



**INTERIM FINANCIAL REPORT**

**31 DECEMBER 2010**

**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 2010**

**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 (Geology). MAIG	– Non-Executive Director

**Secretary:**

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

**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:**

Crowe 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 2010, 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 \$1,212,038 for the half year (2009: \$793,725).

**HIGHLIGHTS - Six Months to 31 December 2010:**

**EXPLORATION**

***Ampanihy Nickel-Copper Project***

- Massive sulphide zones intersected in all 8 reconnaissance diamond drill holes completed over the lanapera gossans
- Initial assay results confirm magmatic provenance of sulphides – broader targeting of extensive ultramafic units within Ampanihy tenements underway
- Assay results from the remaining reconnaissance drill holes due mid-late February 2011
- 2011 field programme planning underway pending results of assays and geological/geophysical interpretation

***Vohibory Copper-Silver VMS Project***

- First drill hole completed over a large VTEM conductor / interpreted fold zone – assays pending
- In-fill soil sampling completed along mineralised trend – assays pending
- Field season to commence March-April 2011 with continuation of 2010 drilling programme – testing structural and geophysical / geochemical targets with 4 – 6 holes initially

***Fotadrevo Vanadium Project***

- Planning underway to test 35km strike extension of 6.5km defined mineralised vanadium zone

**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 maximising 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 sufficient, leaving exploration and Australian administrative costs to be funded.

The Capital structure has changed in the half year to 31 December 2010 with the following:

- On 29<sup>th</sup> November 2010, 16,000,000 shares at 6.8c were allotted following the completion of a placement raising \$1,088,000 of issued capital for the Company; and
- On 29<sup>th</sup> December 2010, 31,312,501 shares at 6.8c were allotted pursuant to a 1 for 4 non-renounceable underwritten rights issue raising \$2,129,250 of issued capital for the Company.

These shares were underwritten with the assistance of Paterson Securities Ltd who acted as brokered underwriter.

The total issued capital of Malagasy Minerals Limited at 31 December 2010 was 156,562,504 Shares. Details of unlisted Options are provided below:

- Unlisted Options:
  - 1,000,000 unlisted 20c Options expiring 26/06/2013
  - 2,000,000 unlisted 20c Director Options expiring 01/12/2013
  - 1,000,000 unlisted 20c Consulting Options expiring 03/07/2013
  - 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

### Funds on Hand

- As at 31 December 2010 funds on hand were A\$2,533,281

### Political Situation

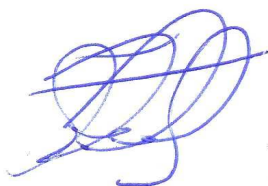
The current political situation in Madagascar remains stable, and international mediation is assisting in the negotiation of a peaceful resolution of the political situation, with the aim of undertaking elections as soon as possible and re-establishing normalised relations with both the international 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 2010.

*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 23<sup>rd</sup> day of February 2011

## 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 2010, 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.

CROWE HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL  
Partner

Perth, WA

Dated this 23<sup>rd</sup> day of February 2011

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

<b>ECONOMIC ENTITY</b>			
	<b>Note</b>	<b>31 December 2010 \$</b>	<b>31 December 2009 \$</b>
Revenue	2	<b>282,846</b>	380,814
Employee benefits expense		<b>(293,565)</b>	(295,507)
Depreciation expense		<b>(73,080)</b>	(116,447)
Finance costs		<b>(54)</b>	(402)
Foreign exchange movement		<b>(41,159)</b>	-
Administration costs		<b>(312,835)</b>	(313,564)
Exploration expenditure		<b>(515,030)</b>	(443,361)
Share-based payments		<b>(1,990)</b>	(5,258)
Merger costs	4	<b>(257,171)</b>	-
Loss before income tax expense		<b>(1,212,038)</b>	(793,725)
Income tax expense		-	-
<b>Loss attributable to members of the parent entity</b>		<b>(1,212,038)</b>	(793,725)
<b>Other Comprehensive Income</b>			
Adjustment from translation of foreign controlled entities		<b>187</b>	(110,268)
Income Tax relating to components of other comprehensive income		-	-
<b>Total Comprehensive Income for the period attributable to members of the parent entity</b>		<b>(1,211,851)</b>	(903,993)
<b>Overall Operations:</b>			
Basic loss per Share (cents per Share)		<b>(2.13)</b>	(0.83)
Diluted loss per Share (cents per Share)		<b>(2.13)</b>	(0.83)

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

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

	Note	ECONOMIC ENTITY	
		31 December 2010 \$	30 June 2010 \$
<b>Current Assets</b>			
Cash and cash equivalents		2,533,281	571,669
Trade and other receivables		56,617	26,882
Other current assets		10,643	142,774
<b>Total Current Assets</b>		<b>2,600,541</b>	<b>741,325</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		2,959,046	3,028,768
Receivables	5	510,393	573,783
Deferred exploration and evaluation costs		3,289,216	3,289,216
<b>Total Non-Current Assets</b>		<b>6,758,655</b>	<b>6,891,767</b>
<b>TOTAL ASSETS</b>		<b>9,359,196</b>	<b>7,633,092</b>
<b>Current Liabilities</b>			
Trade and other payables		523,473	584,960
Short-term provisions		26,720	38,870
<b>Total Current Liabilities</b>		<b>550,193</b>	<b>623,830</b>
<b>Non-Current Liabilities</b>			
Trade and other payables		695,393	714,434
<b>Total Non-Current Liabilities</b>		<b>695,393</b>	<b>714,434</b>
<b>TOTAL LIABILITIES</b>		<b>1,245,586</b>	<b>1,338,264</b>
<b>NET ASSETS</b>		<b>8,113,610</b>	<b>6,294,828</b>
<b>EQUITY</b>			
Issued capital	6	14,440,618	11,411,975
Reserves		(263,533)	(265,710)
Accumulated losses		(6,063,475)	(4,851,437)
<b>TOTAL EQUITY</b>		<b>8,113,610</b>	<b>6,294,828</b>

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

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	<b>ECONOMIC ENTITY</b>				
	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
<b>Balance at 1 July 2009</b>	11,010,767	(3,264,998)	(287,499)	228,055	7,686,325
Comprehensive income for the period	-	(793,725)	(110,268)	-	(903,993)
Total Comprehensive income	11,010,767	(4,058,723)	(397,767)	228,055	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
Balance at 31 December 2009	<u>11,010,767</u>	<u>(4,058,723)</u>	<u>(397,767)</u>	<u>233,313</u>	<u>6,787,590</u>
<b>Balance at 1 July 2010</b>	<b>11,411,975</b>	<b>(4,851,437)</b>	<b>(523,064)</b>	<b>257,354</b>	<b>6,294,828</b>
Comprehensive income for the period	-	(1,212,038)	187	-	(1,211,851)
Total Comprehensive income	11,411,975	(6,063,475)	(522,877)	257,354	5,082,977
<b>Transactions with owners in their capacity as owners</b>					
Shares issued during the period (net of costs)	3,028,643	-	-	-	3,028,643
Movement in Share Option Reserve	-	-	-	1,990	1,990
<b>Balance at 31 December 2010</b>	<b><u>14,440,618</u></b>	<b><u>(6,063,475)</u></b>	<b><u>(522,877)</u></b>	<b><u>259,344</u></b>	<b><u>8,113,610</u></b>

*The accompanying notes form part of these financial statements*



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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	<b>ECONOMIC ENTITY</b>	
	<b>31 December 2010 \$</b>	<b>31 December 2009 \$</b>
<b>Cash flows from Operating Activities</b>		
Payments to suppliers and employees	(739,457)	(585,723)
Payments for exploration and evaluation expenditure	(450,638)	(410,937)
Interest received	6,241	15,477
Royalties received	113,867	119,827
Other income	162,737	228,985
Finance costs	(54)	(5,076)
Net cash provided by / (used in) operating activities	<b>(907,304)</b>	<b>(637,447)</b>
<b>Cash flows from Investing Activities</b>		
Merger costs	(257,171)	-
Payments for property, plant & equipment	(2,692)	(41,109)
Proceeds on sale of property, plant & equipment	64,289	-
Proceeds on sale of exploration tenements	200,000	-
Net cash provided by / (used in) investing activities	<b>4,426</b>	<b>(41,109)</b>
<b>Cash flows from Financing Activities</b>		
Proceeds from issue of shares	3,217,250	-
Capital raising costs	(188,607)	-
Repayment of share sale agreement through royalties	(164,153)	(117,929)
Net cash provided by / (used in) financing activities	<b>2,864,490</b>	<b>(117,929)</b>
Net increase/(decrease) in cash held	<b>1,961,612</b>	<b>(796,485)</b>
Cash at beginning of the period	<b>571,669</b>	<b>1,435,644</b>
Cash at end of the period	<b>2,533,281</b>	<b>639,159</b>

*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 2010**

**NOTE 1 – BASIS OF PREPARATION**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard *AASB 134: Interim Financial Reporting*. Compliance with Australian Accounting Standard *AASB 134: Interim Financial Reporting* ensures that the financial statements and notes comply with International Financial Reporting Standard *IAS: Interim Financial Reporting*.

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 2010, 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.

**New or Revised Accounting Standards**

AASB 2009-5 Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings. The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no affect on the amounts reported for the current or prior periods.

<b>New or revised requirement</b>	<b>When effective</b>	<b>Applicability to 31 December 2010 half years</b>
<p><b>AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project</b> Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters. The key clarifications include:</p> <ul style="list-style-type: none"> <li>• The measurement of non-controlling interests in a business combination</li> <li>• Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 Business Combinations (2008)</li> <li>• Transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements.</li> </ul>	<p>Applies to annual reporting periods beginning on or after 1 July 2010</p>	<p>Mandatory</p>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**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 2010</b>	31 December 2009
	<b>\$</b>	<b>\$</b>
Royalty and licence income	<b>113,867</b>	136,352
Interest income	<b>6,241</b>	15,477
Rental income	<b>119,298</b>	124,431
Other income	<b>43,440</b>	104,554
Total income	<b>282,846</b>	380,814

**NOTE 3 – SEGMENT INFORMATION**

The economic entity operates in two geographical segments being Australia and Madagascar and reports its segments consistent with the 'management approach'.

	<b>Australia</b>	<b>Madagascar</b>	<b>Eliminations</b>	<b>Economic Entity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2010</b>				
Revenue	-	113,867	-	113,867
Other income	11,929	157,050	-	168,979
Total segment revenue	11,929	270,917	-	282,846
<b>Result</b>				
Segment results	(917,644)	(302,424)	8,030	(1,212,038)
Loss before income tax expense	(917,644)	(302,424)	8,030	(1,212,038)
<b>Assets</b>				
Segment assets	10,157,107	3,428,205	(4,226,116)	9,359,196
Segment liabilities	(1,035,318)	(5,516,807)	5,306,539	(1,245,586)
<b>Other</b>				
Acquisition of non-current segment assets	-	2,692	-	2,692
Depreciation	28,064	45,015	(75,570)	(2,491)
<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>Assets</b>				
Segment assets	8,358,359	4,440,972	(4,779,465)	8,019,866
Segment liabilities	(1,164,369)	(6,162,879)	6,094,972	(1,232,276)
<b>Other</b>				
Acquisition of non-current segment assets	1,200	39,909	-	41,109
Depreciation	21,137	95,310	-	116,447

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 4 – MERGER COSTS**

Merger Costs relate to the termination and release Deed that was finalised with unlisted company Madagascar Resources NL (MRNL) on 24<sup>th</sup> September 2010. Under the deed the parties agreed to the termination of the Merger Implementation Agreement of 25<sup>th</sup> May 2010. Terms of the deed required Malagasy to pay MRNL up to \$250,000 (plus GST) to cover fees and costs incurred by MRNL for third party services in respect of the merger. Other costs relating to the merger are costs incurred by the Company for legal advice.

**NOTE 5 – NON-CURRENT RECEIVABLES**

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

**NOTE 6 – ISSUED CAPITAL**

	<b>31 December 2010</b>	<b>30 June 2010</b>
	<b>\$</b>	<b>\$</b>
156,562,504 fully paid ordinary shares	<b>14,440,618</b>	11,411,975
	<b>14,440,618</b>	11,411,975
<b>Ordinary shares</b>	<b>No.</b>	<b>No.</b>
<b>At the beginning of the period</b>	<b>109,250,003</b>	95,000,003
Shares issued during the year		
22 June 2010 <sup>1</sup>		14,250,000
29 November 2010 <sup>2</sup>	<b>16,000,000</b>	-
29 December 2010 <sup>3</sup>	<b>31,312,501</b>	-
	<b>156,562,504</b>	109,250,003

There are no preference shares on issue.

**Notes**

- 1 On 22 June 2010, 14,250,000 fully paid ordinary shares were allotted at \$0.03 per share pursuant to a placement.
- 2 On 29 November 2010, 16,000,000 fully paid ordinary shares were allotted at 6.8 cents per share pursuant to a placement.
- 3 On 29 December 2010, 31,312,501 fully paid ordinary shares were allotted at 6.8 cents per share pursuant to a 1 for 4 non-renounceable underwritten rights issue.

The Company has no maximum authorised share capital. Ordinary shares are of no 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.

**Stock Exchange Listing**

Total Issued Capital is 156,562,504 shares, all of which are listed on the ASX at 31 December 2010.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**NOTE 7 – 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.

	<b>31 December 2010 Number</b>	<b>30 June 2010 Number</b>
<b>(a) Directors' Share Transactions:</b>		
Directors and director related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the Company		
Ordinary Shares	<b>15,799,811</b>	13,259,811
<b>(b) Related Party Transactions:</b>		
	<b>31 December 2010 \$</b>	<b>31 December 2009 \$</b>
Madagascar Resources NL	<b>415,516</b>	117,928
Midas Consultancy Limited	<b>67,200</b>	48,000
Hendry Consulting	<b>78,203</b>	81,925

Madagascar Resources NL is the holder of 10,000,000 ordinary shares in Malagasy Minerals Ltd. Mr Guy Le Clezio and Dr Peter Woods are also Directors of Madagascar Resources NL (MRNL). MRNL are paid 70% of net labradorite royalty receipts from existing contracts as per the Share Sale Agreement. At 31 December 2010, MRNL is owed \$855,393. MRNL were also paid \$251,362 for costs relating to the Termination and Release deed following the termination of the proposed merger.

Midas Consultancy Ltd is the holder of 5,400,000 ordinary shares in Malagasy Minerals Ltd and 1,000,000 unlisted 20 cent options that vested on 27 June 2008 and expire on 26 June 2013. Mr Jules Le Clezio is a Director of Midas Consultancy Ltd. Mr Jules LeClezio resigned as Country Manager of Madagascar with effect from 30 December 2010, and the Midas Consulting Ltd consulting agreement was terminated.

Hendry Consulting is the holder of 2,000,000 unlisted 20 cent options that vest between 3 January 2010 and 3 July 2011 and expire on 3 July 2013. Mr Steven Goertz is a Director of Hendry Consulting. Mr Steven Goertz has been engaged under a Consultancy Agreement through Hendry Consulting for a three year period that commenced 7 July 2008.

**NOTE 8 – CONTINGENT LIABILITIES**

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

**NOTE 9 – 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**

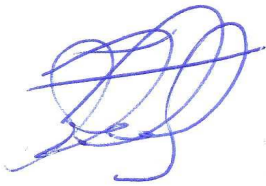
**DIRECTORS' DECLARATION**

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The Directors of the company declare that:

- (a) The financial statements and notes, as set out on pages 5 to 12, are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting and;
  - (ii) giving a true and fair view of the economic entity's financial position as at 31 December 2010 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  
23<sup>rd</sup> February 2011

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MALAGASY MINERALS LIMITED

### 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 condensed consolidated statement of financial position as at 31 December 2010, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows 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 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 2010 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 the consolidated entity 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 2010 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.

CROWE HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL  
Partner

Perth, WA

Dated this 23<sup>rd</sup> day of February 2011