nil).

The fair values were calculated based on cash flows discounted using a current lending rate. Refer to note 5.4 for more information on the risk management policy of the Group and the credit quality of the entity's receivables.

Foreign exchange and interest rate risk
Information about the Group's exposure to foreign exchange and interest rate risk in relation to trade and other receivables is provided in note 5.4.

4.3 Inventories

Accounting Policies

Raw materials and stores, ore stockpiles and work in progress and finished stocks are physically measured or estimated and valued at the lower of cost and net realisable value. Net realisable value less costs to sell is assessed annually based on the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

Weighted average cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure and depreciation and amortisation relating to mining activities, the latter being allocated on the basis of normal operating capacity. As a result of mineral sands being co-products from the same mineral separation process, costs are allocated to the various finished products on the basis of the relative sales value of the finished goods produced. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of consumable supplies and spare parts expected to be used in production are valued at the lower of weighted average cost, which includes the cost of purchase as well as transportation and statutory charges, or net realisable value. Any provision for obsolescence is determined by reference to specific stock items identified.

	31 December 2018 $	31 December 2017 $
Raw materials at cost	**355,364**	2,622,965
Finished product at cost	**23,202,679**	3,635,040
Spare parts and consumables at cost	**2,198,682**	2,883,792
	25,756,725	9,141,797

The costs of individual items of inventory are determined using weighted average cost. Finished product at cost as at 31 December 2018 reflects the impact of the application of the new AASB 15 Revenue from Contracts with Customers (refer note 1.8).

4.4 Trade and other payables

Accounting Policies

Trade and other payables are recognised originally at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of each reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

	31 December 2018 $	31 December 2017 $
Trade payables	**5,310,043**	2,793,981
Other payables and accruals	**1,756,441**	897,164
	7,066,484	3,691,145

(i) Fair values and credit risk

Due to the short term nature of these payables the carrying values represent their respective fair values as at 31 December 2018 and 2017.

(ii) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign exchange and interest rate risk in relation to trade and other payables is provided in note 5.4. Refer note 1.8 for updated AASB 9 Financial Instruments accounting policy.

4.5 Unearned revenue

Accounting Policies

Unearned revenue is recognised originally at fair value and subsequently measured at amortised cost using the effective interest rate method. Unearned revenue represents revenue that has been received by the Group for requested goods where control has not yet been transferred as the goods have not been substantially provided. Unearned revenue is recognised as revenue subsequent to this in accordance with the Group's revenue recognition policy (Refer note 2.2). Unearned revenue is presented as current liabilities unless product delivery is not due within 12 months from the reporting date.

	31 December 2018 $	31 December 2017 $
Unearned revenue	**1,670,100**	1,793,475

(i) Fair values and credit risk

Due to the short term nature of unearned revenue, the carrying values represent their respective fair values as at 31 December 2018 and 2017.

(ii) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign exchange and interest rate risk in relation to unearned revenue is provided in note 5.4.

The costs of individual items of inventory are determined using weighted average cost.

4.6 Contract Liabilities

Accounting Policies

Contract liabilities are recognised originally at fair value and subsequently measured at amortised cost. Contract liabilities represent revenue that has been received by the Group per the Amended and Restated Garnet Offtake Agreement where control has not yet been transferred. Contract liabilities are recognised in accordance with the Group's revenue recognition policy (Refer note 2.2)

	31 December 2018 $	31 December 2017 $
Contract liabilities	**18,098,880**	-

In accordance with note 1.8 adjustments caused by the implementation of the new AASB 15 Revenue standard as at 1 January 2018 was to recognise a Contract liability of $15,449,440 with a further $2,649,440 reclassified from accounts receivable to contract liabilities (total $18,098,880). There has been no movement in the contract liability balance in 2018 as the same 210,000 tonnes of garnet was stockpiled and delivered to the delivery point.

(i) Fair values and credit risk

Due to the nature of the contract liability, the carrying values represent their respective fair values as at 31 December 2018.

(ii) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign exchange and interest rate risk in relation contract liabilities is provided in note 5.4.

5. FUNDING AND RISK MANAGEMENT

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

5.1 Interest bearing loans and borrowings

Accounting Policies

All loans and borrowings are initially recognised at cost, being fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting periods.

Details of the contractual maturities can be found in Note 5.4.

	31 December 2018 $	31 December 2017 $
Current		
Short term borrowings – unsecured (1)	-	5,770
Amounts due under equipment acquisition agreements (2),(3),(5),(6)	**735,382**	566,550
Long term borrowings – secured (4)	**1,542,346**	1,500,000
	2,277,728	2,072,320
Non-current		
Long term borrowings – secured (4)	**704,189**	2,125,000
Amounts due under equipment acquisition agreements (2),(3),(5),(6)	**2,084,493**	8,721
	2,788,682	2,133,721

(1) The short term borrowings at 31 December 2017 were in relation to shareholder loans (note 7.3).

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

(3) The Group entered into Instalment Sale Agreements to acquire mobile mining equipment and other equipment. Under the terms of these agreements, the Group will become the owner of the mobile mining equipment on final payment under the agreements.

(4) The Group entered into a $4.5 million financing arrangement with GMA for its Garnet Stripping Plant ("GSP") expansion. Under the terms of the agreement, the borrowing is charged at Libor + 2% and repaid over three years from the repayment commencement date. The borrowing is secured by a special notarial bond over the GSP. Repayment commenced in June 2017. Repayments of US$0.125 million per month commenced in June 2017, with the principal owing at 31 December 2018 at US$2.125 million.

(5) The Group entered into Commercial Loans and Chattel Mortgages for motor vehicles. Under the terms of these agreements, the Group will become the owner of the motor vehicles on final payment under the agreements.

(6) The Group entered into a Master Finance Lease to acquire mobile mining equipment. Under the terms of these agreements, the Group will become the owner of the mobile mining equipment on final payment under the agreements.

(a) Finance lease commitments

Accounting Policies

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Commitments in relation to minimum lease repayments under equipment acquisition agreements.

	31 December 2018 $	31 December 2017 $
Within one year	**926,223**	543,468
Later than one year but no later than five years	**1,928,972**	10,820
Greater than 5 years	**-**	-
Minimum lease payments	**2,855,195**	554,288
Less: Future Finance Charges	**(443,479)**	(40,707)
	2,411,716	513,581

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of $2,959,377 (2017: $1,683,771) secured under finance leases expiring within one to five years. Under the terms of the leases, the Group will become the owner of the leased assets on the final payment under instalment sale agreements.

5.2 Net finance costs

Accounting Policies

Interest income is recognised as it accrues on a time proportion basis using the effective interest method.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

	31 December 2018 $	31 December 2017 $
Finance income		
Interest Income	**122,378**	46,030
Unwind the effect of discounting on long term receivables	**-**	303,858
Net change in fair value of financial assets	**-**	515,051
Total finance income	**122,378**	864,939
Finance costs		
Interest paid to third parties	**186,751**	70,761
Net change in fair value of financial assets - derivatives	**38,383**	-
Total finance costs	**225,134**	70,761
Net finance income / (costs)	**(102,756)**	794,178

5.3 Equity

(a) Contributed equity

Accounting Policies

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.

(i) Share capital

	2018 Number of shares	2017 Number of shares	2018 $	2017 $
Ordinary shares				
Fully paid	**421,091,571**	414,941,571	**64,919,201**	64,420,299

(ii) Movements in ordinary share capital

Details	Number of shares	$
At 1 January 2018	414,941,571	64,420,299
Conversion of performance rights	6,150,000	498,902
At 31 December 2018	421,091,571	64,919,201
Transaction costs arising on share issue	-	-
At 31 December 2018	421,091,571	64,919,201

(iii) 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.

(iv) Capital risk management

The Group'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 issue new shares or sell assets in order to maintain sufficient funds necessary to continue its operations.

(b) Reserves

The following table shows a breakdown of the balance sheet line item ‘other reserves’ and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided in the table below.

	General reserve $	Financial asset revaluation reserve $	Foreign currency translation reserve $	Share based payment reserve $	Total $
At 1 January 2017	1,363,393	(276,901)	(18,594,546)	318,295	**(17,189,759)**
Issue of share based payments	-	-	-	309,782	**309,782**
Exchange differences on translation of foreign operations	-	-	3,486,282	-	**3,486,282**
Impairment of available-for-sale financial assets	-	276,901	-	-	**276,901**
At 1 January 2018	1,363,393	-	(15,108,264)	628,077	**(13,116,794)**
Share based payments	-	-		441,253	**441,253**
Transfer to retained earnings on expiry of unlisted options	-	-		(201,273)	**(201,273)**
Conversion of performance rights	-	-		(498,902)	**(498,902)**
Exchange differences on translation of foreign operations	-	-	(8,063,464)	-	**(8,063,464)**
At 31 December 2018	1,363,393	-	(23,171,728)	369,155	**(21,439,180)**

Nature and purpose of reserves

General reserve

The General reserve arose from the issue of shares in MRC Resources Proprietary Limited to an entity outside the economic entity.

Financial asset revaluation reserve

The financial asset revaluation reserve arises from the revaluation at reporting date of available-for-sale financial assets.

Foreign currency translation reserve

The foreign currency translation reserve records the unrealised foreign currency differences arising from the translation of operations into the presentation currency of the Group.

Share based payment reserve

Records the amounts received in a prior year together with the amounts amortised for employee options in the current year from the issue of listed options.

(c) Accumulated losses

	31 December 2018 $	31 December 2017 $
At 1 January	**(5,488,768)**	(10,240,395)
Profit for the year	**8,823,231**	9,932,930
Adjustment to accumulated losses per AASB 15 adoption (note 1.8)	**(1,246,942)**	-
Dividend Distribution	**(3,831,078)**	(5,181,303)
Transfer from reserves on expiry of unlisted options	**201,273**	-
At 31 December	**(1,542,284)**	(5,488,768)

(d) Non-controlling interest

	31 December 2018 $	31 December 2017 $
At 1 January	**113,639**	113,639
Movement for the year	**-**	-
At 31 December	**113,639**	113,639

5.4 Financial risk management

Accounting Policies

The Group classifies its financial instruments on initial recognition. The classification depends on the purpose for which the financial instrument was acquired.

(i) Recognition and de-recognition

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. 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.

(ii) 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 instruments and other pricing models.

The Group uses derivative financial instruments such as forward foreign currency contracts to hedge its risk associated with foreign currency fluctuations. Such derivatives are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Changes in the fair value of forward foreign currency contracts are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(iii) Financial Liabilities

Financial liabilities are recognised initially at fair value and subsequently at amortised cost, comprising original debt less principal payments and amortisation of transaction costs.

(iv) Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss. Impairment losses recognised on equity instruments classified as available for sale are not reversed through the income statement.

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit or loss information has been included where relevant to add further context.

The Group's activities expose it to a variety of financial risks, as detailed in the below table:

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange risk	Future commercial transactions Recognised financial assets and liabilities not denominated in USD	Cash flow forecasting Sensitivity analysis	Foreign currency forwards and foreign currency options
Market risk – interest rate risk	The Company's long-term borrowings are at fixed interest rates, therefore it is not exposed to changes in variable interest rates	N/A	N/A
Market risk – price risk	Investments in equity securities	Sensitivity analysis	N/A
Market risk – commodity price risk	Sale of products	Cash flow forecasting Sensitivity analysis	Monitoring the prevailing commodity prices and entering into longer term fixed price sales contracts
Credit risk	Cash and cash equivalents and trade and other receivables	Aging analysis Credit ratings	Credit limits, retention of title over product sold and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's risk management is predominantly controlled by the finance department ("Treasury") under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, commodity price risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group manages foreign exchange risk through hedging the South African Rand and Australian dollar using foreign currency forwards and foreign currency options in line with its Treasury Policy. The mark-to-market position of the Group's hedged position as at 31 December 2018 was:

At 31 December 2018	Value of Hedges contracted US$	Mark-to-market value of hedges US$	Mark-to-market hedge position US$
South African Rand (ZAR)	2,000,000	2,078,768	78,768
Australian Dollars (AUD)	500,000	500,277	277
Total position	2,500,000	2,579,045	79,045

(a) *Market risk*

(i) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

As detailed in note 1.2(iii), items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is the Company's presentation currency.

Based on the financial instruments held at the reporting date, the sensitivity of the Group's profits after tax for the year and equity at the reporting date to movements in the United States dollar to South African Rand (ZAR) was:

	Impact on post tax profits		Impact on other components of equity	
	2018 US$	2017 US$	2018 US$	2017 US$
USD/AUD exchange rate – increase 10%	**424,975**	-	**-**	-
USD/AUD exchange rate – decrease 10%	**(424,975)**	-	**-**	-
USD/ZAR exchange rate – increase 10%	**2,775,789**	822,697	**-**	-
USD/ZAR exchange rate – decrease 10%	**(2,775,789)**	(822,697)	**-**	-

(ii) Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's floating interest rate cash balance which is subject to movements in interest rates. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate cash flow interest rate risk. Interest is charged on the loans from the parent company to the South African subsidiaries at rates permitted by the South African Reserve Bank. This interest is eliminated on consolidation.

(iii) Price risk

The Group has an exposure to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as at fair value through profit or loss ("FVTPL"). The Group's investment in equity securities at FVTPL is $674,751 (2017: $27,317), which is monitored by the Board of Directors. Any investment in equity securities would require approval by the Board of Directors.

Sensitivity

	Impact on post tax profits		Impact on other components of equity	
	2018 US$	2017 US$	2018 US$	2017 US$
Price increase of 10%	**47,233**	1,912	**-**	-
Price decrease of 10%	**(47,233)**	(1,912)	**-**	-

The Group is also exposed to commodity price risk as a result of fluctuations in the market price of commodities, however, the commodities that the Company produces and sells are not quoted on any recognised exchange.

(iv) 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 investments in unlisted entities.

All cash balances held at banks are held at internationally recognised institutions. The Group has a strict code of credit and requires the majority of its customers to have letters of credit in place. The maximum exposure to credit risk at the reporting date to trade receivables is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Group does not hold any collateral.

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory, and
- debt investments carried at amortised cost.

Trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of AASB 9) was determined as follows for both trade receivables and contract assets.

At 31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	0%	0%	0%	
Gross carrying amount – trade receivables	1,855,508	-	24,531	9,993	1,890,032
Loss allowance	-	-	-	-	-

At 1 January 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	0%	0%	0%	
Gross carrying amount – trade receivables	386,994	458,079	93,621	2,570,540	3,509,234
Loss allowance	-	-	-	-	-

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost
Other financial assets at amortised include loans to directors and employees of subsidiaries, deposits and other receivables.

(v) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. At the end of the reporting period, the Group held cash and cash equivalents totalling $12,410,510 (2017: $10,975,817). Management monitors rolling forecasts of the Group's liquidity reserve (comprising cash and cash equivalents, note 4.1) on the basis of expected cash flows. This is carried out at the corporate level for all active companies of the Group in accordance with practice and limits set by the Group.

Financing arrangements
On 30 May 2014, the Company obtained an unsecured short term working capital facility of up to $4m from two major shareholders. Pursuant to the Loan Agreements entered into between the Company and the two major shareholders, the lenders provided a finance facility capped at $2.0m each on the following arm's-length and commercial terms:

- Loan is unsecured;
- Interest of 13% per annum;
- Line fee of 1% and establishment fee of 1%;
- Repayment to take in three equal tranches on 31 January 2017, 28 February 2016 and 31 March 2016; and
- Default interest of 10% if not repaid on the repayment date.

The above repayment dates were subsequently extended and the loans were fully repaid early in the 2017 financial year.

On 2 February 2016, the Company announced debt funding arrangements for its expansion initiatives relating to a GSP at its Tormin mine. Under the terms of the agreement, the borrowing is charged at Libor + 2% and repaid over three years from the repayment commencement date. The borrowings are secured by a special notarial bond over the GSP. Principal repayments of US$0.125 million per month plus interest charges against the facility commenced in June 2017.

Maturity of financial assets
The Group manages liquidity risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows. At the reporting date there is no significant liquidity risk.

The table below analyses the Group's maturity of financial assets:

	< 6 months $	6 – 12 months $	1 – 5 years $	5+ years $	Total contractual cash flows $	Carrying amount $
31 December 2018						
Trade and other receivables	5,166,481	-	-	-	**5,166,481**	**5,166,481**
Trade and other receivables – non current	-	-	856,715	-	**856,715**	**856,715**
Derivatives – FVTPL						
Inflow	2,579,045	-	-	-	**2,579,045**	**79,045**
(Outflow)	(2,500,000)	-	-	-	**(2,500,000)**	**-**
Total financial assets	**5,245,526**	**-**	**856,715**	**-**	**6,102,241**	**6,102,241**

	< 6 months $	6 – 12 months $	1 – 5 years $	5+ years $	Total contractual cash flows $	Carrying amount $
31 December 2017						
Trade and other receivables	4,252,893	1,000,000	-	-	**5,252,893**	**5,252,893**
Total financial assets	**4,252,893**	**1,000,000**	**-**	**-**	**5,252,893**	**5,252,893**

Maturity of financial liabilities

The Group manages liquidity risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows. At the reporting date there is no significant liquidity risk. The table below analyses the Group's maturity of financial liabilities:

	< 6 months $	6 – 12 months $	1 – 5 years $	5+ years $	Total contractual cash flows $	Carrying amount $
31 December 2018						
Trade and other payables	7,066,484	-	-	-	**7,066,484**	**7,066,484**
Borrowings excluding finance leases	776,052	773,520	707,564	-	**2,257,136**	**2,246,535**
Lease liabilities	465,597	460,626	1,928,972	-	**2,855,195**	**2,819,875**
Total financial liabilities	**8,308,133**	**1,234,146**	**2,636,536**	**-**	**12,178,815**	**12,132,894**

	< 6 months $	6 – 12 months $	1 – 5 years $	5+ years $	Total contractual cash flows $	Carrying amount $
31 December 2017						
Trade and other payables	3,691,145	-	-	-	**3,691,145**	**3,691,145**
Borrowings excluding finance leases	823,831	801,393	2,180,560	-	**3,805,784**	**3,630,770**
Lease liabilities	271,734	271,734	31,803	-	**575,271**	**575,271**
Total financial liabilities	**4,786,710**	**1,073,127**	**2,212,363**	**-**	**8,072,200**	**7,897,186**

(vi) *Fair value hierarchy*

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2018 and 31 December 2017:

	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2018				
Financial assets				
Derivatives – FVTPL	-	79,045	-	79,045
Listed equity securities – FVTPL	24,689	-	-	24,689
Unlisted equity securities - FVTPL	-	650,062	-	650,062
Total financial assets	24,689	729,107	-	753,796
Financial liabilities				
Borrowings	-	(5,066,410)	-	(5,066,410)
Total financial liabilities	-	(5,066,410)	-	(5,066,410)

	Level 1 $	Level 2 $	Level 3 $	Total $
31 December 2017				
Financial assets				
Derivatives – FVTPL	-	515,051	-	515,051
Listed equity securities – FVTPL	27,317	-	-	27,317
Total financial assets	27,317	515,051	-	542,368
Financial liabilities				
Borrowings	-	(4,206,041)	-	(4,206,041)
Total financial liabilities	-	(4,206,041)	-	(4,206,041)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

6. GROUP STRUCTURE

6.1 Consolidated entities

Accounting Policies

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Associates

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with thepolicies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relativeinterests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The Company, via its wholly owned subsidiary MRC Resources Proprietary Limited ("MRCR"), has a 50% interest in the issued capital in Mineral Sands Resources Proprietary Limited ("MSR"). Whilst the Group controls 50% of the share voting power, it has been determined that the Group effectively has 100% control due to its control over the relevant activities for accounting purposes, controls the management of MSR, and also controls the Board of MSR due to provisions set out in the Shareholders Agreement entered into between the shareholders of MSR.

Therefore these financial statements include 100% of the results of MSR. In addition to the holding of the issued capital, the Group also holds Class A and B preference shares in MSR which effectively provides for the repayment of the capital investment and deemed investment by the Company's Black Empowerment partner. Due to the terms attached to these A and B Preference Shares, they are categorised as an equity instrument. As the A preference shares and B preference shares would be redeemed out of distributable profits and net assets of MSR before all other ordinary shareholders, until such time as the net assets exceed the value of the unredeemed A and B preference shares, no value has been attributed to the non-controlling interest. Until that time, the non-controlling interest has no rights to the assets or results of the Company, and therefore has not been allocated any value in these financial statements.

(i) Material subsidiaries

The Group's principal subsidiaries at 31 December 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

		Ownership interest held by the Group		Ownership interest held by non-controlling interests	
Name of entity	**Place of business / country of incorporation**	**2018 %**	**2017 %**	**2018 %**	**2017 %**
Rexelle Pty Ltd	Australia	**100**	100	-	-
MRC Trading (Aust) Pty Ltd	Australia	**100**	100	-	-
MRC Cable Sands Pty Ltd	Australia	**100**	100	-	-
Blackhawk Oil and Gas Pty Ltd	Australia	**100**	100	-	-
Queensland Minex Pty Ltd	Australia	**100**	100	-	-
Q Smelt Pty Ltd	Australia	**90**	90	**10**	10
Mincom Waste Pty Ltd	Australia	**100**	100	-	-
MRC Graphite Pty Ltd (1)	Australia	**100**	100	-	-
MRC Exploration Australia Pty Ltd (2)	Australia	**100**	100	-	-
Skeleton Coast Resources (Pty) Ltd	Namibia	**100**	100	-	-
MRC Resources Proprietary Limited	South Africa	**100**	100	-	-
Mineral Sands Resources Proprietary Limited	South Africa	**50**	50	**50**	50
Tormin Mineral Sands Proprietary Limited (3)	South Africa	**50**	50	**50**	50
Nyati Titanium Eastern Cape Proprietary Limited	South Africa	**100**	100	**-**	-
MRC Metals Proprietary Limited	South Africa	**100**	100	**-**	-
Skeleton Coast Mining (Pty) Ltd (6)	South Africa	**100**	-	**-**	-
Transworld Energy and Minerals Resources (SA) Proprietary Limited	South Africa	**56**	56	**44**	44
Madan Rahjo Kanyab Company (Private Joint Stock) (4)	Iran	**100**	100	**-**	-
Zamin Afzar Ofogh Company (Private Joint Stock) (5)	Iran	**90**	90	**10**	10
Mineral Commodities (UK) Ltd (7)	United Kingdom	**100**	-	**-**	-

(1) MRC Graphite Pty Ltd previously known as MRC Africa Pty Ltd. The company name was changed on 18 September 2017
(2) MRC Exploration Australia Pty Ltd was incorporated on 11 October 2017
(3) Tormin Mineral Sands Proprietary Limited is a wholly owned subsidiary of Mineral Sands Resources Proprietary Limited
(4) Madan Rahjo Kanyab Company (Private Joint Stock) was incorporated on 13 August 2017
(5) Zamin Afzar Ofogh (Private Joint Stock) was incorporated on 4 October 2017
(6) Skeleton Coast Mining (Pty) Ltd was incorporated on 2 August 2018
(7) Mineral Commodities (UK) Ltd was incorporated on 25 October 2018

6.2 Parent entity financial information

The financial information for the parent entity, Mineral Commodities Ltd, has been prepared on the same basis as the consolidated financial statements, unless stated otherwise.

Accounting Policies

Interests in subsidiaries

Investments in subsidiaries are carried in the Company's financial report at cost less any impairment losses. Dividends and distributions are brought to account in profit when they are declared by the subsidiaries.

Investments in associates

Investments in associates are accounted for in the parent entity financial statements using the cost method.

The individual financial statements for the parent entity show the following aggregate numbers:

	31 December 2018 $	31 December 2017 $
Balance sheet		
Current assets	**3,285,437**	3,247,013
Non-current assets	**60,958,480**	51,292,218
Total assets	**64,243,917**	54,539,231
Current liabilities	**49,620,117**	728,525
Non-current liabilities	**99,024**	31,729,757
Total liabilities	**49,719,141**	32,458,282
Net assets	**14,524,776**	22,080,949
Shareholders' equity		
Issued capital	**64,919,201**	64,420,299
Reserves	**(29,935,009)**	(27,875,500)
Accumulated losses	**(20,459,416)**	(14,463,850)
Total equity	**14,524,776**	22,080,949
(Loss)/profit for the year	**(2,164,488)**	672,539

7. PEOPLE

This section provides information in relation to the Group employee benefits, share-based payment schemes and related party transactions.

7.1 Employee Benefits

Accounting policies

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to reporting date. These benefits include annual and long service 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 defined contribution superannuation funds by entities within the consolidated entity are charged against profits when due.

	31 December 2018 $	31 December 2017 $
Current		
Annual leave provision	**355,057**	362,760
Non-current		
Long service leave provision	**99,024**	73,273

7.2 Share based payments

Accounting policies

Equity-settled share-based compensation benefits are provided to certain senior employees.

Equity-settled transactions are awards of options over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value at grant date. The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative change to profit or loss is calculated based on the grant date fair value of the award, and then amortised over the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

a) Employee Options

The issue of employee options was approved by shareholders at a general meeting of the Company held on 21 December 2012. The employee option plan ("the Plan") is designed to provide long-term incentives for senior managers and above (including directors) to deliver long-term shareholder returns. Options granted under the plan carry no dividend or voting rights. When exercisable each option is convertible into one ordinary share at the predetermined exercise price.

Set out below are summaries of options granted under the Plan and unexpired at 31 December 2018:

Grant date	Expiry date	Average Exercise price	Fair Value at grant date	Options at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year	Balance at the end of the year	Vested at the end of the year
27 May 2015	30 May 2018	20 cents	4.90 cents	5,000,000	-	-	-	5,000,000	-	-
7 Sept 2015	31 March 2018	20 cents	5.40 cents	1,000,000	-	-	-	1,000,000	-	-
				6,000,000	-	-	-	6,000,000	-	-

Set out below are summaries of options granted under the Plan and unexpired at 31 December 2017:

Grant date	Expiry date	Average Exercise price	Fair Value at grant date	Options at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year	Balance at the end of the year	Vested at the end of the year
27 May 2015	30 May 2018	20 cents	4.90 cents	5,000,000	-	-	-	-	5,000,000	5,000,000
7 Sept 2015	31 March 2018	20 cents	5.40 cents	1,000,000	-	-	-	-	1,000,000	1,000,000
				6,000,000	-	-	-	-	6,000,000	6,000,000

The weighted average remaining contractual life of options outstanding at end of period is nil years (2017: 0.42 years)

Fair value of options granted

The assessed fair value at grant date of options issued in the prior period was independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The total share based payment expense for the year ended 31 December 2018 was $nil (2017: $15,242).

b) Performance Rights

The issue of Performance Rights was approved by shareholders at a general meeting of the Company held on 25 May 2016. The Incentive Performance Rights Plan are designed to provide long-term incentives for senior managers and above (including directors) to deliver long-term shareholder returns. Performance Rights granted under the plan carry no dividend or voting rights.

On 25th May 2016, at the AGM of the Company, shareholders approved the issue of 4,000,000 Performance Rights to the four Non-Executive Directors. These performance rights are exercisable on or before 30 May 2019 and will vest upon the closing Share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days.

On 16th August 2017, the Board approved the issue of 2,000,000 Performance Rights to the CFO, Tony Sheard. These performance rights are exercisable on or before 31 May 2020 with 1,500,000 vesting upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days. The remaining 500,000 will vest 12 months from date of issue and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days.

On 16th August 2017, the Board approved the issue of 500,000 Performance Rights to senior managers. These performance rights are exercisable on or before 31 May 2020, vesting on 31 May 2018 and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days.

On 16th August 2017, the Board approved the issue of 450,000 Performance Rights to employees. These performance rights are exercisable on or before 31 May 2021, vesting at a rate of 150,000 per annum on 31 May 2018 to 2020 inclusive and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days.

On 22nd May 2018, the Board approved the issue of 1,000,000 Performance Rights to Executives. These performance rights are exercisable on or before 31 May 2021, vesting at a rate of 333,333 per annum on 1 October 2018 to 2020 inclusive and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 30 consecutive trading days.

On 22nd May 2018, the Board approved the issue of 1,000,000 Performance Rights to senior managers. These performance rights are exercisable on or before 25 June 2020, with 500,000 vesting on 25 June 2019 and 500,000 vesting on 25 June 2020 and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days.

On 25th September 2018, the Board approved the issue of 1,000,000 Performance Rights to Executives. These performance rights are exercisable on or before 30 September 2020, with 500,000 vesting on 11 October 2019 and 500,000 vesting on 11 October 2020 and upon the closing share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days.

Set out below are summaries of all Performance Rights granted under the Plan and unexpired at 31 December 2018:

Grant date	Expiry date	Average Exercise price	Fair Value at grant date	Options at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year	Balance at the end of the year	Vested at the end of the year
25 May 2016	30 May 2019	20 cents	11.3 cents	4,000,000	-	4,000,000	-	-	-	-
16 Aug 2017	31 May 2020	20 cents	11.8 cents	2,000,000	-	2,000,000	-	-	-	-
16 Aug 2017	31 May 2020	20 cents	11.8 cents	500,000	-	-	-	-	500,000	500,000
16 Aug 2017	31 May 2021	20 cents	11.8 cents	450,000	-	150,000	-	-	300,000	-
22 May 2018	31 May 2021	20 cents	28.0 cents	-	1,000,000	-	-	-	1,000,000	-
22 May 2018	1 Oct 2021	20 cents	28.0 cents	-	1,000,000	-	-	-	1,000,000	333,333
25 Sept 2018	30 Sept 2021	20 cents	13.6 cents	-	1,000,000	-	-	-	1,000,000	-
				6,950,000	3,000,000	6,150,000	-	-	3,800,000	833,333

Set out below are summaries of all Performance Rights granted under the Plan and unexpired at 31 December 2017:

Grant date	Expiry date	Average Exercise price	Fair Value at grant date	Options at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Lapsed during the year	Balance at the end of the year	Vested at the end of the year
25 May 2016	30 May 2019	20 cents	11.3 cents	4,000,000	-	-	-	-	4,000,000	-
16 Aug 2017	31 May 2020	20 cents	11.8 cents	-	2,000,000	-	-	-	2,000,000	-
16 Aug 2017	31 May 2020	20 cents	11.8 cents	-	500,000	-	-	-	500,000	-
16 Aug 2017	31 May 2021	20 cents	11.8 cents	-	450,000	-	-	-	450,000	-
				4,000,000	2,950,000	-	-	-	6,950,000	-

Fair value of Performance Rights granted

The assessed fair value at grant date of the Performance Rights issued during the period ended 31 December 2018 was determined using a trinomial option pricing model that takes into account the performance conditions (share price reaching A$0.20 per share for five consecutive days), the term of the Performance Right, 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 Performance Right. The total share based payment expense for the period ended 31 December 2018 was $441,253 (2017: $289,028).

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

(a) Performance Rights granted for no consideration with the expectation that the majority of the Performance Rights would be exercised on the Share price reaching $0.20 and remaining at or above $0.20 for a period of 5 consecutive trading days, except for Rights (vi) where the Share price reaching $0.20 and remaining at or above $0.20 is for a period of 30 consecutive trading days.

	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
(b) Number of Rights issued	4,000,000	2,000,000	500,000	450,000	1,000,000	1,000,000	1,000,000
(c) Exercise price (AUD)	0 cents	0 cents	0 cents	0 cents	0 cents	0 cents	0 cents
(d) Share price barrier (AUD)	20 cents	20 cents	20 cents	20 cents	20 cents	20 cents	20 cents
(e) 5 day VWAP of underlying security	13.5 cents	13.5 cents	13.5 cents	13.5 cents	28.0 cents	28.0 cents	17.5 cents
(f) Grant date	25 May 2016	16 Aug 2017	16 Aug 2017	16 Aug 2017	22 May 2018	22 May 2018	25 Sept 2018
(g) Risk-free interest rate	1.62%	1.98%	1.98%	1.98%	2.20%	2.20%	2.15%
(h) Expiry date	30 May 2019	31 May 2020	31 May 2020	31 May 2021	31 May 2021	1 Oct 2021	30 Sept 2021
(i) Share price at grant date (AUD)	13.5 cents	13.5 cents	13.5 cents	13.5 cents	28.0 cents	28.0 cents	17.5 cents
(j) Expected price volatility of the shares	60%	90%	90%	90%	85%	85%	85%
(k) Expected dividend yield	Nil	8%	8%	8%	5.67%	5.67%	7.6%

The expected price volatility is based on the historic volatility and the general trend in share prices of the companies in similar businesses and trading on the ASX over the past 12 months.

7.3 Related party transactions

(i) Parent entity

Transactions between the Company and other entities in the Group during the years ended 31 December 2018 and 31 December 2017 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.

(ii) Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	31 December 2018 $	31 December 2017 $
Short-term employee benefits	**1,948,747**	1,308,505
Post-employment benefits	**80,217**	55,212
Long-term benefits	**-**	47,910
Share-based payments	**447,457**	155,459
	2,476,421	1,567,086

Detailed remuneration disclosures are provided in the remuneration report in the Director's Report.

(iii) Transactions with other related parties

Mine Site Construction Services ("MSCS"), a company associated with Mr Mark Caruso and Mr Joseph Caruso has provided the followings services to the Company during 2018:

- Provision of executive services

  The amount paid by the Company to MSCS for the year ended 31 December 2018 was $224,340 (2017: $134,155). This is considered to be an arm's-length commercial consultancy contract at normal commercial rates.
- Provision of office space

  The amount paid by the Company to MSCS for the year ended 31 December 2018 was $148,625 (2017: $158,510). This is considered to be an arm's-length commercial rent. There is a formal lease in place.
- Provision of secretarial staff to the Executive Chairman.

  The amount paid by the Company to MSCS for the year ended 31 December 2018 was $nil (2017: $82,372). The amounts payable are pursuant to an Executive Service Agreement and have been reimbursed on an arm's length basis at normal commercial rates.
- Provision of technical staff

  The amount paid by the Company to MSCS for the year ended 31 December 2018 was $236,880 (2017: $288,627). The amounts payable have been in respect to the provision of technical staff at the Groups' head office and at the Tormin project and have been reimbursed on an arm's-length basis at normal commercial rates.
- Others

  The amount paid by the Company to MSCS for the year ended 31 December 2018 was $337,253 (2017: $202,267). The amounts payable have been in respect of the acquisition of a new vehicle for the Executive Chairman, telecommunication charges and miscellaneous payments made by MSCS on behalf of the Company. The amounts have been reimbursed on an arm's-length basis at normal commercial rates.

Ross Hastings, one of the Directors, has provided consulting services to one of the Company's projects during the year ended 31 December 2018. The amount paid by the Company to Ross Hastings for the year ended 31 December 2018 was $8,209 (2017: $7,934). The amounts payable have been reimbursed on an arm's-length basis at normal commercial rates.

Hastings Bell Pty Ltd, a Company associated with Daniel Hastings, the son of Ross Hastings, has provided business development consultancy services to the Company during 2018. The amount paid by the Company to Hastings Bell Pty Ltd for the year ended 31 December 2018 was $305,734 (2017: $185,452). This is considered to be an arm's length commercial consultancy contract at normal commercial rates.

(iv) Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	31 December 2018 $	31 December 2017 $
MSCS	**126,284**	56,721

(v) Loans to / from related parties

On 30 May 2014, the Company obtained an unsecured short term working capital facility of up to A$4m from major shareholders. This included a A$2 million facility provided by Regional Management Pty Ltd ("RMS"), a related party of Mark Caruso, the Executive Chairman of the Company.

Pursuant to the Loan Agreement entered into between the Company and RMS, the lender provided a finance facility capped at A$2 million on the following arm's-length and commercial terms:

- Loan is unsecured;
- Interest of 13% per annum;
- Line fee of 1% and establishment fee of 1%;
- Repayment to take in three equal tranches on 31 January 2017, 28 February 2016 and 31 March 2016; and

- Default interest of 10% if not repaid on the repayment date.

The loan repayments dates were subsequently extended. The loan was fully repaid in the 2017 financial year.

8. OTHER

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

8.1 Contingent assets and contingent liabilities

a) Contingent liabilities

Bank guarantees

FirstRand Bank Limited has issued a Bank Guarantee, in favour of the South African Department of Mineral Resources, in respect of MSR's obligations under the Tormin Mining Right for an amount of ZAR2,628,000 (US$182,551) (2017: ZAR2,730,000 (US$220,467)).

FirstRand Bank Limited has issued a Bank Guarantee, in favour of the South African Department of Mineral Resources, in respect of MSR's obligations under the De Punt Prospecting Right Application for an amount of ZAR320,000 (US$22,228) (2017: Nil).

Subsequent to balance date, FirstRand Bank Limited has issued a Bank Guarantee, in favour of the South African Department of Mineral Resources, in respect of MSR's obligations under the Tormin Prospecting Right Application for an amount of ZAR1,874,989 (US$130,244) (2017: Nil).

Subordination of Shareholders Loan

With effect from 26th March 2015, MRC Resources Proprietary Limited ("MRCR") has subordinated ZAR90,000,000 (US$ 6,251,746) (2017: ZAR90,000,000 (US$7,268,130)) of its inter-company loan account to FirstRand Bank Limited for the due payment by MSR of all monies owed to FirstRand Bank Limited.

Suretyship

With effect from 26th March 2015, MRCR has provided a surety to FirstRand Bank Limited of ZAR45,000,000 (US$ 3,125,873) (2017: ZAR45,000,000 (US$3,634,065)) for the due payment by MSR of all monies owed to FirstRand Bank Limited.

With effect from 15th September 2016, MSR has provided a surety to FirstRand Bank Limited of ZAR4,614,788 (US$ 320,561) (2017: ZAR4,614,788 (US$372,676)) for the due payment by Z Square M.P. Empowerment Company (Pty) Ltd of all monies owed to FirstRand Bank Limited.

Others

Since the year end the Company has received a letter of demand for up to ZAR32,268,000 (US$2,241,456) plus penalty interest of ZAR4,307,083 (US$299,186) relating to diesel refunds claimed from its mining activities over several years. The Company is of the view, based upon independent legal advice obtained, the Company has been compliant with the respective legislation and therefore the Company does not consider it has a present obligation with respect to this claim. Accordingly, no provision or liability in relation to the claim has been recognised in the financial statements. The Company will be pursuing legal proceedings and is confident in defending the claim.

Other contingent liabilities relate predominantly to actual or potential claims of the Group for which amounts are reasonably estimated but the liability is not probable and therefore the Group has not provided for such amounts in the financial report. This amounted to ZAR Nil (US$ Nil) (2017: ZAR18,000,000 (US$1,378,008).

Other than those mentioned above, there have been no other changes to contingent assets or liabilities since 31 December 2018.

8.2 Other Commitments

Blue Bantry funding support

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

The Company agreed to provide Blue Bantry access to an amount of funding to support the original Tormin Project objectives by advancing through a loan, certain benefits Blue Bantry would expect to receive from the Tormin Project. Blue Bantry will repay the ZAR8,250,000 loan from dividend distributions that it will receive in the future from MSR.

8.3 Events since the end of the financial year

Subsequent to year end, the Directors declared a final dividend for the year ended 31 December 2018 of 0.7 Australian cent per ordinary share, partially franked to 15% of the ordinary dividend (or partially franked to 0.105 Australian cent per ordinary share). This equates to a total distribution of A$2,947,641 based on the number of ordinary shares on issue at the date of this report. As the dividend was partially franked, there are income tax consequences for the owners of the Company relating to this dividend.

Except for the above, there have been no other material matters arising subsequent to the end of the financial year.

8.4 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, BDO Tax (WA) Pty Ltd, and their related practices and related firms:

	31 December 2018 $	31 December 2017 $
Audit services		
Audit and review of financial reports		
BDO Audit (WA) Pty Ltd	**57,391**	42,000
BDO Johannesburg South Africa	**14,319**	22,357
	71,710	64,357
Non-audit services		
Taxation and company secretarial (South African entities)		
BDO Tax (WA) Pty Ltd	**16,116**	53,135
BDO Johannesburg South Africa	**8,830**	-
	24,946	53,135

8.5 Accounting Policies

a) New standards and interpretations not yet adopted

The Group has not elected to apply any pronouncements before their effective date for the annual reporting period ended 31 December 2018.

A number of new standards, amendments to standards and interpretations are effective for annual period beginning on or after 1 January 2019, and have not been applied in preparing these consolidated financial statements. The most significant of these are:

- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).

The Group's assessment of the impact of these new standards, amendments to standards and interpretations is set out below:

Reference	Title	Nature of Change	Application date of standard	Impact on entity financial statements	Application date for entity
AASB 16 (issued February 2016)	Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	Annual reporting periods beginning on or after 1 January 2019.	To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 January 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis. Refer note 3.6(b) for current operating lease commitments as at 31 December 2018. The majority of current operating leases are short term in duration and require no change to their accounting treatment.	1 January 2019

No other standards, interpretations or amendments which have been issued are expected to have an impact on the Group.

Directors' declaration

THE DIRECTORS OF THE COMPANY DECLARE THAT:

1. The financial statements, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* including;

   (a) complying with Australian Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. 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.

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 Caruso
Executive Chairman

Dated at Perth, Western Australia
this 28th day of February 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Mineral Commodities Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mineral Commodities Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of mine assets

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2018 the Group held mine assets which are significant to the group and consist of Mine development expenditure and Property, plant and equipment assets as disclosed in Notes 3.2 and 3.3 to the financial report. This is considered to be a key audit matter given the estimation and judgment used in determining the useful life and amortisation rates for mining assets. As the carrying value of mine assets represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. During the year the Group identified indicators of possible impairment which included the position with respect to the expiry and subsequent renewal of the mining rights. As a result, the Group undertook an impairment assessment on the mine assets and concluded no impairment was required.	Our procedures included, but were not limited to the following: • assessing key inputs used in the impairment assessment including finished product pricing, directly attributable costs, recovered grades, and production and processing volumes against board approved forecast and historical actual results; • use of internal valuation expert to assess the appropriateness of discount rate used; • assessing the appropriateness of the period for which future cash flows were included in the impairment assessment. This included the consideration of the Group's current mining licence tenure, open applications with the DMR and legal correspondence on these matters; • undertaking sensitivity analysis on significant assumptions used in the impairment test; and • assessing the adequacy of related disclosures in Note 3 of the financial statements.

Revenue recognition

Key audit matter	*How the matter was addressed in our audit*
Note 2.2 of the financial report discloses revenue from sale of product. This was determined to be a key audit matter due to the following: • significance of revenue to the financial report • Initial application of AASB 15 'Revenue from Contracts with Customers' (AASB 15) which applies to the Group from 1 January 2018. The impact of the adoption of this new standard is disclosed in Note 1.8 • the nature of a significant offtake arrangement, which includes deferred delivery arrangements.	Our procedures included, but were not limited to the following: • discussing with management and critically assessing the financial impact of the new revenue standard and changes to the Group's revenue recognition policies or practice during the year; • obtaining and reviewing offtake arrangements, including any variations, considering the terms and conditions of these arrangements and assessing the accounting for under AASB 15 in consultation with our internal accounting experts; • analytically reviewing revenue recorded during the year by setting expectations based upon internal production and survey volumes against average contract pricing received during the year; • assessing a sample of revenue transactions through comparison to sales contracts signed by the customer and bills of lading or final analysis certificates; • evaluating whether revenue had been recorded in the correct period based on contractual terms for a sample of sales around the reporting date; and • assessing the appropriateness of the Group's disclosures in respect of revenue in Note 2.2 and revenue recognition accounting policies in Note 1.8.

Existence and valuation of Inventory

Key audit matter	*How the matter was addressed in our audit*
Note 4.3 of the financial report discloses the carrying value of the Group's inventory. Inventory was identified as a key audit matter due to the significance of the balance, use judgement by management in allocating costs to various products of the mining process and the significant balance of spares and consumables at the mine site.	Our procedures included, but were not limited to the following: • BDO network component auditors attending inventory counts at the Tormin mine site and counting a sample of inventory items and comparing the quantities/volumes counted to the quantities/volumes recorded; • BDO network component auditors observing for potential obsolete or damaged items; • obtaining and reviewing third party survey reports of stockpiled finished goods and compared to volumes recorded. This included assessing the competence and objectivity of the expert used and the adequacy of their work; • reviewing management's inventory model which allocates mining costs to finished product and assessing the methodology and comparing to the accounting policy adopted by the Group; • re-performing the calculation and reconciling inputs used in the inventory model to survey results, production reports, mining costs and sales contracts; • testing a sample of finished product to assess whether they were recorded at the lower of cost and net realisable value; and • assessing the adequacy of the related disclosures in Note 4.3 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the unaudited information contained in Directors' report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

BDO

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 31 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Mineral Commodities Ltd, for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 28 February 2019


MSR

Statement of corporate governance

The Board of Directors (the "Board") of Mineral Commodities Ltd (the "Company" or "MRC") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Statement of Corporate Governance was approved by the Board on 17 April 2019.

In accordance with the Australian Securities Exchange ("ASX") Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations" (the "Principles"), this Statement of Corporate Governance must contain certain specific information and disclose the extent to which the Company has followed the guidelines during the reporting period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for that course of action.

The Company's corporate governance practices were in place throughout the year and, unless otherwise stated, comply with the CGC's Principles, which are noted below.

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the Board to add value

Principle 3. Act ethically and responsibly

Principle 4. Safeguard integrity in corporate reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of security holders

Principle 7. Recognise and manage risk

Principle 8. Remunerate fairly and responsibly

A summary of the corporate governance policies and practices adopted by MRC is set out below.

Role of the Board

The Board is responsible for setting the Company's strategic direction and providing effective governance over MRC's affairs in conjunction with the overall supervision of the Company's business with the view of maximising shareholder value. The Board's key responsibilities are to:

a) chart, and monitor the implementation of, the direction, strategies and financial objectives of MRC;

b) monitor compliance with regulatory requirements, ethical standards and external commitments;

c) appoint, evaluate the performance of, determine the remuneration of, plan for the succession of and, where appropriate, remove the Chief Executive Officer ("CEO") if in place or other person acting in the executive capacity; and

d) ensure that the Board continues to have the mix of skills and experience necessary to conduct MRC's activities, and that appropriate directors are selected and appointed as required.

In accordance with MRC's Constitution, the Board delegates responsibility for the day–to–day management of MRC to the Executive Chairman and CEO (subject to any limits of such delegated authority as determined by the Board from time to time). Management as a whole is charged with reporting to the Board on the performance of the Company.

All Directors have unrestricted access to the Company Secretary, all employees of the group and, subject to the law, access to all Company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from management to enable it to carry out its duties.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The role of the Company Secretary includes:

- advising the Board and its Committees on governance matters;
- monitoring that Board and Committee policies and procedures are followed;
- coordinating, in unison with the Company, the timely completion and despatch of Board and Committee papers;
- ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of directors.

Board structure and composition

The Board currently comprises five directors, one of which is an independent Non–Executive Director. Details of each director's skill, expertise and background are contained within the Directors' Report included with the Company's annual financial statements.

Independence, in this context, is defined to mean a Non–Executive Director who is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of MRC. The definition of independence in ASX Recommendation 2.3 is taken into account for this purpose.

The Board will continue to assess its make-up and will ensure that it continues to have the mix of skills and experience necessary to conduct MRC's activities, and that appropriate Directors are selected and appointed as required.

The following table sets out the mix of skills and diversity that the Board currently has:

Expertise	No of Directors
Senior Executive Experience	2
Governance	2
Financial Knowledge	4
Mining	3
Contracting	2
Technical (Geological / Engineering)	2
Mergers and Acquisitions	3
In-Country Experience	2
Resource Development	2
Competencies	
Strategic Leadership	5
Vision and Mission	5
Governance	5

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.

Presently, the roles of Chairman and CEO have not been separated. The roles were separated until 12 September 2014, at which time the CEO resigned and Mr Mark Caruso, the Chairman of the Company, was appointed to the role of CEO. The Remuneration and Nomination Committee and the Board consider that Mr Caruso's experience in the industry and in managing mining operations position him well to manage the affairs of the Company. The Board assessed its governance structure to mitigate any potential issues with the one person fulfilling the dual roles of Chairman and CEO. This led to the appointment of a Senior Non-Executive Director, Mr Guy Walker, an existing Non-Executive Director of the Company. The present Chairman of the Company is not considered to be an independent Director. Notwithstanding this, all Directors of the Company are, and were during the reporting period, independent in character and judgment.

The CEO is responsible for supervising the management of the business as designated by the Board.

MRC's Non-Executive Directors may not hold office for a continuous period in excess of three years or past the third annual general meeting following their appointment, whichever is longer, without submitting for re–election. Directors are elected or re–elected, as the case may be, by shareholders in a general meeting. Directors may offer themselves for re–election. A Director appointed by the Directors (e.g. to fill a casual vacancy) will hold office only until the conclusion of the next annual general meeting of MRC, but is eligible for re–election at that meeting.

The process for retirement by rotation and re-election of a Director is set down in the Company's Constitution. If a retiring Director nominates for re-election, the Board, through the Remuneration and Nomination Committee, will assess the performance of that Director in their absence, and determine whether the Board will recommend that a shareholders vote in favour of the re-election.

The expertise, skills and details of each Director standing for re-election, including their biographical details, relevant qualifications, experience, and other material Directorships they bring to the Board are provided to shareholders to consider prior to voting on their re-election.

For new appointments, the Board, through the Remuneration and Nomination Committee identifies candidates with the appropriate expertise and experience, having regard to the weighted list of required Directors' competencies as maintained by the Company. The Board will appoint the most suitable candidate, but the shareholders at the next annual general meeting of the Company must ratify the appointment. Shareholders are provided with all material information in the Notice of Annual General Meeting relevant to a decision on whether or not to elect or re-elect a Director.

The Board will ensure appropriate checks are undertaken prior to making any new Board appointments. These will include checks as to the person's character, experience, education, criminal record and bankruptcy history.

The key terms, conditions and requirements of the appointment are set out in a standard letter of appointment. New Directors will be provided with an induction program specifically tailored to the needs of individual appointees. The program includes meetings with major shareholders, one-on-one meetings with members of the management team and visits to key sites.

Directors are also encouraged to participate in continual improvement programs and are expected to highlight areas of activity that could potentially be improved.

Under MRC's Constitution, voting requires a simple majority of the Board. The Chairman holds a casting vote.

As referred to above, 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 and obtained by a Director must be made available to all other Directors.

Board and management effectiveness

Responsibility for the overall direction and management of MRC, its corporate governance and the internal workings of MRC rests with the Board, notwithstanding the delegation of certain functions to the Executive Chairman and CEO and management generally (such delegation effected at all times in accordance with MRC's Constitution and its corporate governance policies).

An evaluation procedure in relation to the Board, individual Directors, Board Committees and Company executives has been adopted by the Board. An evaluation procedure took place during the year. The evaluation of the Board as a whole is facilitated through the use of a questionnaire required to be completed by each Board Member, the results of which are summarised and discussed with the Chairman of the Board and tabled for discussion at a Board Meeting. Similarly, each individual Director was required to self-assess their performance and to discuss the results with the Chairman. The same procedure is undertaken for the Audit, Compliance and Risk Committee and the Remuneration and Nomination Committee.

To ensure management, as well as Board, effectiveness, the Board, through the Remuneration and Nomination Committee, has direct responsibility for evaluating the performance of the CEO. A formal evaluation of the CEO was undertaken in respect of the 2018 financial year. The review was undertaken by the Chairman of the Remuneration and Nomination Committee and involved the review of the CEO's performance against set criteria and the results discussed with the CEO. The results of the review were then tabled at a meeting of the Remuneration and Nomination Committee and a summary provided to the Board of the Company.

Financial reporting, internal control and risk management

The Board has overall responsibility for MRC's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulation, with a view to managing risk of failure to achieve business objectives. It must be recognised however, that internal control systems provide only reasonable and not absolute assurance against the risk of material loss.

The Board reviews the financial position of MRC on a monthly basis. For annual and half-yearly financial statements, the CEO and the Chief Financial Officer ("CFO") are required to state 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 in accordance with the relevant accounting standards; and
- the Company's financial reports are founded on a system of risk management and internal compliance and control and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Management reports to the Board on the effectiveness of the Company's management of material business risk through the provision of regular risk reports to the Board via the Audit, Compliance and Risk Committee. Each reportable risk is discussed, ensuring appropriate mitigation strategies are implemented by the Group. Management and the Board interact on a day-to-day basis and risk is continually considered across the financial, operational and organisational aspects of the Company's business. The Company considers the overall risk framework at each Audit, Compliance and Risk Committee Meeting and will continue to monitor, assess and report its business risks.

The following are key risk areas that could have a material impact on the Company and its ability to achieve its objectives. These are not the only risks associated with the Company and there may be others from time to time that may also adversely affect future performance.

- Country Risk: The Company's current primary assets are located in South Africa. Other assets are located in Iran. Potential changes to fiscal or regulatory regimes in South Africa and Iran may adversely affect the Company. The Company must also comply with local laws and administrative processes which are subject to potential amendments from time to time. The Company adopts processes to mitigate these risks and continues to explore other opportunities in other jurisdictions to diversify its asset holdings.
- Business Continuance Risk: Various circumstances may arise which may lead to shutdowns in operations, including plant failure, industrial action, in-country unrest, natural disasters, and discontinuance of licences. Management and the Board continually assess these risks and ensure all appropriate mitigating actions are put in place. This is underpinned by various policies currently in place, and with respect to licences includes continued stakeholder engagement.
- Financial Risks: Like all mining entities, the Company faces risks relating to movement in interest rates, foreign exchange rates, and access to funds. The Company maintains tight treasury controls and budget processes. Other financial risks are reported in the financial statements.
- Product Risk: The pricing of the Company's products are subject to many global factors. The Company actively markets its products itself in order to achieve the maximum possible value based on the prevailing market conditions. The Company is also assessing investment in downstream processing to add value to its concentrate products.
- Development Risk: The Company continues to assess other projects. A failure to develop a project or seek alternate projects could impact the long-term profitability and the financial position of the Company. The Board

continues to assess the progress of the Xolobeni Mineral Sands Project, will continue with the development of the Munglinup Graphite Project, and will continue to review other opportunities in order to extend the Company's operations beyond the existing assets.

The Company does not presently have an internal audit function. This is mitigated by the Board, through the Audit, Compliance and Risk Committee implementing the matters set out above with respect to risk and management, and having a primary responsibility to ensure the:

a) the Company presents and publishes accounts, which present a true and fair view of its results and financial position;

b) the accounting methods adopted are appropriate to the Company and consistently applied in accordance with relevant accounting standards and the applicable laws; and

c) the appointment and performance of the external auditor is appropriately monitored to ensure independence and the serving of the interests of shareholders.

This requirement is assisted by the formal sign-off from the CEO and CFO as noted above.

Committees of the Board of Directors

The Board established two permanent Board Committees in February 2013 to assist the Board in the performance of its functions, comprising the:

- Audit, Compliance and Risk Committee; and
- Remuneration and Nomination Committee.

Each Committee has a charter, which sets out the Committee's purpose and responsibilities. The Committees are described further below.

AUDIT, COMPLIANCE AND RISK COMMITTEE

The purpose of the Audit, Compliance and Risk Committee is to provide assistance to the Board in its review of:

a) MRC's financial reporting, internal control structure and risk management systems;

b) the internal and external audit functions; and

c) MRC's compliance with legal and regulatory requirements in relation to the above.

The Audit, Compliance and Risk Committee has specific responsibilities in relation to MRC's financial reporting process, the assessment of accounting, financial and internal controls, the appointment of an external auditor, the assessment of the external audit, the independence of the external auditor, and setting the scope of the external audit.

The Company's external auditor is required to attend to the Company's annual general meeting and make itself available to answer questions from shareholders relevant to the audit.

The Audit, Compliance and Risk Committee Charter provides that the Committee must comprise at least three Non–Executive Directors that have diverse, complementary backgrounds, with two independent Non–Executive Directors. The Charter also provides that the Chairman of the Audit, Compliance and Risk Committee must be an independent Non–Executive Director.

The members of the Audit, Compliance and Risk Committee are: Mr Walker (Chairman), Mr Hastings and Mr Torre. Given the independent status of Mr Walker changed throughout the 2017 period, the Committee did not have two independent Directors or an independent Chairman, however this has not affected the operations or performance of the Committee from that of any other period.

REMUNERATION AND NOMINATION COMMITTEE

The purpose of the Remuneration and Nomination Committee is to discharge the Board's responsibilities relating to the nomination and selection of directors and the compensation of the Company's executives and Directors.

The key responsibilities of the Remuneration and Nomination Committee are to:

a) ensure the establishment and maintenance of a formal and transparent procedure for the selection and appointment of new Directors to the Board; and

b) establish transparent and coherent remuneration policies and practices, which will enable MRC to attract, retain and motivate executives and Directors who will create value for shareholders and to fairly and responsibly reward executives.

The Remuneration and Nomination Committee Charter provides that the Committee must comprise at least three Non–Executive Directors, two of which must be independent Non–Executive Directors. The Chairman of the Remuneration and Nomination Committee must be an independent Non–Executive Director.

The members of the Remuneration and Nomination Committee are: Mr Hastings (Chairman), Mr Walker and Mr Joseph Caruso. With the change in Mr Walker's status during the year, the Committee did not have two independent Directors, however this has not affected the operations or performance of the Committee from that of any other period.

The remuneration policy which sets out the terms and conditions for the CEO and other senior executives is set out in the Remuneration Report included in the Directors' Report.

TIMELY AND BALANCED DISCLOSURE

MRC is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company. Additionally, MRC recognises its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

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:

a) preparing half yearly and annual financial reports and making these available to all shareholders;

b) preparing quarterly activity reports;

c) advising the market of matters requiring disclosure under Australian Securities Exchange Continuous Disclosure Rules;

d) maintaining a record of significant ASX announcements on the Company's website;

e) submitting proposed major changes in the Company's affairs to a vote by shareholders, as required by the Corporations Act;

f) reporting to shareholders at annual general meetings on the Company's activities during the year. All shareholders that are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Company;

g) giving shareholders the option to receive communications from, and send communications to, the Company and its share registry electronically; and

h) undertaking various presentations to discuss the Company's activities.

The Company has adopted a formal disclosure policy. The Board and management are aware of their responsibilities in respect of identifying material information and coordinating disclosure of that information where required by the ASX Listing Rules.

Ethical and responsible decision–making

CODE OF CONDUCT

The Board has created a framework for managing the Company including internal controls, business risk management processes and appropriate ethical standards.

The Board has adopted practices for maintaining confidence in the Company's integrity including promoting integrity, trust, fairness and honesty in the way employees and Directors conduct themselves and MRC's business, avoiding conflicts of interest and not misusing company resources. A formal Code of Conduct was adopted in February 2013.

DIVERSITY

The Company employs a broad mix of individuals reflecting its philosophy of hiring the best candidate for all positions at all levels, irrespective of race, religion or gender. In terms of the composition of the Board and Board nominations, the Board considers the Australian Securities Exchange Corporate Governance Principles as part of the overall Board appointment process of determining the composition of the Board that is the most appropriate for the Group.

The Company has implemented a diversity policy. The objective of the policy is for the Company to embrace the diversity of skills, ideas and experiences of an individual and recognise that a workforce is made up of people with differences in age, gender, sexual orientation, disability, religion, national origin or social origin, which contributes to MRC's success and organisational strength. It ensures all employees are treated with fairness and respect.

MRC is committed to embedding a corporate culture that embraces diversity through:

- recruitment on the basis of competence and performance and selection of candidates from a diverse pool of qualified candidates;
- maintaining selection criteria that does not indirectly disadvantage people from certain groups;
- providing equal employment opportunities through performance and flexible working practices;
- maintaining a safe working environment and supportive culture by taking action against inappropriate workplace and business behaviour that is deemed as unlawful (discrimination, harassment, bullying, vilification and victimisation);
- promoting diversity across all levels of the business;
- undertaking diversity initiatives and measuring their success;
- regularly surveying our work climate; and
- the Board establishing measurable objectives in achieving gender diversity.

The Company currently employs 286 staff, with 57 females, representing 20%. There are no female Directors. The Company has not yet set any measurable objectives, however it has an extensive Social and Labour Plan ("SLP") in South Africa which addresses these diversity objectives.

The development of people is the fundamental principle, enshrined in the business strategy. The Company provides opportunities and resources for employees to be fully developed in job disciplines that form part of the occupational structures of the operating subsidiaries. These opportunities pervade throughout and are not limited to a specific department or level.

The Company ensures that the highest calibre of management is attracted and retained to sustain the business.

The Company will assist employees in achieving their potential by supporting and mentoring them in their development. At the same time, meticulous attention is given to the requirements of the legislation applicable thereto.

REGIONAL AND LOCAL ECONOMIC DEVELOPMENT/SOCIO-ECONOMIC DEVELOPMENT

The Company's wholly-owned subsidiary, Mineral Sands Resources (Pty) Limited ("MSR"), is committed to contributing to the socio-economic activities of the immediate community and the region. Although the primary objective is to mine heavy mineral sands from the Tormin Mineral Sands Operation for international and local markets, the business is managed in a manner that embodies value-added compliance with all relevant legislative requirements and socio-economic responsibilities.

MSR's management will always endeavour to offer job opportunities to the local community and the labour sending area from which labour is sourced, i.e. Xolobeni, by the creation of direct and indirect jobs wherever the required skills and experience are present or can be developed. MSR will continue to afford job opportunities to the members of the local community and the labour sending area where such individuals meet the necessary recruitment criteria.

The promotion of local and Xolobeni sustainable development is a core objective of MSR's SLP and, as such, may be used as a general indicator of the success of this SLP. This performance indicator should focus particularly on the prevalence of livelihood opportunities for local people and Xolobeni people after mine closure, compared with the situation before the commencement of the operation.

SECURITIES TRADING POLICY

A Securities Trading Policy has been adopted by the Board to set a standard of conduct which demonstrates MRC's commitment to ensuring awareness of the insider trading laws, and that employees and Directors comply with those laws.

The Securities Trading Policy imposes additional share trading restrictions on Directors, the Company Secretary, executives and employees involved in monthly financial accounting processes ("specified persons").

Under the Securities Trading Policy, specified persons are only permitted to buy and sell securities if they do not possess non–public price sensitive information and trading occurs outside of specified restricted periods. These periods are the periods commencing on the first day of the month before the end of the half–year or full year period and ending on the next business day after the announcement of the results for that period. In addition, before a specified person can deal in MRC's securities they must obtain clearance from the appropriate officer, confirming that there is no reason why they cannot trade.

OTHER INFORMATION

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 available on the Company's website.

MINERAL RESOURCE STATEMENT

Mining and Prospecting Rights

The Company holds the following mining and prospecting rights:

Country	Location	Right / Tenement Number	Type of Right / Tenement	Status	Beneficial Interest
South Africa	Tormin	(WC)30/5/1/2/2/162 MR	Mining	Granted – subject to renewal application	100%
	Tormin	(WC)30/5/1/2/2/163 MR	Mining	Granted – subject to renewal application	100%
	Tormin	(WC)30/5/1/1/2/10036 PR	Prospecting	Granted	100%
	Tormin	(WC)30/5/1/1/2/10199 PR	Prospecting	Granted	100%
	Tormin	(WC) 30/5/1/1/2/10259 PR	Prospecting	EA Refused – under appeal	100%
	Tormin	(WC)30/5/1/1/2/10240 PR	Prospecting	EA granted subject to appeal	100%
	Tormin	(WC)30/5/1/1/2/10261 PR	Prospecting	EA granted subject to appeal	100%
	Tormin	(WC) 30/5/1/1/2/10262 PR	Prospecting	EA granted subject to appeal	100%
	Xolobeni - Kwanyana block	EC30/5/1/1/2/10025 PR	Prospecting	Subject to moratorium - Converting to Mining Right	100%
	Xolobeni	EC30/5/1/1/2/10025 MR	Mining	Subject to moratorium - Under Application	100%
Australia	Cave Hill	E51/1867	Exploration	Granted	100%
	Doolgunna	E51/1766	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Bone	E51/1770	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Lucky Dog	P51/2787	Exploration	Granted	0% (Option to earn-in to 90%)
	Doolgunna – Lucky Dog	P51/2788	Exploration	Granted	0% (Option to earn-in to 90%)
	Glen Florrie	ELA08/2963	Exploration	Granted	100% (90%)
	Harvey Vanadium	M70/888	Mining	Granted	0% (Option to earn-in up to 100%)
	Paynes Find	M59/714	Mining	In Transfer	0% (Option to earn-in to 90%)
	Paynes Find – Edon Pegmatites	E59/2325	Exploration	Granted	100% (90%)
	Paynes Find – Wydgee Pegmatites	E59/2326	Exploration	Granted	100% (90%)
	Munglinup	M74/245	Mining	Granted	51% (Option to acquire 90%)
	Munglinup	E74/505	Exploration	Granted	51% (Option to acquire 90%)
	Munglinup	E74/565	Exploration	Granted	100%
	Yandeyarra	E47/3884	Exploration	Granted	100%
	Yandeyarra	E47/3885	Exploration	Granted	100%
	Yandeyarra	E47/3916	Exploration	Granted	100%
	Yandeyarra	E45/5109	Exploration	Granted	100%

MINERAL SANDS RESOURCES

The Company reviews its resources as at 31 December each year.

The Company considers any additional exploration or depletion of its resources which would have a bearing on the total resource reported.

The Xolobeni Mineral Sands Project is located in the Eastern Cape Province of South Africa approximately 300km north of East London and 200km south of Durban.

No exploration or production activity has been carried out at the Xolobeni Minerals Sands Project during the year. The Company is not aware of any new information or data that materially affects the information presented herein and confirms that all material assumptions and technical parameters underpinning the estimates in relation to the Xolobeni Mineral Sands Project continue to apply and have not materially changed. There were no additional Resources added to Xolobeni during the year. As such, the mineral resources for Xolobeni as at 31 December 2018 remain consistent with 31 December 2017.

The Tormin Mineral Sands Operation is located on the west coast of South Africa, approximately 400km north of Cape Town.

The Company is mining a HMS deposit located in a dynamic and actively changing coastal beach environment. Due to the constant wave action and high tidal flooding of the mining areas, replenishment of HMS material is taking place in mined and disturbed areas.

Mining has now been ongoing for five years and a total of 9.2 million tonnes of material has been processed. The tonnage processed is more than the declared resource tonnage which is indicative of the replenishing nature of the resource where resource blocks are mined more than once per year. As the mining rate is faster than the replenishment rate, the resource grade has been steadily diminishing over the past five years.

Updated Tormin Resource Table

Category	Resource Million Tonnes	Total Heavy Mineral(1) (% in Resource)	Ilmenite (% in HM)	Zircon (% in HM)	Rutile (% in HM)	Garnet (% in HM)
Indicated Resources – Dec 2013	2.70	49.40%	21.46%	6.88%	1.42%	51.21%
Tonnes Mined – 2014	1.07	53.83%	32.06%	8.84%	1.21%	57.89%
Inferred Resources – Dec 2014	2.70	38.14%	26.35%	5.79%	1.21%	66.12%
Tonnes Mined – 2015	1.62	49.57%	32.58%	7.83%	1.21%	58.38%
Inferred Resources – Dec 2015	2.70	28.01%	24.88%	5.57%	1.96%	66.19%
Tonnes Mined – 2016	1.81	45.97%	28.21%	6.05%	1.33%	63.54%
Inferred Resources – Dec 2016	1.80	28.08%	21.90%	5.88%	1.89%	67.63%
Tonnes Mined - 2017	2.05	27.57%	21.07%	3.99%	1.81%	70.37%
Inferred Resources – Dec 2017	1.80(2)	15.92%	17.09%	4.96%	2.70%	71.92%
Tonnes Mined - 2018	2.65	17.35%	18.10%	3.17%	2.19%	72.33%
Inferred Resources – Dec 2018	2.26	14.10%	16.31%	3.05%	1.35%	56.03%

(1) Includes other valuable heavy minerals e.g. leucoxene and magnetite
(2) 5% Heavy Mineral ("HM") cut-off grade used

A table which provides a summary of important assessment and reporting criteria used for the Tormin Mine, in accordance with the Table 1 checklist in The Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 Edition), was included in the Company's release on 28 February 2019 entitled "MRC Annual Resource Update - Tormin Mine Mineral Resource Audit".

The December 2018 inferred resource is based on the reasonable prospect for the economic extraction of the material, as has occurred over the past 5 years. Note that individual minerals are reported as a percentage of the total heavy mineral concentration.

The inferred resource is 2.26 million tonnes. Resource replenishment is occurring but at a rate that is slower than the mining rate. The Company is unable to report a replenishment grade or quantity under the 2012 JORC code. The Company continues to conduct grade reconciliation and sample grading on a daily basis as part of the mining operation to correlate between stated resource and actual resource in terms of quantity, grade and replenishment.

The resource grade has diminished since the December 2017 reported resource.

The nature of the resource replenishment is typical of modern day beach placer deposits found along the West Coast of South Africa and the southeastern Tamil Nadu coast of India.

The Tormin and Xolobeni Mineral Resources are based on mined material reconciliation as at 31 December 2018.

PROJECT	Category	Resource Million Tonnes	Total Heavy Mineral %	Ilmenite (% in HM)	Zircon (% in HM)	Rutile (% in HM)	Garnet (% in HM)
Tormin	**Inferred**	**2.26**	**14.10%**	**16.31%**	**3.05%**	**1.35%**	**56.03%**
Xolobeni	Measured	224	5.7%	54.5%			
	Indicated	104	4.1%	53.7%			
	Inferred	18	2.3%	69.6%			
Total Xolobeni		**346.0**	**5.0%**	**54.0%**			
Total MRC		**348.26**	**5.06%**	**53.31%**			

GRAPHITE RESOURCES AND RESERVES

On 11 September 2017, the Company announced that it was to acquire a 51% interest in the advanced high grade **Munglinup Graphite Project**.

In 2016 the Munglinup Graphite Project Mineral Resource (JORC 2012 compliant) was updated by AEMCO. The resource is classified into Indicated and Measured for a Total Resource of 3.625 million tonnes @ 15.3% Total Graphitic Carbon ("TGC") using a lower cut-off grade of 10% or 1.6 million tonnes @ 18.7% TGC using a cut-off grade of 15%.

	Resource (Million Tonnes)	Grade (Total Graphitic Content %)	Contained Graphite (Million Tonnes)
Halberts Main Zone			
Measured	1.710	14.1%	0.241
Indicated	1.367	15.3%	0.209
Other Areas			
Indicated	0.548	19.1%	0.104
Total	**3.625**	**15.3%**	**0.554**

Additional exploration was undertaken in 2018. As at 31 December 2018, an updated Mineral Resource Model had not been finalised. This new model includes all exploration undertaken during the year and will be released when finalised and fully audited in 2019 as the estimation methodology has changed from the AEMCO model.

On 30 May 2018 the Munglinup Graphite Pre-Feasibility Study was released and included a maiden Ore Reserve (JORC 2012 compliant) based on the AEMCO 2016 Mineral Resource model. The Ore Reserve reported 3.44 million tonnes @ 15.9% TGC for a total contained graphite of 548 kilotonnes.

	Reserve (Million Tonnes)	Grade (Total Graphitic Content %)	Contained Graphite (Thousand Tonnes)
Halberts Main Zone			
Measured	1.710	15.8%	222
Probable	1.042	19.0%	198
Other Areas			
Probable	0.992	12.9%	128
Total (1)	**3.440**	**15.9%**	**548**

(1) May include rounding errors

MINERAL RESOURCE AND ORE RESERVE GOVERNANCE

Mineral Resources and where applicable, Ore Reserves, are estimated by suitably qualified MRC personnel in accordance with the JORC Code, using industry standard techniques.

All Mineral Resource estimates and supporting documentation are reviewed by external Competent Persons. Any amendments to the Mineral Resource Statement to be included in the Annual Report is reviewed by a suitably qualified Competent Person.

The Mineral Resource estimations previously reported under JORC 2004 for the Tormin Resource, are re-presented with updated disclosure of Table 1 from JORC 2012.

COMPETENT PERSON

The information, if any, in this statement which relates to Exploration Results, Mineral Resources or Ore Reserves for Tormin is based on information compiled by Dr Joseph A.P. Drake-Brockman, who is a Member of the AusIMM and is an independent consultant to the Company. Dr Drake-Brockman is an employee of Drake-Brockman Geoinfo Pty Limited and has over 36 years of exploration and mining experience in a variety of mineral deposits and styles. Dr Drake-Brockman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). The information from Dr Drake-Brockman was prepared under the JORC Code (2012). Dr Drake-Brockman consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

The information, if any, in this statement which relates to Mineral Resources for Munglinup is based on information compiled by Mr Adriaan du Toit who is a member of the AusIMM and an independent consultant to Gold Terrace Pty Ltd. Mr du Toit is the Director and Principal Geologist of AEMCO Pty Ltd and has over 27 years of exploration and mining experience in a variety of mineral deposits and styles. Mr du Toit has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined by the JORC Code (2012). The information from Mr du Toit was prepared under the JORC Code (2012). Mr du Toit consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

The information, if any, in this statement which relates to the Ore Reserve for Munglinup is based on information compiled by Mr Daniel Hastings, who is a Member of the AusIMM. Mr Hastings is an employee of Hastings Bell Pty Ltd and a consultant to the Company. Mr Hastings has sufficient experience relevant to the type of deposit under consideration to qualify as a Competent Person as defined by the JORC Code (2012). Mr Hastings consents to the inclusion in the report of the matters based on the reviewed information in the form and context in which it appears.

The information, if any, in this statement that relates to metallurgy, the process plant and infrastructure design for Munglinup is based on information compiled and reviewed by Mr David Pass, who is a Member of the AusIMM. Mr Pass is an employee of Battery Limits Pty Ltd. Mr Pass has sufficient experience relevant to process plant and infrastructure design thereof to qualify as a Competent Person as defined by the JORC Code (2012). Mr Pass consents to the inclusion in the report of the matters based on the reviewed information in the form and context in which it appears.

The information, if any, in this statement which relates to Exploration Results, Mineral Resources or Ore Reserves for Xolobeni is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and Principal Geologist of Al Maynard & Associates Pty Ltd and has over 38 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves ("JORC Code (2004)"). This information was prepared and first disclosed under the JORC Code (2004). It has not been updated since to comply with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code (2012)") on the basis that the information has not materially changed since it was last reported. Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

Shareholder information

Additional information required by the Australian Securities Exchange Ltd Listing Rules and not disclosed elsewhere in this report. This information is current as at 26 March 2019.

Twenty Largest Shareholders

Rank	Name	26 Mar 2019	%IC
1	AU MINING LIMITED	111,128,820	26.39
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	77,179,586	18.33
3	CITICORP NOMINEES PTY LIMITED	62,875,258	14.93
4	ZURICH BAY HOLDINGS PTY LTD	50,000,000	11.87
5	ZURICH BAY HOLDINGS PTY LTD	25,757,485	6.12
6	GOLD TERRACE PTY LTD	9,100,000	2.16
7	MRS KATHRYN ELIZABETH STRICKLAND	6,342,000	1.51
8	INTERNATIONAL MINING SERVICES PTE LTD	5,706,875	1.36
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,428,058	1.29
10	MR JONATHAN COLVILE	4,117,219	0.98
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,609,137	0.86
12	ANTHONY DAVID SHEARD	2,000,000	0.47
13	REGIONAL MANAGEMENT PTY LTD	1,546,540	0.37
14	INTERNATIONAL MINING SERVICES PTE. LTD	1,500,000	0.36
15	MR ROBERT CAMERON GALBRAITH	1,459,221	0.35
16	MR ASHLLEY WALLISS	1,250,000	0.30
16	ZURICH BAY HOLDINGS PTY LTD	1,250,000	0.30
17	MR GRANT MENHENNETT	1,172,728	0.28
18	BNP PARIBAS NOMINEES PTY LTD	1,055,611	0.25
19	MRS KATALIN ILONA TORRE	1,000,000	0.24
19	MR WILLIAM DAVIDSON MEEK	1,000,000	0.24
19	MR JOSEPH ANTHONY CARUSO	1,000,000	0.24
19	MR GUY REDVERS WALKER	1,000,000	0.24
20	PROPERTY & EQUITY NOMINEES PTY LTD	960,214	0.23
	Total	**377,438,752**	**89.63**
	Balance of register	**43,652,819**	**10.37**
	Grand total	**421,091,571**	**100.00**

Distribution of equity security holders

Range	Securities	%	No. of holders	%
100,001 and Over	406,435,492	96.52	119	10.88
10,001 to 100,000	12,117,206	2.88	338	30.90
5,001 to 10,000	1,405,830	0.33	174	15.90
1,001 to 5,000	1,097,917	0.26	329	30.07
1 to 1,000	35,126	0.01	134	12.25
Total	**421,091,571**	**100.00**	**1,094**	**100.00**

Marketable Parcels

Number of shareholders holding less than a marketable parcel of ordinary shares is 303.

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:

• Au Mining Limited	111,128,820	26.39%
• Zurich Bay Holdings Pty Ltd	77,007,485	18.4%
• Tormin Holdings Limited	60,018,408	14.3%
• M&G Investment Management Limited	35,808,750	8.6%
• Mr & Mrs Anthony C Lowrie	26,904,733	6.4%

Restricted securities

There are no restricted securities.

Share buy backs

There is no current on market share buyback.

Mineral Commodities

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