



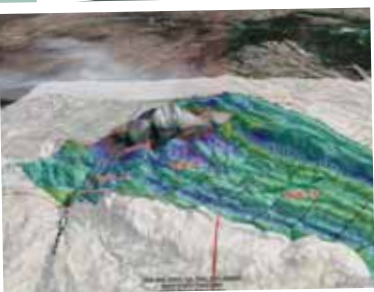
annual report  
to 30th June 2009



*Sampling historical workings*



*Quarrying labradorite blocks*



*Vohibory Cu-Ag VTEM target*



*Drilling machine*



*MML Team*



## PROJECTS

- Ampanihy: Ni-Cu-PGE
- Vohibory: Cu-Au-Ag
- Labradorite: Royalty
- Leasing & Operation



## MILESTONES ACHIEVED



- Aeromagnetics/VTEM Survey and Interpretation completed over key project areas - 80 targets of interest identified, including five (5) km long Cu-Ag VMS target for drilling;
- Completion of extensive complementary surface geochemical sampling programmes with assays completed in-house using XRF - numerous coincident geochem/geophysical anomalies;
- Completion of BRGM transaction and handover;
- New Tenants/Operators at BRGM site: Intertek - Genalysis laboratory commencing sample preparations - Kirk Petrophysics establishing tar sands analytical facility - both first of their kind in Madagascar;
- Royalty revenue from Labradorite quarrying operations continuing.



*Sampling mineralisation*



*Copper Gossan*



*Labradorite quarrying operation*



*In the field - Vohibory*



*Drilling at Vohibory*

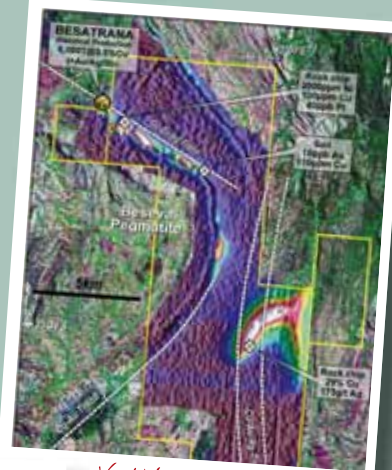
# MALAGASY MINERALS LIMITED

## PROJECTS

-Cu-PGE Sulphide  
-Au-Ag VMS  
Royalty Revenue  
Operations: Cash Flow



*MML office in Tana*



*Vohibory survey*



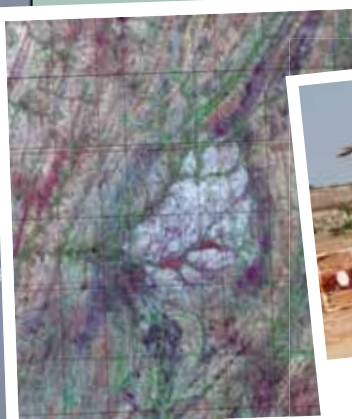
*Integration of BRGM staff  
31/08/08*



*Meeting local officials*



*Geologists in the field*



*Maniry Anorthosite*



*VTBM System*



*VTBM Survey*



*Public Consultation*



*Geochem sampling*



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**LABRADORITE  
OPERATIONS**

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*Terrain looking south in the northern region of the Vohibory Project area*

# corporate directory

## **MALAGASY MINERALS LIMITED**

ACN 121 700 105

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

### **Directors**

**Max Cozijn** – Chairman

**Steven Goertz** – Managing Director

**Guy LeClezio** – Director

**Peter Woods** – Director

### **Country Manager Madagascar**

**Jules LeClezio**

### **Company Secretary**

**Max Cozijn**

### **Registered and Corporate Office**

Unit 7, 11 Colin Grove  
WEST PERTH WA 6005

Telephone: +61 8 9463-6656  
Facsimile: +61 8 9463-6657  
Internet: [www.malagasyminerals.com](http://www.malagasyminerals.com)

### **Postal Address**

GPO Box 2818  
WEST PERTH WA 6872

### **Madagascar Operations Office**

Batiment L Cité BRGM, Rue Farafaty  
Ampandrianemby - Antananarivo 101  
Madagascar

Tel: +261 20 22 416 63 / +261 20 22 591 34  
Fax: +261 20 22 591 32

### **Share Registry**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153

Telephone: +61 8 9315 2333  
Facsimile: +61 8 9315 2233

### **Stock Exchange Listing**

ASX Limited  
ASX Code: MGY

### **Auditor & Investigating Accountant**

WHK Horwath  
Level 6  
256 St Georges Terrace  
PERTH WA 6000

### **Solicitors to the Company**

Hardy Bowen Lawyers  
Level 1, 28 Ord Street  
WEST PERTH WA 6005

### **Solicitors (Madagascar)**

Lexel Juridique & Fiscal  
Zone Tana Water Front  
Ambodivona  
Antananarivo 101 Madagascar

### **Annual General Meeting**

The Annual General Meeting of Malagasy Minerals Limited will be held in the President's Room, The Celtic Club, 1st Floor, 48 Ord Street, West Perth Australia at 5-00 pm on Tuesday 24th November 2009.

### **Web Site**

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

# highlights

## Highlights

- Completion of 3,500 line km VTEM – Aeromagnetic survey over key projects – Ampanihy and Vohibory.
- Completion of multiple prospecting and geochemical programmes coincident with VTEM.
- Defined significant drill targets from VTEM and geochemical surveys at Ampanihy and Vohibory Projects.
- Drilling to commence September 2009 – utilising in-house drilling equipment and crew.
- Completed BRGM acquisition – 19,000 sqm commercial property with buildings and infrastructure.
- Increased rental income by 230%.
- Two (2) world class laboratories established operations within the complex – minerals and petroleum.
- Labradorite operations developing – increasing cash flow from royalties.

## Objectives and Strategy

- Create Shareholder wealth through focused exploration, discovery and development of significant nickel, PGE and copper ore bodies.
- Utilise the technically competent and experienced resource team assembled by the Company.
- Utilise the in-house drilling and (first-pass XRF) assaying capabilities, as well as the company's established service base to maximise cost-effectiveness and project fast-tracking capability.
- Continually assess existing projects and create new opportunities whilst remaining a focussed nickel-copper-PGE-gold explorer in southern Madagascar.

## Exploration Programs

- Two (2) priority project areas identified at Vohibory and Ampanihy for copper and nickel.
- Focus on rapid target delineation and aggressive follow-up – with utilization of Company- owned drilling rigs and crew.
- Utilising established exploration teams and logistical support infrastructure to enable sustained momentum in target generation and follow-up.



*MML Senior Geologists in the field at Vohibory*



*MML Office and Exploration Staff 2009 – Antananarivo, Madagascar*



*MML Offices in Antananarivo looking North – Ministry of Mines Offices visible in the background*

# chairman's review

Dear Shareholder,

As you are aware, the past year has been a turbulent one, with the global financial crisis exasperating the minerals and equity markets.

Malagasy Minerals' priority during this time has been to consolidate our operations; minimising cash outgoings and maximising revenue streams from our various assets.

We have successfully completed the acquisition of the operational base of the Bureau de Recherche Géologiques et Minières (BRGM) of France, with effect as from 31 July 2008, and we have settled all payments due as at 31 March 2009. This acquisition incorporates operating drilling and assaying enterprises and a Long Term Lease over 19,000 sqm of prime commercial real estate.

The Company is now substantially debt free and has four (4) core areas of business for development, being;

- Mineral exploration and development- centred on our highly prospective Vohibory and Ampanihy nickel and copper project areas;
- Commercial rental income from existing property, including potential staged redevelopment of our 19,000 sqm site;
- Mining Services including in-house and third-party drilling operations; and
- Royalty revenues from third party Labradorite quarrying operations.

During the year, Malagasy has also significantly rationalised its tenement holdings, in order to concentrate on its core projects, while conserving its cash resources.

The Company is able to support its Madagascar operations with external revenues from its commercial property leases, labradorite royalties and mineral support service fees; to the extent that Malagasy believes it will be in a position to support the funding of its Madagascar operational overheads from these revenue streams during the course of this current financial year.

Unfortunately, our coal reconnaissance drilling program in the first half of last financial year failed to intersect commercial coal measures.

During the year the Company also completed a 3,500 line kilometre VTEM Aeromagnetic survey over its key projects at Ampanihy and Vohibory, delineating significant anomalies coincident with anomalous soil sample results. These high priority targets are currently being prepared for drilling.

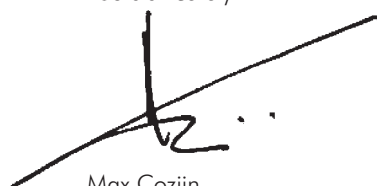
Our 19,000 sqm of commercial real estate located in the capital of Antananarivo, has undergone a significant upgrade, with the successful commencement of operations of the Intertek-Genalysis sample preparation laboratory, as well as the recent commissioning of the Kirk Petrophysics purpose-built core handling and analysis facility for processing of the Total Petroleum tar sands project at Bemolanga. Both of these tenants have invested significantly in the upgrade of our site as well as in the overall quality of services available in Madagascar, and Malagasy Minerals is fortunate to be involved in these developments.

The Company has also commissioned the development of an Architectural concept plan for a possible staged development of our land holdings. A third of the site remains undeveloped and therefore lends itself to the possible construction of an office – residential complex.

In January 2009 the country experienced some political instability which resulted in the elected President being replaced with a transitional authority. During this period the Company's operations were not adversely affected and at present the situation is stable and we are confident of a constructive peaceful resolution.

Malagasy Minerals looks forward to identifying its first significant resource opportunity on its prospective projects at Vohibory and Ampanihy, and we are confident that with the contribution of our staff and stakeholders, we will succeed in creating substantial value. The Board thanks all the staff and stakeholders for their contribution to our development during the past year and looks forward to working together in the coming year.

Yours sincerely



Max Cozijn  
Chairman

16<sup>th</sup> September 2009

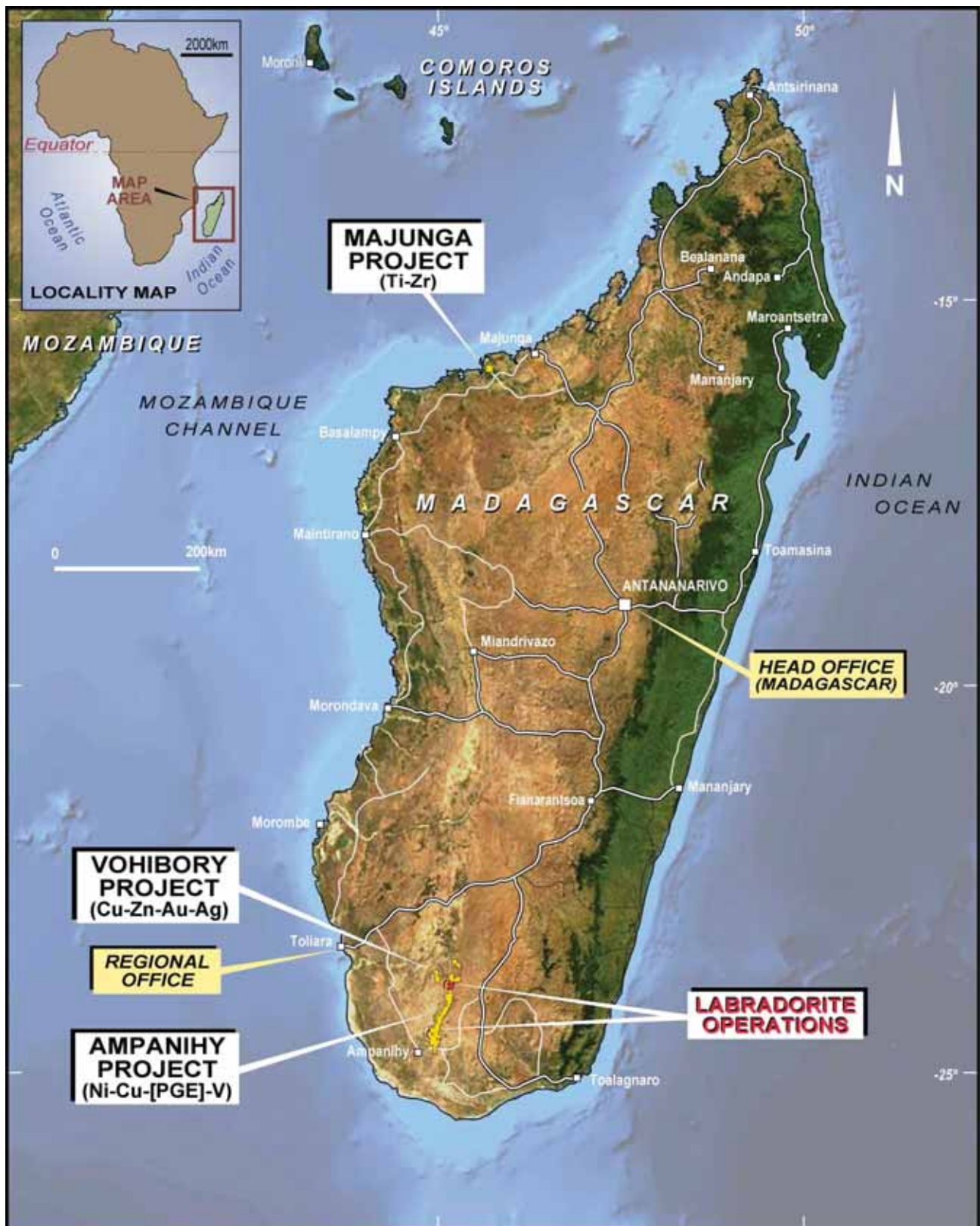


Figure 1: MML mineral tenure and infrastructure assets in Madagascar

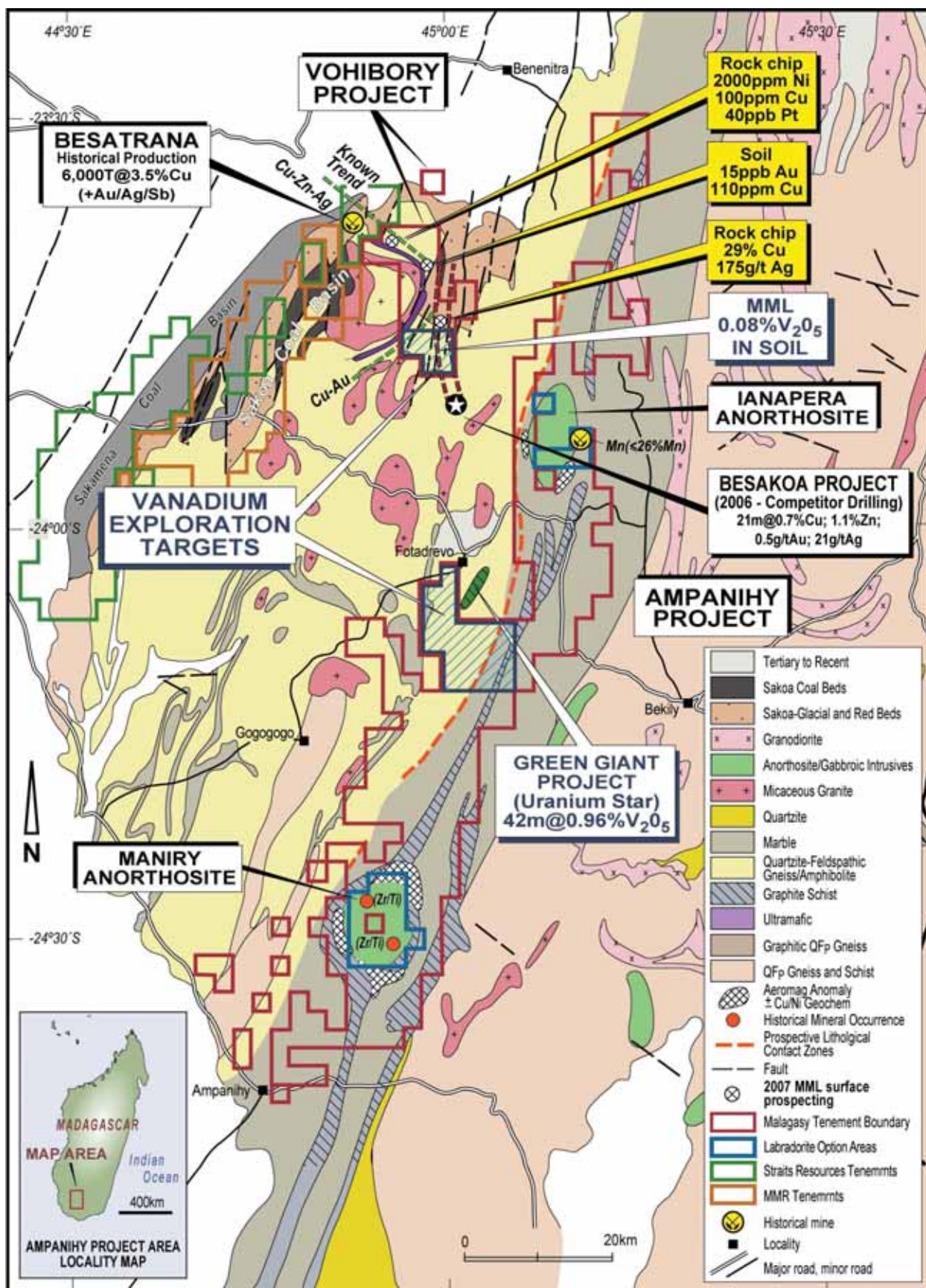


Figure 2: Composite geological plan of MML Ampanihy & Vohibory projects showing exploration targets and a précis of historical and recent exploration

# operations review

## Projects Summary

Priority exploration tenure comprises two (2) main projects with the Company holding 1,650 square kilometres of mineral tenure overall, in southern and central Madagascar, for commodities as diverse as, nickel, cobalt, copper, silver, base metals and ilmenite (titanium). The primary area of Company operations is located in south-central Madagascar, which contains the Company's two primary projects.

### Ampanihy (Ni-Cu-PGE-V)

- Nickel sulphide targets delineated with strong similarities to the geological setting of the Voiseys Bay deposit in Canada.
- Completion of 2,300 line km of VTEM – Helimag surveying over northern and southern intrusives generating numerous conductors of interest at both areas.
- Complementary 3,300 sample surface geochemical sampling – prospecting programme completed, with a number of gossans and/or soil anomalies coincident with VTEM conductors.
- Considerable savings realised on assay cost through use of in-house bench top XRF unit for soils.
- Central project area showing signs of Vanadium prospectivity – surface geochemical sampling – prospecting programme completed for follow up.

### Vohibory (Cu-Zn-Ag-[Au])

- Polymetallic 'Besshi'-type VMS mineralisation targeted (NB: Besshi contained 30 million Tonnes averaging 2.5% Cu; 0.3% Zn; 7gpt Ag & 0.2gpt Au).
- On-strike from recent anomalous competitor drilling (e.g. 21m @ 0.7% Cu; 1.1% Zn; 0.5gpt Au; 21gpt Ag) to south. Placer gold and small copper gossans ubiquitous within the property.
- Strong VTEM conductor trend identified in northwest of project tenements, along similar trend to (historical) Besatrana copper mine to the west.
- MML surface sampling during the 2008 field season: results of up to 29% Cu; 175g/t Ag and 2,000ppm Ni; 100ppm Cu; 40ppb Pt from rock chips and 4,000ppm Ni; 144ppm Cu; 59ppb Au from soils within defined mineralisation corridors over 30km.
- Follow-up sampling has generated large areas of >20ppb gold anomalism in the north of the project as well as extensive coincident copper anomalism of varying tenor.

- Numerous copper shows and gold workings identified from field follow-up. Modelling has identified five (5) holes to test for Cu-Ag VMS mineralisation.

## Corporate

Malagasy Minerals Ltd (MGY) listed on the ASX on 7<sup>th</sup> July 2008 after successfully completing an oversubscribed IPO issue of 50 million shares at 20 cents per share to raise \$10 million.

Total issued capital stands at 95,000,003 of which 73,725,003 shares are listed; with the following securities being escrowed:

19,625,000	Shares escrowed for 24 months until 7/7/10
1,000,000	20c Options escrowed for 24 months until 7/7/10 expiring 27/6/13
4,003,600	20c Options escrowed for 24 months until 7/7/10 expiring 7/7/13

In addition there are 4,000,000 20c unlisted options expiring in 2013 on issue.

The company retains cash resources of \$1.43 million as at 30 June 2009, which coupled with expanding revenues from commercial income, service charges and Labradorite Royalties, should position the company to be able to support its overheads in Madagascar in the near term.

## Tenements & Technical

Malagasy Minerals Ltd ("MML") has retained a portfolio of two (2) wholly-owned projects covering 1,650 sqkm of mineral tenure primarily prospective for nickel, copper, gold and silver in the southern-central region of Madagascar. Additionally, one of these projects is showing prospectivity for possible vanadium mineralisation. All of MML's priority projects are located within a 100km radius of each other.

The current MML tenement position is summarised on Figures 1 and 2 at the front of this report.

## Operations – Labradorite Dimension Stone- Royalty Stream

### Location and Tenure

Through its wholly-owned subsidiary in Madagascar, Mada-Aust SARL ('MDA'), MML holds significant tenement interests over both the Ankafotia (northern) and Saririaky (southern) anorthosite bodies. The two tenement blocks are centred 40km apart, along a NNE-SSW trend. They are centred approximately 170km east-south-east of Tulear in the south-central portion of Madagascar. At Ankafotia (Ilanapera) in the north, the Company controls approximately 50% of the

permits covering the anorthosite body. At Saririaky (Maniry) in the south, MDA holds title to some 90% of permits over the lithologies of interest. All permits covered by labradorite contracts are of exploitation (i.e. mining) type. They were granted in 2002 and are valid for 40 years. Beneficial ownership of the Permits resides with the Company, with tenement title held by MDA.

### Geology, Production History and Projected Cash Flow

Labradorite is a calcium-rich variety of feldspar that exhibits an attractive internal refractance (termed 'schiller') akin to that seen with opal. Colour reflectance exhibits a mottled habit that varies between green, gold, pink and blue, with the latter being most common.



*Uncut Labradorite outcropping at the Magrama-lanapera quarry*

MML, through its acquisition of MDA, has agreements with three (3) entities, giving these entities the right to mine labradorite-bearing anorthosite dimension stone from the two gabbroic anorthosite intrusives within the Ampanihy tenement group. The rights to all other minerals and metals remains with MDA. The tenements under agreement are shown in blue outline on Figure 2.

Two Italian companies (MAGRAMA SARL and EUROMAD SA) are operating two quarries for a combined production of approximately 3,000 metric tonnes per year. In addition, one Indian company (SQNY International), finalised preparation of a further quarry and commenced production in June 2009.

Contractual minimum royalties of €4,250 per counterparty per month equate to a projected annual minimum cash flow to the company of €153K (approximately A\$300K); of which 70% is to be applied to repay to MRNL the balance of the cash component of the MDA acquisition. Beyond 2009, combined production is projected to increase significantly, as SQNY are bringing an additional quarry on line in the coming year. It is anticipated that this will generate an increase in royalty revenues.

The labradorite operations comprise a key aspect of the MML strategy going forward; providing valuable cash flow to the

Company, with a high likelihood of long operational life and increased cash flow in the medium to longer term. This will be utilised in providing a cash flow subsidy to operational funds. An additional benefit is provided in the form of logistical support, as both Magrama and SQNY have established significant camp infrastructure associated with their respective quarrying operations. These possess sufficient capacity to periodically assist MML personnel with accommodation, messing and other logistical support during field campaigns.



*Excavator being used to clear access for cutting new blocks – Magrama-lanapera quarry*



*Labradorite blocks being cut using a cable ('Gang') saw (center of picture to left of excavator) - Magrama-lanapera. The saw operates on a rotating loop of cable and can take up to 8 hours to complete a cut.*

### MML - Priority Projects

**Ampanihy (Targeted Ni-Cu-PGE):** the largest of the projects, Ampanihy is located approximately 200km southeast of Toliara in south-central Madagascar. It overlies an inter-tectonic mafic-ultramafic sequence of graphitic and quartzofeldspathic schists, marble, migmatite which have been locally intruded by mafic dykes.

MML is targeting Voiseys Bay style Ni-Cu-PGE mineralisation at Ampanihy; centred around two (2) large gabbroic



Figure 3: Outline of areas surveyed via VTEM – Helimag (CW from top: Vohibory, Ampanihy-Ianapera & Ampanihy-Maniry)

(labradorite) intrusives; 70 kilometres apart within a large suture zone and averaging 80 square kilometres each. The intrusives contain disseminated Cu-Ni sulphides and have produced anomalous Ni-Cu-PGE results from surface sampling around the margins.

Historical exploration prospecting had generated results up to 0.67% Ni; 0.64% Cu; 0.12% Co and 28ppb (Pt+Pd) around the margins of these intrusives. Additionally, a 2004 aeromagnetic survey data indicated numerous areas of structural targets and hydrothermal activity indicators. These were discussed in the 2008 Annual Report.

As a first step towards delineating targets for drilling, Southern Geoscience and Geotech Airborne were subsequently

engaged to complete a detailed helicopter magnetic – VTEM (versatile time-domain EM) survey over the marginal regions of both anorthosite intrusives. This survey was completed in November 2008 over the areas shown in Figure 3 above.

Notwithstanding the overall excellent quality of the data generated by this survey, the presence of significant graphite conductors (NB: for which the host sequence is named) presented significant challenges with interpretation. Graphite is a very strong conductor to the point that it can mask other (i.e. sulphide) targets of interest. Nonetheless, a number of areas of clustered VTEM conductors have been identified and are summarised on the figures overleaf.



MML Geologists in the field - Left: Mapping outcrop bedding at Maniry;  
Right: supervising soil geochemical sampling at Ianapera

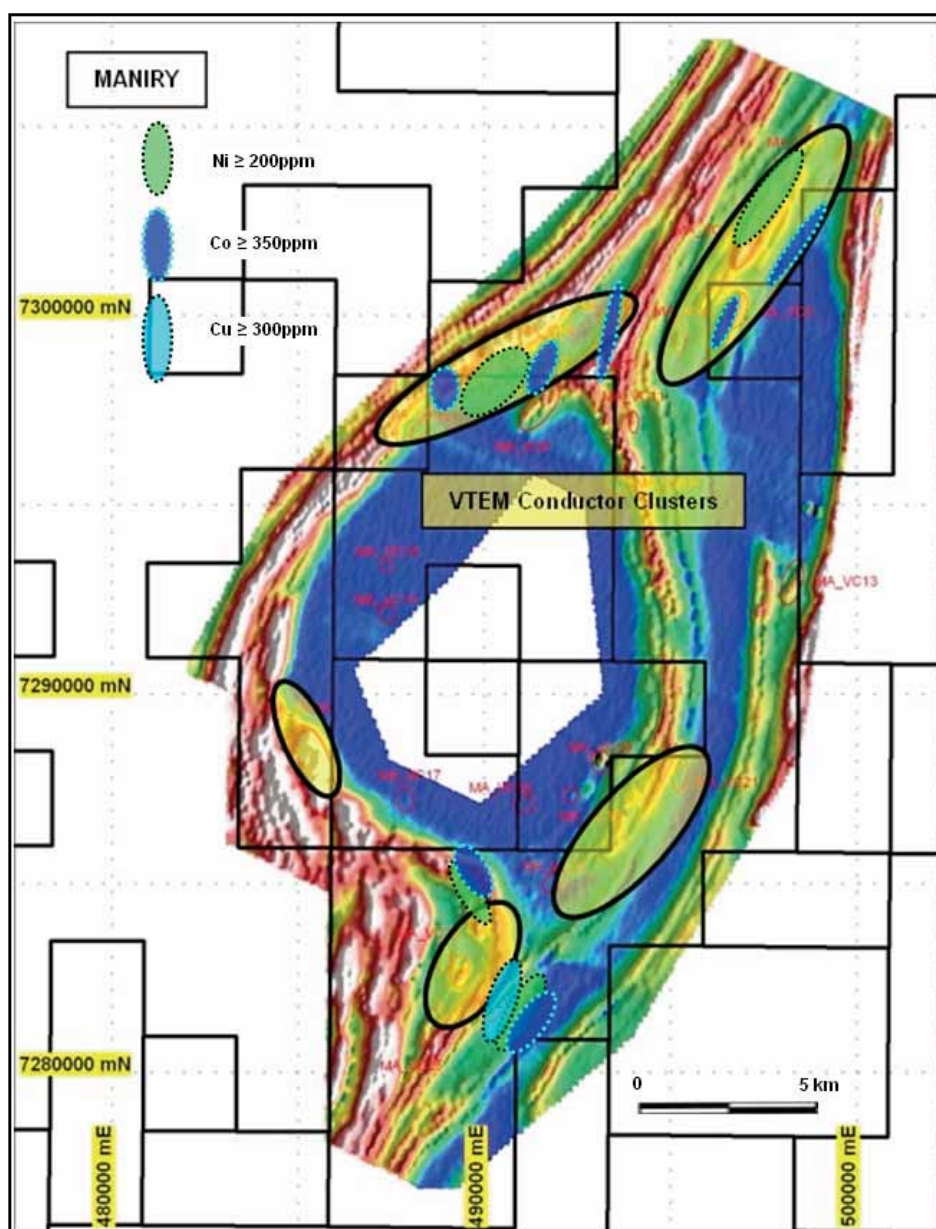


Figure 4: VTEM interpretation for Maniry, with main conductor 'clusters' highlighted in yellow along with anomalous areas for Nickel ( $\geq 200\text{ppm}$  – green), Cobalt ( $\geq 350\text{ppm}$  – blue) and Copper ( $\geq 300\text{ppm}$  – cyan). Strong coincident relationships are evident in the southern and northern 'suture zones' outboard of the intrusive.

As a complement to the VTEM, a 3,300 sample soil geochemical programme covering the two (2) anorthosite intrusives at Ampanihy was completed during the period to 30<sup>th</sup> June 2009. These samples are being analysed using the Company's in-house XRF machine, resulting in considerable savings on exploration assay costs.

Analyses for the Maniry (southern) intrusive were completed in June 2008, with several areas showing correlation between surface geochemical nickel – copper – cobalt responses and VTEM conductors. In particular, the northern and southern 'suture' zones of comparatively higher strain show excellent correlation between geochemical anomalism and VTEM conductor development (refer Figure 4 above). This is most encouraging as these areas represent good structural zones for hosting mineralisation.

Additionally, high-resolution IKONOS satellite photo imagery is being acquired to aid in field follow-up and interpretation of the various anomalies defined from VTEM and geochemistry. The IKONOS imagery is particularly useful in that it is the digital equivalent of an orthogonally-corrected air photo, with effective resolution down to sub-1:5000 scale. This makes it an extremely useful tool for ground follow-up and field data interpretation.

At Ianapera (northern intrusive), MML geologists have identified several copper gossans located around the southern margin of the intrusive (refer Figure 5 below). These are coincident with previously delineated VTEM conductors, enhancing the prospectivity of the latter. Further interpretation awaits the completion of the XRF analyses of the soil samples; due for completion shortly.

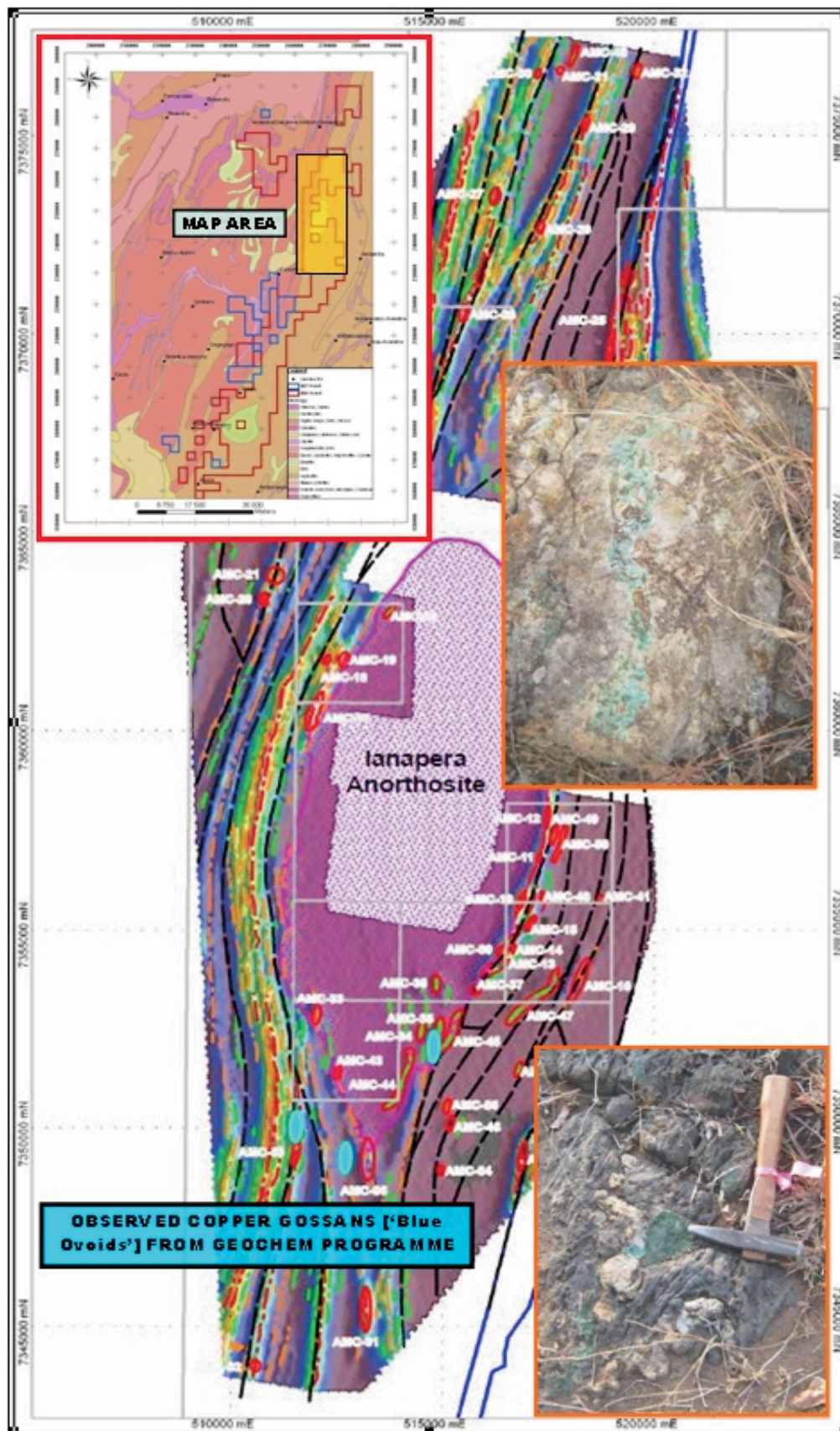


Figure 5: Summary of VTEM conductors identified in the Ianapera area, showing the outline of the intrusive and the location of observed copper gossans (blue ovoids & inset pictures)

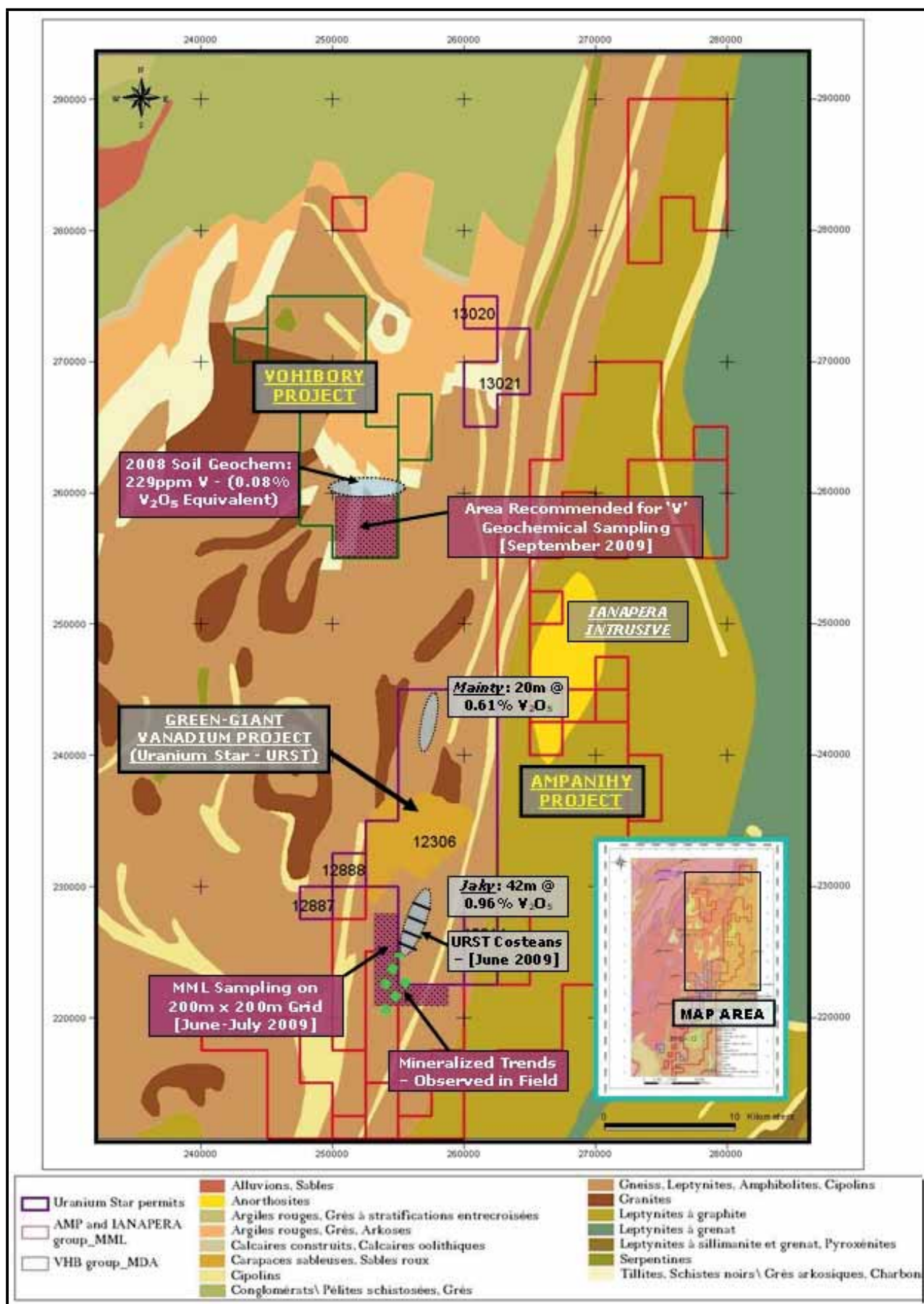


Figure 6: Summary of results to date of investigations relating to possible Vanadium mineralisation in the Fotadrevo area of central Ampanihy Project. Green trends show identified mineralisation within MML permits.

**Vanadium:** The Company has been evaluating the potential for vanadium mineralisation in the western central area of the Ampanihy Project tenements. Recent work adjacent to the western central area of the Ampanihy Project by Canadian explorer Uranium Star Corporation ('URST') has identified significant vanadium-bearing horizons extending for over 18 strike kilometres sub-parallel to regional strike (i.e. NNE-SSW). The highest tenor mineralisation seems to be manifesting at the southern end of their tenements, immediately adjacent to MML permits (refer Figure 6).

MML commissioned a detailed (i.e. 200m X 200m spacing) surface geochemistry and prospecting programme, focussing on the areas adjoining the URST tenements. This programme was completed during June and July 2009. The work has confirmed that the mineralised trends hosting the URST 'Jaky' zone (Fig. 6) continue extensively into MML tenements. Additionally, an identical sub-parallel zone has been identified 2.5 km to the southeast. This latter may indicate an en-echelon pattern to these zones with the distinct possibility of additional zones to the south and / or east within MML tenements. Both identified zones were traced for at least 600m within MML permits, with no sign of stopping. In addition to the grid-controlled soil sampling, a number of rock chip samples have been collected from both zones for analysis.

The mineralisation is associated with slightly resistant-weathering quartzo-feldspathic metasedimentary units. These rocks are relatively competent, highly permeable, compositionally variable, and frequently (i.e. locally) moderately to strongly sulphidic. The observed mineralised areas form low ridges that can be readily followed cross-country.

From field observations, the mineralised zones appear to be associated with two green minerals, a phyllosilicate (i.e. mica) and a monoclinic/orthorhombic mineral. Initial investigations suggest that the mica is possibly roscoelite, a known ore of vanadium which can contain up to 18 wt% V. The other silicate is possibly vanadian uvite or possibly grossular / diopside. Roscoelite is a common gangue mineral in the gold mines at Hemlo, initially mistaken at the time of discovery

for fuchsite - the two minerals are actually highly similar in appearance (refer photos below).

Samples have been submitted to Intertek – Genalysis Laboratories for analysis, with results anticipated shortly. At the same time, the bulk-pulp / residues will be analysed by the Company's XRF unit for associated elements (e.g. uranium, titanium and iron for comparison purposes).

#### **Vohibory (Historical & Recent Cu-Zn-Ag-[Au]):**

located along strike to the southeast of the Besatrana (Vohibory) polymetallic copper deposit and along the eastern margin of the Beseva pegmatite, this project contains numerous recorded occurrences of copper.

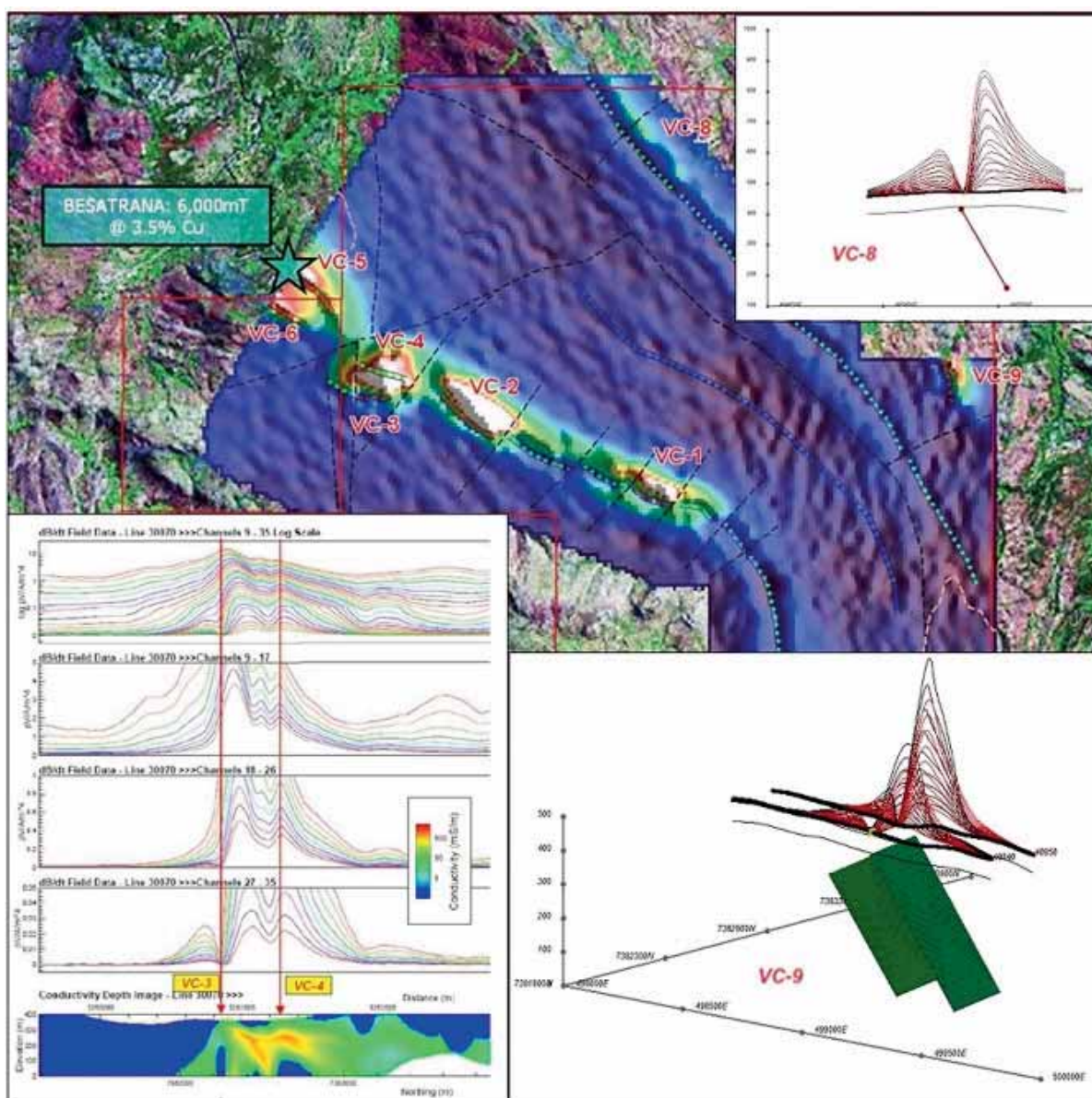
MML is targeting Volcanogenic Massive Sulphide (VMS) hosted base metals and gold-silver at its 100% owned Vohibory Project. The project overlies Neoproterozoic sediments and mafic –ultramafic sills associated with felsic intrusives.

Surface prospecting by Company personnel has returned strong results up to 29% copper, 175gpt silver, 2000ppm nickel and 40ppb platinum from two sub-parallel north-south trending corridors within the project tenements. Follow up work in 2008-09 has further expanded these results; defining extensive areas of nickel, copper, silver and gold anomalism (refer Figure 7 below).

Of particular interest is the area within the northern portion of the project, hosting coincident (>300ppm) copper, (>300ppb) silver and (>20ppb) gold in soil. This trend is also coincident with the five (5) km long line of VTEM conductors outlined as part of the 1,200 line km survey undertaken during 2008 (refer 'VC-01'-'VC-06' in the figure below). These VTEM conductors were selected for detailed modelling with results confirming a series of variably north dipping conductors between 50 and 200 metres depth.



Left: possible 'roscoelite' from the project area; Right: sampling ferruginous (arsenopyrite) outcrop containing visible roscoelite and grossular.



Summary plan of VTEM conductor trend VC-01 to VC-06, showing relationship with (i) surface trace, (ii) response profile and (iii) conductor orientation in 3D space

The spatial relationship of these conductors with known mineralised trends, anomalous polymetallic surface geochemistry, artisanal workings and favourable cross-structures make these conductors a primary drilling target. The company has planned a series of five (5) NQ core holes totalling 870 metres to commence in September 2009. These are detailed in the table below.

Subsequent to receipt of IKONOS satellite imagery, a site visit was undertaken during the month to confirm ground access to the proposed drill hole collar locations, as well as ascertain the on-ground relationship between Laborde and UTM coordinate plots and investigate any surface mineralisation indicators in the areas of the various conductors and geochem anomalies generated by recent exploration programmes.

#### Recommended Drill Holes

Inclined Hole Option							Approx. Intersection Depth		Modelled Conductor		Comments
Conductor	BHID	Collar Me <sup>1</sup>	Collar mN <sup>1</sup>	Dip	Az	EOH (m)	Min	Max	Dip	Dip/Dir	
VC-1	VHD0001	495470	7381090	60	180	120	68	88	49.4	006.5	SGC-recomm angle holes
VC-2	VHD0002	493415	7381960	60	215	110		75	47.0	036.5	SGC-recomm angle holes
VC-3, VC-4	VHD0003	492310	7382685	90	000	320	150	280	25.0	003.0	SGC-vertical hole ok
VC-5, VC-5a	VHD0004R	491720	7383330	60	230	180		155	17.0	048.0	SGC recomm angle holes
VC-6	VHD0005	491130	7383135	60	210	140		100	60.0	033.0	SGC-recomm angle holes
						<b>870</b>					

1:Co-ordinate System - WGS84/UTM Zone 38 South

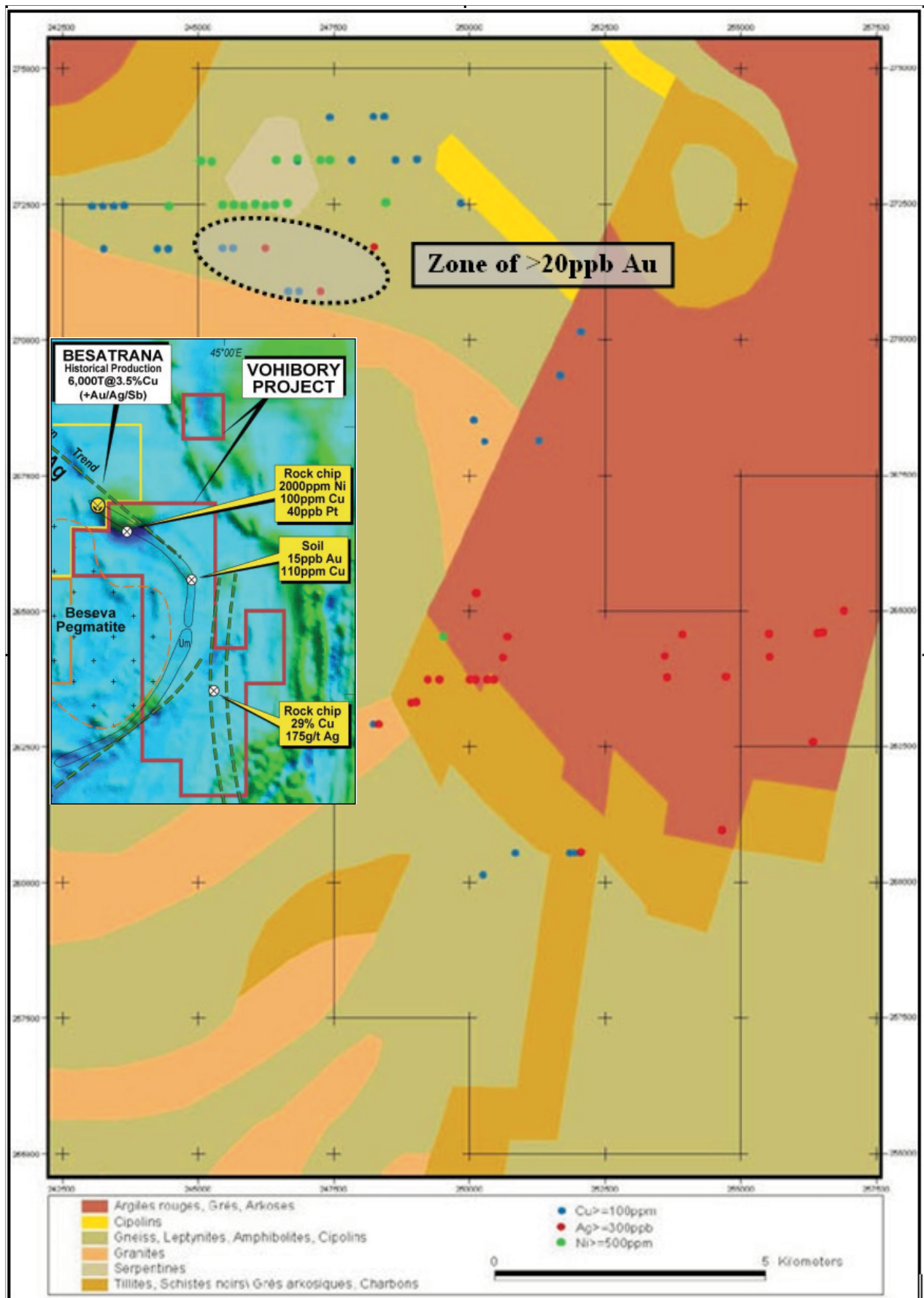


Figure 7: Summary of 2007-2009 MML soil sampling and prospecting programmes with areas of Copper, Silver, Nickel and Gold anomalism – Inset: magnetic image showing major mineralised trends.



Vohibory Project - Left: Copper gossan in pegmatite midway between VHD001 & VHD002; Right: Sampling artisanal gold workings adjacent to VHD002.

Nickel soil anomalism is associated with an amphibolite – serpentised dunite contact. Local skarn development is evidenced with zones of talc-tremolite-chlorite observed in the area (refer Figure 8).

Artisanal gold workings and copper mineralisation associated with pegmatite intrusives were observed in the eastern areas

between VHD001 and VHD002. Additionally, ferruginised shales were observed outcropping in stream beds coincident with VC-5 in the NW of the area (refer Figure 8). Gold is ubiquitous in the numerous streams in the northern Vohibory area.

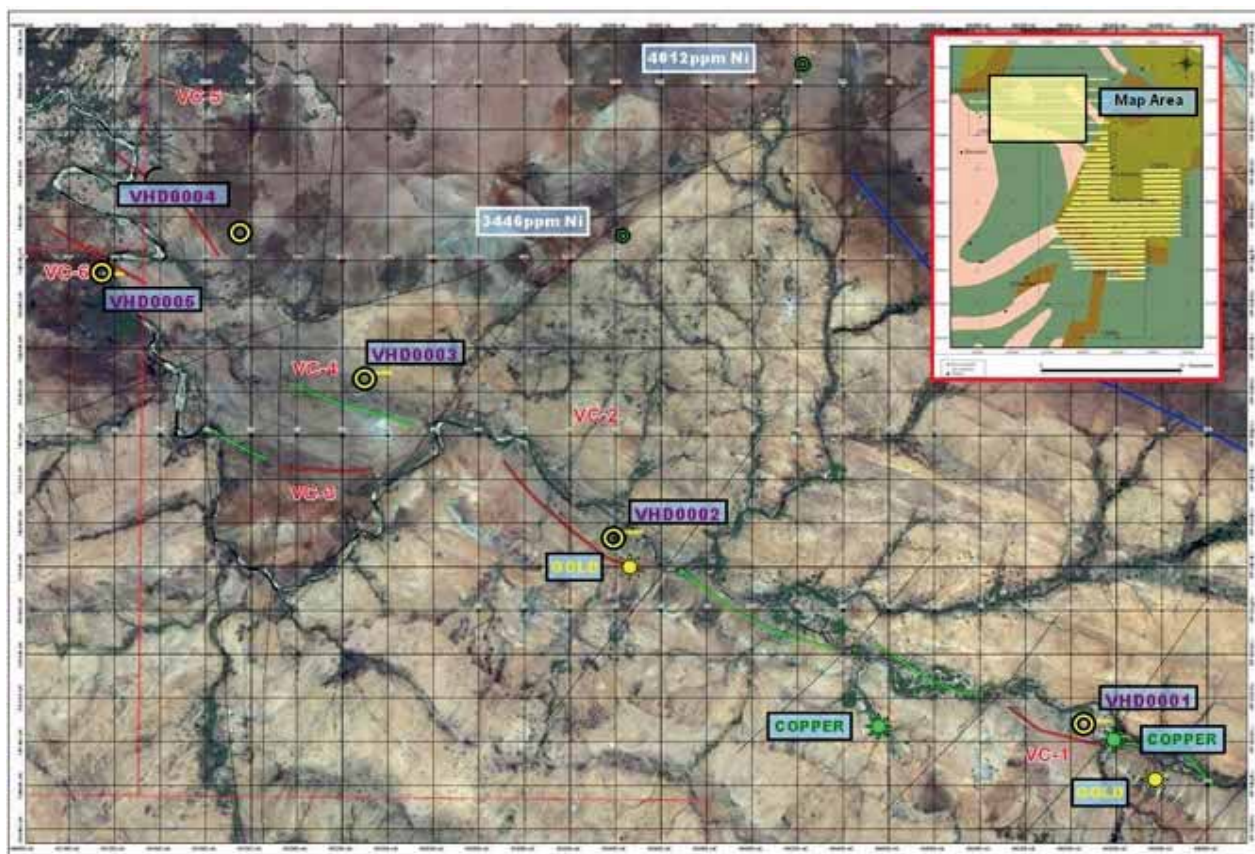
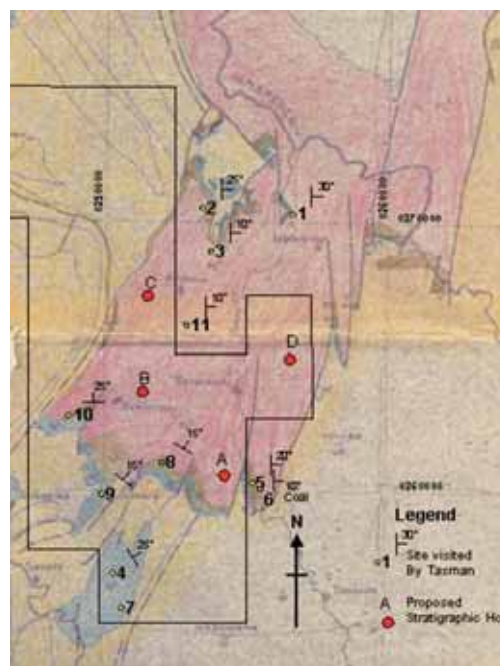


Figure 8: IKONOS base map image showing surface traces of various VTEM conductors as well as the location of nickel anomalies, copper gossans and artisanal gold workings. Planned drill holes VHD001 to VHD005 are marked as yellow circles (NB: black lines represent 200 metres).



Left: The Company's Longyear 34 drill rig collaring the first stratigraphic evaluation drill hole (INP001 – Hole 'A' at right) at Ianapera. Right: Summary map of Tasman Mining assessment of Ianapera Coal Basin showing collar locations of stratigraphic evaluation holes (red circles).

## Other MML Projects

**Ianapera Coal Project:** Subsequent to a detailed site assessment by international coal consultants Tasman Mining in July 2008, a four (4) – hole stratigraphic core drilling programme was recommended to test the host Sakoa Coal Measures; the presence of which was confirmed during the assessment exercise. The company subsequently completed all four (4) stratigraphic drill holes totalling 326m, as per the recommendations in the Tasman report. No significant coal seams were intercepted in the drilling programme.

**Mahajunga (Ilmenite):** Located 35km southwest of the NW coastal port of Mahajunga, the project comprises a single block of permits totalling 25 sqkm of area. MML is targeting minerals sands (ilmenite) in this area, however the project remains inactive at this point while the Company concentrates on its priority projects in the south.

**Project Relinquishment:** With the current global economic crisis and economic slowdown, has come the necessity of proactively reviewing all forward expenditure with a view to conserving cash and redirecting exploration expenditure to those projects with the strongest prospectivity. Subsequent to a comprehensive review of tenement holdings carried out during October and November 2008, a decision was made to relinquish all but the core exploration tenement holdings of the Company.

A total of 4,182 sq km of exploration tenure from five (5) of the eight (8) projects controlled by the company, and representing approximately 2/3 of its total tenure have been relinquished as follows:

- Mananjary Regional (Ni-Cu) – 3,600km<sup>2</sup>
- Bekisopa (Fe-Ni Laterite) – 88km<sup>2</sup>
- Satrokala (Ni-Laterite) – 413km<sup>2</sup>
- Miary (Mn) – 25km<sup>2</sup>
- Anjeba (U-Th) – 56km<sup>2</sup>

The relinquished projects were at the grass-roots exploration stage. Relinquishment will result in a cost savings of approximately A\$250,000 in annual tenement holding costs, funds which can be redirected towards retained projects as detailed below.

The Company has retained 1,650 sq km of exploration tenure over the following highly prospective core project areas:

- Ampanihy (Ni-Cu-PGE) – 1,469km<sup>2</sup>
- Vohibory (Cu-Ag VMS) – 156km<sup>2</sup>
- Mahajunga (Ilmenite) – 25km<sup>2</sup>

As discussed above, both Ampanihy and Vohibory continue to show strong promise, with numerous targets being defined for follow-up drilling commencing in September 2009. Mahajunga has been retained as it is low-cost and is close to the major north western port city of Mahajunga.

The company continues to review project opportunities, and while mindful of the need to conserve cash resources, we will continue to assess more mature mineral development opportunities as they arise.

## BRGM Acquisition & Strategic Alliance

To recap from last year, on 6th August 2007 a Memorandum of Understanding ("MOU") was signed with (French-based geoscientific group) Bureau de Recherches Géologiques et

Minières ('BRGM') in respect of acquiring certain of their assets in Madagascar. These included a 19,000 square-metre block of land in northern Antananarivo, incorporating substantial (resource-related) building infrastructure, as well as several drilling rigs and support equipment, storage facilities and a number of experienced local personnel. The total price of the transaction was EUR2,000,000, (plus TVA). A detailed plan of the property is located at Figure 9 below.

Subsequent to completion of the MOU, MML and BRGM negotiated Business Sale Agreement and Long Term Lease. These were completed utilising two of the Company's wholly-owned MML subsidiary companies, and were executed on 13th December 2007 in Paris France. The land acquisition is structured as a 99-year lease; renewable for a further 99 years for no additional consideration. Importantly, should the property laws in Madagascar change in the future in respect of foreign land ownership, MML may elect to have BRGM transfer the lease land as freehold title to the Company or its nominated subsidiary, again for no additional consideration.

Following the successful listing of MML on the ASX (NB: a prerequisite for completion of the transaction), MML formally acquired control of the BRGM assets, with a formal handover ceremony held at site on the 31<sup>st</sup> July 2008.

The property itself covers approximately 19,000 sqm of land and contains (i) MML office facilities, (ii) expatriate residences and (iii) several third party leases; all of which provided revenues to BRGM at the time of A\$7,250 per month. Over the past year MML, through its wholly-owned subsidiary in Madagascar, Saint Denis Holdings SARL ('SDH'), has increased the monthly rental return by 230% to \$24,100 per month. Principal components of this increase are detailed below;

## Assay Facilities

**Intertek-Genalysis ('GLS-ITTK'):** In early 2008, an agreement was negotiated with GLS-ITTK involving establishing a world industry standard sample preparation facility within the existing BRGM laboratory on site, inclusive of staff. To this end, GLS-ITTK have taken a lease on 575 sqm



within the main warehouse building in the central part of the site (refer Figure 9 below).

Following an extensive renovation project, which also involved significantly upgrading the site utility infrastructure (inclusive of supply of a 150KVa generator), the facility commenced operations in early May 2009. Although the lab will be run on a fully independent basis and be available to all exploration companies, the benefits to Malagasy will nonetheless be realised through savings on sample freight charges and (potentially) reduction on analytical turnaround times (dependent on assay methodology selected).

This is an exciting development for both the Company and the minerals sector in Madagascar, as this facility represents the first of its kind in Madagascar.

**Kirk Petrophysics ('Kirk'):** Headquartered in London, Kirk successfully tendered for the core handling and analysis component of the 16,000 metre drilling programme being undertaken at the Bemolanga tar sands project in central western Madagascar by Total. Subsequent to a review of available options, Kirk elected to lease a total of 1,022 sqm of combined space in the main warehouse and adjacent Villa (refer Figure 9 below).

As part of their relocation to site, Kirk have undertaken extensive site renovations, which have resulted in further substantial improvements to the overall site infrastructure. This is of significant material benefit to MML as these are lasting improvements that will survive specific lease agreements.

As a result of the significant site upgrades and associated increase in activity, MML has undertaken additional improvements to site facilities. The most significant of these have been relocation to an office sharing arrangement with BRGM and relocation and expansion of the staff canteen.

## Drilling Equipment

Following the acquisition of BRGM assets in Madagascar, Malagasy Minerals has acquired four (4) drilling rigs;



Left: GLS-ITTK facility processing samples; Right: Close-up of LM-5 pulverisers in operation



*Long Year 34 Core rig (left) & Atlas Copco B-31 RAB rig (right) at work in the field*

comprising three (3) diamond core drilling rigs and one (1) RAB Rig acquired separately by the Company's wholly owned subsidiary Mining Services SARL.

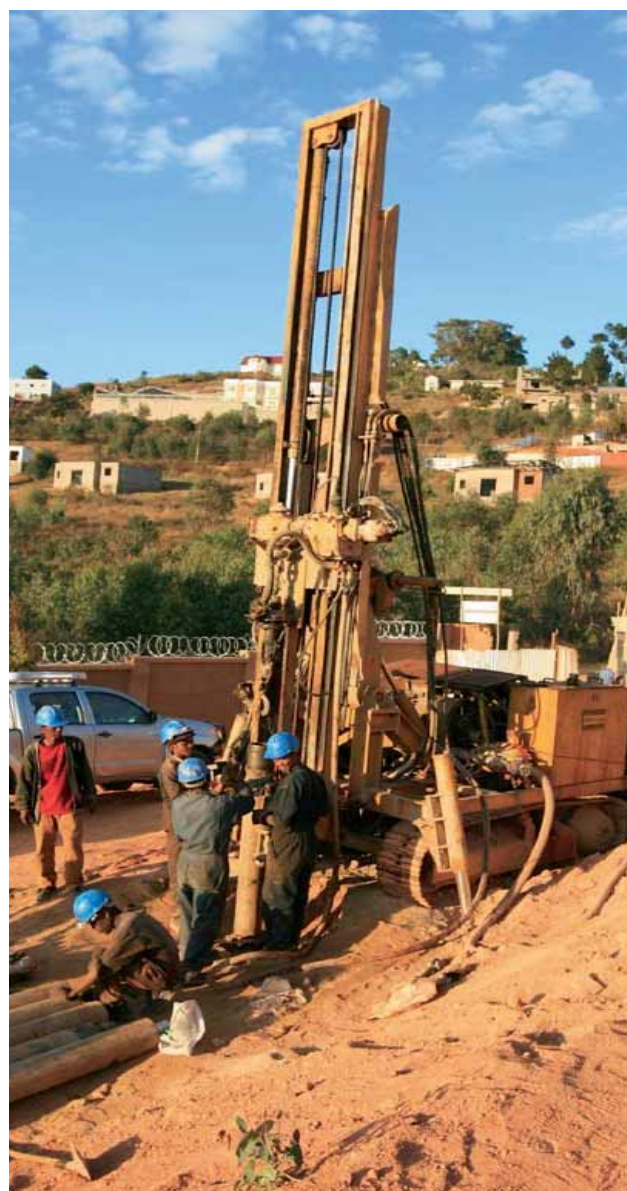
The Longyear 34 diamond drilling unit was utilised in drilling the exploratory coal holes during the 2008 field season and is currently at the Magrama camp in Ianapera being readied to commence drilling at Vohibory in September 2009. It is currently being outfitted to allow NQ2 wire line capability to 330m depth. Utilising company personnel under the supervision of an experienced consultant drilling supervisor, the Company can achieve a per-metre drilling cost of \$45, inclusive of fuel, assaying, consumables and contingencies.

There has been steady interest from third parties in using the (Atlas Copco B-31) RAB Rig, primarily for hydrogeological exploration (i.e. water bores), with the result that the B-31 has already generated revenue equivalent to its purchase price and is currently dry-hired out.

## Political Situation

Madagascar recently experienced a period of political unrest that began in late January 2009 and continued until March. An interim solution has been found with the installation of a transitional authority, preparatory to holding national elections within an agreed timeframe. As part of this process, an accord was reached between present and former administrations in Maputo Mozambique in early August 2009 that will advance the process of regularising government in the country. The Company remained operative in the country during this period, inclusive of expatriate management, and no hindrance to operations or assets was experienced during the period of unrest.

Presently the political situation in Madagascar remains stable, 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. The Company continues to monitor the situation through its established and comprehensive presence in Madagascar and remains hopeful of an early completion of the current process.



*Atlas Copco drill completing a domestic water bore in Antananarivo*

## Health & Safety

### Incidents

There have been no material incidents, with the last incident report for Mining Services SARL being in June 2009 and for Mada-Aust SARL in December 2008.

### Training

The company avails itself of training programs offered by CNaPS (Caisse Nationale Prevoyance Sociale) with training on aspects of Health and Safety at work, compliance to the 1994 code of hygiene and safety at the working environment.

The program was split to provide varying levels of Health and Safety awareness and roles for the Staff, workers and union representatives. MML Chief Personnel Officer Rondro Ralako recently attended training in her capacity as the chief officer responsible for Health and Safety at work.

MML Employees, Riana Ramiadamanana and Annick Razafimaharo attended a course for training of Officers responsible for Health and Safety at work.

MML Employees, Eugene Ratsimbazafy and Jules Randrianaivo also attended a course on training of representative of the worker's union (syndicate) on Aspects of Health and Safety at work.

Subjects covered:

- Detection of workplace hazards and of unsafe practices.
- Preventative techniques to reduce incidents.
- Ways to allocate resources to prevent incidents.

## Australian Doctors For Africa 2008 Program

The Australian Doctors for Africa ("ADFA") team of Perth based doctors, Dr Graham Forward, Orthopedic Surgeon, Dr Digby Cullen Gastroenterologist, Kelly Pryde and Scott McKay Plaster Technician/nurse visited Toliara from the 13-27<sup>th</sup> October 2008. Hannah Forward and Rhys Clark, Notre Dame Medical final year students also joined the team at their own cost.

Dr Forward, Scott McKay and Kelly Pryde working with the Toliara General Hospital surgeons Dr Adam and Dr Daniel treated 15 children.

Dr Cullen, together with Hannah Forward and Rhys Clark worked in Gastroenterology and general medicine at the Clinique St Luc, where they consulted 200 patients.

Tiana Andrianarijaona (Group Accountant - Madagascar) is the volunteer representative of ADFA in Madagascar.

## 2009 Program

The team led by Dr Graham Forward and Dr Digby Cullen assisted by Dr Susan Chapman and nurse Kelly Pryde along with Helen Burgan a physiotherapist, will visit Madagascar from the 28<sup>th</sup> October to 8<sup>th</sup> November 2009 to undertake their Annual Clinic in Toliara.

ADFA is sending a sea container of donated material to Toliara in 2009 and MML has agreed to transport the container from the Toliara Port to the Toliara General Hospital and the Clinique St Luc.

Apart from financial assistance, the MML Group provides ongoing local assistance and support for ADFA and is proud to be associated with ADFA in Madagascar.



Left: Dr Graham Forward performing a tendon release assisted by Kelly Pryde and Rhys Clark;  
Right: Tiana Andrianarijaona and Dr Graham Forward in Madagascar

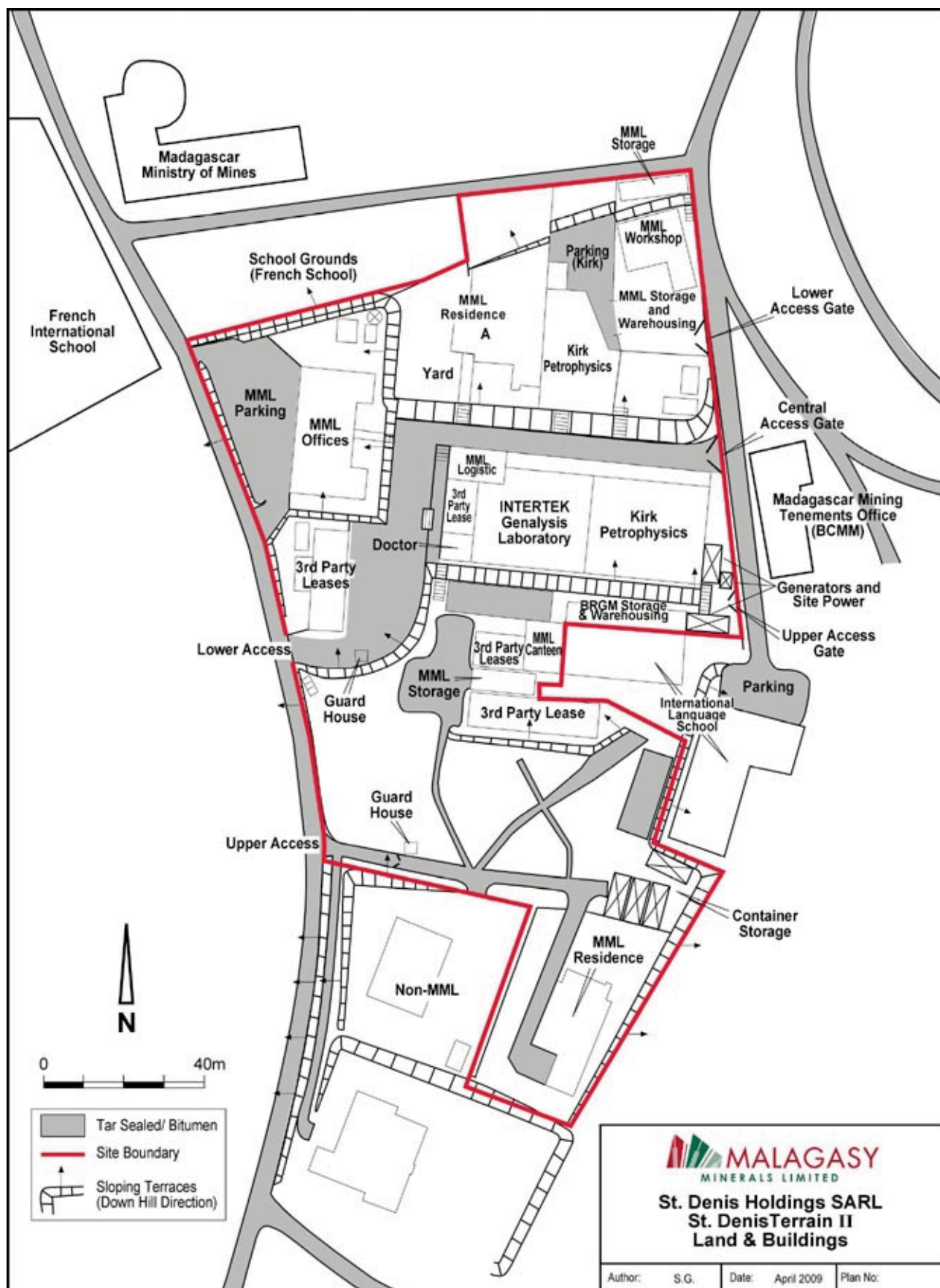


Figure 9: Plan of St. Denis Terrain Showing Location & Extent of Building Infrastructure

# corporate governance statement

Malagasy Minerals Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles & Recommendations"), the Company has followed each recommendation where the Board has considered the recommendation to be an

appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

## Disclosure of Corporate Governance Practices

Summary Statement	ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>		ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 <sup>3</sup>	n/a	n/a
Recommendation 1.3 <sup>3</sup>	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2 <sup>3</sup>	n/a	n/a
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2 <sup>3</sup>	n/a	n/a
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6 <sup>3</sup>	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 <sup>3</sup>	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1		✓
Recommendation 3.3 <sup>3</sup>	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1		✓	Recommendation 8.3 <sup>3</sup>	n/a	n/a
Recommendation 4.2		✓			

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

## Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at [www.malagasyminerals.com](http://www.malagasyminerals.com), under the section marked Corporate Governance. A list of the charters, policies

and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

	Recommendation(s)
<b>Charters</b>	
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
<b>Policies and Procedures</b>	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on ASX Listing Rule Compliance (summary) and Compliance Procedures(summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

## Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2008/2009 financial year ("Reporting Period").

### Principle 1 – Lay solid foundations for management and oversight

#### Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

#### Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and to assist the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

#### Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

#### Disclosure:

The Managing Director is responsible for evaluating senior executives. Such performance evaluations are undertaken by the Managing Director in the form of interviews.

#### Recommendation 1.3:

Companies should provide the information indicated in the Guide to reporting on Principle 1.

#### Disclosure:

During the Reporting Period an evaluation of senior executives occurred in conjunction with the annual salary reviews.

### Principle 2 – Structure the board to add value

#### Recommendation 2.1:

A majority of the Board should be independent directors.

#### Notification of Departure:

The Board does not comprise a majority of independent directors. None of the directors are independent.

#### Explanation for Departure:

The Board considers that its composition is adequate for the Company's current size and operations. The Board believes it has an appropriate mix of skills and expertise, relevant to the Company's business at this time. Further, the Board has adopted a Policy on Independent Professional Advice to assist directors to bring independent judgement to the Board which provides that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office, the Company will pay for the reasonable expense of obtaining that advice subject to obtaining the prior written approval of the Chair.

#### Recommendation 2.2:

The Chair should be an independent director.

#### Notification of Departure:

The Chair, Max Cozijn, is not an independent director as he acts in an executive capacity for the Company. Further, Mr Cozijn has a substantial shareholding in the Company.

#### Explanation for Departure:

The current Board composition does not allow for the Company to follow recommendation 2.2 because none of the directors are independent. However, the Board believes that Mr Cozijn is the most appropriate person for the position of chair because of his qualifications and experience. Further, pursuant to the Board Charter, the Company has appointed Guy LeClezio as lead independent director to take the role of Chair when Max Cozijn is unable to act in that role due to a conflict of interest.

#### Recommendation 2.3:

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

#### Disclosure:

The Managing Director is Steven Goertz who is not Chair of the Board.

#### **Recommendation 2.4:**

The Board should establish a Nomination Committee.

#### **Notification of Departure:**

The Company has not established a separate Nomination Committee.

#### **Explanation for Departure:**

The full Board considers those matters that would usually be the responsibility of a Nomination Committee. Given that the Board comprises only four directors, the Board considers that no efficiencies or other benefits would be gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

#### **Recommendation 2.5:**

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

#### **Disclosure:**

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Nomination Committee is responsible for evaluating the Managing Director.

Evaluations of the Board and individual directors are undertaken by having the relevant director complete a questionnaire which is subsequently assessed by the Chair. Evaluation of the Managing Director is undertaken by way of an interview between the Nomination Committee and the Managing Director.

#### **Recommendation 2.6:**

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

#### **Disclosure:**

#### **Skills, Experience, Expertise and Term of Office of each Director**

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

#### **Identification of Independent Directors**

There are currently no independent directors of the Company.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

#### **Company's Materiality Thresholds**

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

#### **Statement concerning availability of Independent Professional Advice**

To assist directors with independent judgement, it is the Board's Policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

#### **Nomination Matters**

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period. However, nomination related discussions occurred from time to time during the year as required. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

#### **Performance Evaluation**

During the Reporting Period an evaluation of the performance of the Board, its committees and individual directors was not carried out. However, the Company expects to complete

formal performance evaluations during the reporting period ending 30 June 2010.

#### **Selection and (Re)Appointment of Directors**

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness. The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. A director must retire from office no later than the third annual general meeting of the Company or three years following their last election/appointment with one third of the Directors required to retire at each annual general meeting. Re-appointment of directors is not automatic.

### **Principle 3 – Promote ethical and responsible decision-making**

#### **Recommendation 3.1:**

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

#### **Disclosure:**

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

#### **Recommendation 3.2:**

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

#### **Disclosure:**

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

#### **Recommendation 3.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

#### **Disclosure:**

Please refer to the section above marked Website Disclosures.

### **Principle 4 – Safeguard integrity in financial reporting**

#### **Recommendation 4.1:**

The Board should establish an Audit Committee.

#### **Notification of Departure:**

The Company has not established a separate Audit Committee.

#### **Explanation for Departure:**

The Board considers that given its size and composition, no efficiencies or other benefits would be gained by establishing a separate Committee. Accordingly, the full Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Audit Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

#### **Recommendation 4.2:**

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

#### **Notification of Departure:**

The Audit Committee comprises the full Board and is not structured in accordance with the compositional recommendation.

#### **Explanation for Departure:**

As only two of the four directors are non-executive directors (Guy LeClezio and Peter Woods) and none of the directors are independent, the Company is unable to establish an Audit Committee that would comply with the compositional requirements under Recommendation 4.2. When the Board convenes as the Audit Committee, Guy LeClezio chairs the meeting. Mr LeClezio is not Chair of the Board. The explanation for departure in Recommendation 4.1 explains how the Company performs the functions of the Audit Committee including its processes for dealing with any conflicts of interest that may occur.

#### **Recommendation 4.3:**

The Audit Committee should have a formal charter.

#### **Disclosure:**

The Company has adopted an Audit Committee Charter.

#### **Recommendation 4.4:**

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

#### **Disclosure:**

The full Board, in its capacity as the Audit Committee, held two meetings during the Reporting Period. Each director was in attendance at each meeting.

The explanation for departure set out under Recommendation 4.1 above explains how the functions of the Audit Committee are performed.

Details of each of the director's qualifications are set out in the Director's Report. All of the directors have industry experience and consider themselves to be financially literate. Mr Cozijn has a Bachelor of Commerce and is an Associate of the Australian Society of Certified Practising Accountants. Mr Cozijn's qualifications and experience enable him to bring financial expertise to the Board in its role as the Audit Committee.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

### **Principle 5 – Make timely and balanced disclosure**

#### **Recommendation 5.1:**

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

#### **Disclosure:**

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

#### **Recommendation 5.2:**

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

#### **Disclosure:**

Please refer to the section above marked Website Disclosures.

### **Principle 6 – Respect the rights of shareholders**

#### **Recommendation 6.1:**

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

#### **Disclosure:**

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

#### **Recommendation 6.2:**

Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

#### **Disclosure:**

Please refer to the section above marked Website Disclosures.

### **Principle 7 – Recognise and manage risk**

#### **Recommendation 7.1:**

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

#### **Disclosure:**

The Board has adopted a Risk Management Policy which sets out the Company's risk profile. Under the Policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the Policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board. The Managing Director reported regularly to the Board during the Reporting Period on the management of material business risks and provided the assurance to the Board, on behalf of management, that the Company's management of its material business risks are effective. These risks are reported on within the Managing Directors monthly reports.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits within the agreed Annual Budget for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices

In February 2009, the Company resolved to review, formalise and document the management of its material business risks and expects to implement this system in the second quarter of the 2009/2010 financial year. This system is expected to include the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks will be allocated to members of senior management. The risk register will be reviewed and updated, as and when required.

During February 2009, the Company reported on political risk associated with a change in President and the establishment of a transitional authority within Madagascar. The Company's operations and security have not been adversely affected and it is anticipated that the current stable situation will continue.

There is some risk also being experienced with the foreign currency exchange rates as a consequence of the Global Financial Crisis and this has also affected mineral commodity prices and the capital markets.

#### **Recommendation 7.2:**

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

#### **Disclosure:**

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

#### **Recommendation 7.3:**

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

#### **Disclosure:**

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

#### **Recommendation 7.4:**

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

#### **Disclosure:**

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

## **Principle 8 – Remunerate fairly and responsibly**

#### **Recommendation 8.1:**

The Board should establish a Remuneration Committee.

#### **Notification of Departure:**

The Company has not established a separate Remuneration Committee.

#### **Explanation for Departure:**

The Board considers that no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. Accordingly, the full Board performs the role of Remuneration Committee and has adopted a Remuneration Committee Charter, which it applies when convening as the Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings, when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Remuneration Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

#### **Recommendation 8.2:**

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

#### **Disclosure:**

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

**Recommendation 8.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

**Disclosure:**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The full Board carries out the role of the Remuneration Committee. The Board convened as a Remuneration

Committee three times during the Reporting Period. All Board members were in attendance at these meetings. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

# directors' report

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2009.

## Directors

The names of Directors in office at any time during or since the end of the year are:

Max Cozijn  
Steven Goertz  
Guy LeClezio  
Peter Woods

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## Company Secretary

Max Cozijn held the position of Company Secretary for the entire financial year. Details of Mr Cozijn's experience and qualifications are set out in the information on Directors in the Directors' Report.

## Principal Activities

The principal activities of the Company during the financial year were mineral exploration and project evaluation. No significant change in the nature of these activities occurred during the financial year.

## Operating Results

The consolidated loss of the economic entity after providing for income tax amounted to \$2,288,750 (2008: \$717,851).

## Dividends Paid or Recommended

No dividends were paid or recommended to be paid during the financial year.

## Review of Operations

A review of the economic entity's operations during the year and the results of those operations are contained in the Operations Review section of this Annual Report.

## Financial Position

The net assets of the economic entity have decreased by \$2,549,095 to \$7,686,325 during the financial year.

This decrease is largely a result of the following factors:

- Settlement of all liabilities following the purchase of the BRGM Assets through the Business Sale Agreement of \$4 million;
- Foreign Currency fluctuations during the global economic crisis of \$196,439;
- Impairment of Intangible Assets of \$589,423; and
- Exploration activities and operating costs.

The directors believe the group is in a strong and stable financial position to progress its objectives and strategies.

## Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Parent entity occurred during the financial year:

- On 1 December 2008, 2,000,000 unlisted 20 cent options exercisable by 1 December 2013 were issued to Directors following shareholder approval at the AGM on 25 November 2008. Options are disclosed in detail in the Remuneration Report and also in Note 7 and 28 of the financial statements.
- On 1 December 2008, 2,000,000 unlisted 20 cent options exercisable on 3 July 2013 were issued to Consultants following shareholder approval at the AGM on 25 November 2008. Further details are disclosed in the Remuneration Report and Note 7 and 28 of the financial statements.
- On 2 April 2009, 4,003,600 unlisted 20 cents options exercisable by 7 July 2013 were issued to Brokers following initial listing on the Australian Stock Exchange. Further details are disclosed in Note 28 of the financial statements.

## After Balance Date Events

There were no material events arising subsequent to 30 June 2009 to the date of this report which may significantly affect the operations of the economic entity, the results of those operations and the state of affairs of the economic entity in the future.

## Future Developments

Likely future developments in the operations of the economic entity are referred to in the Operations Review section of this Annual Report. Further information as to likely developments in the operations of the economic entity and likely results of those operations would, in the opinion of the directors, be speculative and not in the best interests of the economic entity.

## Environmental Issues

Mining and exploration operations in Madagascar are subject to environmental regulation under the Laws of Madagascar. The economic entity's current activities generally involve low level disturbance only associated with geochemical and geophysical surveys and exploration drilling programs.

## Information on Directors

### Mr Max Dirk Jan COZIEN, B.Com. ASA, MAICD – Chairman, Finance Director, & Company Secretary

Mr Cozijn graduated from the University of Western Australia in 1972 with a Bachelor of Commerce degree and is an Associate of the Australian Society of Certified Practising Accountants. He has over 30 years experience in the administration of listed mining and industrial companies. Mr Cozijn is Non-Executive Director of Carbon Energy Ltd, a Director of Magma Metals Limited and Chairman of Oilex Ltd.

During the past three years Mr Cozijn has held the following other listed company directorships

- Carbon Energy Ltd \* (from September 1992)
- Oilex Ltd \* (from September 1997)
- Magma Metals Limited\* (from June 2005 )
- Elkedra Diamonds NL (from April 2000 to November 2007)

\* Denotes current directorship

### Mr. Steven Goertz, BSc (Geology), MAusIMM / MAIG – Managing Director

Mr. Goertz graduated from the University of British Columbia in 1986 with a BSc in Geology and is a Member of both the AusIMM and the AIG. He is a geologist with 25 years experience in exploration and mining in Canada, Australia, New Caledonia, Philippines and Madagascar. During this time Mr. Goertz has worked in a variety of management and operational roles involving a diverse range of commodities and mineralisation styles, including gold, silver, base metals, PGE's, nickel, cobalt, antimony and gemstones. He has been involved with Madagascar since 1999 when he began developing a project concept for the country. Mr. Goertz is a corporate member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

During the past three years Mr Goertz has not held any other listed company directorships.

### Mr. Guy Francois Marie Le Clezio, BA – Director / Non-Executive Director

Mr Le Clezio holds a Bachelor of Arts from the University of Western Australia. He has had 20 years experience in the

mining and exploration industry and was an Executive Director of Eyres Reed Ltd and Canadian Imperial Bank of Commerce who were leading Western Australian stockbrokers specialising in the mining industry. He is a founding director of MRNL and a former director of ASX listed Windy Knob Resources Ltd.

During the past three years Mr Le Clezio has held the following other listed company directorships:

- Windy Knob Resources Limited \* (from October 2006 to April 2008)

### Dr Peter James Woods, BScH / PhD (Geol), MAIG – Director / Non-Executive Director

Dr. Woods holds a Bachelor of Science (Honours) and a Doctorate of Philosophy (Geology) from the University of Western Australia. He has had over 20 years experience in the mining and exploration industry specialising in base metals, gold and industrial minerals, and as a consulting environmental scientist. He has worked in Madagascar since 1994 and in that time discovered the 710 million tonne Ranobe mineral sand deposit currently the subject of a Bankable Feasibility Study. He is a founding director of Madagascar Resources NL and a Member of the Australian Institute of Geoscientists.

During the past three years Dr Woods has not held any other listed company directorships.

As at the date of this report, the interests of the Directors in shares and options of the Company were:

	No. of Shares Held		No. of Unlisted Options held	
	Direct	Indirect	Direct	Indirect
Mr. M D J Cozijn	10,001	5,350,000	-	1,000,000
Mr. S B Goertz	1	5,130,000	-	2,000,000
Dr. P J Woods <sup>1</sup>	-	-	-	500,000
Mr. G F Le Clezio <sup>1</sup>	-	2,019,809	-	500,000

(1) Madagascar Resources NL ('MRNL') holds 10,000,000 Shares in MML; Mr. G F Le Clezio and Dr. P J Woods are also Directors and Shareholders of MRNL.

## Remuneration Report

This report details the nature and amount of remuneration for each director of Malagasy Minerals Limited and for the executives receiving the highest remuneration.

The remuneration policy, which sets the terms and conditions for the Managing Director and other senior executives, was developed after seeking professional advice from independent consultants and was approved by the Board. All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The remuneration committee reviews executive packages annually by reference to company performance, executive performance,

comparable information from industry sectors and other listed companies and independent advice. The performance of executives is reviewed annually, in June, by the remuneration committee, with revised remuneration packages generally taking effect from the 1<sup>st</sup> of July of that year.

Executives may be granted unlisted share options from time to time, as determined by the Board.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to manage the economic entity. It will also provide executives with the necessary incentives to work towards sustainable growth in shareholder value.

The payment of bonuses, stock options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and

options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

The company's remuneration committee Charter is set out on the company's website at [www.malagasyminerals.com](http://www.malagasyminerals.com)

## Details of Remuneration for Year Ended 30 June 2009

The remuneration for each director and each of the specified executive officers of the economic entity during the year were as follows:

2009	Salary \$	Directors' Fees \$	Non-Cash Benefits \$	Super Contributions \$	Equity \$	Options \$	Total \$	Performance related %
<b>Parent Entity Directors:</b>								
S B Goertz	150,000	20,000	-	16,800	-	6,029	192,829	-
M D J Cozijn	50,000	20,000	-	6,300	-	9,000	85,300	-
P J Woods	-	20,000	-	1,800	-	4,500	26,300	-
G Le Clezio	-	20,000	-	1,800	-	4,500	26,300	-
	200,000	80,000	-	26,700	-	24,029	330,729	-
<b>Executives:</b>								
J Le Clezio	120,000	-	-	-	-	-	120,000	-
	120,000	-	-	-	-	-	120,000	-

2008	Salary \$	Directors' Fees \$	Non-Cash Benefits \$	Super Contributions \$	Equity \$	Options \$	Total \$	Performance related %
<b>Parent Entity Directors:</b>								
S B Goertz	60,000	-	-	-	-	-	60,000	-
M D J Cozijn	-	-	-	-	-	-	-	-
P J Woods	-	-	-	-	-	-	-	-
G Le Clezio	-	-	-	-	-	-	-	-
	60,000	-	-	-	-	-	60,000	-
<b>Executives:</b>								
J Le Clezio	36,000	-	-	-	-	198,552	234,552	-
	36,000	-	-	-	-	198,552	234,552	-

None of the remuneration was performance related.

## Shares and Options issued as part of remuneration for the year ended 30 June 2009.

The following Options were issued during the financial year and were approved by shareholders at the AGM held on 25<sup>th</sup> November 2008:

2009	Granted: No	Options granted as part of remuneration \$	Total remuneration represented by options %	Options lapsed \$	Options exercised \$	Total \$
<b>Directors:</b>						
S B Goertz	2,000,000	6,029	3%	-	-	6,029
M D J Cozijn	1,000,000	9,000	11%	-	-	9,000
P J Woods	500,000	4,500	17%	-	-	4,500
G Le Clezio	500,000	4,500	17%	-	-	4,500
	4,000,000	24,029		-	-	24,029
<b>Executives:</b>						
J Le Clezio	-	-	-	-	-	-
	-	-	-	-	-	-

## Service Agreements of Directors and Specified executives

Mr Goertz has been engaged under a Consultancy Agreement for a 3 year period commencing 7 July 2008. Mr Cozijn is to be retained under an Employment Contract for a 3 year period which is being completed.

Mr Jules Le Clezio has been engaged under a Consultancy Agreement for a 3 year period commenced 6 April 2007.

The required notice period is three months from either party. Payment of termination benefit on early termination by the employer, other than for gross misconduct will be equal to 12 months remuneration.

The aggregate amount of remuneration payable to all non-executive directors was set by shareholders at \$200,000 per annum.

## Non-Audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the executive directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees were paid or payable to WHK Horwath for non-audit services during the year ended 30 June 2009.

## Meetings Of Directors

During the financial year, the directors' attendance at meetings of directors and committees of directors were as follows:

Director	Directors' Meetings		Committee Meetings			
	Number eligible to attend	Number attended	Audit Number eligible to attend	Number attended	Remuneration Number eligible to attend	Number attended
Mr M D J Cozijn	8	8	2	2	3	3
Mr S B Goertz	8	8	2	2	3	3
Dr P J Woods	8	8	2	2	3	3
Mr G F LeClezio	8	8	2	2	3	3

The Full Board undertakes the role of the Audit and Remuneration Committees with effect from the date of adoption of the Corporate Governance procedures on 23 May 2008.

## Indemnifying Officers and Auditors

The Company is establishing an insurance policy insuring Directors and officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to insurers will not be disclosed. This is permitted under S300(9) of the Corporation Act 2001.

## Share Options

At the date of this report, the unissued ordinary shares of Malagasy Minerals Limited under option are as follows:

### Unlisted Options

Grant date	Vesting date	Date of expiry	Exercise price	No. under option
27 June 2008	27 June 2008	26 June 2013	\$0.20	1,000,000
1 December 2008	1 December 2008	1 December 2013	\$0.20	2,000,000
1 December 2008	3 January 2010	13 July 2010	\$0.20	1,000,000
1 December 2008	3 July 2011	3 July 2013	\$0.20	1,000,000
2 April 2009	2 April 2009	7 July 2013	\$0.20	4,003,600
				<hr/> 9,003,600 <hr/>

No options were exercised during the year ended 30 June 2009.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any body corporate.

## Proceedings on behalf of the Company

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

The Company was not a party to any such proceedings during the year.

## Auditor's Independence Declaration

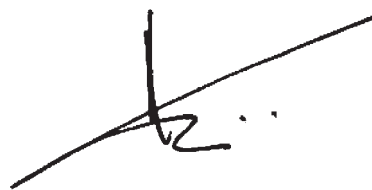
The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 36 of the annual report.

Signed in accordance with a resolution of the Board of Directors.



**S. B. Goertz**  
Managing Director  
West Perth, Western Australia

16<sup>th</sup> September 2009



**M.D.J. Cozijn**  
Finance Director

# auditor's independence declaration



## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Malagasy Minerals Limited for the year ended 30 June 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL  
Principal

Perth, WA

Dated this 16<sup>th</sup> day of September 2009

### *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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A WHK Group firm

# income statement for the year ended 30 June 2009

	Notes	ECONOMIC ENTITY		PARENT ENTITY	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue	2	972,950	325,643	264,527	60,686
Employee benefits expense		(664,820)	(11,141)	(251,414)	-
Depreciation expense		(289,447)	(19,157)	(36,366)	(1,878)
Impairment of Assets		(589,423)	(1,000)	(1,846,259)	-
Finance costs		(1,375)	(1,374)	(1,375)	(1,374)
Administration costs		(919,328)	(537,362)	(639,461)	(317,972)
Exploration expenditure		(912,976)	(273,133)	(288,364)	(8,578)
Foreign Exchange Movements		196,439	-	-	-
Share-based payments		(29,503)	(198,552)	(29,503)	(198,552)
Loss before income tax expense		(2,237,483)	(716,076)	(2,828,215)	(467,668)
Income tax expense	4	(51,267)	(1,775)	-	-
Net Loss attributable to members of the parent entity		(2,288,750)	(717,851)	(2,828,215)	(467,668)
Overall Operations:					
Basic earnings (loss) per share					
- cents per share	6	(2.40)	(1.69)		
Diluted earnings (loss) per share					
- cents per share	6	(2.40)	(1.69)		

The accompanying notes form part of these financial statements

# balance sheet as at 30 June 2009

		ECONOMIC ENTITY		PARENT ENTITY	
	Notes	2009 \$	2008 \$	2009 \$	2008 \$
<b>Current Assets</b>					
Cash and Cash Equivalents	8	1,435,644	9,973,208	1,330,083	9,899,950
Trade and Other Receivables	10	162,931	635,516	744	49,376
Other Current Assets	9	91,010	133,048	13,426	46,393
<b>Total Current Assets</b>		<b>1,689,585</b>	<b>10,741,772</b>	<b>1,344,253</b>	<b>9,995,719</b>
<b>Non-Current Assets</b>					
Trade and Other Receivables	10	784,830	166,667	-	-
Financial Assets	11	-	-	7,511,397	3,133,301
Property, Plant & Equipment	12	3,278,460	2,886,568	91,679	44,186
Intangible Assets	13	-	616,967	-	-
Deferred Exploration and Evaluation costs	14	3,256,182	2,368,977	-	-
<b>Total Non-Current Assets</b>		<b>7,319,472</b>	<b>6,039,179</b>	<b>7,603,076</b>	<b>3,177,487</b>
<b>TOTAL ASSETS</b>		<b>9,009,057</b>	<b>16,780,951</b>	<b>8,947,329</b>	<b>13,173,206</b>
<b>Current Liabilities</b>					
Trade and other Payables	15	355,393	5,444,702	305,898	1,587,340
Short-term Provisions	16	27,320	-	15,087	-
<b>Total Current Liabilities</b>		<b>382,713</b>	<b>5,444,702</b>	<b>320,985</b>	<b>1,587,340</b>
<b>Non-Current Liabilities</b>					
Trade and other Payables	17	940,019	1,100,829	940,019	1,100,829
<b>Total Non- Current Liabilities</b>		<b>940,019</b>	<b>1,100,829</b>	<b>940,019</b>	<b>1,100,829</b>
<b>TOTAL LIABILITIES</b>		<b>1,322,732</b>	<b>6,545,531</b>	<b>1,261,004</b>	<b>2,688,169</b>
<b>NET ASSETS</b>		<b>7,686,325</b>	<b>10,235,420</b>	<b>7,686,325</b>	<b>10,485,037</b>
<b>EQUITY</b>					
Issued Capital	18	11,010,767	11,010,767	11,010,767	11,010,767
Reserves	19	(59,444)	200,901	228,055	198,552
Accumulated Losses		(3,264,998)	(976,248)	(3,552,497)	(724,282)
<b>TOTAL EQUITY</b>		<b>7,686,325</b>	<b>10,235,420</b>	<b>7,686,325</b>	<b>10,485,037</b>

The accompanying notes form part of these financial statements.

# statement of changes in equity

for the year ending 30 June 2009

ECONOMIC ENTITY					
	Issued Capital	Accumulated Losses	Foreign currency Translation Reserve	Option Reserve	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2007	1,300,003	(249,467)	2,349	-	1,052,885
Shares issued during the year	10,500,000	-	-	-	10,500,000
Transaction costs	(789,236)	-	-	-	(789,236)
Movement in Share Option Reserve	-	-	-	198,552	198,552
Loss attributable to members of economic entity	-	(717,851)	-	-	(717,851)
Adjustment from translation of foreign controlled entities	-	-	-	-	-
Dividends paid or provided for	-	(8,930)	-	-	(8,930)
	9,710,764	(726,781)	-	198,552	9,182,535
Balance at 30 June 2008	11,010,767	(976,248)	2,349	198,552	10,235,420
Shares issued during the year	-	-	-	-	-
Transaction costs	-	-	-	-	-
Movement in Share Option Reserve	-	-	-	29,503	29,503
Loss attributable to members of economic entity	-	(2,288,750)	-	-	(2,288,750)
Adjustment from translation of foreign controlled entities	-	-	(289,848)	-	(289,848)
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2009	11,010,767	(3,264,998)	(287,499)	228,055	7,686,325

PARENT ENTITY					
	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2007	1,300,003	(247,684)	-	-	1,052,319
Shares issued during the year	10,500,000	-	-	-	10,500,000
Transaction costs	(789,236)	-	-	-	(789,236)
Movement in Share Option Reserve	-	-	-	198,552	198,552
Loss attributable to members of parent entity	-	(467,668)	-	-	(467,668)
Dividends paid or provided for	-	(8,930)	-	-	(8,930)
	9,710,764	(476,598)	-	198,552	9,432,718
Balance at 30 June 2008	11,010,767	(724,282)	-	198,552	10,485,037
Shares issued during the year	-	-	-	-	-
Transaction costs	-	-	-	-	-
Movement in Share Option Reserve	-	-	-	29,503	29,503
Loss attributable to members of parent entity	-	(2,828,215)	-	-	(2,828,215)
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2009	11,010,767	(3,552,497)	-	228,055	7,686,325

The accompanying notes form part of these financial statements

# cash flow statements for the year ended 30 June 2009

		ECONOMIC ENTITY		PARENT ENTITY	
	Notes	2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash flows from Operating Activities</b>					
Payments to suppliers and employees		(2,108,604)	(619,963)	(1,313,041)	(476,941)
Payments for exploration expenditure		(1,356,279)	-	(284,781)	-
Interest received		231,282	58,403	230,560	40,266
Royalties received		304,051	246,820	-	-
Other income		437,617	20,420	33,967	20,420
Borrowing costs		(1,375)	(1,374)	(1,375)	(1,374)
Net cash used in operating activities	20(a)	(2,493,308)	(295,694)	(1,334,670)	(417,629)
<b>Cash flows from Investing Activities</b>					
Payments for property, plant and equipment		(4,308,520)	(172,310)	(86,678)	(40,893)
Payments for exploration and evaluation expenditure		(836,895)	-	-	-
Investments in subsidiaries on incorporation		-	-	-	(23,292)
Net cash used in investing activities		(5,145,415)	(172,310)	(86,678)	(64,185)
<b>Cash flows from Financing Activities</b>					
Proceeds from issues of shares		-	10,500,000	-	10,500,000
Capital raising costs		-	(789,236)	-	(789,236)
Repayment of borrowings		(8,869)	(8,407)	(8,869)	(8,407)
Repayment of Share Sale Agreement		(889,972)	-	(889,972)	-
Dividends paid by parent company		-	(8,930)	-	(8,930)
Advances to subsidiaries and other companies		-	-	(6,249,678)	-
Net cash flows provided by financing activities		(898,841)	9,693,427	(7,148,519)	9,693,427
Net increase (decrease) in cash held		(8,537,564)	9,225,423	(8,569,867)	9,211,613
Cash at the beginning of the financial year	8	9,973,208	747,785	9,899,950	688,337
Effect of exchange rates on cash holdings in foreign currencies		-	-	-	-
Cash at the end of the financial year	8	1,435,644	9,973,208	1,330,083	9,899,950

The accompanying notes form part of these financial statements.

# notes to the financial statements

for the year ended 30 June 2009

## Note 1 - Statement Of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial report covers the economic entity of Malagasy Minerals Limited and controlled entities, and Malagasy Minerals Limited as an individual parent entity. Malagasy Minerals Limited is a listed public company, incorporated and domiciled in Australia.

### Basis of Preparation

#### *Reporting Basis and Conventions*

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

### Accounting Policies

#### (a) Principles of Consolidation

A controlled entity is any entity controlled by Malagasy Minerals Limited. Control exists where Malagasy Minerals Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Malagasy Minerals Limited to achieve the objectives of Malagasy Minerals Limited. All controlled entities have a 30 June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

#### (b) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have

been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### (c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

##### *Plant and equipment*

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

##### *Depreciation*

The depreciable amount of all fixed assets including capitalised lease assets, but excluding computers, is depreciated on a reducing balance commencing from the time the asset is held ready for use. Computers are depreciated

on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	7.5% - 50%
Motor vehicles	20%
Field equipment	37.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### (d) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Tenement acquisition costs are initially capitalised. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, sale of the respective areas of interest or where activities in the area have not yet reached a stage, which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Immediate restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure. Exploration activities resulting in future obligations in respect of restoration costs result in a provision to be made by capitalising the estimated costs, on a discounted cash basis, of restoration and depreciating over the useful life of the asset. The unwinding of the effect of the discounting on the provision is recorded as a finance cost on the income statement.

#### (e) Financial Instruments

##### Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

##### Available for Sale Financial Assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

##### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

##### Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

##### Fair value

Fair value is determined based on current bid process for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

##### Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

#### (f) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and tangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## **(g) Intangibles**

### **Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## **(h) Foreign Currency Transactions and Balances**

### **Functional and presentation currency**

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

### **Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

### **Group companies**

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

## **(i) Employee Benefits**

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to the balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

## **(j) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

## **(k) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

## **(l) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from Royalties are recognised upon delivery of goods to customers or to the minimum monthly contractual amount.

All revenue is stated net of the amount of goods and services tax (GST).

## **(m) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## **(n) Contributed Equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## (o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## Critical Accounting Estimates and Judgments

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

### Key Estimates – Impairment

The group assess impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Impairment of Investments in subsidiaries arises where the carrying value of the asset exceeds the net asset position of the subsidiaries and impairment is recognised to the value of the deficit. Impairment of Intangible assets is recognised upon managements' best estimate that the carrying value exceeds the fair value of the asset considering future cash flows and profits arising from the asset.

No impairment has been recognised in respect of costs carried forward as exploration assets. The ultimate recoupment of value is dependent on the successful development and commercial exploitation or sale of the respective areas.

## New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

**AASB 3:** Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to Group interests, parent entities inserted above existing Groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

### AASB 8: Operating Segments and AASB 2007-3:

Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

**AASB 101:** Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification,

a third balance sheet as at the beginning of the comparative period will be required.

**AASB 123:** Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.

**AASB 2008-1:** Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

**AASB 2008-5:** Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

**AASB Interpretation 16:** Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the Group.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

	ECONOMIC ENTITY		PARENT ENTITY	
<b>Note 2 – Revenue</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating Activities				
- royalties	304,051	246,820	-	-
- other	437,617	20,420	33,967	20,420
Non-operating activities				
- Interest received – other persons	231,282	58,403	230,560	40,266
Total Revenue	<u>972,950</u>	<u>325,643</u>	<u>264,527</u>	<u>60,686</u>

### Note 3 – Loss For The Year

<b>Expenses</b>				
Borrowing costs	1,375	1,374	1,375	1,374
Depreciation of non-current assets				
- Property, Plant & Equipment	163,789	4,426	6,335	1,575
- Field equipment	54,199	303	30,031	303
- Motor vehicles	71,459	14,428	-	-
Total depreciation	<u>289,447</u>	<u>19,157</u>	<u>36,366</u>	<u>1,878</u>
Exploration expenditure	539,067	37,695	288,364	8,578
Impairment of non-current assets	589,423	1,000	1,846,259	-
Rental expenses on operating leases - minimum lease payments	<u>48,706</u>	<u>112,846</u>	<u>36,228</u>	<u>27,120</u>

### Note 4 - Income Tax Expense

#### (a) Income Tax Expense

The prima facie tax/(benefit) on Profit/(Loss) from ordinary activities is reconciled to the income tax expense as follows:

Prima facie tax/(benefit) on Profit/(Loss) from ordinary activities before income tax at 30% (2008: 30%)

(686,625)	(214,823)	(848,464)	(140,300)
-----------	-----------	-----------	-----------

Add tax effect of:-

Tax attributable to foreign subsidiary	51,267	1,775	-	-
Permanent Differences	(553,878)	-	-	-
Deferred tax assets not brought to account	<u>1,240,503</u>	<u>214,823</u>	<u>848,464</u>	<u>140,300</u>
Income tax expense attributable to entity	<u>51,267</u>	<u>1,775</u>	<u>-</u>	<u>-</u>

#### (b) Deferred Tax Assets

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 (b) occur

Timing differences

Opening	214,823	-	140,300	-
Tax losses – Australia	848,464	140,300	848,464	140,300
Tax losses - Madagascar	<u>392,039</u>	<u>74,523</u>	<u>-</u>	<u>-</u>
Total deferred tax assets not brought to account	<u>1,455,326</u>	<u>214,823</u>	<u>988,764</u>	<u>140,300</u>

### Note 5 - Dividends

5% convertible preference dividend	-	8,930	-	8,930
	<u>-</u>	<u>8,930</u>	<u>-</u>	<u>8,930</u>

## ECONOMIC ENTITY

Note 6 – Loss Per Share	2009 \$	2008 \$
(a) Reconciliation of Earnings to Net Loss	(2,288,750)	(717,851)
Loss used in the calculation of basic EPS	(2,288,750)	(717,851)
Loss used in the calculation of dilutive EPS	(2,288,750)	(717,851)
Basic loss per share		
- cents per share	(2.40)	(1.69)
Diluted loss per share		
- cents per share	(2.40)	(1.69)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	95,000,003	42,394,798
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	95,000,003	42,394,798
Options outstanding at 30 June 2009, totalling 9,003,600, are not considered potential ordinary shares as the effect is anti-dilutive.		

## Note 7 – Key Management Personnel Compensation

### (a) Key Management Personnel

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Mr S B Goertz – Managing Director (Executive Director)  
 Mr M D J Cozijn – Finance Director/Company Secretary (Executive Director)  
 Mr G F M Le Clezio - Director (Non-Executive Director)  
 Dr P J Woods - Director (Non-Executive Director)  
 Mr J Le Clezio – Country Manager (Madagascar)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

### (b) Equity and Options granted as compensation

Shares and Options Granted as Compensation and Terms & Conditions of each Grant:

2009	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
<b>Parent Entity Directors:</b>							
Mr SB Goertz	-	2,000,000	01/12/2008	0.8 cents	20 cents	03/01/2010	03/07/2013
Mr MDJ Cozijn	1,000,000	1,000,000	01/12/2008	0.9 cents	20 cents	01/12/2008	01/12/2013
Mr GFM Le Clezio	500,000	500,000	01/12/2008	0.9 cents	20 cents	01/12/2008	01/12/2013
Dr P J Woods	500,000	500,000	01/12/2008	0.9 cents	20 cents	01/12/2008	01/12/2013
	2,000,000	4,000,000					
<b>Executives:</b>							
Mr J Le Clezio	1,000,000	1,000,000	27/06/2008	20 cents	20 cents	27/06/2008	26/06/2013
	1,000,000	1,000,000					

Exercise prices are in excess of the market prices at the date of grant.

The services and performance criteria set to determine remuneration are included in the Remuneration Report in this Annual Report.

All options were granted for \$nil consideration.

**(c) Shares issued on Exercise of Compensation Options**

There were no options exercised by key management personnel during the financial year.

**(d) Option Holdings held directly and indirectly by Key Management Personnel**

2009	Balance at 1 July 2008	Granted as Remuneration	Balance at 30 June 2009	Total Vested 30 June 2009	Total Exercisable 30 June 2009	Total Unexercisable 30 June 2009
<b>Parent Entity Directors:</b>						
Mr SB Goertz	-	2,000,000	2,000,000	-	-	2,000,000
Mr MDJ Cozijn	-	1,000,000	1,000,000	1,000,000	1,000,000	-
Mr GFM Le Clezio	-	500,000	500,000	500,000	500,000	-
Dr P J Woods	-	500,000	500,000	500,000	500,000	-
	-	4,000,000	4,000,000	2,000,000	2,000,000	2,000,000
<b>Executives:</b>						
Mr J Le Clezio	1,000,000	-	1,000,000	1,000,000	1,000,000	-
	1,000,000	-	1,000,000	1,000,000	1,000,000	-

**(e) Shareholdings of key management personnel**

	Balance 1 July 2008	Purchased <sup>1</sup>	Options Exercised	Net change other	Balance 30 June 2009
<b>Key Management Personnel:</b>					
Mr SB Goertz	5,000,001	130,000	-	-	5,130,001
Mr MDJ Cozijn	5,140,001	220,000	-	-	5,360,001
Mr GFM Le Clezio	250,000	1,769,809	-	-	2,019,809
Dr P J Woods	-	-	-	-	-
	10,390,002	2,119,809	-	-	12,509,811
<b>Executives:</b>					
Mr J Le Clezio	5,000,000	-	-	-	5,000,000
	5,000,000	-	-	-	5,000,000
	15,390,002	2,119,809	-	-	17,509,811

**Notes** 1. All purchases are on market trades.

	ECONOMIC ENTITY		PARENT ENTITY	
<b>Note 8 – Cash And Cash Equivalents</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash on hand	200	63	200	63
Cash at bank	169,634	3,967,335	64,073	3,894,077
Deposits at call (i)	1,250,000	6,000,000	1,250,000	6,000,000
Bond	15,810	5,810	15,810	5,810
	<b>1,435,644</b>	<b>9,973,208</b>	<b>1,330,083</b>	<b>9,899,950</b>

(i) The effective interest rate on deposits at call was 3.48% (2008 – 7.4%), these deposits have an average maturity of 30 days.

	ECONOMIC ENTITY		PARENT ENTITY	
<b>Note 9 – Other Current Assets</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Prepayments	89,554	133,048	13,426	46,393
Other	1,456	-	-	-
Total Other Current Assets	91,010	133,048	13,426	46,393

#### **Note 10 – Trade And Other Receivables**

<b>CURRENT</b>				
Other receivables	162,931	635,516	744	49,376
	162,931	635,516	744	49,376
<b>NON-CURRENT</b>				
Other receivables	784,830	166,667	-	-
	784,830	166,667	-	-

Management's estimate on the timing of the recovery of Value Added Tax (TVA) in Madagascar has altered from the previous reporting period and it is now known the TVA will be recovered in a period greater than 12 months and as such has been classified as a non-current receivable in the current reporting period.

#### **Note 11 – Non-Current Financial Assets**

Available-for-sale financial assets				
- Unlisted investments, at cost	-	-	9,357,656	3,133,301
Provision for Impairment	-	-	(1,846,259)	-
	-	-	7,511,397	3,133,301

Financial assets include the parent entity's investment in the subsidiary companies. An impairment arises where the carrying value of the investment is greater than the net asset position of the subsidiaries.

In the prior year, amounts for intercompany loans from the parent to the subsidiaries were carried as non-current receivables in the parent entity. In the current reporting period, the loans were reclassified to investments under a quasi-equity agreement for each of the subsidiaries.

	ECONOMIC ENTITY		PARENT ENTITY	
<b>Note 12 – Property, Plant And Equipment</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Property, Plant & Equipment – At cost	396,542	270,341	43,193	46,090
Less accumulated depreciation	(170,064)	(6,275)	(8,722)	(2,465)
Total Property, Plant & Equipment	226,478	264,066	34,471	43,625
Field Equipment – At cost	438,992	922	87,600	922
Less accumulated depreciation	(54,560)	(361)	(30,392)	(361)
Total Field Equipment	384,432	561	57,208	561
Motor Vehicles – At cost	269,803	152,735	-	-
Less accumulated depreciation	(102,253)	(30,794)	-	-
Total Motor Vehicles	167,550	121,941	-	-
Total Property, Plant and Equipment	778,460	386,568	91,679	44,186
Land and Buildings – At cost	2,500,000	2,500,000	-	-
Total Land & Buildings	2,500,000	2,500,000	-	-
TOTAL FIXED ASSETS	3,278,460	2,886,568	91,679	44,186

**(a) Movements in carrying amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	<b>Land &amp; Buildings</b>	<b>Property, Plant &amp; Equipment</b>	<b>Field Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Economic Entity</b>					
Balance at 30 June 2007	-	7,043	864	34,049	41,956
Additions and reclassifications	2,500,000	261,449	-	127,227	2,888,676
Disposals	-	-	-	(24,907)	(24,907)
Depreciation expense	-	(4,426)	(303)	(14,428)	(19,157)
Balance at 30 June 2008	2,500,000	264,066	561	121,941	2,886,568
Additions and reclassifications	-	130,719	438,070	117,068	685,857
Disposals	-	(4,518)	-	-	(4,518)
Depreciation expense	-	(163,789)	(54,199)	(71,459)	(289,447)
Carrying amount at 30 June 2009	2,500,000	226,478	384,432	167,550	3,278,460
<b>Parent Entity</b>					
Balance at 30 June 2007	-	4,307	864	-	5,171
Additions	-	40,893	-	-	40,893
Depreciation expense	-	(1,575)	(303)	-	(1,878)
Balance at 30 June 2008	-	43,625	561	-	44,186
Additions	-	1,621	86,756	-	88,377
Disposals	-	(4,518)	-	-	(4,518)
Depreciation expense	-	(6,257)	(30,109)	-	(36,366)
Carrying amount at 30 June 2009	-	34,471	57,208	-	91,679

	ECONOMIC ENTITY		PARENT ENTITY	
<b>Note 13 – Intangible Assets</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Goodwill				
Cost	616,967	616,967	-	-
Provision for Impairment	(616,967)	-	-	-
Total Intangible Assets	-	616,967	-	-

Management have reviewed the carrying value of Goodwill and have impaired the intangible asset on the estimate the fair value is nil.

<b>Note 14 – Deferred Exploration and Evaluation Costs</b>				
Opening Balance	2,368,977	345,148	-	-
Payments for Tenement interests	887,204	2,024,829	-	-
Impairment	-	(1,000)	-	-
Costs carried forward in respect of areas of interest in Exploration and Evaluation phases	3,256,181	2,368,977	-	-

The ultimate recoupment of costs carried forward for exploration assets is dependent on the successful development and commercial exploitation or sale of the respective areas.

<b>Note 15 – Current Trade &amp; Other Payables</b>				
Unsecured liabilities				
Trade Payables	116,644	708,136	67,149	594,966
Sundry Payables	8,104	50,999	8,104	50,999
Accrued Expenses (1)	230,645	4,685,567	230,645	941,375
Total Current Trade & Other Payables	355,393	5,444,702	305,898	1,587,340

(1) In 2008 Accrued expenses include amounts in respect of the Share Sale Agreement with Madagascar Resources NL, the Business Sale Agreement between Mining Services SARL and BRGM and the Long Term Lease Agreement between St Denis Holdings SARL and BRGM.

<b>Note 16 – Short-Term Provisions</b>				
Provision for annual leave				
Opening Balance	-	-	-	-
Additional provisions	27,320	-	15,087	-
Total annual leave provisions	27,320	-	15,087	-
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Number of employees at year end	32	14	3	-

<b>Note 17 – Non-Current Trade &amp; Other Payables</b>				
Unsecured liabilities				
Accrued Expenses (2)	940,019	1,100,829	940,019	1,100,829
Total Current Trade & Other Payables	940,019	1,100,829	940,019	1,100,829

(2) Accrued expenses are amounts in respect of the Share Sale Agreement with Madagascar Resources NL. This liability is only repayable from 70% of net labradorite royalties received by MADA-Aust SARL and is not expected to be settled in the next financial year.

	ECONOMIC ENTITY		PARENT ENTITY	
Note 18 – Issued Capital	2009 \$	2008 \$	2009 \$	2008 \$
95,000,003 fully paid ordinary shares	11,010,767	11,010,767	11,010,767	11,010,767
	<u>11,010,767</u>	<u>11,010,767</u>	<u>11,010,767</u>	<u>11,010,767</u>
<b>Ordinary shares</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
At the beginning of reporting period	95,000,003	25,000,003	95,000,003	25,000,003
Shares issued during the year				
10 August 2007 <sup>1</sup>	-	1,700,000	-	1,700,000
9 May 2008 <sup>2</sup>	-	3,300,000	-	3,300,000
27 June 2008 <sup>3</sup>	-	50,000,000	-	50,000,000
27 June 2008 <sup>4</sup>	-	15,000,000	-	15,000,000
At reporting date	<u>95,000,003</u>	<u>95,000,003</u>	<u>95,000,003</u>	<u>95,000,003</u>
<b>Preference shares</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
At the beginning of reporting period	-	15,000,000	-	15,000,000
Shares issued during the year	-	-	-	-
Shares converted to ordinary shares	-	(15,000,000)	-	(15,000,000)
At reporting date	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Notes

- On 10 August 2007, 1,700,000 fully paid ordinary shares were allotted at \$0.10 per share pursuant to a raising of seed capital; and
- On 9 May 2008, 3,300,000 fully paid ordinary shares were allotted at \$0.10 per share pursuant to a raising of seed capital; and
- On 27 June 2008, 50,000,000 fully paid ordinary shares were allotted at \$0.20 per share pursuant to a prospectus issue.
- On 27 June 2008, 15,000,000 preference shares converted to fully paid ordinary shares on the company obtaining ASX listing.

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 95,000,003 shares, of which 75,375,003 are listed and 19,625,000 Shares are escrowed to 7 July 2010.

#### Options

- 1,000,000 unlisted Options with an exercise price of \$0.20 and with expiry date of 27 June 2013 are on issue.
- 1,000,000 unlisted Options with an exercise price of \$0.20 and with expiry date of 3 July 2013 are on issue.
- 1,000,000 unlisted Options with an exercise price of \$0.20 and with expiry date of 13 July 2013 are on issue.
- 2,000,000 unlisted Options with an exercise price of \$0.20 and with expiry date of 1 December 2013 are on issue.
- 4,003,600 unlisted Options with an exercise price of \$0.20 and with expiry date of 7 July 2013 are on issue.

	ECONOMIC ENTITY		PARENT ENTITY	
Note 19 – Reserves	2009 \$	2008 \$	2009 \$	2008 \$
Foreign Currency Translation Reserve <sup>(1)</sup>	(287,499)	2,349	-	-
Option Reserve <sup>(2)</sup>	228,055	198,552	228,055	198,552
	(59,444)	200,901	(228,055)	198,552

<sup>(1)</sup> The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

<sup>(2)</sup> The Option Reserve records items recognised as expenses on valuation of employee share option scheme.

## Note 20 – Cash Flow Information

(a) Reconciliation of cash flow from operations with loss after income tax:

Loss after income tax	(2,288,750)	(717,851)	(2,828,215)	(467,668)
Non-cash flows in loss:				
Depreciation	289,447	19,157	36,366	1,878
Share Option expense	29,503	198,552	29,503	198,552
Impairment of assets	589,423	1,000	1,846,259	-
Changes in assets and liabilities :				
Increase in income taxes payable	51,267	1,175	-	-
(Increase)/Decrease in other current assets	635,165	(288,680)	81,600	(755,484)
Increase (Decrease) in payables and accruals	(1,799,363)	490,953	(500,183)	605,093
Cashflow used by Operations	(2,493,308)	(295,694)	(1,334,670)	(417,629)

(b) Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the items in the balance sheet as follows:

Cash and cash equivalents (note 8)	1,435,644	9,973,208	1,330,083	9,899,950
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## Note 21 – Controlled Entities

### Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned	
		2009	2008
Parent Entity			
Malagasy Minerals Limited	Australia	-	-
<i>Subsidiaries of Malagasy Minerals Limited:</i>			
Mada Aust SARL	Madagascar	100%	100%
Mazoto Minerals SARL *	Madagascar	90%	90%
Energex SARL	Madagascar	100%	100%
Mining Services SARL	Madagascar	100%	100%
St Denis Holdings SARL	Madagascar	100%	100%

\* Mr. Steven Goertz holds a 10% interest in trust for Malagasy Minerals Limited.

The subsidiaries noted above are all controlled entities and are dependant on the parent entity for financial support. At the year end, total loans to these subsidiaries amount to \$5,141,371 (2008: \$761,981). Loans to subsidiaries made in this financial year total \$6,225,649 (2008: \$723,484) with \$1,846,259 expensed as impairment losses.

## Note 22 – Contingent Liabilities and Commitments

### (a) Exploration Commitments

The economic entity has no statutory obligations to perform minimum exploration work on its tenements. Tenement rents of approximately \$130,000 per annum are payable to maintain control over the tenement areas.

	ECONOMIC ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(b) Finance Lease Commitments</b>				
Payable – minimum lease payments				
- not later than one year	8,460	8,104	8,460	8,104
- between one year and five years	-	8,869	-	8,869
Minimum lease payments	8,460	18,612	8,460	18,612
Less future finance charges	(356)	(1,639)	(356)	(1,639)
	<u>8,104</u>	<u>16,973</u>	<u>8,104</u>	<u>16,973</u>

### (c) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalized in the financial statements payable:

These obligations which are not provided for in the financial statements and are payable:

- not later than one year	32,208	27,127	32,208	27,127
- between one and five years	45,229	-	45,229	-
	<u>77,437</u>	<u>27,127</u>	<u>77,437</u>	<u>27,127</u>

This relates to a property lease for 2 years commenced on 1 June 2007. An option exists to renew the lease at the end of the 2-year term for a further 2 year period.

## Note 23 – Events Subsequent to Balance Date

There were no material events arising subsequent to 30 June 2009 to the date of this report which may significantly affect the operations of the economic entity, the results of those operations and the state of affairs of the economic entity in the future.

## Note 24 – Financial Instruments

### (a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries. The group does not speculate in the trading of derivative instruments.

#### i Treasury Risk Management

The Finance Director and Managing Director discuss on a regular basis the currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

#### ii Financial Risk

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk and liquidity risk.

#### Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate deposits.

## Note 24 – Financial Instruments (Continued)

### Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

As a result of subsidiary companies being registered in Madagascar, the Group's balance sheet can be affected by movements in the AUD\$/Ariary exchange rates. The Group do not seek to hedge this exposure.

### Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate facilities are maintained.

### Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognized financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Risk is also maintained by investing surplus funds in financial institutions that maintain a high credit rating.

### (b) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing Within Year		Non-interest Bearing		Total	
	2009 %	2008 %	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
Cash	5.9%	7.6%	185,444	3,967,335	1,250,000	6,005,810	200	63	1,435,644	9,973,208
Receivables			-	-	-	-	162,931	635,516	162,931	635,516
Total Financial Assets			185,444	3,967,335	1,250,000	6,005,810	163,131	635,579	1,598,575	10,608,724
Payables			-	-	(8,104)	(16,973)	(1,314,628)	(5,418,354)	(1,322,732)	(5,435,327)
Total Financial Liabilities			-	-	(8,104)	(16,973)	(1,314,628)	(5,418,354)	(1,322,732)	(5,435,327)
Net Financial Assets			185,444	3,967,335	1,241,896	5,988,837	(1,151,497)	(4,782,775)	275,843	5,173,397

### (c) Sensitivity Analysis

#### Interest Rate Risk and Foreign Currency Risk at Balance Date

The group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

#### Interest Rate Sensitivity Analysis at Balance Date

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

## Note 24 – Financial Instruments (Continued)

	ECONOMIC ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Change in profit				
Increase in interest rate by 1%	39,095	7,741	39,022	5,927
Decrease in interest rate by 1%	(39,095)	(7,741)	(39,022)	(5,927)
Change in equity				
Increase in interest rate by 1%	(39,095)	(7,741)	(39,022)	(5,927)
Decrease in interest rate by 1%	39,095	7,741	39,022	5,927

## Foreign Currency Risk Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Madagascar Ariary, with all other variables remaining constant is as follows:

Change in profit				
Improvement in AUD to MGA by 5%	26,973	(12,509)	-	-
Decline in AUD to MGA by 5%	(26,973)	12,509	-	-
Change in equity				
Improvement in AUD to MGA by 5%	(26,973)	12,509	-	-
Decline in AUD to MGA by 5%	26,973	(12,509)	-	-

## Note 25 – Statement of Operations by Segment

The Company operates predominantly in one business segment, mineral exploration and two geographical segments Australia and Madagascar.

### Primary report – Geographical Segments

2009	Australia	Madagascar	Eliminations	Economic Entity
<b>Revenue</b>				
Other Income	264,527	708,423	-	972,950
Total Segment Revenue	264,527	708,423	-	972,950
<b>Result</b>				
Segment Result	(2,828,215)	539,465	-	(2,288,750)
Loss before income tax expense	(2,828,215)	(1,255,527)	1,846,259	(2,237,483)
Loss after income tax	(2,828,215)	(1,306,794)	1,846,259	(2,288,750)
<b>Assets</b>				
Segment Assets	8,947,329	5,067,009	(5,005,281)	9,009,057
Segment Liabilities	(1,261,004)	(6,676,001)	6,614,273	(1,322,732)
<b>Other</b>				
Acquisition of non-current segment assets	88,377	147,180	-	235,557
Depreciation	36,366	253,081	-	289,447
Impairment of assets	1,846,259	589,423	(1,846,259)	589,423

## Note 25 – Statement of Operations by Segment (Continued)

2008	Australia	Madagascar	Eliminations	Economic Entity
<b>Revenue</b>				
Other Income	60,686	264,957	-	325,643
Total Segment Revenue	60,686	264,957	-	325,643
<b>Result</b>				
Segment Result	(467,668)	(250,183)	-	(717,851)
Unallocated Revenue	-	-	-	-
Loss before income tax expense	(467,668)	(248,408)	-	(716,076)
Loss after income tax	(467,668)	(250,183)	-	(717,851)
<b>Assets</b>				
Segment Assets	13,935,187	3,607,745	(761,981)	16,780,951
Segment Liabilities	(2,688,169)	(3,095,381)	(761,981)	(6,545,531)
<b>Other</b>				
Acquisition of non-current segment assets	2,057,461	-	-	2,057,461
Depreciation	1,878	17,279	-	19,157
Impairment of tenements	-	1,000	-	1,000

### Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses when a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

## Note 26 – 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.

	ECONOMIC ENTITY		PARENT ENTITY	
	2009 Number	2008 Number	2009 Number	2008 Number

### (a) Directors' Share Transactions:

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

Ordinary Shares	12,509,811	10,390,002	12,509,811	10,390,002
	2009 \$	2008 \$	2009 \$	2008 \$

### (b) Related Party Transactions:

Madagascar Resources NL	894,972	141,300	894,972	141,300
Midas Consultancy Limited	139,300	67,135	103,300	31,135
Hendry Consulting	198,984	-	174,984	-
Cedarwood Investments	-	60,000	-	60,000

## Note 26 – Related Party Transactions (Continued)

Madagascar Resources NL was the holder of 10,000,000 preference shares in Malagasy Minerals Ltd. Mr Guy Le Clezio and Dr Peter Woods are also Directors of Madagascar Resources NL. These converted to fully paid ordinary shares upon the company obtaining ASX listing. Madagascar Resources NL are paid 70% of net labradorite royalty receipts from existing contracts as per the Share Sale Agreement.

Midas Consultancy Ltd is the holder of 5,000,000 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 Le Clezio has been engaged under a Consultancy Agreement through Midas Consulting for a three year period that commenced 6 April 2007.

Hendry Consulting is the holder of 5,130,000 ordinary shares in Malagasy Minerals Ltd and 2,000,000 unlisted 20cent options that vest between 3 January 2010 and 3 July 2011 and expire between 13 July 2010 and 3 July 2013. Mr Steven Goertz is a Director of Hendry Consulting and Cedarwood Investments. Mr Steven Goertz has been engaged under a Consultancy Agreement through Hendry Consulting for a three year period that commenced 7 July 2008.

## Note 27 – Auditors Remuneration

	ECONOMIC ENTITY		PARENT ENTITY	
	2009 \$	2008 \$	2009 \$	2008 \$
Amount payable to WHK Horwath as Auditor				
Auditing or reviewing the financial report	24,960	15,000	24,960	15,000
Independent Accountants report for prospectus	-	17,800	-	17,800
	<u>24,960</u>	<u>32,800</u>	<u>24,960</u>	<u>32,800</u>

Amounts payable to non WHK Horwath firms for the audit and review of the financial reports of subsidiary companies was \$8,866 (2008: \$5,600)

## Note 28 – Share Based Payments

The following Share-based payment arrangements existed at 30 June 2009.

### Options

Grant Date	No. of Options	Exercise Price	Vesting Date	Expiry Date
27/06/2008	1,000,000	\$0.20	27/06/2008	26/06/2013
01/12/2008	2,000,000	\$0.20	01/12/2008	01/12/2013
01/12/2008	1,000,000	\$0.20	03/01/2010	03/07/2013
01/12/2008	1,000,000	\$0.20	03/07/2011	03/07/2013
02/04/2009	4,003,600	\$0.20	07/07/2010	07/07/2013

None of the options hold voting or dividend rights. If the Option holder ceases to be in the employment of the Company prior to vesting the Options will lapse.

	2009 \$	
	No of Options	Exercise Price
Outstanding at the beginning of the period	<u>1,000,000</u>	<u>\$0.20</u>
Granted during the period	<u>8,003,600</u>	<u>\$0.20</u>
Outstanding at period end	<u>9,003,600</u>	<u>\$0.20</u>
Exercisable at period end	<u>3,000,000</u>	<u>\$0.20</u>

## Note 28 – Share Based Payments (Continued)

The weighted average fair value of the options granted during the period was \$29,503. This price was calculated using a Black Scholes option pricing model applying the following inputs:

Number Granted	2,000,000	1,000,000	1,000,000	4,003,600
Vesting Date	01/12/2008	03/01/2010	03/07/2011	07/07/2010
Expiry Date	01/12/2013	03/07/2013	03/07/2013	07/07/2013
Weighted average exercise price	20 cents	20 cents	20 cents	20 cents
Weighted average life of option	5 years	4.59 years	4.59 years	4.26 years
Underlying share price	2.7 cents	2.7 cents	2.7 cents	2.7 cents
Expected share price volatility	85%	85%	85%	85%
Risk free interest rate	3.85%	3.85%	3.85%	3.85%

## Note 29 – Company Details

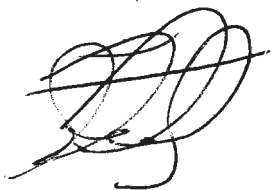
The registered office of the company is:  
Malagasy Minerals Limited  
Unit 7, 11 Colin Grove  
West Perth WA 6005  
Australia

# director's declaration

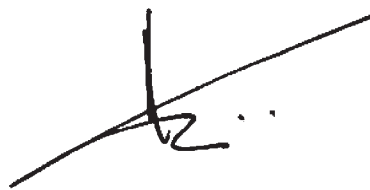
The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 37 to 59 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and economic entity;
2. the Managing Director and Finance Director have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view; and:
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**Mr S B Goertz**  
Managing Director



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

Perth, Western Australia  
16<sup>th</sup> September 2009

# independent auditors report



## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MALAGASY MINERALS LIMITED AND ITS CONTROLLED ENTITIES

We have audited the accompanying financial report of Malagasy Minerals Limited and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

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

### Auditor's Opinion

In our opinion, the financial report of Malagasy Minerals Limited and its Controlled Entities is in accordance with the Corporations Act 2001 including:

- (a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 32 to 34 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's Opinion

In our opinion the Remuneration Report for Malagasy Minerals Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL  
Principal

Perth, WA

Dated this 16<sup>th</sup> day of September 2009

### 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

WHK Horwath Perth Audit Partnership ABN 96 844 819 235  
Level 6, 256 St Georges Terrace Perth WA 6000 Australia  
GPO Box P1213 Perth WA 6844 Australia  
Telephone +61 8 9481 1448 Facsimile +61 8 9481 0152  
Email [perth@whkhorwath.com.au](mailto:perth@whkhorwath.com.au) [www.whkhorwath.com.au](http://www.whkhorwath.com.au)  
A WHK Group firm

# shareholder information

## 1. *Shareholding*

The shareholder information set out below was applicable as at 14<sup>th</sup> September 2009:

### (a) *Distribution of Share Holdings as at 14<sup>th</sup> September 2009*

Size of Holding and Option Holdings	Number of Shareholders
1 - 1,000	3
1,001 - 5,000	18
5,001 - 10,000	52
10,001 - 100,000	338
100,001 and over	127
Total Shareholders	538

(b) Of the above total 22 Ordinary Shareholders hold less than a marketable parcel.

### (c) *Substantial Shareholders*

- Madagascar Resources NL holds 10,000,000 ordinary shares representing 10.53% of the company's equity.
- Diplomat Holdings P/L holds 5,350,000 ordinary shares representing 5.63% of the company's equity.
- Goertz Superfund A/c holds 5,000,000 ordinary shares representing 5.26% of the company's equity.
- Harpendon Nominees P/L holds 5,000,000 ordinary shares representing 5.26% of the company's equity.
- Midas Consultancy Limited holds 5,000,000 ordinary shares representing 5.26% of the company's equity.

### (d) *Voting Rights*

The voting rights attached to the ordinary shares are governed by the Constitution.

On a show of hands every person present who is a Member or representative of a Member shall have one vote and on a poll, every Member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options have any voting rights.

2. The name of the Company Secretary is Mr Max D.J. Cozijn.

3. The address of the principal registered office in Australia is Unit 7, 11 Colin Grove, West Perth, Western Australia 6005, Telephone +61 (0)8 9463 6656.

4. The register of securities is held at;

Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross WA 6153, Telephone +61 (0)8 9315 2333.

### 5. *Stock Exchange Listing*

Quotation has been granted for 75,375,003 ordinary shares on all member exchanges of the Australian Stock Exchange Limited ("ASX") and trade under the symbol 'MGY'.

### 6. *Unquoted Securities - Shares*

A remaining 19,625,000 ordinary shares are unquoted and subject to Escrow for various periods from ASX Listing on 7 July 2008 to dates up to 7 July 2010.

7. Detailed schedules of exploration and mining tenements held are included in the operations review.

8. Directors' interests in share capital are disclosed in the Directors Report.

9. Unquoted Securities – Options

The following Unlisted Options are on issue:

No. of Options	Exercise Price	Vesting Date	Expiry Date
1,000,000	\$0.20	27/06/2008	26/06/2013
2,000,000	\$0.20	01/12/2008	01/12/2013
1,000,000	\$0.20	03/01/2010	03/07/2013
1,000,000	\$0.20	03/07/2011	03/07/2013
4,003,600	\$0.20	07/07/2010	07/07/2013
5,000,000	Options held by 5 holders		
4,003,600	Options held by 259 holders		

10. There is currently no on-market buy-back in place.

11. For the current financial year, the entity used its cash and assets in a form readily convertible to cash in a manner consistent with its business activities.

## Twenty Largest Shareholders as at 14th September 2009

SHAREHOLDERS (Fully Paid Ordinary)	NUMBER OF SHARES	%
MADAGASCAR RESOURCES NL	10,000,000	10.53%
DIPLOMAT HOLDINGS NL	5,350,000	5.63%
GOERTZ SUPERFUND A/C	5,000,000	5.26%
HARPENDON NOMINEES NL	5,000,000	5.26%
MIDAS CONSULTANCY LTD	5,000,000	5.26%
GREENSLADE HOLDINGS PL	1,947,500	2.05%
MAD HOLDINGS LTD	1,700,000	1.79%
LEET INVESTMENTS PL S/F	1,450,000	1.53%
LEET INVESTMENTS PL	1,325,000	1.39%
GUY LECLEZIO S/F	1,250,000	1.32%
NEFCO NOMINEES PL	1,250,000	1.32%
BOND STREET CUSTOMERS LTD	1,250,000	1.32%
LOMACOTT PL	1,000,000	1.05%
PETER NELSON	1,000,000	1.05%
HENRY WIECHECKI	1,000,000	1.05%
TREECITY PL	1,000,000	1.05%
SPRINGTIDE CAPITAL PL	1,000,000	1.05%
EMANUEL JOSE DIAS	1,000,000	1.05%
UBS NOMINEES PL	800,000	0.84%
ORION EQUITIES LTD	750,000	0.79%
TOP 20 SHAREHOLDERS	48,072,500	50.59%
TOTAL ISSUED SHARES as at 14 <sup>th</sup> September 2009	95,000,003	100.00%

# tenement schedule

Title Number	Holder	Permit Type	Grant Date	Expiry Date	Term	Project Name	Minerals Currently Under Title	Total Area (km2)	Notes
								1,650.00	
3432	MDA	PR	18/06/2001	17/06/2011	10	Ampanihy - Central (Big 'S')	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	643.75	2, 7
5391	MDA	PE	20/11/2002	19/11/2042	40	Ampanihy - lanapera	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	6.25	8
5392	MDA	PE	20/11/2002	19/11/2042	40	Ampanihy - lanapera	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	6.25	8
5393	MDA	PE	20/11/2002	19/11/2042	40	Ampanihy - lanapera	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	6.25	8
5394	MDA	PE	20/11/2002	19/11/2042	40	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	18.75	9
12834	MDA	PR	1/03/2005	28/02/2015	10	Majunga	Ilmenite	25.00	
13063	MDA	PR	4/02/2005	3/02/2015	10	Vohibory	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, Coal	131.25	
13064	MDA	PR	4/02/2005	3/02/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	18.75	10
13089	MDA	PR	4/02/2005	3/02/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	18.75	
13508	MDA	PR	4/02/2005	3/02/2015	10	Vohibory	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, Coal	6.25	
13811	MDA	PR	14/03/2005	13/03/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	18.75	10
13812	MDA	PR	14/03/2005	13/03/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	12.50	
13827	MDA	PR	14/03/2005	13/03/2015	10	Ampanihy - lanapera	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	75.00	
13829	MDA	PR	14/03/2005	13/03/2015	10	Vohibory	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, Coal	12.50	
13832	MDA	PR	14/03/2005	13/03/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	
14618	MDA	PR	26/01/2005	25/01/2015	10	Ampanihy - lanapera	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	12.50	
14619	MDA	PR	26/01/2005	25/01/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	10
14620	MDA	PR	26/01/2005	25/01/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	18.75	
14622	MDA	PR	26/01/2005	25/01/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	25.00	10
14623	MDA	PR	26/01/2005	25/01/2015	10	Ampanihy - lanapera	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	43.75	

Title Number	Holder	Permit Type	Grant Date	Expiry Date	Term	Project Name	Minerals Currently Under Title	Total Area (km2)	Notes
16746	MDA	PR	9/09/2005	8/09/2015	10	Ampanihy - lanapera	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	
16747	MDA	PR	9/09/2005	8/09/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	18.75	10
16749	MDA	PR	9/09/2005	8/09/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	
16750	MDA	PR	9/09/2005	8/09/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	12.50	
16753	MDA	PR	9/09/2005	8/09/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	18.75	
19003	MDA	PR	23/02/2005	22/02/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	10
19851	MDA	PR	4/02/2005	3/02/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	12.50	10
19932	MDA	PE	10/03/2006	9/03/2046	40	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	43.75	6
19933	MDA	PE	10/03/2006	9/03/2046	40	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	6.25	4
19934	MDA	PR	26/01/2005	25/01/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	10
19935	MDA	PR	26/01/2005	25/01/2015	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	10
21059	MDA	PR	14/09/2007	13/09/2017	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	
21060	MDA	PR	30/10/2006	29/10/2016	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	10
21061	MDA	PR	30/10/2006	29/10/2016	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	10
21062	MDA	PR	3/10/2007	2/10/2017	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	12.50	
21063	MDA	PR	30/10/2006	29/10/2016	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	12.50	
21064	MDA	PR	30/10/2006	29/10/2016	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	
24864	MDA	PR	8/05/2007	7/05/2017	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	18.75	
25093	MDA	PE	18/01/2007	17/01/2047	40	Ampanihy - lanapera	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	6.25	1
25094	MDA	PE	18/01/2007	17/01/2047	40	Ampanihy - lanapera	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	6.25	1

Title Number	Holder	Permit Type	Grant Date	Expiry Date	Term	Project Name	Minerals Currently Under Title	Total Area (km2)	Notes
25095	MDA	PE	18/01/2007	17/01/2047	40	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	18.75	3
25605	MDA	PR	18/01/2007	17/01/2017	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	31.25	5, 8, 10
25606	MDA	PR	18/01/2007	17/01/2017	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	6.25	4
29020	MDA	PR	26/10/2007	25/10/2017	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	12.50	10
31733	MDA	PR	NA	NA	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	
31734	MDA	PR	NA	NA	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	
31735	MDA	PR	NA	NA	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	
28340	MZT	PR	8/01/2008	7/01/2018	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	62.50	10
28341	MZT	PR	8/01/2008	7/01/2018	10	Vohibory	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	10
28345	MZT	PR	8/01/2008	7/01/2018	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	18.75	10
28346	MZT	PR	8/01/2008	7/01/2018	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	10
28347	MZT	PR	8/01/2008	7/01/2018	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	43.75	10
28348	MZT	PR	8/01/2008	7/01/2018	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	10
28349	MZT	PR	8/01/2008	7/01/2018	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6.25	10
28352	MZT	PR	8/01/2008	7/01/2018	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	37.50	10
28353	MZT	PR	8/01/2008	7/01/2018	10	Ampanihy - Maniry	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	37.50	10

## Tenement Schedule Notes

1. According to the contract with SQNY International dated on 03/11/06, right of Exploration / Exploitation of Labradorite on 1 square was granted to SQNY International for 5 years from the date of contract. Registered at BCMM
2. According to the contract with SQNY International dated on 03/11/06, right of Exploration of Labradorite on 2 squares were granted to SQNY International for 5 years from the date of contract. Registered at BCMM
3. According to the contract with SQNY International dated on 03/11/06, right of Exploration / Exploitation of Labradorite on 3 squares were granted to SQNY International for 5 years from the date of contract. Registered at BCMM
4. According to the contract with MAGRAMA dated on 21/11/05, right of Exploration / Exploitation of Labradorite on 1 square was granted to MAGRAMA for 10 years from the date of contract. Registered at BCMM
5. According to the contract with MAGRAMA dated on 21/11/05, right of Exploration / Exploitation of Labradorite on 3 squares were granted to MAGRAMA for 10 years from the date of contract. Registered at BCMM
6. According to the contract with MAGRAMA dated on 21/11/05, right of Exploration / Exploitation of Labradorite on 7 squares were granted to MAGRAMA for 10 years from the date of contract. Registered at BCMM
7. According to the contract with MAGRAMA dated on 21/11/05, right of Exploration / Exploitation of Labradorite on 9 squares were granted to MAGRAMA for 10 years from the date of contract. Registered at BCMM
8. According to the contract with EUROMAD dated on 17/11/05, right of Exploration / Exploitation of Labradorite on 1 square was granted to EUROMAD for 10 years from the date of contract. Not registered at BCMM
9. According to the contract with EUROMAD dated on 17/11/05, right of Exploration / Exploitation of Labradorite on 2 squares were granted to EUROMAD for 10 years from the date of contract. Not registered at BCMM
10. Extension on substances has been applied for: V, Ti





**Registered and Corporate Office**

Unit 7, 11 Colin Grove  
West Perth  
WESTERN AUSTRALIA 6005

Tel +61 8 9463 6656

Fax +61 8 9463 6657

Web [www.malagasyminerals.com](http://www.malagasyminerals.com)

**Madagascar Operations Office**

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