

**Malagasy Minerals Limited**  
**Interim Report**  
**For the six months ended**  
**31 December 2007**

**MALAGASY MINERALS LIMITED ABN 84 121 700 105 AND CONTROLLED ENTITIES  
DIRECTORS' REPORT**

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2007.

**DIRECTORS**

The names of directors who held office during or since the end of the half year:

- Mr Steven Goertz
- Mr Max Cozjin
- Mr Guy Leclezio
- Mr Peter Woods

**REVIEW OF OPERATIONS**

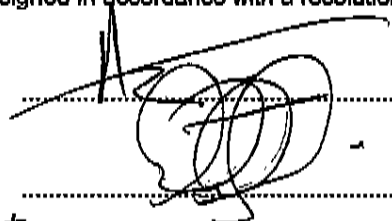
During the six months to 31 December 2007, the consolidated group continued its mineral exploration activities and project evaluation whilst preparing for its IPO capital raising.

**AUDITOR'S DECLARATION**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2007 is attached.

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

Director



.....

Director

.....

Dated this 19<sup>th</sup> day of May 2008



#### AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Malagasy Minerals Ltd and its controlled entities (the consolidated entity) for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

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

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL  
Principal

Perth, WA  
Dated this 19<sup>th</sup> day of May 2008

*Total Financial Solutions*



*Horwath refers to Horwath International Association, a Swiss Verein  
Each member of the Association is a separate and independent legal entity.*

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A WHK Group firm

**MALAGASY MINERALS LIMITED****INTERIM CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

	22 September 2006 to 30 June 2007	1 July 2007 to 31 December 2007
	\$	\$
Revenue	221,010	154,975
Employee Benefits expense	(13,806)	(18,133)
Depreciation expense	(18,273)	(948)
Impairment of Assets	(3,948)	-
Finance costs	(8,819)	(3,280)
Administration costs	(264,714)	(215,327)
Exploration expenditure	(6,603)	(3,185)
Tenement Holding costs	(49,813)	(99,037)
Share-based payments	(100,000)	-
Loss before income tax expense	(244,966)	(184,935)
Income tax expense	(2,638)	-
Net Loss attributable to members of the parent entity	(247,604)	(184,935)

**MALAGASY MINERALS LIMITED****INTERIM CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2007**

	30 June 2007	31 December 2007
	\$	\$
<b>Current Assets</b>		
Cash and Cash Equivalents	747,785	453,473
Trade and Other Receivables	95,877	102,474
Other Current Assets	80,529	133,665
<b>Total Current Assets</b>	<b>924,191</b>	<b>689,612</b>
<b>Non-Current Assets</b>		
Property, Plant & Equipment	41,956	252,497
Intangible Assets	-	-
Receivables	-	-
Deferred Exploration and Evaluation	345,148	340,404
<b>Total Non-Current Assets</b>	<b>387,104</b>	<b>592,901</b>
<b>TOTAL ASSETS</b>	<b>1,311,295</b>	<b>1,282,513</b>
<b>Current Liabilities</b>		
Trade and Other Payables	257,048	259,376
Short-term Provisions	1,362	1,362
<b>Total Current Liabilities</b>	<b>258,410</b>	<b>260,738</b>
<b>Non-Current Liabilities</b>		
Other Payables	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>258,410</b>	<b>260,738</b>
<b>NET ASSETS</b>	<b>1,052,885</b>	<b>1,021,775</b>
<b>EQUITY</b>		
Issued Capital	1,300,003	1,470,003
Reserves	2,349	(10,521)
Accumulated Losses	(249,467)	(437,707)
<b>TOTAL EQUITY</b>	<b>1,052,885</b>	<b>1,021,775</b>

**MALAGASY MINERALS LIMITED****INTERIM CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

	22 September 2006 to 30 June 2007 \$	1 July 2007 to 31 December 2007 \$
<b>Cash flows from Operating Activities</b>		
Payments to suppliers and employees	(154,119)	(177,465)
Interest received	11,225	17,040
<b>Net cash used in operating activities</b>	<b>(142,894)</b>	<b>(160,425)</b>
<b>Cash flows from Investing Activities</b>		
Payments for property, plant and equipment	(60,229)	(209,594)
Payments for exploration and evaluation expenditure	(349,095)	(94,293)
<b>Net cash used in investing activities</b>	<b>(409,324)</b>	<b>(303,887)</b>
<b>Cash flows from Financing Activities</b>		
Proceeds from issues of shares	1,300,003	170,000
<b>Net cash flows provided by financing activities</b>	<b>1,300,003</b>	<b>170,000</b>
<b>Net increase(decrease) in cash held</b>	<b>747,785</b>	<b>(294,312)</b>
Cash at the beginning of the period	-	747,785
<b>Cash at the end of the period</b>	<b>747,785</b>	<b>453,473</b>

**MALAGASY MINERALS LIMITED****INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$
<b>Balance at 30 June 2006</b>	-	-	-	-
Shares issued during the year	1,300,003	-	-	1,300,003
Loss attributable to members of parent entity	-	(247,604)	-	(247,604)
Adjustment from translation of foreign controlled entities	-	-	2,349	2,349
Preference dividends paid or provided for	-	(1,863)	-	(1,863)
<b>Balance at 30 June 2007</b>	<b>1,300,003</b>	<b>(249,467)</b>	<b>2,349</b>	<b>1,052,885</b>
Shares issued during the period	170,000	-	-	170,000
Loss attributable to members of parent entity	-	(184,935)	-	(184,935)
Adjustment from translation of foreign controlled entities	-	-	(12,870)	(12,870)
Preference dividends paid or provided for	-	(3,305)	-	(3,305)
<b>Balance at 31 December 2007</b>	<b>1,470,003</b>	<b>(437,707)</b>	<b>(10,521)</b>	<b>1,021,775</b>

**MALAGASY MINERALS LIMITED ABN 84 121 700 105 AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2007**

**NOTE 1: BASIS OF PREPARATION**

The interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the financial report for the period ended 30 June 2007.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2007 financial report.

The interim report does not include full disclosures of the type normally included in the annual financial report.

**Reporting Basis and Conventions**

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

**NOTE 2: PROFIT FOR THE PERIOD**

**Consolidated Group**  
**31 December 2007**

\$

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

Royalty and licence income	137,284
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**NOTE 3: DIVIDENDS**

No dividends were declared or paid during the interim period.

**NOTE 4: CONTINGENT LIABILITIES**

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

**NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE**

After reporting date, the economic entity continued to prepare for its IPO capital raising.



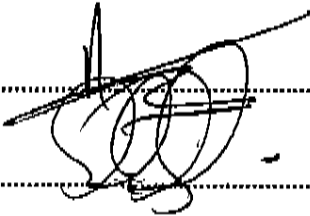
**MALAGASY MINERALS LIMITED ABN 84 121 700 105 AND CONTROLLED ENTITIES  
DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 to 6:
  - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the economic entity's financial position as at 31 December 2007 and of its performance for the interim period ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and where they become due and payable.

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

Director



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Director

.....

Dated this *19th* day of *May* 2008



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

**Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Malagasy Minerals Ltd (the Company) and its controlled entities (the consolidated entity), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

**Directors' responsibility for the half-year financial report**

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**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 the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim 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 2007 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Malagasy Minerals Ltd and its controlled entities, 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 complied with the independence requirements of the Corporations Act 2001.

**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 Ltd and its controlled entities 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 2007 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL  
Principal

Perth, WA  
Dated this 19<sup>th</sup> day of May 2008

**Total Financial Solutions**



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Each member of the Association is a separate and independent legal entity.*

**Member Horwath International**

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