



**INTERIM FINANCIAL REPORT**

**31 DECEMBER 2009**

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

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

**INTERIM FINANCIAL REPORT  
31 DECEMBER 2009**

**CORPORATE DETAILS**

**Directors:**

Mr M.D.J. Cozijn B.Com. ASA, MAICD	– Chairman & Finance Director
Mr S.B. Goertz BSc (Geology), MAusIMM / MAIG	– Managing Director
Mr G. LeClezio BA	– Non-Executive Director
Dr P. Woods BScH / PhD (Geol). MAIG	– Non-Executive Director

**Secretary:**

M.D.J. Cozijn B. Com. ASA

**Registered Office Perth:**

Unit 7, 11 Colin Grove  
West Perth WA 6005  
Australia  
Telephone: + 618 9463 6656  
Facsimile: +618 9463 6657

**Madagascar Office:**

Batiment L, Lotissement BRGM  
Rue Farafaty, Ampandrianomby  
Antananarivo 101 Madagascar  
Telephone: +261 2022 41 663/591  
Facsimile: 261 2022 59 132

**Postal Address:**

PO Box 2818  
WEST PERTH WA 6872

**Auditors:**

WHK Horwath  
Level 6, 256 St Georges Terrace  
PERTH WA 6000

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**MALAGASY MINERALS LIMITED**  
**ABN 84 121 700 105**

**INTERIM FINANCIAL REPORT**

**DIRECTORS' REPORT**

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Your Directors submit the financial report of the economic entity for the half year ended 31 December 2009, 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:

Mr Max Cozijn (Chairman)  
Mr Steven Goertz (Managing Director)  
Mr Guy LeClezio (Non-Executive Director)  
Dr Peter Woods (Non-Executive Director)

**REVIEW OF OPERATIONS**

The economic entity incurred a loss from ordinary activities after income tax of \$ 793,725 for the half year (2008: \$1,440,603).

**HIGHLIGHTS - Six Months to 31 December 2009:**

**EXPLORATION**

- **Fotadrevo Vanadium project – 6.5km long mineralised zone identified.** Costeaming totalling 1,870 metres completed over 6 targets. Analyses underway with results expected early February 2010. Prospecting extends main zone to 8.0 km;
- **Vohibory Project drilling programme – four holes for 620 metres completed.** Sampling underway, with assay results expected by mid-February 2010. Assaying of soil geochemical samples underway. Detailed geological mapping completed at 1:10,000 scale for whole project. Additional targets to be drill tested in 2010;
- **Ampanihy Ni-Cu - Analysis of potential targets continuing.** detailed prospecting of selected targets, corresponding with VTEM anomalies, to be undertaken prior to final selection of VTEM conductors for modelling;

**LABRADORITE**

- Labradorite royalty revenues continue to support operations in Madagascar.

**OTHER OPERATIONS**

- Intertek-Genalysis and Kirk Petrophysics laboratory facilities both fully operational – resulting in substantial upgrades to company's facilities.
- Rental income continues to grow, supplementing operation costs in Madagascar.

**CORPORATE**

Malagasy Minerals continues to restructure its commercial property holdings, operational assets and running costs with a view to maximizing revenue income and reducing costs, so as to be cash flow sufficient in its Madagascar operations. With Labradorite Royalty and Rental income, the operations in Madagascar are close to being self supporting, leaving exploration and Australian administrative costs to be funded.

- The total issued capital of Malagasy Minerals Limited at 31 December 2009 was 95,000,003 Shares of which 75,375,003 Shares are listed. Details of escrowed Shares and unlisted Options are provided below:

- Escrowed Shares:

19,625,000 Shares are escrowed for a further 12 and 24 months.

- Unlisted Options:

1,000,000 unlisted 20c Options expiring 26/06/2013 – escrowed to 04/07/2010

2,000,000 unlisted 20c Director Options expiring 01/12/2013

1,000,000 unlisted 20c Consulting Options expiring 03/07/2013 – vesting on 03/01/2010

1,000,000 unlisted 20c Consulting Options expiring 03/07/2013 – vesting on 03/07/2011

4,003,600 unlisted 20c Options expiring 07/07/2013 – vesting on 07/07/2010.

### **Funds on Hand**

- As at 31 December 2009 funds on hand were approximately A\$ 639,000.

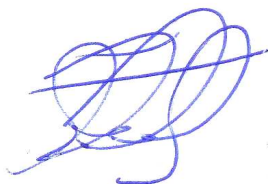
### **Political Situation**

The current political situation in Madagascar remains stable, and international mediation is assisting in the negotiation of a peaceful resolution of the political situation, with the aim of achieving early elections and the re-establishment of normalized relations with both the international community and donor countries. The company's operations and staff remain secure and business is being conducted on a normal day-to-day basis. Entry and exit to the country continues without impediment.

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

The lead auditor's independence declaration under section 307C of the Corporation Act 2001 is set out on page 4 for the half-year ended 31 December 2009.

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



**Mr. S.B. Goertz**  
Managing Director



**Mr. M.D.J. Cozijn**  
Chairman / Finance Director

Dated this 8<sup>th</sup> day of March 2010

## 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 Limited and its Controlled Entities for the half-year ended 31 December 2009, 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 8<sup>th</sup> day of March 2010

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### *Total Financial Solutions*

### **Member Horwath International**

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A WHK Group firm

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Note	ECONOMIC ENTITY	
		31 December 2009 \$	31 December 2008 \$
Revenue	2	380,814	522,558
Employee benefits expense		(295,507)	(47,612)
Depreciation expense		(116,447)	(158,531)
Finance costs		(402)	(716)
Administration costs		(313,564)	(355,611)
Exploration expenditure		(443,361)	(1,381,180)
Share-based payments		(5,258)	(19,511)
		(793,725)	(1,440,603)
Loss before income tax expense		(793,725)	(1,440,603)
Income tax expense		-	-
<b>Loss attributable to members of the parent entity</b>		<b>(793,725)</b>	<b>(1,440,603)</b>
Other Comprehensive Income			
Adjustment from translation of foreign controlled entities		(110,268)	(28,717)
Income Tax relating to components of other comprehensive income		-	-
Total Comprehensive Income for the period attributable to members of the parent entity		<b>(903,993)</b>	<b>(1,469,320)</b>
<b>Overall Operations:</b>			
Basic loss per Share (cents per Share)		<b>(0.83)</b>	(1.52)
Diluted loss per Share (cents per Share)		<b>(0.83)</b>	(1.52)

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2009**

	Note	ECONOMIC ENTITY	
		31 December 2009 \$	30 June 2009 \$
<b>Current Assets</b>			
Cash and cash equivalents		639,159	1,435,644
Trade and other receivables		208,458	162,931
Other current assets		87,758	91,010
<b>Total Current Assets</b>		<b>935,375</b>	<b>1,689,585</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		3,265,059	3,278,460
Receivables	4	597,272	784,830
Deferred exploration and evaluation costs		3,222,160	3,256,182
<b>Total Non-Current Assets</b>		<b>7,084,491</b>	<b>7,319,472</b>
<b>TOTAL ASSETS</b>		<b>8,019,866</b>	<b>9,009,057</b>
<b>Current Liabilities</b>			
Trade and other payables		380,911	355,393
Short-term provisions		26,440	27,320
<b>Total Current Liabilities</b>		<b>407,351</b>	<b>382,713</b>
<b>Non-Current Liabilities</b>			
Trade and other payables		824,925	940,019
<b>Total Non-Current Liabilities</b>		<b>824,925</b>	<b>940,019</b>
<b>TOTAL LIABILITIES</b>		<b>1,232,276</b>	<b>1,322,732</b>
<b>NET ASSETS</b>		<b>6,787,590</b>	<b>7,686,325</b>
<b>EQUITY</b>			
Issued capital		11,010,767	11,010,767
Reserves		(164,454)	(59,444)
Accumulated losses		(4,058,723)	(3,264,998)
<b>TOTAL EQUITY</b>		<b>6,787,590</b>	<b>7,686,325</b>

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

**ECONOMIC ENTITY**

	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
<b>Balance at 1 July 2008</b>	11,010,767	(976,248)	2,349	198,552	10,235,420
Comprehensive income for the period.	-	(1,440,603)	(28,717)	-	(1,469,320)
Total Comprehensive income	-	(2,416,851)	(26,368)	-	8,766,100
<b>Transactions with owners in their capacity as owners</b>					
Shares issued during the period	-	-	-	-	-
Movement in Share Option Reserve	-	-	-	19,511	19,511
Balance at 31 December 2008	<u>11,010,767</u>	<u>(2,416,851)</u>	<u>(26,368)</u>	<u>218,063</u>	<u>8,785,611</u>
<b>Balance at 1 July 2009</b>	<b>11,010,767</b>	<b>(3,264,998)</b>	<b>(287,499)</b>	<b>228,055</b>	<b>7,686,325</b>
Comprehensive income for the period.	-	(793,725)	(110,268)	-	(903,993)
Total Comprehensive income	-	(4,058,723)	(397,767)	-	6,782,332
<b>Transactions with owners in their capacity as owners</b>					
Shares issued during the period	-	-	-	-	-
Movement in Share Option Reserve	-	-	-	5,258	5,258
<b>Balance at 31 December 2009</b>	<b><u>11,010,767</u></b>	<b><u>(4,058,723)</u></b>	<b><u>(397,767)</u></b>	<b><u>233,313</u></b>	<b><u>6,787,590</u></b>

*The accompanying notes form part of these financial statements*



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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	<b>ECONOMIC ENTITY</b>	
	<b>31 December 2009 \$</b>	<b>31 December 2008 \$</b>
<b>Cash flows from Operating Activities</b>		
Payments to suppliers and employees	<b>(585,723)</b>	(569,850)
Payments for exploration and development expenditure	<b>(410,937)</b>	(1,341,518)
Interest received	<b>15,477</b>	190,787
Royalties received	<b>119,827</b>	150,296
Other income	<b>228,985</b>	181,475
Finance costs	<b>(5,076)</b>	(5,792)
	<b>(637,447)</b>	(1,394,602)
<b>Cash flows from Investing Activities</b>		
Payments for property, plant & equipment	<b>(41,109)</b>	(4,012,068)
Payments for subsidiary, net of cash acquired	<b>-</b>	(775,229)
	<b>(41,109)</b>	(4,787,229)
<b>Cash flows from Financing Activities</b>		
Proceeds from issue of shares	<b>-</b>	-
Repayment of Share Sale Agreement through Royalties	<b>(117,929)</b>	(67,416)
	<b>(117,929)</b>	(67,416)
Net cash provided by financing activities	<b>(117,929)</b>	(67,416)
Net decrease in cash held	<b>(796,485)</b>	(6,249,315)
Cash at beginning of the period	<b>1,435,644</b>	9,973,208
	<b>639,159</b>	3,723,893
Cash at end of the period	<b>639,159</b>	3,723,893

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

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**NOTE 1 – BASIS OF PREPARATION**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including *AASB 134: Interim Financial Reporting*. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Malagasy Minerals Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

**Accounting Standards not Previously Applied**

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

*Presentation of Financial Statements*

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognized in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity.
- The adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- Other financial statements are renamed in accordance with the Standard.

*Operating Segments*

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors.

**Going Concern**

The financial statements have been prepared on the going concern basis, which assumes that the Group will be able to meet its commitments, realize its assets and discharge its liabilities in the ordinary course of business. This status is dependent upon the Group being able to generate commercial levels of cash flow from its continuing operations and on being able to raise further capital.

If this does not occur, the going concern basis may not be appropriate and the Group may have to realize assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

**NOTE 2 – PROFIT FOR THE PERIOD**

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

	<b>31 December 2009 \$</b>	<b>31 December 2008 \$</b>
Royalty and license income	<b>136,352</b>	150,296
Interest Income	<b>15,477</b>	190,787
Rental Income	<b>124,431</b>	42,297
Other Income	<b>104,554</b>	139,178

**NOTE 3 – SEGMENT INFORMATION**

The economic entity operates in two geographical segments being Australia and Madagascar.

	<b>Australia \$</b>	<b>Madagascar \$</b>	<b>Eliminations \$</b>	<b>Economic Entity \$</b>
<b>2009</b>				
Revenue	-	136,352	-	136,352
Other income	15,064	229,398	-	229,398
Total segment revenue	15,064	365,750	-	380,814
<b>Result</b>				
Segment results	(497,593)	(296,132)	-	(793,725)
Loss before income tax expense	(497,593)	(296,132)	-	(793,725)
<b>2008</b>				
Revenue	-	150,296	-	150,296
Other income	224,531	147,731	-	372,262
Total segment revenue	224,531	298,027	-	522,558
<b>Result</b>				
Segment results	(591,316)	(849,287)	-	(1,440,603)
Loss before income tax expense	(591,316)	(849,287)	-	(1,440,603)

**NOTE 4 – NON-CURRENT RECEIVABLES**

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

**NOTE 5 – CONTINGENT LIABILITIES**

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

**NOTE 6 – EVENTS SUBSEQUENT TO REPORTING DATE**

No matters or circumstances have arisen since the end of the financial 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.

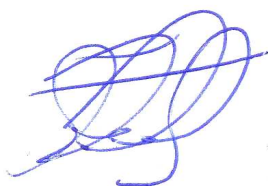
**MALAGASY MINERALS LIMITED**  
**ABN 84 121 700 105**  
**AND CONTROLLED ENTITIES**  
**DIRECTORS' DECLARATION**

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The Directors of the company declare that:

- (a) The financial statements and notes, as set out on pages 5 to 10:
  - (i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the economic entity's financial position as at 31 December 2009 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. S.B. Goertz**  
Managing Director



**Mr. M.D.J. Cozijn**  
Chairman / Finance Director

Perth, Western Australia  
8<sup>th</sup> March 2010

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF MALAGASY MINERALS LIMITED AND ITS CONTROLLED ENTITIES  
REPORT ON THE HALF-YEAR FINANCIAL REPORT**

We have reviewed the accompanying half-year financial report of Malagasy Minerals Limited and its Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the half-year ended on that date, 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 2009 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 Limited 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 Limited 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 2009 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.

## Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the review opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1 to the financial statements, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL  
Principal

Perth, WA  
Dated this 8<sup>th</sup> day of March 2010

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### *Total Financial Solutions*



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

### **Member Horwath International**

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