



**INTERIM FINANCIAL REPORT**

**31 DECEMBER 2014**

## **Corporate Directory**

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### **Directors**

Guy LeClezio – Non-Executive Chairman  
Peter Woods – Non-Executive Director  
Graeme Boden – Non-Executive Director  
Peter Langworthy – Non-Executive Director

### **Country Manager Madagascar**

Jean Luc Marquetoux

### **Company Secretaries**

Graeme Boden  
Natasha Forde

### **Registered and Corporate Office**

15 Lovegrove Close  
MOUNT CLAREMONT WA 6010  
Telephone: +61 8 9286-1219  
Facsimile: +61 8 9284-3801

### **Postal Address**

15 Lovegrove Close  
MOUNT CLAREMONT WA 6010

### **Madagascar Operations Office**

Batiment L Cite ex-BRGM, Rue Farafaty  
Ampanandrianomby – Antananarivo 101  
MADAGASCAR  
Telephone: +261 20 22 416 63 / +261 20 22 591 34  
Facsimile: +261 20 22 591 32

### **Stock Exchange Listing**

Australian Securities Exchange  
ASX Code: MGY

### **Auditor**

William Buck Audit (WA) Pty Ltd  
Level 3, 15 Labouchere Road,  
SOUTH PERTH WA 6151

### **Solicitors to the Company**

Steinepreis Paganin  
Level 4, 16 Milligan Street  
PERTH WA 6000

### **Solicitors (Madagascar)**

Lexel Juridique & Fiscal  
Zone Tana Water Front  
Ambodivona  
ANTANANARIVO 101  
MADAGASCAR

### **Share Registry**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153  
Telephone: +61 8 9315 2333  
Facsimile: +61 8 9315 2233

### **Web Site**

Visit our website at:  
[www.malagasyminerals.com](http://www.malagasyminerals.com)

*Registered under the Corporations Act 2001 in the State of Western Australia on 22<sup>nd</sup> September 2006*

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# Interim Financial Report

## Directors Report

Your Directors submit the financial report of the economic entity consisting of Malagasy Minerals Limited and the entities it controlled for the half year ended 31 December 2014, made in accordance with a resolution of the Board.

### DIRECTORS

The names of Directors who held office during or since the end of the half year, for the whole period unless otherwise stated:

Mr Guy LeClezio (Non-Executive Director & Chairman)  
 Dr Peter Woods (Non-Executive Director)  
 Mr Graeme Boden (Non-Executive Director)  
 Mr Peter Langworthy (Non-Executive Director)

### REVIEW OF OPERATIONS

The economic entity incurred a loss from ordinary activities after income tax of \$493,283 for the half year (2013: Loss of \$292,502).

Components of this performance were:	31 December 2014	31 December 2013
	\$	\$
Income	446,683	508,861
Operating Expenses	(939,966)	(801,363)
Profit/ (Loss) after tax	(493,283)	(292,502)

The Group had a cash balance of \$738,336 at 31 December 2014 (30 June 2014: \$1,125,108). The Group's cash position was supported by the sale of 1,000,000 shares in Energizer Resources to raise \$225,899 in cash proceeds during the half year.

### Exploration

#### **Maniry Graphite Project (100% MGY)**

Exploration on the Maniry Graphite Project has been in progress since the middle of 2013 and Malagasy believes that the results have established the Maniry Project as a large-scale, world class graphite province.

Mapping and surface sampling in prior periods supplemented by further work early in the current half-year, have defined at least 34 large-scale zones of prominently outcropping graphite mineralisation over an estimate are of 8km by 4km. Individual lenses within this area have strike extensions of up to 1.8km and widths of up to 350m.

The grade characteristics of the 464 samples taken across the Maniry Project during these sampling programs is provided in the following table.

Total samples (>5% COG)	Total Graphitic Carbon Assay Results (all sampling)			
	%	Samples	Cumulative %	Cumulative Samples
>20%C	5%	21	5%	21
12-20%C	15%	69	19%	90
10-12%C	15%	68	34%	158
8-10%C	25%	115	59%	273
5-8%C	41%	191	100%	464
Peak Result	50.78%C			

**Table (1) – Summary of sampling results.**

Field assessment of graphite flake size demonstrated consistently coarse flake size. Petrological analysis during the half-year of selected samples has confirmed the high quality nature of the graphite, with flake size generally >0.7mm and some material as coarse as several millimetres. The graphite samples examined were also largely free from inclusions of other materials.

# Interim Financial Report

## Directors Report (Continued)

A diamond drilling programme was carried out by the Company's mining services subsidiary on the very economical basis of \$50 per metre. Seventeen holes were drilled in the total programme of 1,588.6 metres, sampling 4 of the 34 zones outlined. The previously reported results from the Razafy, Haja, Ivan and Fitia targets are set out below.

### **RAZAFY TARGET:**

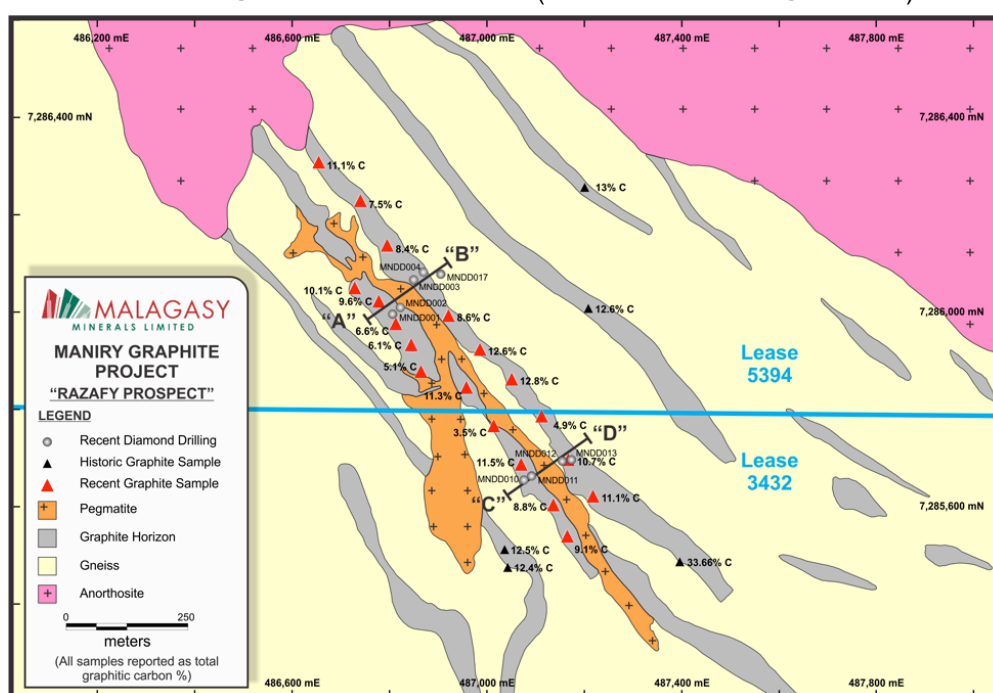
Two traverses of drilling were completed approximately 500 metres apart to provide an initial test of the central portion of the ~1.6km long Razafy Target. The drilling focused on the two central lenses of mineralisation (Figure 1) - the remaining four parallel lenses remain untested.

The key outcomes of the drilling include:

- Confirmation of consistent, thick outcropping, high-grade graphite horizons hosted by felsic gneissic rocks (Figure 2a and 2b);
- Field assessment confirms the coarse grained nature of the graphite mineralisation;
- The carbon grade within the horizons are generally consistent from hole to hole and from section to section;
- Surface sampling has provided an accurate guide as to the expected grades in the sub-surface and;
- Diamond drilling is a cost effective way (approximately A\$50/metre) of drill testing the targets.

### **Razafy Target Drilling Results:**

- MNDD001 26 metres @ 7.3%C from 2 metres (Includes 10 metres @ 10.2%C)  
**and** 14 metres @ 5.1%C from 52 metres
- MNDD002 32 metres @ 7.0%C from 18 metres (Includes 8 metres @ 9.7%C)  
**and** 16 metres @ 5.1%C from 72 metres
- MNDD003 26 metres @ 6.8%C from 0 metres (Includes 8 metres @ 8.8%C)  
**and** 16 metres @ 6.1%C from 94 metres
- MNDD004 34 metres @ 8.5%C from 14 metres (Includes 12 metres @ 11.6%C)
- MNDD010 34 metres @ 6.4%C from 0 metres (Includes 10 metres @ 8.1%C)
- MNDD011 44 metres @ 6.4%C from 10 metres (Includes 10 metres @ 9.2%C)
- MNDD012 24 metres @ 7.0%C from 0 metres (Includes 10 metres @ 8.4%C)
- MNDD013 50 metres @ 6.9%C from 2 metres (Includes 26 metres @ 9.1%C)
- MNDD017 38 metres @ 8.3%C from 34 metres (Includes 14 metres @ 11.3%C)



**Figure (1) – Razafy Target: Drill sections and Surface Sampling Results**

# Interim Financial Report

## Directors Report (Continued)

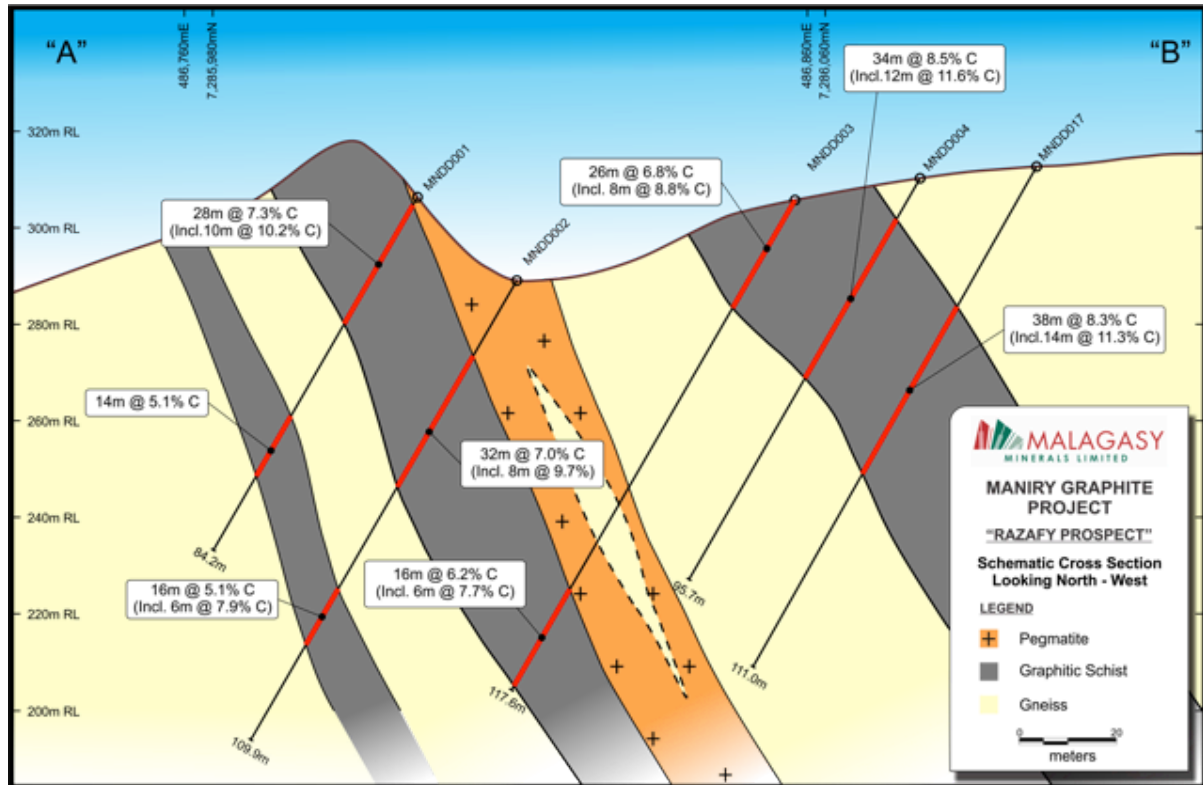


Figure (2a) – Razafy Target: Northern Drill Section

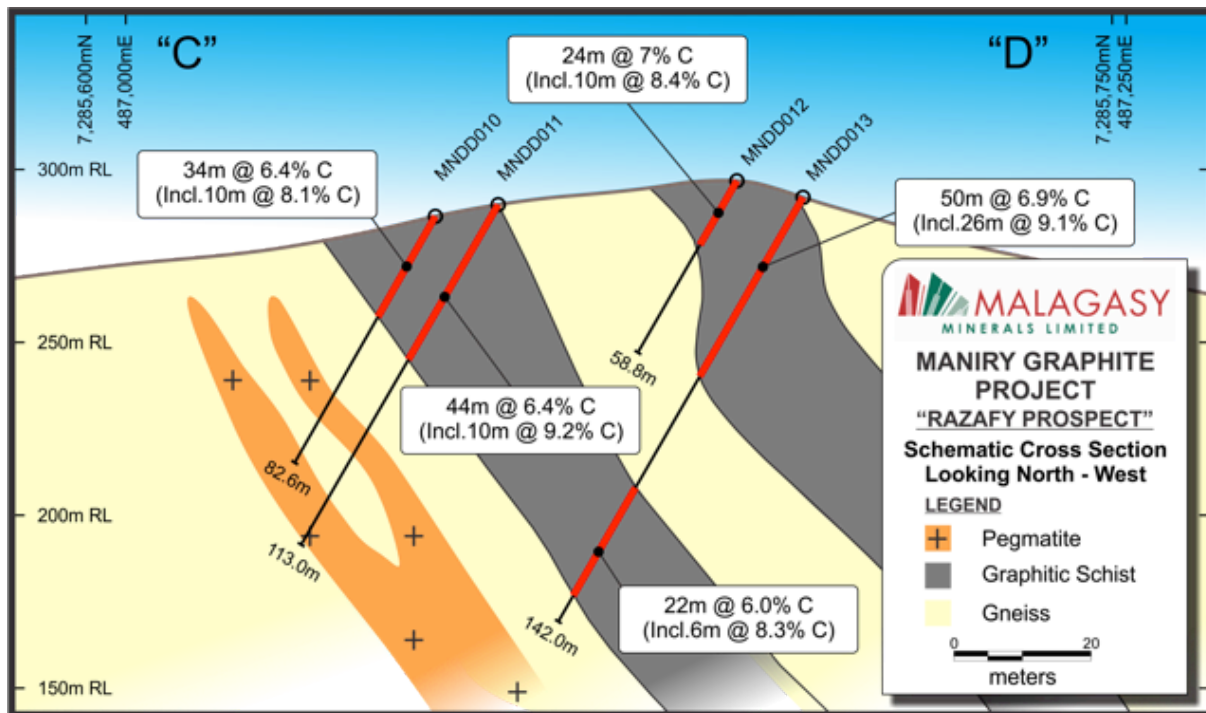


Figure (2b) – Razafy Target: Southern Drill Section

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# Interim Financial Report Directors Report (Continued)

## **IVAN TARGET:**

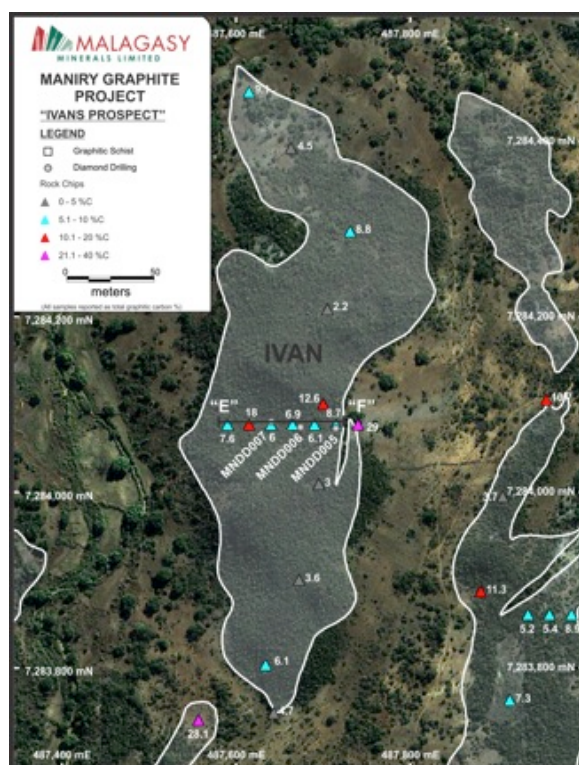
The Ivan Target is located approximately 1.5 kilometres to the immediate south of Razafy. The graphite deposit has a mapped width of up to 200 metres and a strike of 600 metres and is located on a prominent hill (Figure 5). Three diamond holes were completed on a single traverse to provide and an initial test of the target.

The key outcomes of the drilling include (Figure 6):

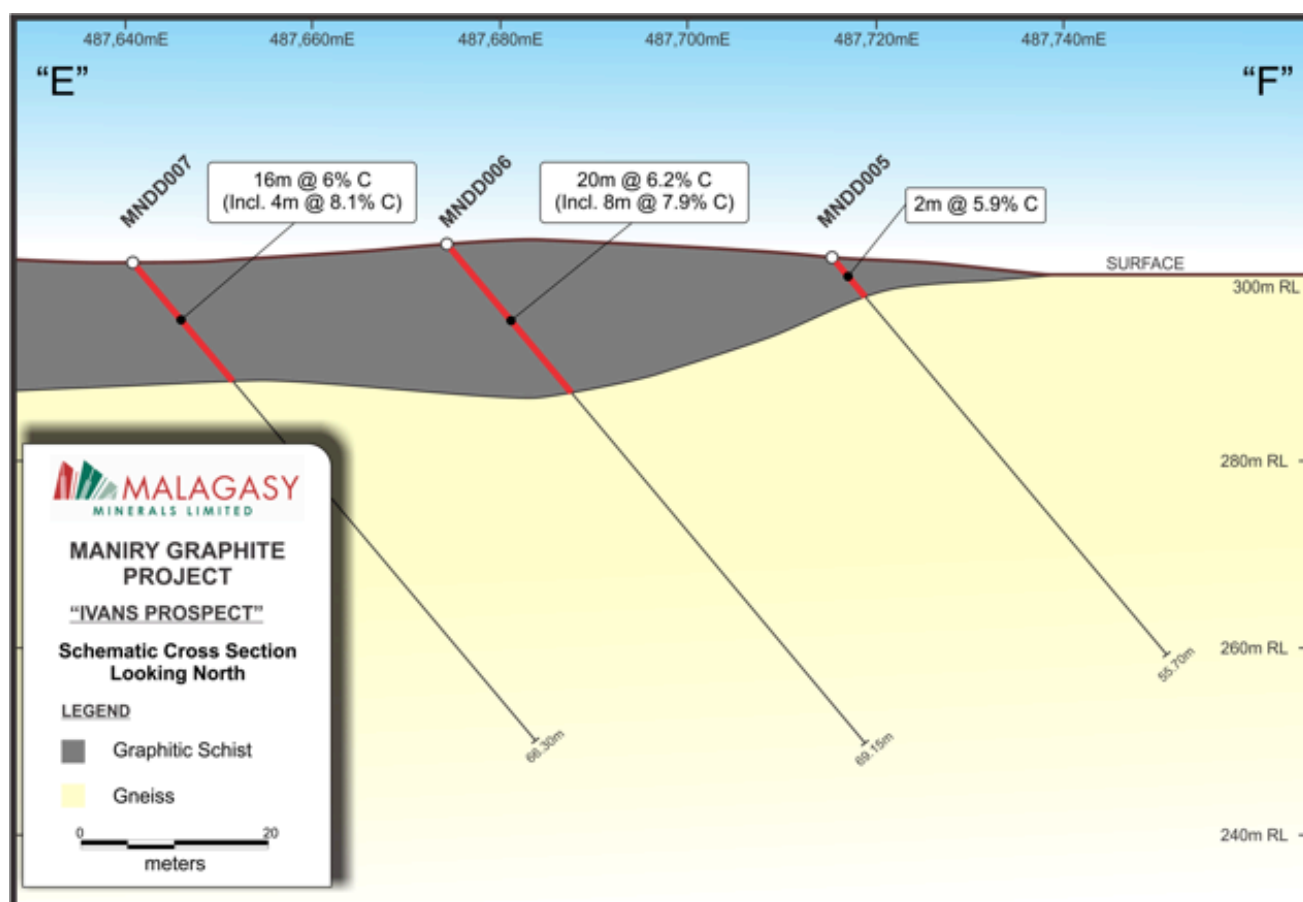
- The intersection of extensive flat lying graphite mineralisation that has the potential to extend over a large area based on mapping and rock chip sampling; and
- The potential to delineate a large area of outcropping graphite mineralisation at very low cost.

## **Ivan Target Drilling Results:**

- MNDD005 2 metres @ 5.9%C from 2 metres
- MNDD006 20 metres @ 7.0%C from 0 metres (Includes 8 metres @ 7.9%C)
- MNDD007 16 metres @ 6.0%C from 0 metres (Includes 4 metres @ 8.1%C)



**Figure (5) – Ivan Target: Drill sections and Surface Sampling Results**



**Figure (6) – Ivan Target: Drill Section**

# Interim Financial Report Directors Report (Continued)

## **FITIA TARGET:**

The Fitia Target is located approximately 3.5 kilometres to the immediate south of Razafy. The graphite deposit has been defined by mapping and rock chip sampling over a strike of approximately 1.2 kilometres and up to a width of 150 metres (Figure 7).

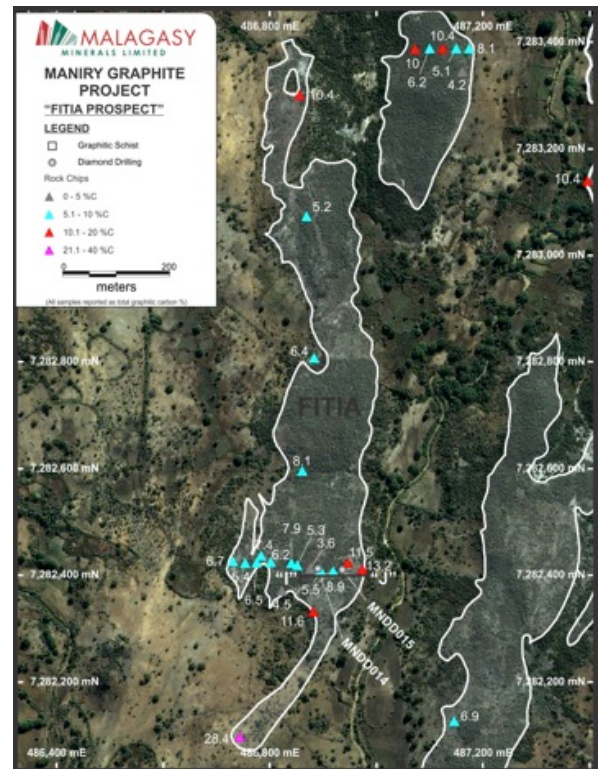
Two diamond holes were completed on the eastern margin of the outcropping graphite mineralisation as an initial test.

The key outcomes of the drilling include (Figure 8):

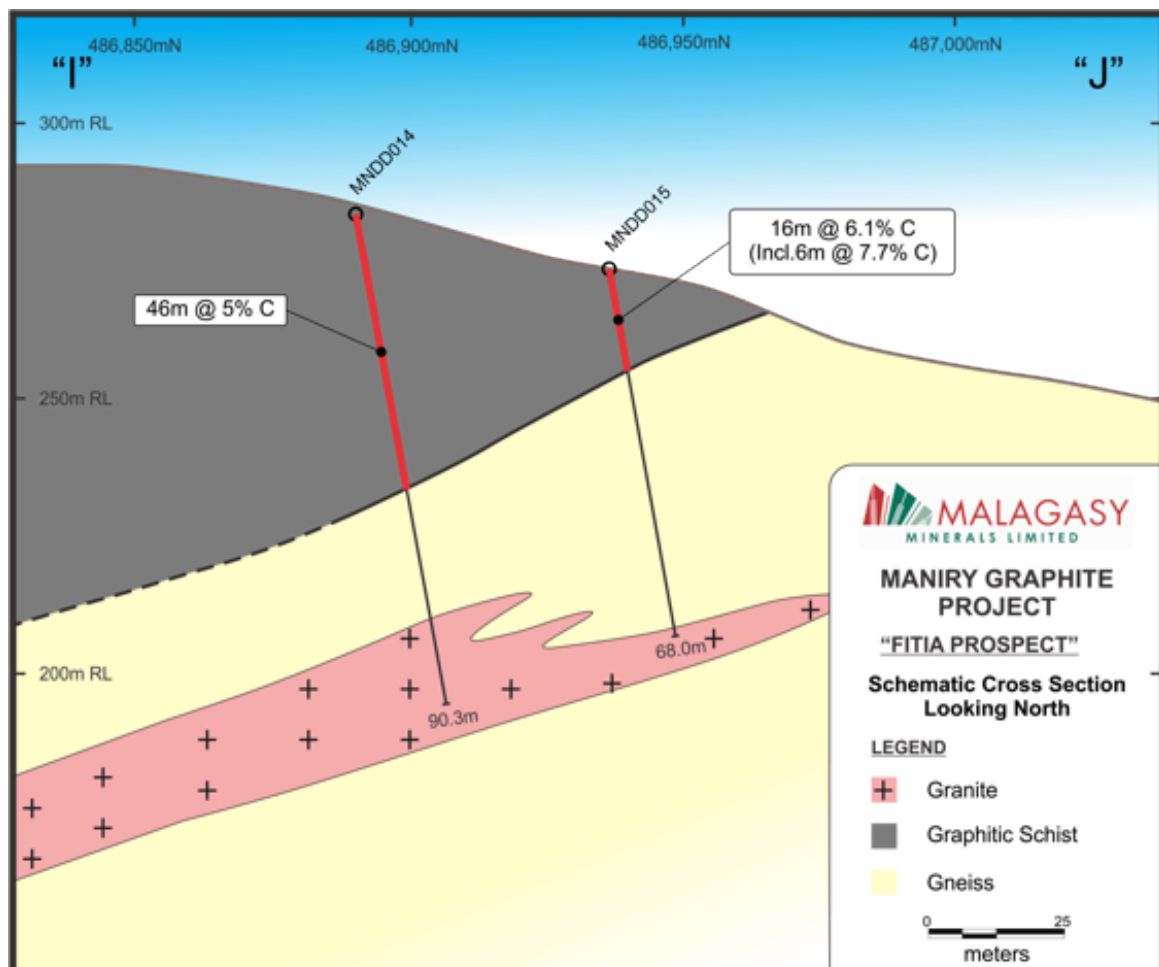
- The intersection of consistent and increasingly thick mineralisation to the west; and
- Initial indications of large outcropping exposures of graphite with significant opportunity to expand into a large-scale deposit of graphite mineralisation.

## **Fitia Target Drilling Results**

- MNDD014 16 metres @ 6.1%C from 0 metres
- MNDD015 18 metres @ 6.0%C from 0 metres



**Figure (7) – Fitia Target: Drill sections and Surface Sampling Results**



**Figure (8) – Fitia Target: Drill Section**



# Interim Financial Report

## Directors Report (Continued)

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### **NICKEL-COPPER-PGM EXPLORATION**

#### **Ampanihy Project (100% of non-industrial mineral rights)**

The **Ampanihy Project** has been confirmed to host a significant suite of mafic-ultramafic intrusive rocks that have demonstrated potential to host nickel-copper-PGM mineralisation. Having established that the application of systematic regional geochemical sampling and programs of mapping and rock chip sampling is the most effective way of exploring the entire 110km strike of the project, a work program involving the collection of systematic geochemical soil samples has been undertaken across the entire project.

The first phase of this work was completed in the 2013 field season (4000 samples) and resulted in the identification of two strong geochemically anomalous areas that are host to a cluster of prospective mafic-ultramafic intrusions.

Samples collected during a further programme, conducted in the 2014 field season, are with laboratories for assaying.

### **CORPORATE**

#### **POLITICAL SITUATION**

The political situation in Madagascar has progressed through democratic elections for the President and the parliament, resulting in the induction of a president, prime minister and government ministers. The international community subsequently began a process of re-engagement with Madagascar, with the prospect of trade and aid relationships being resumed.

Notwithstanding these encouraging developments the Bureau du Cadastre Minier de Madagascar (BCMM), responsible for the regulation and administration of the country's mining tenements, has not begun to deal with the backlog of transactions which has built up over a number of years. Malagasy has tenement applications, tenement renewals, the registration of additional minerals on the permits and the registration of sub-leases to EGZ submitted to the BCMM for processing.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration under section 307C of the Corporation Act 2001 is set out on the following page for the half-year ended 31 December 2014.

*This report is signed in accordance with a resolution of the Board of Directors.*



**Mr Graeme Boden**  
Non-Executive Director

Dated this 10 day of March 2015

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF MALAGASY MINERALS  
LIMITED**

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2014 there have been:

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



William Buck Audit (WA) Pty Ltd  
ABN 67 125 012 124



Conley Manifis  
Director

Dated this 10<sup>th</sup> day of March, 2015

**CHARTERED ACCOUNTANTS  
& ADVISORS**

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South Perth WA 6151

PO Box 748  
South Perth WA 6951

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# Consolidated Statement of Profit & Loss and Other Comprehensive Income

For the half year ended 31 December 2014

		ECONOMIC ENTITY HALF-YEAR ENDED	
	Note	31 December 2014 \$	31 December 2013 \$
Revenue	2	446,683	508,861
Fair Value Gain/(Loss) on Financial Assets	5	(71,028)	74,810
Employee benefits expense		(300,959)	(311,395)
Depreciation expense		(30,721)	(48,883)
Foreign currency gain (loss)		4,930	391
Administration costs		(222,218)	(297,174)
Exploration expenditure		(317,191)	(187,450)
Share-based payments		-	(29,060)
Profit (Loss) before income tax expense		(490,504)	(289,900)
Income tax expense		(2,779)	(2,602)
<b>Profit (Loss) attributable to members of the parent entity</b>		<b>(493,283)</b>	<b>(292,502)</b>
Other Comprehensive Income:			
Items that may be reclassified to the profit & loss			
Adjustment from translation of foreign controlled entities		20,686	2,578
Income Tax relating to components of other comprehensive income		-	-
Total Comprehensive Income for the period attributable to members of the parent entity		<b>(472,597)</b>	<b>(289,924)</b>
<b>Earnings Per Share:</b>			
Basic earnings (loss) per Share (cents per Share)		(0.31)	(0.18)
Diluted earnings (loss) per Share (cents per Share)		(0.31)	(0.18)

*The accompanying notes form part of these financial statements.*

# Consolidated Statement of Financial Position

As at 31 December 2014

		ECONOMIC ENTITY	
	Note	31 December 2014 \$	30 June 2014 \$
<b>Current Assets</b>			
Cash and cash equivalents		738,336	1,125,108
Trade and other receivables		69,466	158,894
Other current assets		5,230	88,745
Other financial assets	5	637,674	837,702
<b>Total Current Assets</b>		<b>1,450,706</b>	<b>2,210,449</b>
<b>Non-Current Assets</b>			
Other receivables	6	288,055	313,630
Property, plant and equipment		2,691,678	2,715,925
Investment in Joint Venture		1	1
Deferred exploration and evaluation costs		3,289,216	3,289,216
<b>Total Non-Current Assets</b>		<b>6,268,950</b>	<b>6,318,772</b>
<b>TOTAL ASSETS</b>		<b>7,719,656</b>	<b>8,529,221</b>
<b>Current Liabilities</b>			
Trade and other payables		236,803	670,278
Short-term provisions		18,046	16,771
<b>Total Current Liabilities</b>		<b>254,849</b>	<b>687,049</b>
<b>Non-Current Liabilities</b>			
Trade and other payables		442,109	467,052
<b>Total Non-Current Liabilities</b>		<b>442,109</b>	<b>467,052</b>
<b>TOTAL LIABILITIES</b>		<b>696,958</b>	<b>1,154,101</b>
<b>NET ASSETS</b>		<b>7,022,698</b>	<b>7,375,120</b>
<b>EQUITY</b>			
Issued capital	7	14,733,538	14,613,363
Reserves		(472,260)	(492,946)
Accumulated losses		(7,238,580)	(6,745,297)
<b>TOTAL EQUITY</b>		<b>7,022,698</b>	<b>7,375,120</b>

*The accompanying notes form part of these financial statements.*

# Consolidated Statement of Changes in Equity

For the half year ended 31 December 2014

<b>ECONOMIC ENTITY</b>	<b>Issued Capital \$</b>	<b>Accumulated Losses \$</b>	<b>Foreign Currency Translation Reserve \$</b>	<b>Option Reserve \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2013</b>	14,555,337	(7,235,952)	(631,419)	432,196	7,120,162
Loss for the period	-	(292,502)	-	-	(292,502)
Other comprehensive income	-	-	2,578	-	2,578
<b>Total</b>	<b>14,555,337</b>	<b>(7,528,454)</b>	<b>(628,841)</b>	<b>432,196</b>	<b>6,830,238</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of shares	58,026	-	-	-	58,026
Options expired	-	260,903	-	(260,903)	-
Share based payments	-	-	-	29,060	29,060
<b>Balance at 31 December 2013</b>	<b>14,613,363</b>	<b>(7,267,551)</b>	<b>(628,841)</b>	<b>200,353</b>	<b>6,917,324</b>
<b>Balance at 1 July 2014</b>	14,613,363	(6,745,297)	(693,299)	200,353	7,375,120
Loss for the period	-	(493,283)	-	-	(493,283)
Other comprehensive income	-	-	20,686	-	20,686
<b>Total</b>	<b>14,613,363</b>	<b>(7,238,580)</b>	<b>(672,613)</b>	<b>200,353</b>	<b>6,702,170</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of shares	120,175	-	-	-	120,175
<b>Balance at 31 December 2014</b>	<b>14,733,538</b>	<b>(7,238,580)</b>	<b>(672,613)</b>	<b>200,353</b>	<b>7,022,698</b>

*The accompanying notes form part of these financial statements.*



## Consolidated Statement of Cash Flows

For the half year ended 31 December 2014

	<b>ECONOMIC ENTITY HALF-YEAR ENDED</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from Operating Activities</b>		
Payments to suppliers and employees	(316,880)	(596,530)
Payments for exploration and evaluation expenditure	(640,123)	(133,104)
Interest received	9,402	7,255
Royalties received	41,839	44,877
Other income	77,309	272,896
Net cash provided by / (used in) operating activities	(828,453)	(404,606)
<b>Cash flows from Investing Activities</b>		
Payments for property, plant & equipment	(6,473)	(8,987)
Proceeds on sale of exploration tenements	219,968	-
Proceeds on sale of joint venture interest	9,885	-
Proceeds on sale of financial assets	225,899	743,104
Net cash provided by / (used in) investing activities	449,279	734,117
<b>Cash flows from Financing Activities</b>		
Deferred payments under share purchase agreement	(24,943)	(27,725)
Net cash and cash equivalents provided by / (used in) financing activities	(24,943)	(27,725)
Net increase / (decrease) in cash and cash equivalents held	(404,117)	301,786
Cash and cash equivalents at beginning of the period	1,125,108	409,811
Effect of Foreign exchange rates on cash holdings in foreign currencies	17,345	628
Cash and cash equivalents at end of the period	738,336	712,225

*The accompanying notes form part of these financial statements.*

# Notes to the Financial Statements

For the half year ended 31 December 2014

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## NOTE 1 – BASIS OF PREPARATION

### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### Standards and Interpretations adopted in the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the half year ended 31 December 2014. In adopting these new and revised pronouncements, the Group has determined that there has been no material impact to the Group's reported position or performance.

### Standards and Interpretations in issue not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the half year ending 31 December 2014. The Group does not believe these standards will have a material impact on the financial statements in the period in which they were adopted.

### Going Concern

The half-year financial statements have been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business.

The ability of the Group to execute current planned exploration activities requires the Group to secure additional funds within the next 12 months. Accordingly, the Group is in the process of investigating various options for securing additional working capital which include but is not limited to the implementation of strategic joint ventures, sale of existing non-core assets, including shares held in Energizer Resources Inc, a Toronto Securities Exchange listed entity, and access to equity markets to raise additional share capital if required.

Should this additional funding not be secured, there is however capacity for the Group to reduce its operating cost structure to a level where existing working capital is sufficient to cover the Group's operations for a period of at least 12 months from the date of the audit report. The Group have also received representations from the relevant Directors who receive remuneration in the form of Directors fees stating that they will not demand cash payment of these Directors fees for a period of at least 12 months from the date of this report, unless there is sufficient working capital for these payments to be made.

For the half year ended 31 December 2014 the Group has incurred a loss of \$493,283 (December 2013: loss of \$292,502) and at 31 December 2014 the Group had working capital of \$1,195,857 (June 2014: \$1,523,400) including a cash and cash equivalents balance of \$738,336 (June 2014: \$1,125,108). Cash used in operating activities in the December 2014 half-year was \$828,453 (2013: \$404,606).

Should the Group be unable to achieve the matters as set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial

# Notes to the Financial Statements (Continued)

For the half year ended 31 December 2014

## NOTE 1 – BASIS OF PREPARATION (Continued)

report does not include adjustments relating to the recoverability or classification of the recorded assets amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

## NOTE 2 – REVENUE

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	31 December 2014 \$	31 December 2013 \$
<b>Operating Activities:</b>		
- royalties	43,211	45,533
- rental	69,408	85,041
- drilling services	-	125,030
- other	7,901	1,531
- tenement sales <sup>(1)</sup>	219,968	-
<b>Non-operating activities:</b>		
- net Interest received	9,296	6,742
- sale of other financial assets	96,899	244,984
Total Revenue	446,683	508,861

(1) On 27 November 2014, Mada-Aust SARL, a wholly owned subsidiary, agreed to sell Labradorite permit number 19933 for the consideration of MGA 466,628,833.

## NOTE 3 – DIVIDENDS

No dividend have been paid or proposed.

## NOTE 4 – SEGMENT INFORMATION

The economic entity operates in two material geographical segments being Australia and Madagascar and reports its segments consistent with the information provided to the chief operating decision maker, being the board of directors.

31 December 2014	Australia \$	Madagascar \$	Mauritius \$	Eliminations \$	Economic Entity \$
<b>Revenue</b>					
Other income	105,090	455,057	-	(113,464)	446,683
Total segment revenue	105,090	455,057	-	(113,464)	446,683
<b>Result</b>					
Segment results	(311,663)	(265,732)	(2,137)	86,249	(493,283)
Profit/(Loss) before income tax	(311,663)	(262,953)	(2,137)	86,249	(490,504)
<b>31 December 2013</b>					
<b>Revenue</b>					
Other income	251,595	257,266	-	-	508,861
Total segment revenue	251,595	257,266	-	-	508,861
<b>Result</b>					
Segment results	(95,685)	(464,117)	-	267,300	(292,502)
Profit/(Loss) before income tax	(95,685)	(461,515)	-	267,300	(289,900)

# Notes to the Financial Statements (Continued)

For the half year ended 31 December 2014

## NOTE 4 – SEGMENT INFORMATION (Continued)

31 December 2014	Australia \$	Madagascar \$	Mauritius \$	Eliminations \$	Economic Entity \$
<b>Assets</b>					
Segment assets	8,002,080	3,187,251	-	(3,469,675)	7,719,656
Segment liabilities	(558,344)	(138,614)	-	-	(696,958)
<b>Other</b>					
Acquisition of non-current assets	-	6,474	-	-	6,474
Depreciation	-	(30,721)	-	-	(30,721)
<b>30 June 2014</b>					
<b>Assets</b>					
Segment assets	8,289,482	3,392,177	-	(3,150,438)	8,529,220
Segment liabilities	(652,258)	(501,843)	-	-	(1,154,101)
<b>Other</b>					
Acquisition of non-current assets	-	10,925	-	-	10,925
Depreciation	10,748	71,206	-	-	81,954
				<b>31 December 2014</b>	<b>30 June 2014</b>
				<b>\$</b>	<b>\$</b>

## NOTE 5 – OTHER FINANCIAL ASSETS

Listed Shares in Energizer Resources <sup>(1)</sup>	329,009	452,702
Warrants in Energizer Resources <sup>(2)</sup>	308,665	385,000
	<b>637,674</b>	<b>837,702</b>
<b>(1) Listed shares in Energizer Resources:</b>		
Balance at the beginning of the period	452,702	839,800
Fair value increase/ (decrease)	5,307	20,287
Shares received as consideration	-	370,695
Shares sold	(129,000)	(778,080)
Balance at the end of the period	<b>329,009</b>	<b>452,702</b>

Financial assets, revalued at fair value through the profit and loss represent 2,500,000 (30 June 2014: 3,500,000) fully paid ordinary shares in Canadian company Energizer Resources Inc, all of which are in escrow until 23 June 2015.

During the year to 30 June 2014 the company sold 6,500,000 Energizer shares to raise \$1,038,663 for working capital purposes.

During the half-year to 31 December 2014 the company sold 1,000,000 Energizer shares to raise \$225,899 for working capital purposes.

## (2) Warrants in Energizer Resources – at fair value:

Balance at the beginning of the period	385,000	-
Warrants issued as consideration	-	385,000
Fair value increase/ (decrease)	(76,335)	-
Balance at the end of the period	<b>308,665</b>	<b>385,000</b>

The Company holds 3,500,000 Warrants in Energizer Resources Inc, convertible at USD \$0.14 per warrant and expire 25 March 2019.

# Notes to the Financial Statements (Continued)

For the half year ended 31 December 2014

	31 December 2014 \$	30 June 2014 \$
<b>NOTE 6 – NON-CURRENT RECEIVABLES</b>		
Non-Current Receivables	288,055	313,630

Non-current Receivable Assets relate to VAT (Value added tax) paid which is estimated to be recoverable from future VAT to be incurred on revenue later than the next 12 months.

## NOTE 7 – ISSUED CAPITAL

165,346,421 fully paid ordinary shares (30 June 2014:160,847,767)	14,733,538	14,613,363
<b>Ordinary shares</b>	<b>31 December 2014 Number</b>	<b>30 June 2014 Number</b>
Balance at the beginning of the period	160,847,767	158,812,504
Shares issued during the period:		
- 5 December 2013 <sup>(1)</sup>	-	2,035,263
- 2 December 2014 <sup>(2)</sup>	4,498,654	-
Balance at the end of the period	165,346,421	160,847,767

There are no preference shares on issue.

Notes:

1. On 5 December 2013, 2,035,263 fully paid ordinary shares were issued to directors, subsequent to shareholder approval received on 27 November 2013. The shares were issued as payment for accrued director fees totalling \$58,026. 816,203 shares were issued at a price of \$0.0345 per share and the remaining 1,219,060 shares were issued at a price of \$0.0245 per share.
2. On 2 December 2014, 4,498,654 fully paid ordinary shares were issued to directors, subsequent to shareholder approval received on 25 November 2014. The shares were issued as payment for accrued director fees totalling \$120,175. 874,000 shares were issued at a price of \$0.025 per share, 1,394,679 shares were issued at a price of \$0.0265 per share and the remaining 1,236,792 shares were issued at a price of \$0.033 per share.

The Group has no maximum authorised share capital. Ordinary shares do not have a par value.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

## Options

No options were issued during the half-year.

## Stock Exchange Listing

Total Issued Capital is 165,346,421 shares, all of which were listed on the ASX at 31 December 2014.



# Notes to the Financial Statements (Continued)

For the half year ended 31 December 2014

## NOTE 8 – FINANCIAL INSTRUMENTS

### *Financial Instruments Measured at Fair Value*

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

#### 31 December 2014

##### *Financial assets:*

##### *Available-for-sale financial assets:*

	Level 1	Level 2	Level 3	Total
- listed investments	329,009	-	-	329,009
- unlisted warrants	-	308,665	-	308,665
	329,009	308,665	-	637,674

#### 30 June 2014

##### *Financial assets:*

##### *Available-for-sale financial assets:*

- listed investments	452,702	-	-	452,702
- unlisted warrants	-	385,000	-	385,000
	452,702	385,000	-	837,702

Included within Level 1 of the hierarchy are the Energizer Resources Inc shares listed on the Toronto Stock Exchange. The fair values of these financial assets have been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

In determining the fair value of unlisted investments included in Level 2 of the hierarchy, which include unlisted warrants held in Energizer Resources Inc, the Black Scholes option pricing model has been used to calculate a fair value based on the income approach valuation.

No transfers between the levels of the fair value hierarchy occurred during the current or previous reporting period.

## NOTE 9 – RELATED PARTY TRANSACTIONS

Transactions between related parties are on usual commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Directors and director related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the Company:

	31 December 2014 Number	30 June 2014 Number
<b>(1) Directors' Share Holdings:</b>		
Mr G LeClezio	14,347,591	12,702,373
Dr P Woods	3,507,078	1,861,000
Mr G Boden	-	-
Mr P Langworthy	3,008,218	1,800,000
Total Director Ordinary Shares	20,862,887	16,363,373
<b>(2) Directors' Option Holdings:</b>		
Mr G LeClezio	2,000,000	2,000,000
Dr P Woods	2,000,000	2,000,000
Mr G Boden	750,000	750,000
M P Langworthy	900,000	900,000
Total Director Options	5,650,000	5,650,000

# **Notes to the Financial Statements (Continued)**

**For the half year ended 31 December 2014**

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## **NOTE 10 – CONTINGENT LIABILITIES**

There has been no material change in contingent liabilities since the last annual reporting date.

## **NOTE 11 – EVENTS SUBSEQUENT TO REPORTING DATE**

No matters or circumstances have arisen since the end of the period, which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of the affairs for the economic entity in subsequent financial years.

## **NOTE 12 – KEY MANAGEMENT PERSONNEL**

Details of the Group's Key Management Personnel Compensation arrangements are provided in the Remuneration Report and the Notes to the Financial Statements contained in the Group's Annual Report for the year ended 30 June 2014. Subsequent to the 30 June 2014 reporting date, there have been no changes made to the remuneration arrangements.

## Directors' Declaration

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The Directors of the company declare that:

- (a) The financial statements and notes, as set out on pages 10 to 19, are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the economic entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date.
- (b) In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:



**Mr. Graeme Boden**  
Non-Executive Director

Perth, Western Australia  
10 March 2015

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MALAGASY MINERALS LIMITED AND CONTROLLED ENTITIES**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Malagasy Minerals Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) on pages 10 to 20, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Malagasy Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Independence*

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

### **CHARTERED ACCOUNTANTS & ADVISORS**

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South Perth WA 6151  
PO Box 748  
South Perth WA 6951  
Telephone: +61 8 6436 2888  
[williambuck.com](http://williambuck.com)

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MALAGASY MINERALS LIMITED AND CONTROLLED ENTITIES (CONT)**

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Malagasy Minerals Limited on pages 10 to 20 is not in accordance with the Corporations Act 2001 including:

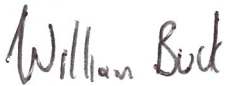
- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

*Emphasis of Matter*

Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a loss after income tax of \$493,283 during the half-year ended 31 December 2014. This condition, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

*Matters Relating to the Electronic Presentation of the Reviewed Half Year Financial Report*

This auditor's review report relates to the half year financial report of Malagasy Minerals Limited for the half year ended 31 December 2014 included on Malagasy Mineral Limited's web site. The company's directors are responsible for the integrity of Malagasy Mineral Limited's web site. We have not been engaged to report on the integrity of Malagasy Mineral Limited's web site. The auditor's review report refers only to the half year financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half year financial report to confirm the information included in the reviewed financial report presented on this web site.



William Buck Audit (WA) Pty Ltd  
ABN 67 125 012 124



Conley Manifis  
Director

Dated this 10<sup>th</sup> day of March, 2015