



ANNUAL REPORT 2011





Figure 1: Malagasy Minerals Limited - Mineral Tenure, Projects and Infrastructure Assets in Madagascar

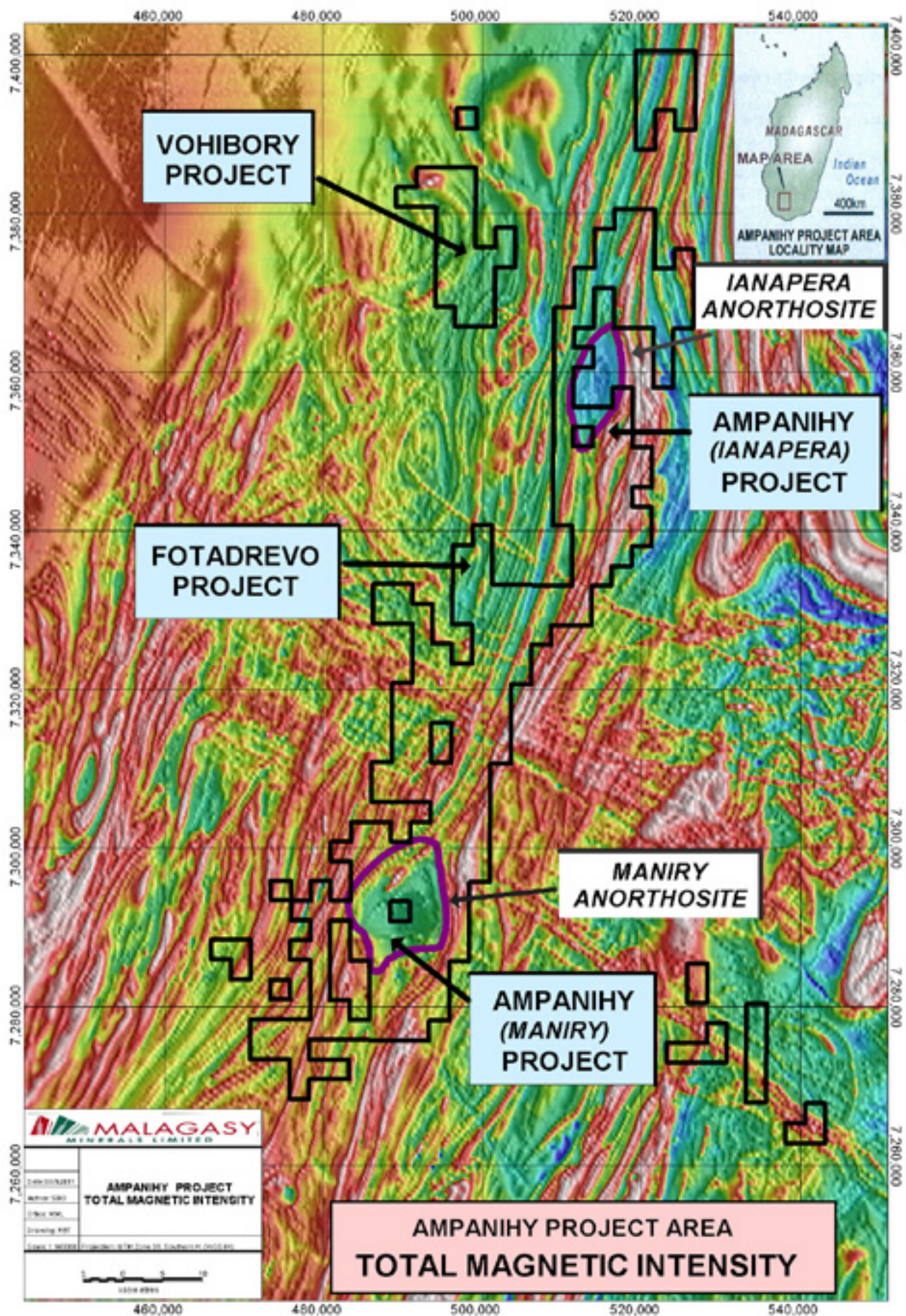


Figure 2: Composite magnetic image of Project areas at Vohibory, Ampanihy and Fotadrevo

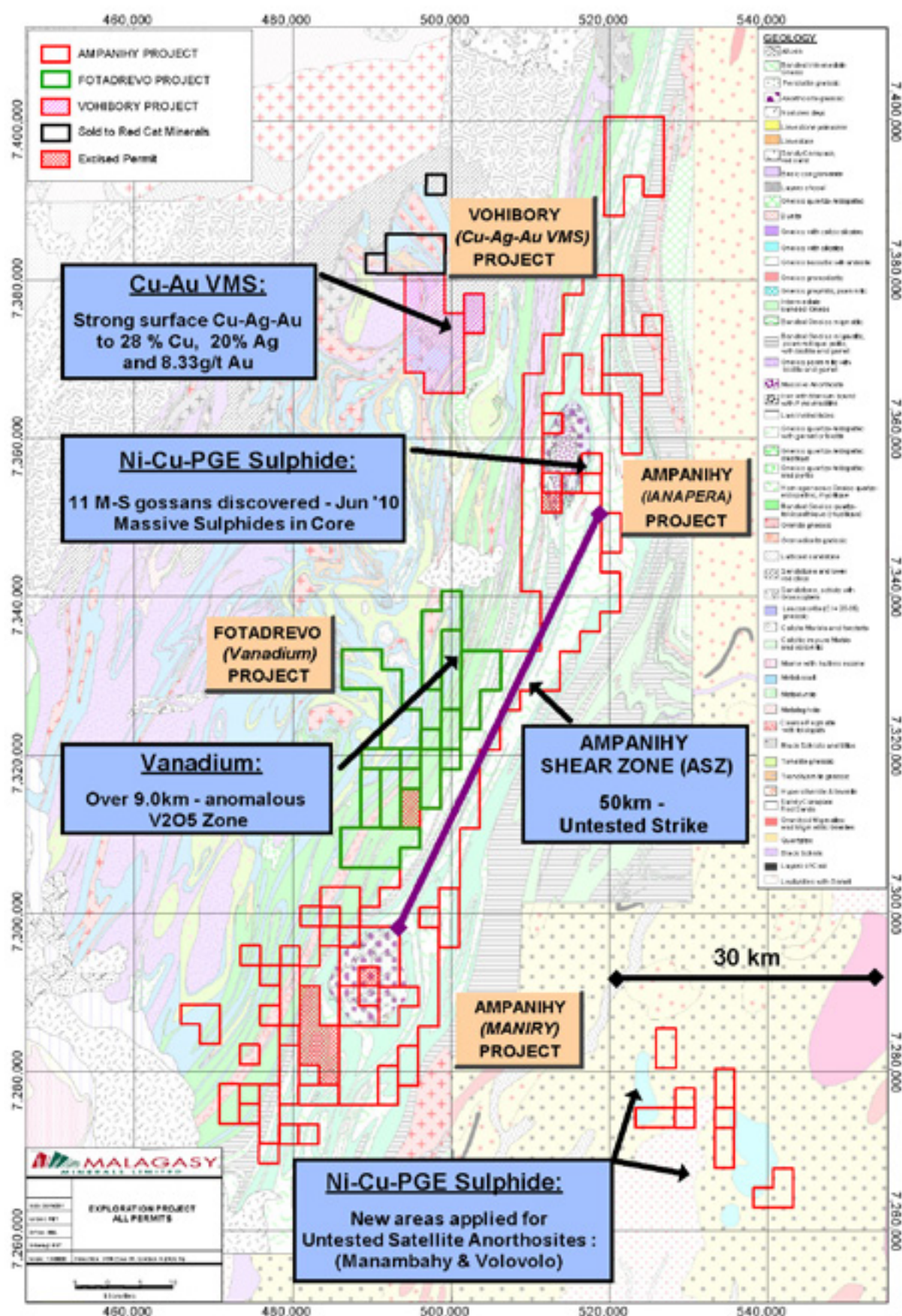


Figure 3: Composite geological plan of Malagasy Minerals' southern Madagascar projects showing exploration targets and a précis of historical and recent exploration

CORPORATE DIRECTORY

MALAGASY MINERALS LIMITED

ACN 121 700 105

Registered under the Corporations Act 2001 in the State of Western Australia on 22nd September 2006

Directors

Max Cozijn – Chairman (Acting CEO)

Guy LeClezio – Director

Peter Woods – Director

Country Manager Madagascar

Jean Luc Marquetoux

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

www.malagasyminerals.com

Postal Address

GPO Box 2818

WEST PERTH WA 6872

Madagascar Operations Office

Batiment L Cite ex-BRGM, Rue Farafaty

Ampanandrianomby – Antananarivo 101

MADAGASCAR

Telephone: +261 20 22 416 63 / +261 20 22 591 34

Facsimile: +261 20 22 591 32

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

Crowe Horwath, Perth

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 4-00 pm

on Monday 21st November 2011.

Web Site

Visit our website at:

www.malagasyminerals.com



HIGHLIGHTS

- Massive and disseminated sulphides (predominantly pyrrhotite) intersected in core drilling for over 2.0 to 22.5 metres at Malagasy's Cu-Ni-PGE project, lanapera (Ampanihy). Further core drilling and ground truthing planned for lanapera based on combined modeling of magnetic, VTEM and geochemical data.
- Mineralization potential of the lanapera look-alike project Maniry in the South recognized, and also considered prospective for massive sulphide hosted Cu-Ni-PGE mineralization.
- In excess of 9 kilometres of strike of potential economic Vanadium Pentoxide (V_2O_5) mineralization identified at the Fotadrevo Project.
- More zones of Cu, Au and Ag outcrop and soil anomalism identified at Vohibory.
- Intertek-Genalysis and Kirk Petrophysics, world class laboratories, continuing operations within the complex – minerals and petroleum.
- Combined rental and labradorite cash flow of approximately A\$600K pa

EXPLORATION PROGRAMS

- Follow-up drilling to the lanapera (Ampanihy) massive sulphide intersections to be undertaken during the coming year. The company is confident that it is working in the right geological environment to identify significant Cu-Ni-PGE mineralization.
- A second area, 70 kilometers to the south of lanapera, called Maniry, has been identified through anomalous copper and nickel geochemistry to have the potential to host massive sulphide mineralization similar to that at lanapera. Exploration work is to include generating drill targets through geological mapping and modeling all geophysical and geochemical data.
- Drilling at Vohibory to test significant geochemical (Cu-Au-Ag) and geophysical anomalies has been planned and implemented. The initial programme is to comprise approximately 1,400 metres of diamond drilling.
- At Fotadrevo preliminary soil sample results indicate in excess of nine kilometers of potential vanadium mineralization. However, definitive assaying is to be completed before a follow up trenching programme can be formulated.
- Malagasy is continuing to explore its regional areas to ensure a pipeline of exploration targets with additional geochemical sampling programmes and mapping to be undertaken. The first areas to be targeted is the Ampanihy Shear Zone ("ASZ") and Maniry to the South.



Labradorite Quarry

CONTENTS

Corporate Directory	3
Chairman's Review	6
Operations Review	7
Corporate Governance Statement	24
Directors' Report	29
Auditor's Independence Declaration	35
Consolidated Statement of Comprehensive Income	36
Consolidated Statement of Financial Position	37
Consolidated Statement of Changes in Equity	38
Consolidated Statement of Cash Flows	39
Notes to the Financial Statements	40
Directors' Declaration	69
Independent Audit Report	70
Shareholder Information	72
Group Tenement Schedule	74
Notice of Annual General Meeting and Proxy Form	INSERT





CHAIRMAN'S REVIEW

Dear Shareholder,

Despite the volatile global economic environment, which was reflected in equally volatile equity market conditions for junior explorers – compounded by the continuing uncertainty surrounding Madagascar's political situation – Malagasy Minerals continued to progress its exploration efforts at its three main mineral project areas in southern Madagascar during the 2011 financial year.

At the Ianapera prospect, located within the Ampanihy Project, 11 low tenor magmatic massive sulphide gossans with anomalous nickel-copper-PGE were identified over a strike length of 8km. Follow up stream sampling and follow-up drilling is planned for the coming financial year.

In addition, further reconnaissance sampling will be undertaken at Maniry, located 70km to the south, in an effort to identify additional massive sulphide gossans.

At the Vohibory Project, exploration has identified an 8km strike length of copper-gold-silver geochemical anomalies as part of a gossan zone; drilling has re-commenced in this area as part of the current 2011 field season.

At the Fotadrevo Project, potential large scale Vanadium Pentoxide (V_2O_5) mineralization has been identified over an area of 9km within a prospective 30km strike length which is being followed up with extensive soil sampling and trenching.

During the year, the Company successfully completed a placement and underwritten rights issue, raising total gross proceeds of A\$3.2 million to support its ongoing exploration activities in Madagascar.

In addition, the Company continues to support its Madagascar operating costs with rental income and labradorite royalties, as well as supporting its reconnaissance exploration drilling activities with the use of our own drilling rig and crew.

In September 2010, the Company advised of its withdrawal from the proposed merger with unlisted company Madagascar Resources NL (now World Titanium Resources Ltd).

Following the resignation of the Managing Director in June 2011, the Company has appointed its CFO-Madagascar as Gerant (Country Manager) in Madagascar and is currently undertaking an independent geological review of its projects and exploration strategy, as well as reviewing its management requirements.

The Company is in dispute with the former Managing Director in respect of the terms of his resignation in June 2011, his conduct and his repudiation of the terms of his resignation.

The Country continues to suffer from its political situation; however, it is anticipated that, with the assistance of the international community, free elections will be held in the near future to assist in normalising the political situation, international relations and the rule of law.

In conclusion, I would like to thank the Company's management, staff and all stakeholders for their continued contribution and support during these difficult times, and to acknowledge their continuing loyalty and efforts in supporting the Company's development.

Yours sincerely,



Max Cozijn

Chairman

22nd September 2011

PROJECTS SUMMARY

Malagasy Minerals has continued to actively explore its main Projects areas; most of which are in south-central Madagascar for a diverse range of commodities but primarily copper, gold, nickel and vanadium. The Company's current tenement holding comprises 1,858 km² with the three principal projects being; Ampanihy, Vohibory and Fotadrevo.

Ampanihy (Sulphide-hosted Ni-Cu-PGE)

- The Ampanihy Project is now further divided into three main sectors, namely; lanapera, Maniry and Ampanihy Shear Zone (ASZ).
- The lanapera and Maniry sectors comprise mafic-ultramafic and sedimentary rocks, where Cu-Ni anomalism has been located in outcrop (gossans), soil and stream-sediment samples.
- The ASZ comprises 50 kilometers of mafic-ultramafic and sedimentary rocks similar to those at lanapera & Maniry. The Project remains underexplored, and Malagasy is currently undertaking additional exploration in the area.
- At lanapera, it was previously reported that eleven low tenor Cu-Ni gossans were located, many associated with VTEM and magnetic conductors. Diamond drilling of selected coincident geophysical and geochemical anomalies intersected massive sulphides, predominantly pyrrhotite.
- Maniry is a geological look-alike setting to lanapera, with coincident geophysical and geochemical targets that warrant further data modeling followed by drill testing.
- Additional ground has been applied for on margins of satellite anorthosite bodies to the east of Maniry.

Vohibory (Cu-Au)

- Along strike from ground where Sun Ridge Minerals made significant drill intersections, with a best result of 21m @ 0.7% Cu; 1.1% Zn; 0.5gpt Au and 21gpt Ag, at their Besakoa Project to the south.
- Alluvial gold and copper gossans are ubiquitous within the Project area, provide a strong indicator for the presence of Cu and/or Au mineralization in Proterozoic basement rocks.
- Abundant Permian-hosted secondary copper mineralization, also potentially indicative of mineralization hosted by underlying Proterozoic rocks.
- Drilling scheduled for 2011 field season targeting copper and gold anomalies.

Fotadrevo (V)

- Significant, potentially economic, sediment-hosted Vanadium Pentoxide (V₂O₅) mineralization.
- Along strike from Energizer Resources Inc's Green Giant vanadium project where that company has announced a resource of 59.2Mt @ 0.69% V₂O₅ at a 0.5% cut-off.
- Soil and outcrop sampling results and mapping completed in the first half of 2011 indicates vanadium anomalism over 9+ kilometers of strike continuing south-southwest of the tenement boundary with Energizer Resources Inc.

TENEMENTS & TECHNICAL

Malagasy Minerals Ltd has retained 1,858 sq km of exploration tenure over the following highly prospective project areas:

1. Ampanihy (Ni-Cu-PGE) – 1,415 km²
2. Fotadrevo (V) – 312 km²
3. Vohibory (Cu-Au) – 106 km²
4. Majunga (Mineral Sands) – 25km²

Promising drill targets have been generated at both Ampanihy and Vohibory, with drilling currently underway at Vohibory. In addition to the above there are 155 km² of tenements in the same vicinity as Ampanihy awaiting Ministry approval. These are the Manambahy and Volovolo Projects.

All of Malagasy's priority Projects, listed 1 to 3 above, are located within a 100km radius of each other. Malagasy's current tenement position is summarised on Figures 2 and 3 at the front of this report.

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

PRIORITY PROJECTS

AMPANIHY (SULPHIDE-HOSTED NI-CU-PGE):

The largest of the projects, Ampanihy is centred approximately 200km southeast of Toliara in south-central Madagascar. Original rock types consisted predominantly of gabbro, norite and peridotite with minor sedimentary rocks and cross-cutting pegmatite. However, the entire assemblage has subsequently been subjected to high degrees of strain and multiple folding resulting in the rocks comprising high-grade metamorphic schist and gneiss.

There are three main areas within the Ampanihy Project as follows;

- lanapera; this area is centred on the Ankafotia Anorthosite, with the target rocks being the mafic-ultramafic schist and gneiss surrounding the anorthosite.
- Maniry; this area is centred on the Saririaky Anorthosite 70 kilometres to the south of lanapera and is a geological look-alike to the lanapera area.
- Ampanihy Shear Zone (ASZ); this consists of approximately 50 kilometres strike of strongly deformed and sheared rocks similar to the exploration target rocks at lanapera and Maniry.

During the 2008 field season, Malagasy completed a 3,500 line-km VTEM-aeromagnetic survey over the margins of these anorthosite bodies, which delineated numerous VTEM and magnetic conductors, some of which are coincident with both anomalous surface geochemistry and observed gossans.

In June 2010, 11 massive sulphide gossans were discovered at lanapera, along the southeast margins of the Ankafotia Anorthosite approximately coincident with a cluster of VTEM conductors. As a consequence of this the area was prioritized for immediate follow-up drilling due to their association with elevated Ni-Cu-Co surface geochemistry from both previous stream sediment and soil sampling programmes in addition to the located gossans (Refer Figure 4)

A total of eight diamond drill holes were planned and completed testing the various coincident geochemical and VTEM anomalies at lanapera, this programme commenced in September 2010. A total of 1,385 metres was drilled (Refer Table 1)

The first hole, IPC0001, was sited to test Gossan AMC-50 and intersected 2.5 metres of massive sulphide mineralization from 134 m followed by 20 metres of disseminated (5% to 15%) sulphides in ultramafic. The sulphides comprise dominantly pyrrhotite (95%+) and lesser pyrite with trace chalcopyrite and pentlandite.



Collaring the first hole (IPC001) at Ianapera Project.



Close-up of massive sulphides in IPC001.



MinServ drill team at the commencement of IPC001 – September 2010



Massive sulphides in IPC0001 at the Ampanihy-Ianapera Project – an adjacent underlying 20m zone of disseminated (i.e. 5% to 15%) sulphides with chromite was also intersected – September 2010



Close-up of massive sulphides in IPC0001 core

Whilst assay results from drill hole IPC0001 were of a low tenor, they confirmed the magmatic provenance of the massive and disseminated sulphide zones. The massive sulfide intersection between 134 to 136 metres consisted of 0.11% Nickel and 0.07% Copper, 0.04% Cobalt and 15ppb Palladium, whilst the rest of the (disseminated) sulphide zone (136m to 157m) carried lower grades of Nickel and Copper in the range of 50ppm to 235ppm Nickel and 0.04% Copper (50ppm to 238ppm Cobalt; maximum 10ppb Palladium and 5ppb Platinum), being pyrrhotite - rich (no observed pentlandite).

A second significant drill hole (IPC007), designed to test Gossan AMC-48, intersected a zone of massive and disseminated sulphides from 32.4 to 34.5m and 37.4 to 46.1m downhole. The sulphides present were in similar proportions as those in IPC001. Assay results were of a similar composition to IPC001.

The remaining drill holes (IPC002-IPC006 & IPC016), all intersected sulphides but never in the same concentrations as that intersected in IPC001 and IPC007. Table 1 summarizes the drilling and drill results is included here and Figure 4 summarises the drilling locations with respect to the gossan outcrops.

Table 1: Summary table of drilling intercepts for lanapera and Vohibory – first round drilling 2010

BH	Target		EOH (m) Planned	EOH (m) Actual	Sulphide Intercepts & % Sulphide ("SUS")	Comments
IPC0001	AMC-50	West	150	188	134m-136m (Width: 2m); 75% SUS 134m-156m (Width: 20m); 5-15% SUS	Assays - Low tenor Ni-Cu but magmatic SUS provenance Assays - Low tenor Ni-Cu but magmatic SUS provenance
IPC0006	AMC-49/50	West	280	401	270m-277m (Width: 7m); 5-10% SUS 350m-362m (Width: 12m); 5-10% SUS	Likely AMC-50 with revised 85degW dip. Likely AMC-49 lower extension
IPC0002	AMC-15	West	80	127	64m-72m (Width: 8m); 15-20% SUS	Target (modeled) 40m - 80degW dip to SUS zone
IPC0003	AMC-13	West	80	113	28m-33m (Width: 5m); 8% SUS 34m-36m (Width: 2m); 15% SUS	Target (modeled) 15m - vertical SUS zone Target (modeled) 15m - vertical SUS zone
IPC0004	AMC-47	East	80	101	14m-24m (Width: 10m); 2-10% SUS	Target (modeled) 50m - possible flat-lying SUS or pinch-out of gossan at depth.
IPC0005	AMC-37	West	100	134	27m-37m (Width: 10m); 5% SUS	Target (modeled) 60m - Disseminated SUS in gabbro. Likely flat-lying sulphide zone.
IPC0016	AMC-35	West	80	76	Trace - 2% in bedrock	Testing mafic-associated magnetic feature 600m south of IPC0005 - trace to sulphide in meta-gabbro
IPC0007	AMC-48	West	100	80	32.40-34.50m (Width: 2m); SUS 37.40-46.10m (Width: 9m); 5-20% SUS	Target (modeled) 40m - intercept consistent with model. Target (modeled) 40m - intercept consistent with model.
VDH0006	VC-10/11	VBH	150	165	149.20-149.40m (Width: 20cm); 20% SUS	Target conductor (graphitic shale) at 130m - intercept consistent with model.
9	Hole		1,100	1,385		

Despite the low tenor of initial assay results, the Company's geologists consider the discovery of the massive-sulphide system at lanapera to be highly positive, as it demonstrates that the magma that formed the original layered intrusion was of a composition (i.e. sulphur-saturated) that makes the lanapera area highly prospective for magmatic sulphide-hosted nickel-copper-PGE deposits.

At the Maniry area mafic-ultramafic schists have been mapped and there are several coincident soil sample (Cu-Co-Ni) and VTEM anomalies. In light of the positive results from the lanapera area to the north further exploration work is planned. Initially this will comprise modeling the magnetic data acquired with the VTEM survey and mapping. Figure 5 is a summary of the soil and VTEM anomalism at Maniry.

At both lanapera and Maniry the ubiquitous presence of graphitic schists which is a conductor has somewhat masked the VTEM results. However, given the presence of the magnetic mineral pyrrhotite in the massive sulphide drill intersections at lanapera, all the geophysical data is to be reviewed, and coincident magnetic and VTEM anomalies are to be modeled, with the intention of generating more viable drill targets.

The Ampanihy Shear Zone covers the area consisting of approximately 50 kilometres of strike between the lanapera and Maniry sectors, over which there has been very little exploration previous to Malagasy's involvement in the area. The geology is similar to that which has been targeted at lanapera and Malagasy's geologists have planned a first pass stream-sediment sampling programme which is currently underway.

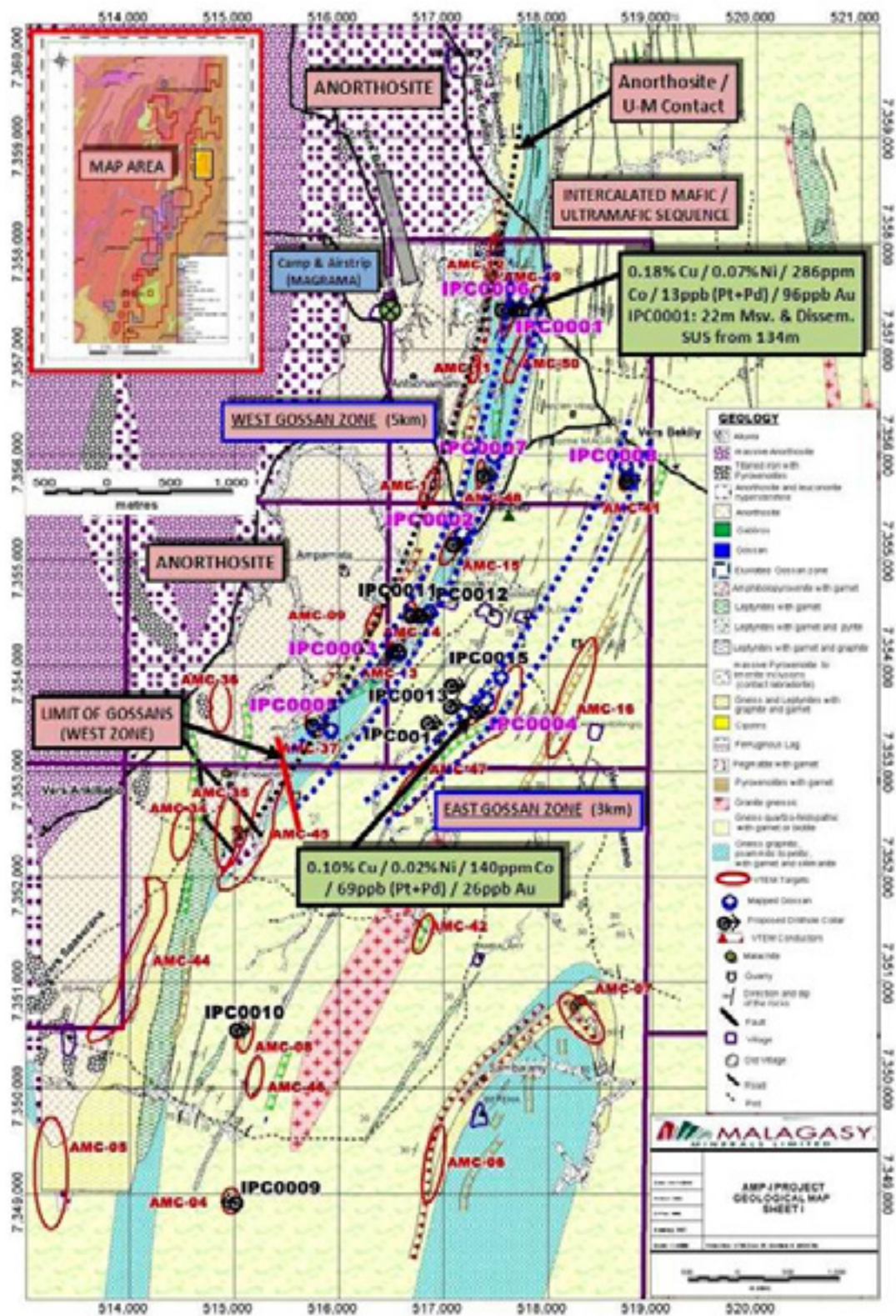


Figure 4: Geology interpretation of Ianapera area.

Note: Gossans are shown in blue & drill holes shown in black are planned but not yet drilled.

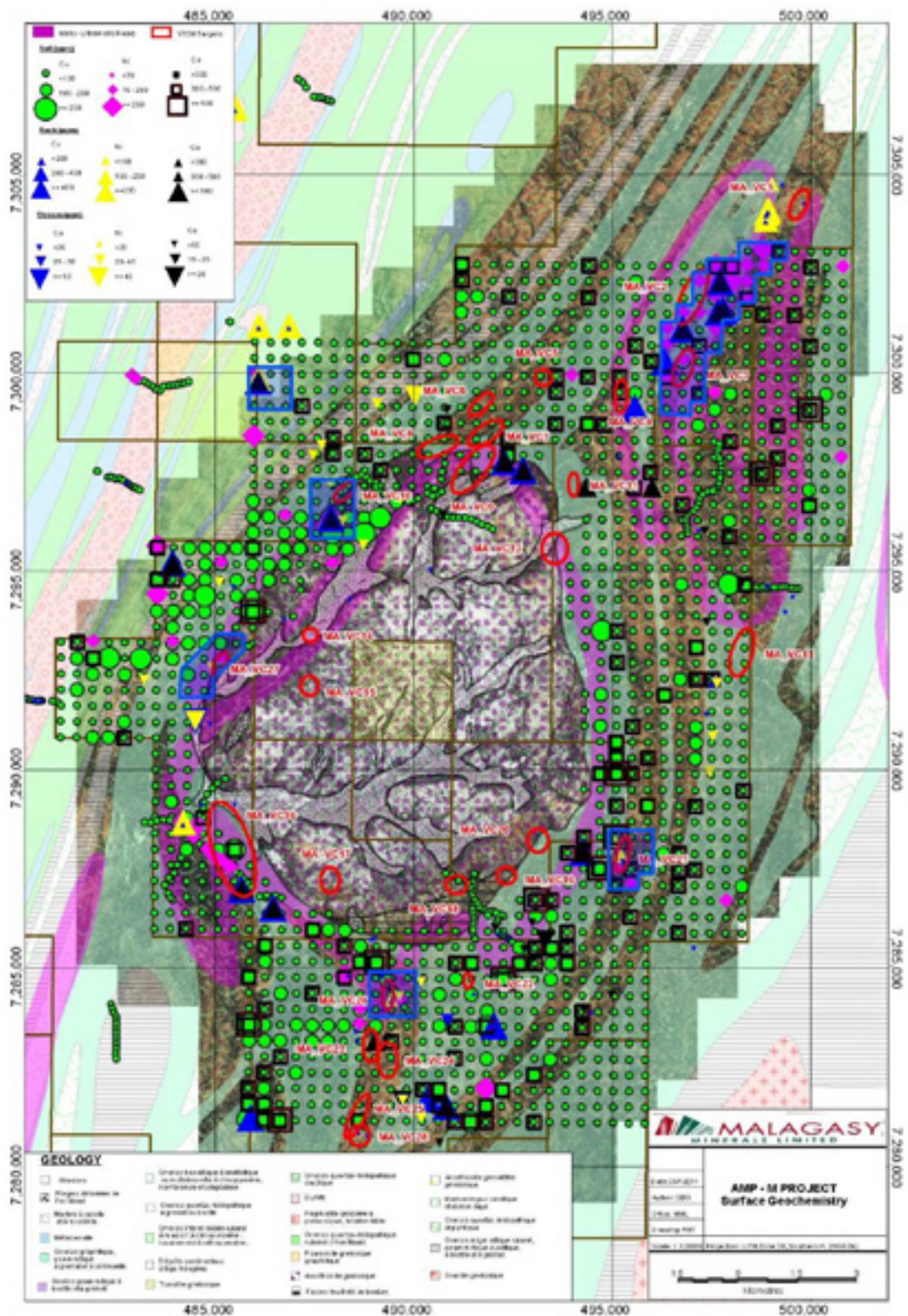


Figure 5: Location of soil (copper values are green circles) & VTEM anomalism with MA-VC10 NW and MA-VC16 SW at Maniry. Note: Soil results are from Malagasy's XRF equipment.

Vohibory (Cu-Au):

Outcrop prospecting by Malagasy's geologists between 2007 and 2010 returned strong results up to 29% Cu, 8.33g/t Au and 206g/t Ag, in addition to which, significant copper and gold in soil anomalism has been returned in a number of zones throughout the Project area. Consequently, it is recognized that the Project has considerable exploration potential. Furthermore, Canadian company, Sun Ridge, has made significant drill intersections, with a best result of 21m @ 0.7% Cu; 1.1% Zn; 0.5g/t Au; 21g/t Ag at their Besakoa Project immediately to the south of Malagasy's tenements.

Much of the area is covered in Permian age sediments, often referred to as the 'Karoo Group' or the 'Sakoa Group'. At the Vohibory Project, these rocks generally comprise basal scree and talus. Hosted within these sediments are secondary copper minerals, predominantly malachite, as well as silver and gold indications. In some areas they were prospected by BRGM during the French run colonial era. Surface samples have returned assays in the range of 2-28% Cu and 2-206g/t Ag. The source of the copper, silver and gold remains conjectural, however, geologists consider they most likely originate from the underlying Proterozoic basement rocks. The maximum thickness of the Permian rocks remains unknown but based on the 2009 drilling it is at least 130 metres. A programme of three diamond drill holes is planned to test this anomalism during the latter part of 2011.

Elsewhere within the Project area gold-in-soil anomalism, with minor gold workings nearby, was located in the eastern part of the Project area. Gold occurs in quartz veins within Proterozoic mafic schist. The strike is estimated to be in excess of 300 metres. Diamond drilling is planned for this area.

In addition, a new coincident gold-copper-silver anomalous zone covering approximately 1,600 metres of strike in the western area of the Project has been defined. Surface rock chip sampling from this area returned a best result of 8.33g/t Au, 9.3% Cu and 23.5g/t Ag in pegmatite and along pegmatite contacts. This zone lies along the southern extension of the VC-07 VTEM anomaly; however, it is unclear if there is a connection between the geochemical and geophysical anomalism both of which will be tested with diamond drilling.

Finally, as part of an exploration review of the Project, it is apparent there is the need for further soil sampling as there are several significant mainly copper-in-soil anomalies that remain open-ended or the spacing needs to be closed up to better define a drill target.

In summary, there is sufficient Cu-Au-Ag anomalism at surface to consider this area to be extremely prospective. Consequently, exploration programmes consisting of diamond drilling, further soil sampling mapping will continue throughout the coming field season. Figure 6 is a summary of the best exploration results to date and planned work for the 2011 field season.



Malachite in pegmatite in old workings Vohibory 2011

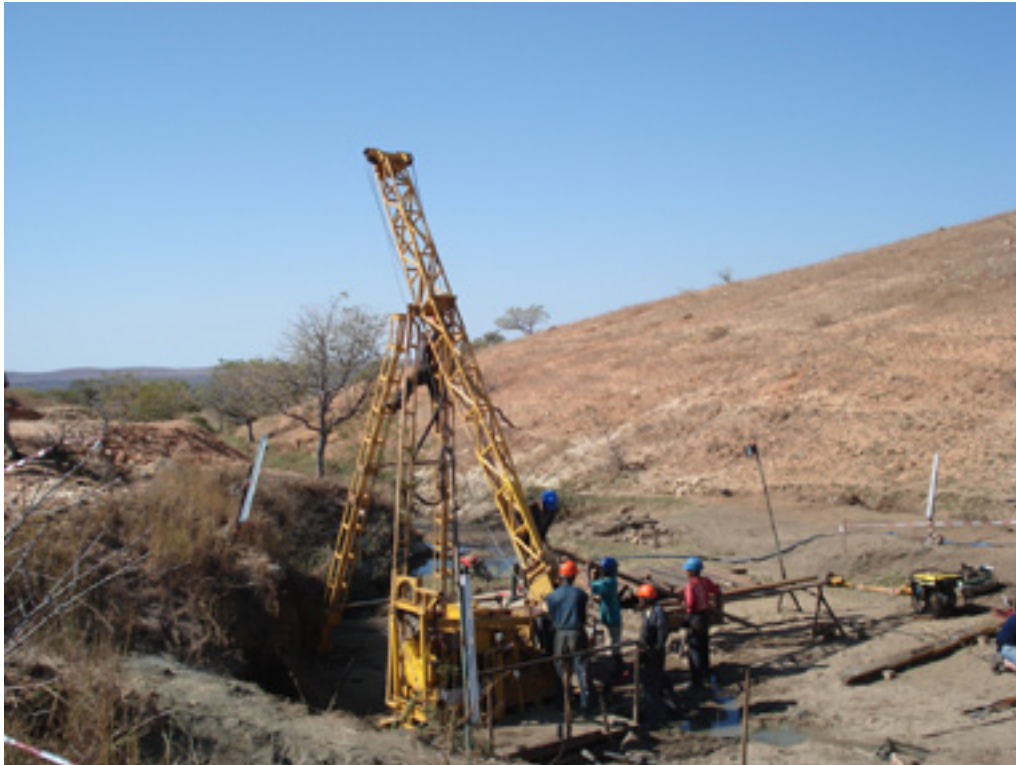
As reported in Malagasy's previous Annual Report, in May 2010, Malagasy signed an agreement with Mauritian company, Red Cat Minerals Ltd. ('Red Cat'), to sell the northernmost seven squares, totaling 43.75 km², of the Vohibory Project tenements. Red Cat controls all the adjacent tenements contiguous to the northwest of the Vohibory Project and planned to list on the Australian Securities Exchange (ASX) in 2010; however, by June 30th 2011, Red Cat had still not listed on the ASX and further extensions have been granted to 31 December 2011 for additional consideration. To date non-refundable deposits of \$309,000 have been received.



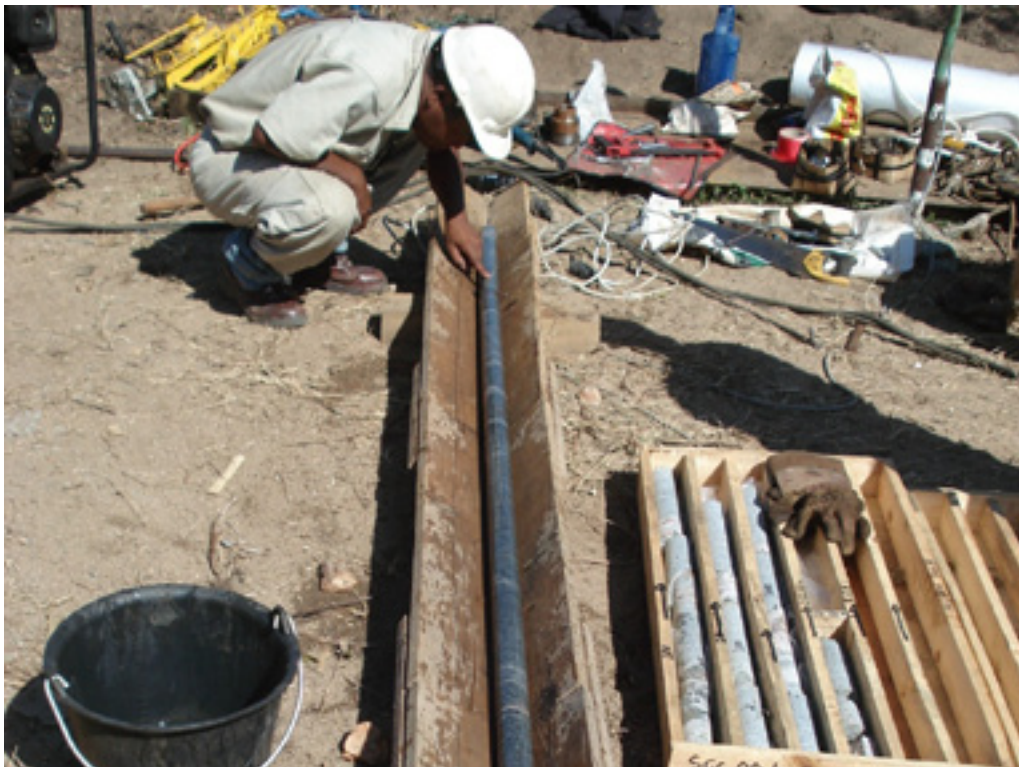
Vohibory drilling 2011 field season



Pile of copper-rich Sakoa Group rocks Vohibory



Drilling Vohibory 2011 Field Season



Vohibory drill core 2011

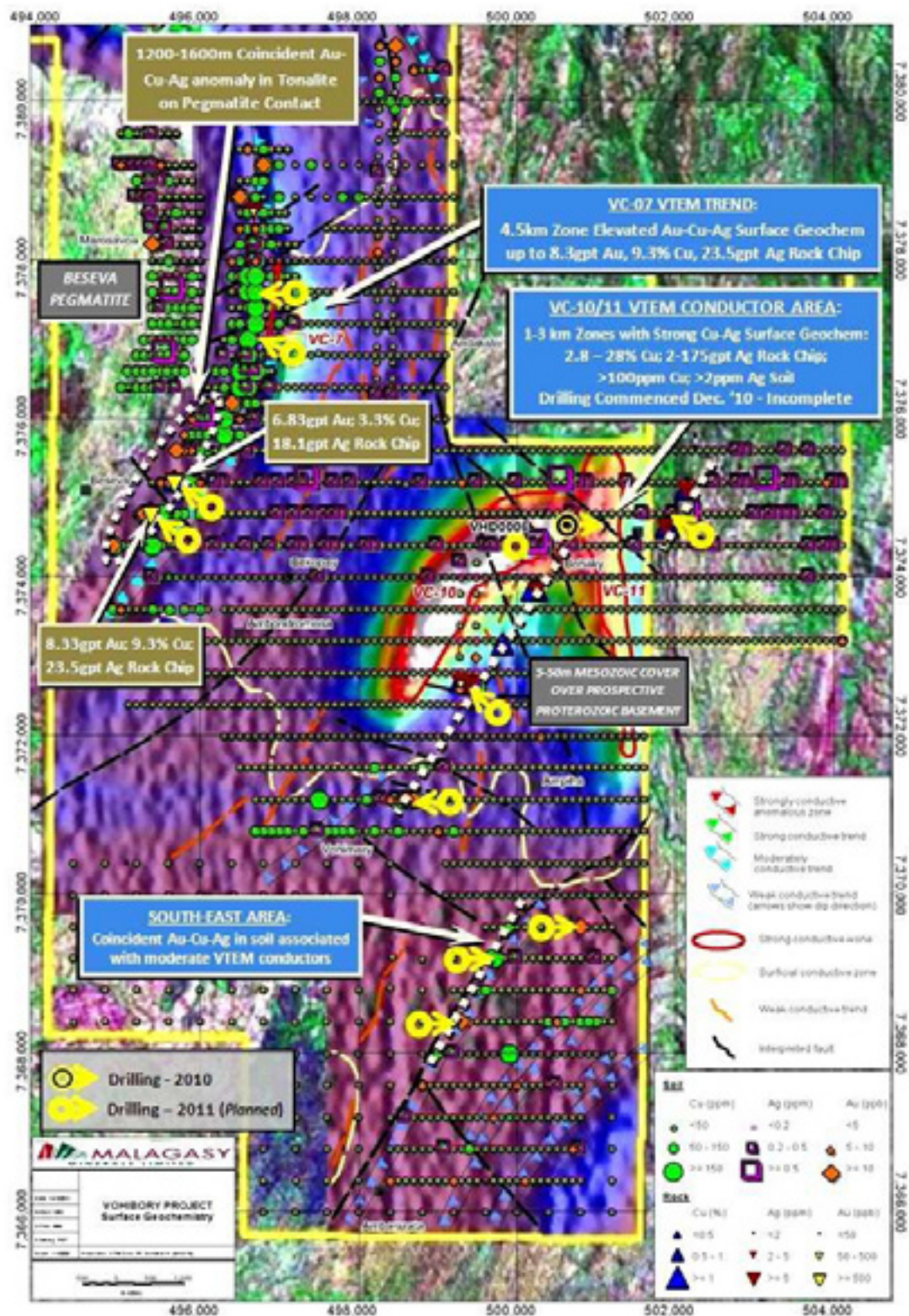


Figure 6: Summary of exploration results at the Vohibory Project and planned work for the 2011 field season.

Fotadrevo (V):

Malagasy is primarily targeting Vanadium but also base metal mineralization indications in an area previously named Ampanihy Central.

Recent work (2008-10) adjacent to the western central area of the Fotadrevo Project by Canadian explorer Energizer Resources Inc has identified significant vanadium-bearing horizons extending for over 18 kilometers of strike parallel to sub-parallel to the regional foliation (i.e. NNE-SSW). Based on information in Energizer's NI43-101 report completed in January 2011, the potential vanadium ores are an assortment of silicate rocks (micas) and V-rich oxides and V-Fe-rich sulphides. Energizer's deposit, named the Green Giant, is quoted in their NI43-101 as having a combined resource (indicated and inferred) of 59.2Mt @ 0.69% V_2O_5 using a 0.5% cut-off.

From field observations, the mineralized zones appear to be associated with a variety of horizons; a weathering resistant quartzo-feldspathic metasediments usually containing a green mica known as roscoelite; and more recessive units dominated by either hematite or graphite. Roscoelite, $(K(V,Al,Mg)_2AlSi_3O_{10}(OH)_2)$, has a vanadium content of 9.92% (or 17.70% vanadium pentoxide (V_2O_5)). In the field it is not immediately apparent what the other vanadium-rich minerals are.

In May-June 2011, Malagasy collected 1,074 soil samples from the Fotadrevo grid. In addition to this, 81 auger and 41 rock chip samples were collected. All the soil samples have been analysed with Malagasy's own bench-mounted XRF equipment. However, to assist with calibration of the XRF equipment selected samples have been submitted to Intertek Laboratories in Perth for definitive assaying.

In the interim, the soil sampling results have been considered in a relative sense and contoured accordingly (see Figure 7) and clearly demonstrate a distinct trend of strong vanadium anomalism continuing south-southwest from Energizer's tenements for over four kilometres of strike. The anomalism then becomes less distinct possibly because of an oblique lateral fault, which coupled with the known shallow plunge has made the vanadium source deeper. However, this less distinct trend continues for another five kilometres before trending south-southwest beyond Malagasy's tenements.

Once the laboratory assaying has been completed; trenching, followed by drilling will be completed. It is anticipated this will be undertaken before the end of the current field season.



Cross-cutting pegmatite

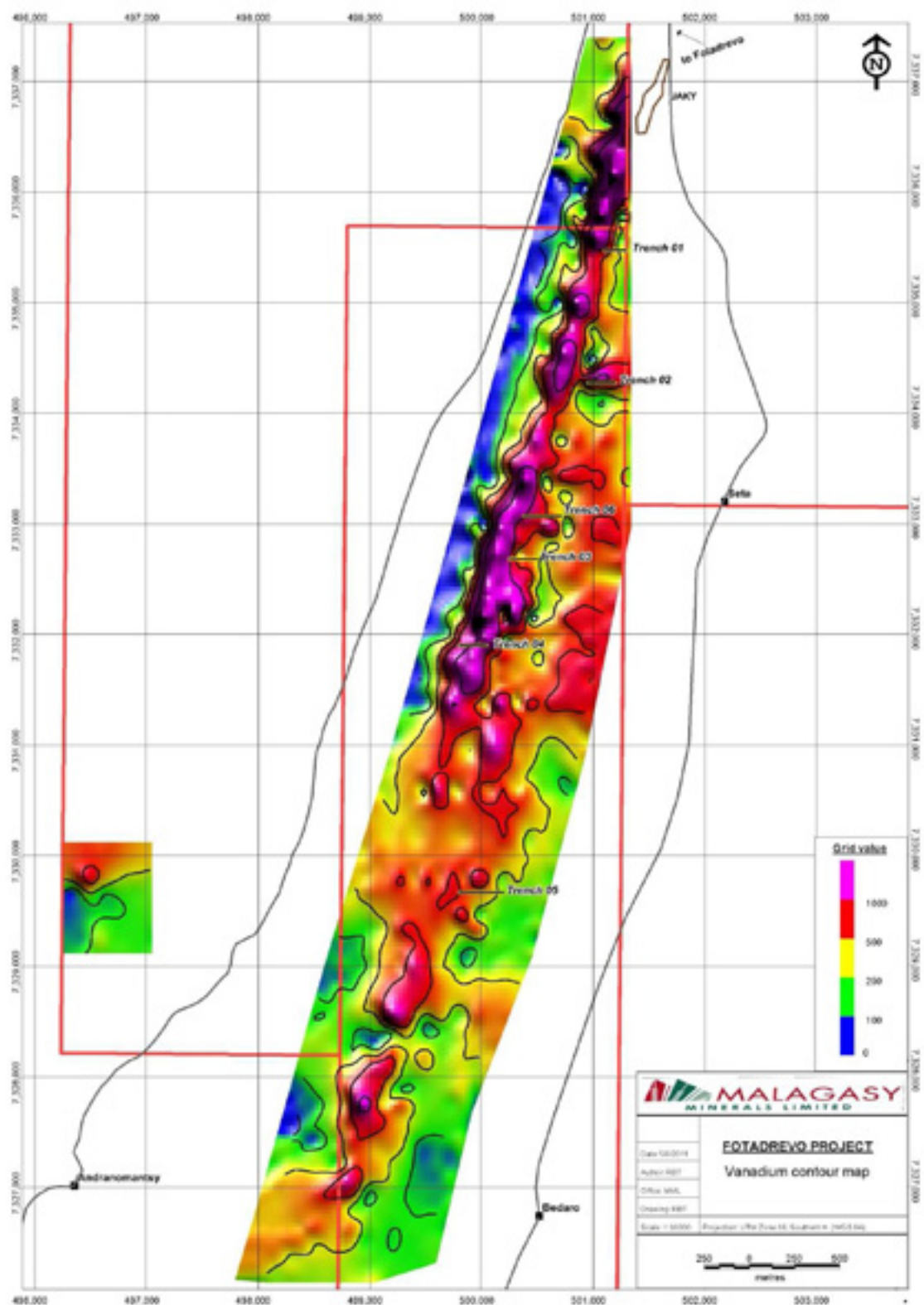


Figure 7: Trend of vanadium-in-soils anomalism at Fotadrevo based on results using Malagasy's XRF equipment.
 Note: Trenches refers to work completed in 2010 field season.

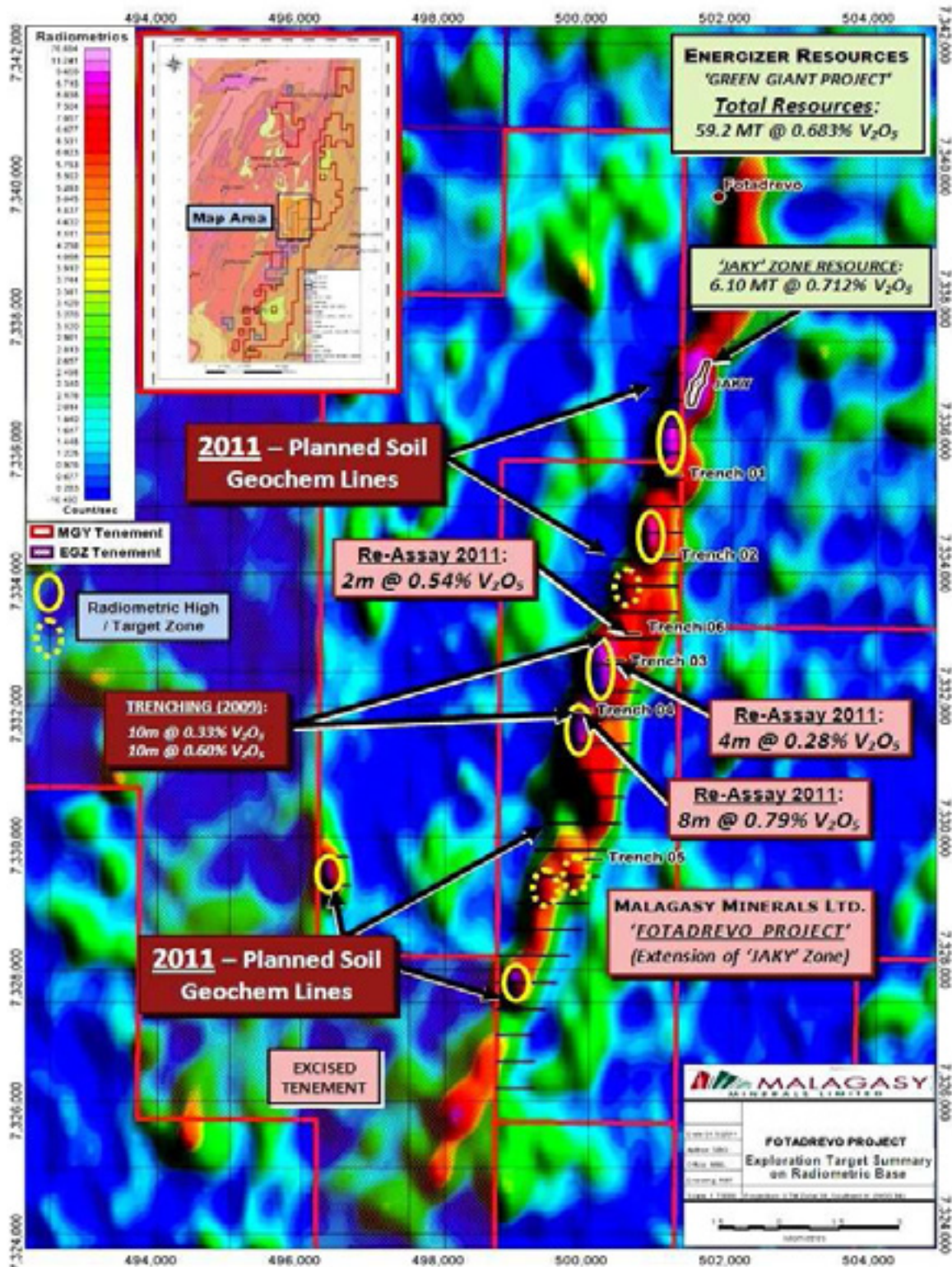


Figure 8: Radiometric data showing MGY anomalous zones equivalent to that hosting the 'Jaky' mineralisation. Six 1st-order and three 2nd-order targets (yellow solid / hashed ovoids respectively) have been defined.

PLANNED EXPLORATION ACTIVITY FOR 2012 FINANCIAL YEAR

The following bullet points summarise Malagasy's planned exploration activity to 30 June 2012. However, dependent on results achieved the exploration strategy will change to better accommodate positive results:

- Diamond drill testing of Cu-Ag-Au anomalous zones hosted within the western Proterozoic stratigraphy at Vohibory Project area.
- Diamond drill testing of Cu-Ag anomalism hosted by Permian rocks and underlying Proterozoic rocks in the central Vohibory area.
- Diamond drill testing of Au workings and surface anomalism in the eastern area of Vohibory Project area.
- Finish a review of the anomalous geochemical sampling programmes completed to date at Vohibory and then undertake follow up sampling so as to generate further targets for drill testing.
- Complete detailed study of aeromagnetic, VTEM and geochemical anomalism at Ianapera and drill test any potential massive sulphide targets generated.
- As above for the Maniry area 70 kilometres to the south of Ianapera.
- Complete detailed mapping geochemical (stream sediment and soil) sampling of the Ampanihy Shear Zone, which covers approximately 50 kilometres of prospective strike.
- Assess soil sampling assay results from Fotadrevo and follow up initially with trenching and then drill testing. Already it is known that approximately nine kilometres strike of potentially economic V_2O_5 mineralization has been outlined.
- Endeavour to have all outstanding tenement applications approved by the relevant Ministry so exploration can commence on these highly prospective areas, i.e. Manambahy and Volovolo.
- Complete first pass mapping and sampling at the Majunga Mineral Sands Project.

Competent Persons Statement

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled or reviewed by Mr Fergus Jockel, Consulting Geologist, who is a Member of the Australasian Institute of Mining and Metallurgy and of the Australian Institute of Geoscientists. Mr Jockel has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activities undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jockel consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

CORPORATE

Capital

The Company has a total issued capital of 156,562,504 shares. In addition there are 9,003,600 20c unlisted options expiring in 2013 on issue.

As at 30th June 2011 the Company retained A\$1.45 million in cash resources.

Labradorite royalties: the Company continues to receive Labradorite Royalties from three groups, generating revenues to assist in supporting local operating costs.

Commercial property rental income: The Company continues to receive rental income from commercial leases at its base in Antananarivo (Refer Diagram 9). This property covers 19,000 sqm of land situated in the capital.

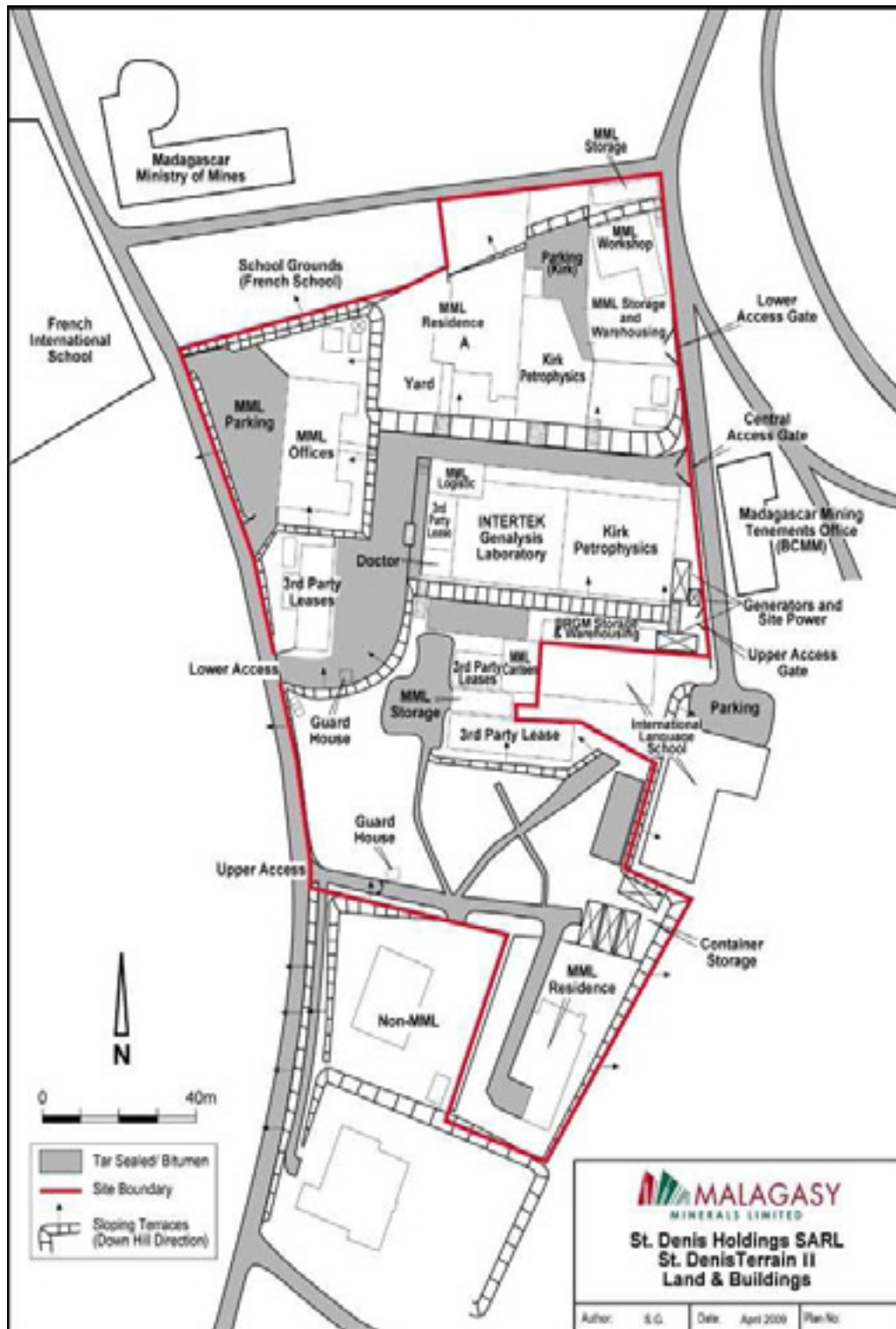


Figure 9: Plan of St. Denis Terrain Showing Location & Extent of Building Infrastructure

RedCat Minerals Agreement

The Company has agreed to extend this agreement up to 31 December 2011, having received additional consideration by way of non-refundable cash deposits totalling A\$309,000 to date. This agreement covers the proposed sale of a northern portion of the Vohibory project and is due for final settlement by 31 December 2011.

Management

The Company has appointed its CFO-Madagascar Mr Jean Luc Marquetoux as Gerant (Country Manager) and is continuing its exploration activities in Madagascar with the assistance of its locally employed geologists, and with the assistance of consulting geologists.

An independent geological review of the Company's projects and results is currently being evaluated in an effort to enhance Malagasy's ongoing exploration strategy. The Company is also reviewing its management needs, strategy and structure for its ongoing operations. The Company is currently in dispute with its former Managing Director in respect of the terms of his resignation, his conduct and his repudiation of the terms of his resignation.

Political Situation

The current political situation is unchanged in Madagascar, with international mediation continuing to assist in the negotiation of an orderly resolution, with the aim of achieving free elections and the establishment of normalized relations with the international community and donor countries. The current situation in Madagascar has the potential to result in difficulties in obtaining effective legal redress. Meanwhile, continuing delays are being encountered in the processing of tenement applications and renewals. If the political situation does not improve there is a risk that the Company may not be able to secure the grant or renewal of tenements on satisfactory terms.

Health & Safety

The Company completed a review of its health & safety programs during the year.

Australian Doctors for Africa

Malagasy Minerals continues to provide sponsorship and logistical support for an Australian medical Non-Government Organization (NGO), Australian Doctors for Africa ("ADFA"); the first dedicated Australian NGO to be accredited in Madagascar.

The Company is proud to be associated with ADFA and the tangible benefits ADFA brings to the people of southwestern Madagascar.



APPROACH TO CORPORATE GOVERNANCE

Malagasy Minerals Limited (Company) has adopted 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 2nd edition (**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. In compliance with the "if not, why not" regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

Further information about the Company's corporate governance practices may be found on the Company's website at www.malagasyminerals.com, under the section marked "Corporate - Corporate Governance".

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2010/2011 financial year (**Reporting Period**). The Principles & Recommendations were amended in 2010, and these amendments apply to the Company's first financial year commencing on or after 1 January 2011. Accordingly, disclosure against the Principles & Recommendations as amended in 2010 will be made in relation to the Company's financial year ending 30 June 2012. The report below is made against the Principles & Recommendations prior to their amendment in 2010.

The Company has however made a partial early transition to the amended Principles & Recommendations by adopting a Diversity Policy, which is available on the Company's website.

BOARD

Roles and responsibilities of the Board and Senior Executives (Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives 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.

Senior executives are responsible for supporting the Managing Director and assisting 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, directly to the Chair or the lead independent director, as appropriate.

The Company's Board Charter is available on the Company's website.

Skills, experience, expertise and period of office of each Director (Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

Director independence (Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board does not have any independent directors. However, the Board considers that its composition is adequate for the Company's current size and operations believes that 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. The policy 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 expenses of obtaining that advice subject to the prior written approval of the Chair.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The Board has agreed on, and set out in the Company's Board Charter, the following guidelines for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 5% 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, could affect the Company's rights to its assets, if accumulated 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 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 which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The non-independent directors of the Company are Max Cozijn, Guy LeClezio, Peter Woods and Steven Goertz (resigned 11/06/11).

The non-independent Chair of the Board is Max Cozijn. As disclosed above, none of the directors are independent and therefore, no independent Chair can be appointed. 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 Mr Cozijn is unable to act in that role due to a conflict of interest.

The Acting Chief Executive Officer is Max Cozijn who is also Chair of the Board. Prior to Steve Goertz's resignation on 11 June 2011, the Company complied with Recommendation 2.3 as Steve Goertz was the Managing Director. Max Cozijn has since been appointed as Acting Chief Executive Officer pending a restructure of the Company's Board and management.

Selection and (Re)Appointment of Directors (Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting and re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and (Re)Appointment of Directors is available on the Company's website.

BOARD COMMITTEES

Nomination Committee (Recommendations: 2.4, 2.6)

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the 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 to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board, in its capacity as the Nomination Committee, held one meeting during the Reporting Period. Details of attendance at the Nomination Committee meeting are set out in the Directors' Report.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee. A copy of the Nomination Committee Charter is available on the Company's website.

Audit Committee (Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has not established a separate Audit Committee, and therefore is not structured in accordance with Recommendation 4.2. As only two of the 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 structural requirements of Recommendation 4.2. 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 to it in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board, in its capacity as the Audit Committee, held two meetings during the Reporting Period. Details of the directors' attendance at Audit Committee meetings are set out in the Directors' Report. To assist the Board to

fulfil its function as the Audit Committee, the Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee.

Details of each of the director's qualifications are set out in the Directors' Report. All of the directors have industry knowledge and consider themselves to be financially literate. Mr Cozijn has a Bachelor of Commerce and is a member of CPA Australia. Mr Cozijn's qualifications and experience enable him to bring financial expertise to the Board in its roles 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.

The Company's Audit Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website.

Remuneration Committee (Recommendations: 8.1, 8.2, 8.3)

The Board has not established a separate Remuneration Committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of 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 to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board, in its capacity as the Remuneration Committee, held one meeting during the Reporting Period. Details of attendance at the Remuneration Committee meeting are set out in the Directors' Report. To assist the Board to fulfil its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report. The Company's policy is to remunerate non-executive directors at market rates (for comparable companies) for time, commitment and responsibilities. Fees for non-executive directors are not linked to the performance of the Company. Given the Company is a junior explorer and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to non-executive directors, subject to obtaining the relevant approvals. This policy is subject to annual review. All of the directors' option holdings are fully disclosed.

Executive pay and reward 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.

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.

The Company's Remuneration Committee Charter is available on the Company's website.

PERFORMANCE EVALUATION

Senior executives (Recommendations: 1.2, 1.3)

The Managing Director is responsible for evaluating the performance of senior executives through a one-on-one interview process.

During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed.

Board, its committees and individual directors (Recommendations: 2.5, 2.6)

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. Each director completes a questionnaire and the responses are collated and summarised for presentation and discussion by the full Board.

During the Reporting Period a formal evaluation of the Board, its committees, and individual directors did not occur. However, an informal review is being conducted with reference to the 2010 evaluations.

ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct (Recommendations: 3.1, 3.3)

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

A summary of the Company's Code of Conduct is available on the Company website.

Policy for Trading in Company Securities (Recommendations: 3.2, 3.3)

The Company has established a Policy for Trading in Company Securities by key management personnel and their "connected persons" (which includes spouses and controlled entities).

A copy of the Company's Policy for Trading in Company Securities is available on the Company's website.

Continuous Disclosure (Recommendations: 5.1, 5.2)

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

Summaries of the Company's Policy on ASX Listing Rule Compliance and the Company's Compliance Procedures are available on the Company's website.

Shareholder Communication (Recommendations: 6.1, 6.2)

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

A copy of the Company's Shareholder Communication Policy is available on the Company's website.

Risk Management (Recommendations: 7.1, 7.2, 7.3, 7.4)

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 Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Chief Executive Officer may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior 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 for management, which, if proposed to be exceeded, requires 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.

The Board has established a formal system for management of its material business risks. This system includes the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. The risk register is reviewed and updated, as required. Further, risk management is a standing agenda item at Board meetings.

The Company reports on categories of risk that are identified as political, operational, ethical, legal, environmental, human capital, financial, market-related, economic, human capital and technological.

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. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Acting Chief Executive Officer and the Chief Financial Officer 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 reporting risks.

A summary of the Company's Risk Management Policy is available on the Company's website.

DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2011.

DIRECTORS

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

Max Cozijn
Guy LeClezio
Peter Woods
Steven Goertz (resigned 11/06/2011)

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 economic entity 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 \$1,839,989 (2010: \$1,586,439).

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 increased by \$1,111,619 to \$7,406,447 during the financial year.

This increase is largely as a result of the following factors:

- Capital Raising through a placement in November 2010 and a 1 for 4 non-renounceable underwritten rights issue in December 2010 (net proceeds of \$3M).
- Exploration activities and Operating Costs

The directors believe the group is in a 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 Group entity occurred during the financial year:

- On 7th July 2010, 19,625,000 previously issued fully paid ordinary shares were released from escrow and were granted official quotation on the Australian Stock Exchange (ASX) effective from 12th July 2010.
- A Deed of termination and release was finalised on 24/09/10 with World Titanium Resources Ltd (formerly Madagascar Resources NL) terminating the proposed Merger of the two companies.
- On 29th November 2010, 16,000,000 shares at 6.8c were allotted following the completion of a placement raising \$1,088,000 (gross) of issued capital for the Company.
- On 29th December 2010, 31,312,501 shares at 6.8c were allotted pursuant to a 1 for 4, non-renounceable underwritten rights issue raising \$2,129,250 (gross) of issued capital for the Company.
- Managing Director Mr Steven Goertz tendered his resignation on 11 June 2011.
- The Company has entered into a Deed of Variation with Red Cat Minerals Ltd for the proposed sale of the northern portion of the Vohibory tenement area. Part of the consideration is dependent on the listing of Red Cat Ltd on ASX. This has been delayed and MGY has agreed to extend this agreement to 31/12/11 for further consideration. To date, non-refundable deposits of \$309,000 have been received.

AFTER BALANCE DATE EVENTS

There were no material events arising subsequent to 30 June 2011 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 COZIJN, B.Com. CPA, MAICD – Chairman, Acting CEO, & Company Secretary

Mr Cozijn graduated from the University of Western Australia in 1972 with a Bachelor of Commerce degree and is a member of CPA Australia. Mr Cozijn is also a member of the Australian Institute of Company Directors. He has over 30 years experience in the administration of listed mining and industrial companies. Mr Cozijn is a Non-Executive Director of Carbon Energy Ltd, Non-Executive Chairman of Magma Metals Limited and Oilex Ltd and is a Non-Executive Director of Energia Minerals 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)
- Energia Minerals Limited (from May 1997 (listed December 2009))

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 World Titanium Resources Ltd and a former director of ASX listed Windy Knob Resources Ltd.

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

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 World Titanium Resources Ltd 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
M.D.J. Cozijn	12,501	7,500,000	-	1,000,000
P.J. Woods ¹	-	100,000	-	500,000
G.F. Le Clezio ¹	-	2,881,832	500,000	-

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

REMUNERATION REPORT (AUDITED)

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, by the remuneration committee, with revised remuneration packages generally taking effect from the 1st 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, 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

Details of Remuneration for Year Ended 30 June 2011

The remuneration for Key Management Personnel of the economic entity during the year were as follows:

2011	Salary	Directors' Fees	Non-Cash Benefits	Super Contributions	Equity	Options	Total	Performance related %
	\$	\$	\$	\$	\$	\$	\$	%
Key Management Personnel:								
Directors:								
S.B. Goertz (resigned 11/06/11)	150,000	20,000	-	16,800	-	3,119	189,919	-
M.D.J. Cozijn	50,000	20,000	-	6,300	-	-	76,300	-
P.J. Woods	-	20,000	-	1,800	-	-	21,800	-
G.F. Le Clezio	-	20,000	-	1,800	-	-	21,800	-
	200,000	80,000	-	26,700	-	3,119	309,819	-
Executives:								
J. Le Clezio	60,000	-	-	-	-	-	60,000	-
(resigned 31/12/10)	60,000	-	-	-	-	-	60,000	-

2010	Salary	Directors' Fees	Non-Cash Benefits	Super Contributions	Equity	Options	Total	Performance related %
	\$	\$	\$	\$	\$	\$	\$	%
Key Management Personnel:								
Directors:								
S.B. Goertz	150,000	20,000	-	16,800	-	6,852	193,652	-
M.D.J. Cozijn	50,000	20,000	-	6,300	-	-	76,300	-
P.J. Woods	-	20,000	-	1,800	-	-	21,800	-
G.F. Le Clezio	-	20,000	-	1,800	-	-	21,800	-
	200,000	80,000	-	26,700	-	6,852	313,552	-
Executives:								
J. Le Clezio	120,000	-	-	-	-	-	120,000	-
	120,000	-	-	-	-	-	120,000	-

None of the remuneration was performance related.

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

Shares and Options issued as part of remuneration for the year ended 30 June 2011

There were no Shares and no Options issued during the current or previous financial year to any Director or Executive.

Service Agreements of Directors and Specified executives

Mr Goertz had been engaged under a Consultancy Agreement for a 3 year period commencing 7 July 2008. The Agreement was not renewed at its expiration date of 7 July 2011 following his resignation on 11 June 2011.

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 Crowe Horwath for non-audit services during the year ended 30 June 2011.

MEETINGS OF DIRECTORS

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

Director	Directors' Meetings		Audit		Committee Meetings		Nomination	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
M.D.J. Cozijn	15	15	2	2	1	1	1	1
S.B. Goertz (resigned 11/06/11)	11	10	2	1	1	1	0	0
P.J. Woods	13	13	2	2	1	1	1	1
G.F. Le Clezio	13	13	2	2	1	1	1	1

The Full Board undertakes the role of the Audit, Remuneration and Nomination Committees.

INDEMNIFYING OFFICERS AND AUDITORS

The Company has established 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	Date of expiry	Exercise price	No. under option
27 June 2008	27 June 2013	\$0.20	1,000,000
1 December 2008	1 December 2013	\$0.20	2,000,000
1 December 2008	3 July 2013	\$0.20	1,000,000
1 December 2008	3 July 2013	\$0.20	1,000,000
2 April 2009	7 July 2013	\$0.20	4,003,600
			<u>9,003,600</u>

No options were exercised during the year ended 30 June 2011.

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.

While the Company was not a party to any such proceedings during the year, the Company is currently in dispute with its former Managing Director in respect of the terms of his resignation, his conduct and his repudiation of the terms of his resignation.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 35 of the annual report.

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



M.D.J. Cozijn
Chairman

West Perth, Western Australia

22nd September 2011



G.F. Le Clezio
Director

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 2011, I declare that, to the best of my knowledge and belief, there have been:

no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads "Crowe Horwath Perth".

CROWE HORWATH PERTH

A handwritten signature in blue ink, appearing to read "Cyrus Patell".

CYRUS PATELL
Partner

Signed at Perth, 22 September 2011

*Crowe Horwath Perth is a WHK Group Firm and a member of Crowe Horwath International, a Swiss verein.
Each member firm of. Each member firm of Crowe Horwath is a separate and independent legal entity.*



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

		ECONOMIC ENTITY	
	Notes	2011 \$	2010 \$
Revenue	2	850,032	695,679
Employee benefits expense		(562,169)	(596,385)
Depreciation expense	3	(127,242)	(157,088)
Finance costs		(291)	(758)
Administration costs		(472,727)	(608,364)
Exploration expenditure	3	(1,141,897)	(888,460)
Foreign Exchange Movements		(57,426)	(13,675)
Share-based payments		(3,549)	(29,299)
Merger Costs	3	(257,206)	-
Loss before income tax expense		(1,772,475)	(1,598,350)
Income tax (expense) / benefit	4	(67,514)	11,911
Net Loss attributable to members of the parent entity		(1,839,989)	(1,586,439)
Other Comprehensive Income			
Adjustment from translation of foreign controlled entities		(81,303)	(235,565)
Total Comprehensive Income for the period attributable to members of the parent entity.		(1,921,292)	(1,822,004)
Overall Operations:			
Basic and Dilutive earnings (loss) per share - cents per share	5	(1.37)	(1.66)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

		ECONOMIC ENTITY	
	Notes	2011 \$	2010 \$
Current Assets			
Cash and Cash Equivalents	7	1,451,555	571,669
Trade and Other Receivables	9	60,295	26,882
Other Current Assets	8	244,470	142,774
Total Current Assets		1,756,320	741,325
Non-Current Assets			
Trade and Other Receivables	9	484,074	573,783
Property, Plant & Equipment	10	2,925,422	3,028,768
Intangible Assets	11	-	-
Deferred Exploration and Evaluation costs	12	3,289,216	3,289,216
Total Non-Current Assets		6,698,712	6,891,767
TOTAL ASSETS		8,455,032	7,633,092
Current Liabilities			
Trade and other Payables	13	304,950	584,960
Short-term Provisions	14	52,960	38,870
Total Current Liabilities		357,910	623,830
Non-Current Liabilities			
Trade and other Payables	15	690,675	714,434
Total Non- Current Liabilities		690,675	714,434
TOTAL LIABILITIES		1,048,585	1,338,264
NET ASSETS		7,406,447	6,294,828
EQUITY			
Issued Capital	16	14,441,337	11,411,975
Reserves	17	(343,464)	(265,710)
Accumulated Losses		(6,691,426)	(4,851,437)
TOTAL EQUITY		7,406,447	6,294,828

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

ECONOMIC ENTITY

	Issued Capital	Accumulated Losses	Foreign currency Translation Reserve	Option Reserve	Total
	\$	\$	\$	\$	\$
Balance at 30 June 2009	11,010,767	(3,264,998)	(287,499)	228,055	7,686,325
Shares issued during the year	427,500	-	-	-	427,500
Transaction costs	(26,292)	-	-	-	(26,292)
Movement in Share Option Reserve	-	-	-	29,299	29,299
Loss attributable to members of economic entity	-	(1,586,439)	-	-	(1,586,439)
Other Comprehensive Income	-	-	(235,565)	-	(235,565)
Balance at 30 June 2010	11,411,975	(4,851,437)	(523,064)	257,354	6,294,828
Shares issued during the year	3,217,250	-	-	-	3,217,250
Transaction costs	(187,888)	-	-	-	(187,888)
Movement in Share Option Reserve	-	-	-	3,549	3,549
Loss attributable to members of economic entity	-	(1,839,989)	-	-	(1,839,989)
Other Comprehensive Income	-	-	(81,303)	-	(81,303)
Balance at 30 June 2011	14,441,337	(6,691,426)	(604,367)	260,903	7,406,447

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

		ECONOMIC ENTITY	
	Notes	2011 \$	2010 \$
Cash flows from Operating Activities			
Payments to suppliers and employees		(1,388,842)	(1,178,026)
Payments for exploration expenditure		(1,051,486)	(571,877)
Interest received		48,942	20,373
Royalties received		231,668	259,330
Other income		250,245	343,924
Borrowing costs		(291)	(758)
Net cash (used in) operating activities	19(a)	(1,909,764)	(1,127,034)
Cash flows from Investing Activities			
Payments for property, plant and equipment		(31,100)	(55,115)
Proceeds from sale of plant and equipment		70,177	22,052
Deposits on sale of tenements		249,000	50,000
Merger costs		(257,206)	-
Net cash provided by investing activities		30,871	16,937
Cash flows from Financing Activities			
Proceeds from issues of shares		3,217,250	427,500
Capital raising costs		(187,888)	(26,292)
Repayment of borrowings		-	(8,104)
Repayment of Share Sale Agreement		(239,747)	(133,307)
Net cash flows provided by financing activities		2,789,615	259,797
Net increase (decrease) in cash held		910,722	(850,300)
Cash at the beginning of the financial year	7	571,669	1,435,644
Effect of exchange rates on cash holdings in foreign currencies		(30,836)	(13,675)
Cash at the end of the financial year	7	1,451,555	571,669

The accompanying notes form part of these financial statements.

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 consolidated financial statements of Malagasy Minerals Limited as at the year ended 30 June 2011 comprises the company and its subsidiaries (together referred to as the 'Group' or 'Economic Entity'). Malagasy Minerals Limited is a listed public company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Malagasy Minerals Ltd, have not been presented within this financial report as permitted by amendments made to Corporations Act 2001 effective as at 30 June 2010.

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, to the extent that they are considered material.

(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.

Property

Land and Buildings are measured on the cost basis less accumulated depreciation in accordance with a 99 year lease. The carrying amount is reviewed annually by the Directors and independent valuations will be commissioned as and when required.

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:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Property	1%
Plant and Equipment	7.5% - 50%
Motor vehicles	20%
Field equipment	40%

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.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

(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.

Share Based payments are measured at the fair value of the instruments issued and amortised over the vesting periods. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period.

(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.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

Key Judgements

Exploration and Evaluation Expenditure

Tenement acquisition costs are initially capitalised and then amortised with other exploration and evaluation expenditure written off as incurred. 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. 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. The Directors believe that the capitalised exploration expenditure should not be written off at balance date as the tenements areas have

been reviewed for impairment indicators and Directors believe no indicators of impairment exist.

Non-Current Receivables

Non-Current Receivables includes the tax (TVA) recoverable from the Madagascar tax authority. The Directors believe the full amount to be recoverable and therefore a provision for impairment has not been made.

Accrued Expenses

Accrued expenses are amounts in respect of the Share Sale Agreement with World Titanium Resources Ltd (formerly Madagascar Resources NL). The liability is only repayable from 70% of the labradorite royalty cash receipts by MADA-Aust SARL and is split between current and non-current portions. The directors believe the royalty generating operations will continue and have not identified any factors indicating impairment. The current portion of the liability is based on the estimate of the next financial year's cash receipts with the remaining balance not expected to be settled in the next financial year treated as non-current.

(q) Adoption of New and Revised Accounting Standards

During the current year the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*;
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group cash-settled Sharebased Payment Transactions*;
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*;
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*;
- AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19*; and
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the

portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

- AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

- AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.
- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

- AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Group.

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of

Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

- AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

- AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011). This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards. The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

- AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009-11 will only affect early adopters of AASB 2009-11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010-7.] This Standard is not expected to impact the Group

The Group does not anticipate early adoption of any of the above Australian Accounting Standards.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2011

ECONOMIC ENTITY

	2011 \$	2010 \$
NOTE 2 - REVENUE		
Operating Activities		
- royalties	231,668	259,330
- rental	204,536	227,335
- other	115,886	188,641
- tenement sales (non-refundable deposits)	249,000	-
Non-operating activities		
- Interest received	48,942	20,373
Total Revenue	850,032	695,679

NOTE 3 – LOSS FOR THE YEAR

Expenses

Borrowing costs	291	758
Depreciation of non-current assets		
- Land and Buildings	19,006	38,327
- Property, Plant & Equipment	37,952	72,841
- Field equipment	44,931	37,135
- Motor vehicles	25,353	8,785
Total depreciation	127,242	157,088
Exploration expenditure	1,141,897	888,460
Rental expenses on operating leases - minimum lease payments	35,634	46,606
Merger costs ⁽¹⁾	257,206	-

(1) Merger costs relate to the Deed of Termination and Release with World Titanium Resources Ltd (formerly Madagascar Resources NL) terminating the proposed Merger of the two companies.

ECONOMIC ENTITY

2011	2010
\$	\$

NOTE 4 - INCOME TAX EXPENSE

(a) Income Tax Expense

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

Prima facie tax/(benefit) on (Loss) from ordinary activities before income tax at 30% (2010: 30%)	(531,743)	(479,505)
Add tax effect of:-		
Tax attributable to foreign subsidiary	67,514	(11,911)
Effect of lower tax rate ⁽¹⁾	40,516	56,752
Permanent Differences	(63,073)	(96,706)
Deferred tax assets not brought to account	554,300	519,459
Income tax expense attributable to entity	67,514	(11,911)

(1) The corporate tax rate in Madagascar is 23%

(b) Deferred Tax Assets

Timing differences		
Opening	1,974,785	1,455,326
Tax losses – Australia	421,175	332,986
Tax losses - Madagascar	84,769	186,473
Total deferred tax assets not brought to account	2,480,729	1,974,785

ECONOMIC ENTITY

	2011 \$	2010 \$
NOTE 5 - EARNINGS PER SHARE		
(a) Reconciliation of Earnings to Net Loss	(1,839,989)	(1,586,439)
Loss used in the calculation of basic and dilutive EPS	(1,839,989)	(1,586,439)
Basic and Diluted loss per share - cents per share	(1.37)	(1.66)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and dilutive EPS	134,415,757	95,351,373

As at 30 June 2011 there are 9,003,600 unlisted options on issue. The effect of these options are anti-dilutive on the earning per share calculation as the exercise price of the options is above the current market value.

NOTE 6 - KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key Management Personnel

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

Mr. S.B. Goertz – Managing Director (Executive Director) (resigned 11/06/11)
Mr. M.D.J Cozijn – Finance Director/Company Secretary (Executive Director)
Mr. G.F. Le Clezio - Director (Non-Executive Director)
Dr. P.J. Woods - Director (Non-Executive Director)
Mr. J. Le Clezio – Country Manager (Madagascar) (resigned 31/12/10)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report. The totals of remuneration paid to Key Management Personnel of the Group during the year are as follows:

	2011 \$	2010 \$
Short term employee benefits	340,000	400,000
Post employment benefits	26,700	26,700
Other long-term benefits	-	-
Share Based Payments	3,119	6,852
	369,819	433,552

(b) Equity and Options granted as compensation

There were no Shares or Options issued to Directors or Executives in the current or previous financial year.

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

	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Key Management Personnel:							
Directors:							
Mr S.B. Goertz (resigned 11/06/11)	-	2,000,000	01/12/2008	0.8 cents	20 cents	03/01/2010	03/07/2013
Mr M.D.J. Cozijn	1,000,000	1,000,000	01/12/2008	0.9 cents	20 cents	01/12/2008	01/12/2013
Mr G.F. 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					
Executives:							
Mr J. Le Clezio	1,000,000	1,000,000	27/06/2008	20 cents	20 cents	27/06/2008	26/06/2013
(resigned 31/12/10)	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

2011	Balance at 1 July 2010	Granted as Remuneration	Balance at 30 June 2011	Total Vested 30 June 2011	Total Exercisable 30 June 2011	Total Unexercisable 30 June 2011
Key Management Personnel						
Directors:						
Mr S.B. Goertz (resigned 11/06/11)	2,000,000	-	2,000,000	1,000,000	1,000,000	1,000,000
Mr M.D.J. Cozijn	1,000,000	-	1,000,000	1,000,000	1,000,000	-
Mr G.F. 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	3,000,000	3,000,000	1,000,000
Executives:						
Mr J. Le Clezio	1,000,000	-	1,000,000	1,000,000	1,000,000	-
(resigned 31/12/10)	1,000,000	-	1,000,000	1,000,000	1,000,000	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2011

(e) Shareholdings of key management personnel

	Balance 1 July 2010	Purchased ¹	Options Exercised	Disposals ¹	Balance 30 June 2011
Key Management Personnel:					
Directors:					
Mr S.B. Goertz (resigned 11/0611)	5,130,001	1,037,500	-	-	6,167,501
Mr M.D.J. Cozijn	6,010,001	1,502,500	-	-	7,512,501
Mr G.F. Le Clezio	2,019,809	-	-	-	2,019,809
Dr P.J. Woods	100,000	-	-	-	100,000
	13,259,811	2,540,000	-	-	15,799,811
Executives:					
Mr J. Le Clezio	5,800,000	-	-	(400,000)	5,400,000
(resigned 31/12/10)	5,800,000	-	-	(400,000)	5,400,000
	19,059,811	2,540,000	-	(400,000)	21,199,811

Notes

1. All purchases and disposals are on market trades.

ECONOMIC ENTITY

	2011 \$	2010 \$
--	------------	------------

NOTE 7 - CASH AND CASH EQUIVALENTS

Cash on hand	200	200
Cash at bank	135,545	255,659
Deposits at call (i)	1,300,000	300,000
Bond	15,810	15,810
	1,451,555	571,669

- (i) The effective interest rate on deposits at call is 5.00% (2010-5.12%) and has a maturity of 30 days.

NOTE 8 - OTHER CURRENT ASSETS

Prepayments	242,883	141,971
Other	1,587	803
Total Other Current Assets	244,470	142,774

ECONOMIC ENTITY

	2011 \$	2010 \$
--	------------	------------

NOTE 9 - TRADE AND OTHER RECEIVABLES

CURRENT

Other receivables

60,295	26,882
60,295	26,882

NON-CURRENT

Other receivables

484,074	573,783
484,074	573,783

There are no receivables that are past due and payable.

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Property, Plant & Equipment – At cost

Less accumulated depreciation

Total Property, Plant & Equipment

509,837	487,135
(252,296)	(216,318)
257,541	270,817

Field Equipment – At cost

Less accumulated depreciation

Total Field Equipment

355,007	357,458
(154,086)	(113,910)
200,921	243,548

Motor Vehicles – At cost

Less accumulated depreciation

Total Motor Vehicles

221,055	259,531
(172,393)	(182,432)
48,662	77,099

Total Property, Plant and Equipment

507,124	591,464
----------------	---------

Land and Buildings – At cost

Less accumulated depreciation

Total Land and Buildings

2,500,000	2,500,000
(81,702)	(62,696)
2,418,298	2,437,304

TOTAL FIXED ASSETS

2,925,422	3,028,768
------------------	-----------

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2011

(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:

	Land Buildings \$	Property, Plant & Equipment \$	Field Equipment \$	Motor Vehicles \$	Total \$
ECONOMIC ENTITY					
Balance at 30 June 2009	2,475,631	250,847	384,432	167,550	3,278,460
Additions and reclassifications	-	53,361	1,754	-	55,115
Disposals	-	-	(83,288)	(10,272)	(93,560)
Depreciation expense	(38,327)	(72,841)	(37,135)	(8,785)	(157,088)
Currency Translation Differences	-	39,450	(22,215)	(71,394)	(54,159)
Carrying amount at 30 June 2010	2,437,304	270,817	243,548	77,099	3,028,768
Additions and reclassifications	-	26,092	5,008	-	31,100
Disposals	-	(3,390)	(8,155)	(36,092)	(47,637)
Depreciation expense	(19,006)	(37,952)	(44,931)	(25,353)	(127,242)
Currency Translation Differences	-	1,974	5,451	33,008	40,433
Carrying amount at 30 June 2011	2,418,298	257,541	200,921	48,662	2,925,422

ECONOMIC ENTITY

	2011 \$	2010 \$
--	------------	------------

NOTE 11 - INTANGIBLE ASSETS

Goodwill		
Cost	616,967	616,967
Provision for Impairment	(616,967)	(616,967)
Total Intangible Assets	-	-

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

ECONOMIC ENTITY

2011 \$	2010 \$
------------	------------

NOTE 12 - DEFERRED EXPLORATION AND EVALUATION COSTS

Opening Balance	3,289,216	3,256,182
Additions and Reclassifications	-	33,034
Impairment	-	-
Costs carried forward in respect of areas of interest in Exploration and Evaluation phases	3,289,216	3,289,216

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.

NOTE 13 - CURRENT TRADE & OTHER PAYABLES

Unsecured liabilities		
Trade Payables	199,950	279,847
Accrued Expenses ⁽¹⁾	105,000	305,113
Total Current Trade & Other Payables	304,950	584,960

(1) Accrued expenses include amounts in respect of the Share Sale Agreement with World Titanium Resources Ltd (formerly Madagascar Resources NL) estimated to be payable within the next 12 months. The liability is only repayable from 70% of the labradorite royalty cash receipts by MADA-Aust SARL.

NOTE 14 - SHORT-TERM PROVISIONS

Provision for annual leave		
Opening Balance	38,870	27,320
Additional provisions	19,458	11,550
Amounts Used	(5,368)	-
Total Provisions	52,960	38,870
	No.	No.
Number of employees at year end	52	54

NOTE 15 - NON-CURRENT TRADE & OTHER PAYABLES

Unsecured liabilities		
Accrued Expenses ⁽²⁾	690,675	714,434
Total Non-Current Payables	690,675	714,434

(2) Accrued expenses are amounts in respect of the Share Sale Agreement with World Titanium Resources Ltd (formerly Madagascar Resources NL). This portion of the liability is only repayable from 70% of the labradorite royalty cash receipts by MADA-Aust SARL and is not expected to be settled in the next financial year.

ECONOMIC ENTITY

	2011	2010
	\$	\$
NOTE 16 – ISSUED CAPITAL		
156,562,504 fully paid ordinary shares	14,441,337	11,411,975
	14,441,337	11,411,975
Ordinary shares	No.	No.
At the beginning of reporting period	109,250,003	95,000,003
Shares issued during the year		
22 June 2010 ¹	-	14,250,000
29 November 2010 ²	16,000,000	-
29 December 2010 ³	31,312,501	-
At reporting date	156,562,504	109,250,003

There are no preference shares on issue.

Notes

- 1 On 22 June 2010, 14,250,000 fully paid ordinary shares were allotted at \$0.03 per share pursuant to a placement.
- 2 On 29 November 2010, 16,000,000 fully paid ordinary shares were allotted at \$0.068 per share pursuant to a placement.
- 3 On 29 December 2010, 31,312,501 fully paid ordinary shares were allotted at \$0.068 per share pursuant to a 1 for 4 non-renounceable underwritten rights issue.

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

Stock Exchange Listing

Total Issued Capital is 156,562,504 shares, all of which are listed at the date of this report.

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 3 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.

Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Groups debt and capital includes ordinary share capital, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

ECONOMIC ENTITY

	2011 \$	2010 \$
--	------------	------------

NOTE 17 - RESERVES

Foreign Currency Translation Reserve ⁽¹⁾	(604,367)	(523,064)
Option Reserve ⁽²⁾	260,903	257,354
	<u>(343,464)</u>	<u>(265,710)</u>

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

(2) The Option Reserve records items recognised as expenses on valuation of employee share options.

Options that are converted, expire, lapse or are cancelled have the amount in the reserve attributable to them transferred into issued capital.

ECONOMIC ENTITY

	2011 \$	2010 \$
NOTE 18 - PARENT ENTITY DISCLOSURES		
(a) Assets		
Current Assets	1,435,463	458,197
Non Current Assets	8,079,891	7,802,772
Total Assets	9,515,354	8,260,969
(b) Liabilities		
Current Liabilities	188,806	539,657
Non Current Liabilities	690,675	714,434
Total Liabilities	879,481	1,254,091
(c) Shareholders Equity		
Issued Capital	14,441,337	11,411,975
Reserves	260,903	257,354
Accumulated Losses	(6,066,367)	(4,662,451)
Total Shareholders Equity	8,635,873	7,006,878
(d) Statement of Comprehensive Income		
Net Loss attributable to members of the parent entity	(1,403,916)	(1,109,955)
Total Comprehensive Income for the period attributable to members of the parent entity.	(1,403,916)	(1,109,955)

There have been no guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries.

The Parent entity has no contingent liabilities as at the date of this report.

The Parent entity has not entered into any contractual commitments for the acquisition of property plant and equipment at the date of this report.

ECONOMIC ENTITY

2011	2010
\$	\$

NOTE 19 - CASH FLOW INFORMATION

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

Loss after income tax	(1,839,989)	(1,586,439)
Non-cash flows in loss:		
Depreciation	127,242	157,088
Share Option expense	3,549	29,299
Changes in assets and liabilities :		
Increase/(Decrease) in income taxes payable	67,514	(11,911)
Decrease in other current assets	21,599	84,285
Increase (Decrease) in payables and accruals	(289,679)	200,644
Cashflow used by Operations	(1,909,764)	(1,127,034)

(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 7)	1,451,555	571,669
------------------------------------	-----------	---------

NOTE 20 - CONTROLLED ENTITIES

Controlled Entities

	Country of Incorporation	Percentage Owned 2011	2010
Parent Entity			
Malagasy Minerals Limited	Australia	-	-
Subsidiaries of Malagasy Minerals Limited:			
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%

* A 10% interest is held 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 net loans to these subsidiaries amount to \$5,689,593 (2010: \$5,377,100). Loans to subsidiaries total \$7,535,852 (2010: \$7,223,358) with a provision for impairment of \$1,846,259.

NOTE 21 - CONTINGENT ASSETS AND LIABILITIES

The Company has entered into a Deed of Variation with Red Cat Minerals Ltd for the proposed sale of the northern portion of the Vohibory tenement area. Part of the consideration is dependent on the listing of Red Cat Minerals on ASX. This has been delayed and MGY has agreed to extend this agreement to 31/12/11.

(a) Exploration Commitments

The economic entity has no statutory obligations to perform minimum exploration work on its tenements, however the Company needs to maintain an active work program to retain its interests. Tenement rents of approximately \$308,000 per annum are payable to maintain ownership over the tenement areas.

(b) Finance Lease Commitments

There are no finance leases

(c) Operating Lease Commitments

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

ECONOMIC ENTITY

	2011 \$	2010 \$
These obligations which are not provided for in the financial statements and are payable:		
- not later than one year	10,408	32,265
- between one and five years	-	45,352
	10,408	77,617

This relates to a property lease for 2 years with an expiration date of 18 October 2011.

NOTE 22 – EVENTS SUBSEQUENT TO BALANCE DATE

There were no material events arising subsequent to 30 June 2011 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 23 - FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable. 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.

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 functional and presentation 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.

The following table shows the foreign currency risk on the financial assets and liabilities of the Groups operations denominated in currencies other than the functional currency of the operations.

2011	ECONOMIC ENTITY				
	Net Financial Assets/(liabilities) in AUD				
	MGA	AUD	USD	EURO	Total AUD
Cash	29,249	1,420,719	471	1,116	1,451,555
Receivables	60,295	-	-	-	60,295
Payables	(169,104)	(879,481)	-	-	(1,048,585)
Statement of Financial Position exposure	(79,560)	541,238	471	1,116	463,265

NOTE 23 - FINANCIAL INSTRUMENTS (CONTINUED)

2010	ECONOMIC ENTITY				
	Net Financial Assets/(liabilities) in AUD				
	MGA	AUD	USD	EURO	Total AUD
Cash	115,506	442,559	3,972	9,632	571,669
Receivables	26,576	306	-	-	26,882
Payables	(134,173)	(1,254,091)	-	-	(1,388,264)
Statement of Financial Position exposure	7,909	(811,226)	3,972	9,632	(789,713)

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

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

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

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.

Credit risk is managed to ensure that customers are of sound credit worthiness and monitoring is used to recover aged debts and assess receivables for impairment. Credit terms are generally 30 days from the invoice date. The Group has no significant concentration of credit risk with any single party with the exception of the TVA receivable from the Madagascan government relating to taxes paid on the Business Sale Agreement and Long Term Lease Agreement. These taxes are recoverable long term in accordance with existing Madagascan taxation law.

Risk is also minimized by investing surplus funds in financial institutions with a high credit rating.

Net Fair Values

For the purposes of the tables below, Net fair value has been determined in respect of financial assets and financial liabilities, with reference to the carrying amount of such assets and liabilities in the consolidated statement of financial position, determined in accordance with the accounting policies disclosed in note 1 to the financial statements. The valuation of all financial assets and liabilities has been based on inputs other than quoted prices.

Financial Liability and Financial Asset Maturity Analysis

ECONOMIC ENTITY

	Within 1 year		1 to 5 years		Over 5 years		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Liabilities due for payment								
Payables	252,910	318,717	-	-	-	-	252,910	318,717
Amounts payable to related parties	105,000	305,113	690,675	714,434	-	-	795,675	1,019,547
Total expected outflows	357,910	623,830	690,675	714,434	-	-	1,048,585	1,338,264
Financial Assets - Cash Flows Realisable								
Cash	1,451,555	571,669	-	-	-	-	1,451,555	571,669
Receivables	60,295	26,882	-	-	-	-	60,295	26,882
Total Inflow on Financial Instruments	1,511,850	598,551	-	-	-	-	1,511,850	598,551

(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 Withing Year		Non-interest Bearing		Total	
	2011 %	2010 %	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Cash	5%	3.8%	151,355	271,469	1,300,000	300,000	200	200	1,451,555	571,669
Receivables			-	-	-	-	60,295	26,882	60,295	26,882
Total Financial Assets			151,355	271,469	1,300,000	300,000	60,495	27,082	1,511,850	598,551
Payables			-	-	-	-	(1,048,585)	(1,388,264)	(1,048,585)	(1,388,264)
Total Financial Liabilities			-	-	-	-	(1,048,585)	(1,388,264)	(1,048,585)	(1,388,264)
Net Financial Assets			151,355	271,469	1,300,000	300,000	(988,090)	(1,361,182)	463,265	(789,713)

NOTE 23 - FINANCIAL INSTRUMENTS (CONTINUED)

(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 2011, 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:

	ECONOMIC ENTITY	
	2011	2010
	\$	\$
Change in profit		
Increase in interest rate by 1%	4,361	4,765
Decrease in interest rate by 1%	(4,361)	(4,765)
Change in equity		
Increase in interest rate by 1%	(4,361)	(4,765)
Decrease in interest rate by 1%	4,361	4,765

Foreign Currency Risk Sensitivity

Analysis at 30 June 2011, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Madagascan Ariary, with all other variables remaining constant is as follows:

	2011	2010
	\$	\$
Change in profit		
Improvement in AUD to MGA by 5%	(21,804)	(23,825)
Decline in AUD to MGA by 5%	21,804	23,825
Change in equity		
Improvement in AUD to MGA by 5%	21,804	23,825
Decline in AUD to MGA by 5%	(21,804)	(23,825)

NOTE 24 - STATEMENT OF OPERATIONS BY SEGMENT

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (as the chief operating decision makers) in assessing performance and determining the allocation of resources.

The group is managed primarily on the basis of geographical location as the Group's operations inherently have different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis. Reportable segments are therefore disclosed as geographical segments being Australia and Madagascar.

Basis for accounting for purpose of reporting by operating segments

- Accounting policies adopted
Unless otherwise stated, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group outlined in note 1.
- Inter-segmental transactions
Intersegment loans are recognised at the consideration received net of transaction costs. Intersegment loans are not adjusted to fair value based on market interest rates.

Significant Customers

Royalties from Labradorite Operations represents 30% of total revenue in Madagascar and this is shared between 3 customers (in 2010 the same 3 customers represented 38% of all revenue generated in Madagascar).

2011	Australia	Madagascar	Eliminations	Economic Entity
Revenue				
Other Income	60,795	789,237	-	850,032
Total Segment Revenue	60,795	789,237	-	850,032
Result				
Segment Result	(1,403,916)	(225,830)	(210,243)	(1,839,989)
Loss before income tax expense	(1,403,916)	(158,316)	(210,243)	(1,772,475)
Loss after income tax	(1,403,916)	(225,830)	(210,243)	(1,839,989)
Assets				
Segment Assets	9,515,354	4,629,272	(5,689,594)	8,455,032
Segment Liabilities	(879,481)	(169,104)	-	(1,048,585)
Other				
Acquisition of non-current segment assets	871	30,229	-	31,100
Depreciation	39,054	88,188	-	127,242

NOTE 24 - STATEMENT OF OPERATIONS BY SEGMENT (CONTINUED)

2010	Australia	Madagascar	Eliminations	Economic Entity
Revenue				
Other Income	19,284	676,395	-	695,679
Total Segment Revenue	19,284	676,395	-	695,679
Result				
Segment Result	(1,109,955)	(798,839)	322,355	(1,586,439)
Loss before income tax expense	(1,109,955)	(810,750)	322,355	(1,598,350)
Loss after income tax	(1,109,955)	(798,839)	322,355	(1,586,439)
Assets				
Segment Assets	8,260,969	3,817,383	(4,445,260)	7,633,092
Segment Liabilities	(1,254,091)	(5,837,657)	5,753,484	(1,338,264)
Other				
Acquisition of non-current segment assets	1,200	53,915	-	55,115
Depreciation	35,538	183,473	(61,923)	157,088

NOTE 25 - 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.

(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

	ECONOMIC ENTITY	
	2011 Number	2010 Number
Ordinary Shares	15,799,811	13,259,811

(b) Related Party Transactions:

	2011 \$	2010 \$
World Titanium Resources Ltd (formerly Madagascar Resources NL)	491,109	133,307
Midas Consultancy Limited	91,200	151,200
Hendry Consulting	199,873	186,800

NOTE 25 - RELATED PARTY TRANSACTIONS (CONTINUED)

World Titanium Resources Ltd (WTRL) is the holder of 10,000,000 ordinary shares in Malagasy Minerals Ltd. Mr Guy Le Clezio and Dr Peter Woods are also Directors of WTRL. WTRL are paid 70% of net labradorite royalty receipts from existing contracts as per the Share Sale Agreement. At 30 June 2011, WTRL is owed \$795,675. During the financial year WTRL was paid \$251,362 pursuant to a Termination and Release of Implementation Agreement to cease the proposed merger, plus \$239,747 for Royalties.

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 had been engaged under a Consultancy Agreement through Midas Consulting for a three year period that commenced 6 April 2007. This agreement ceased upon Mr Le Clezio's resignation on 31 December 2010.

Hendry Consulting is the holder of 2,000,000 unlisted 20 cent options in Malagasy Minerals that expire on 3 July 2013. Mr Steven Goertz is a Director of Hendry Consulting. Mr Steven Goertz has been engaged under a Consultancy Agreement through Hendry Consulting for a three year period that commenced 7 July 2008. Mr Steven Goertz resigned as a Director of Malagasy Minerals on 11 June 2011.

ECONOMIC ENTITY

	2011 \$	2010 \$
--	------------	------------

NOTE 26 - AUDITORS REMUNERATION

Amount payable to Crowe Horwath as Auditor
Auditing or reviewing the financial report

35,000	29,500
35,000	29,500

Amounts payable to non Crowe Horwath firms for the audit and review of the financial reports of subsidiary companies was \$7,000 (2010: \$7,002)

NOTE 27 - SHARE BASED PAYMENTS

The following Share-based payment arrangements existed at 30 June 2011.

Options

2011				2010			
Grant Date	No. of Options	Exercise Price	Expiry Date	Grant Date	No. of Options	Exercise Price	Expiry Date
27/06/2008	1,000,000	\$0.20	26/06/2013	27/06/2008	1,000,000	\$0.20	26/06/2013
01/12/2008	2,000,000	\$0.20	01/12/2013	01/12/2008	2,000,000	\$0.20	01/12/2013
01/12/2008	1,000,000	\$0.20	03/07/2013	01/12/2008	1,000,000	\$0.20	03/07/2013
01/12/2008	1,000,000	\$0.20	03/07/2013	01/12/2008	1,000,000	\$0.20	03/07/2013
02/04/2009	4,003,600	\$0.20	07/07/2013	02/04/2009	4,003,600	\$0.20	07/07/2013
	9,003,600				9,003,600		

None of the options hold voting or dividend rights.

NOTE 27 - SHARE BASED PAYMENTS (CONTINUED)

	2011		2010	
	No of Options	Exercise Price	No of Options	Exercise Price
Outstanding at the beginning of the period	9,003,600	\$0.20	9,003,600	\$0.20
Granted during the period	-	-	-	-
Outstanding at period end	9,003,600	\$0.20	9,003,600	\$0.20
Exercisable at period end	4,000,000	\$0.20	4,000,000	\$0.20

2011

The weighted average fair value of the options vested during the period was \$3,549.

This price was calculated using a Black Scholes option pricing model applying the following inputs:

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

The volatility factor is based on an average of comparable companies historic data.

2010

The weighted average fair value of the options vested during the period was \$29,299.

This price was calculated using a Black Scholes option pricing model applying the following inputs:

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

The volatility factor is based on an average of comparable companies historic data.

NOTE 28 - COMPANY DETAILS

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

The principal place of business is:
Mada-Aust SARL
Batiment L Cite' BRGM, Rue Farafaty
Ampandrianemby – Antananarivo 101
Madagascar

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 36 to 68 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 2011 and of the performance for the year ended on that date of the 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 report also complies with International Financial Reporting Standards as disclosed in Note 1; and
 - (d) the financial statements and notes for the financial year give a true and fair view;
3. the remuneration disclosures that are contained in the Remuneration Report in the Directors Report comply with Australian Accounting Standards AASB 124 Related Party Disclosures the Corporations Act 2001 and the Corporations Regulations 2001.
4. 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 M.D.J. Cozijn
Chairman



Mr G.F. Le Clezio
Director

Perth, Western Australia
22nd September 2011



REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Malagasy Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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.

Opinion

In our opinion:

- (a) the financial report of Malagasy Minerals Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the consolidated 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 31 to 33 of the directors' report for the year ended 30 June 2011. The directors 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.

Opinion

In our opinion the Remuneration Report for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



CROWE HORWATH PERTH



CYRUS PATELL

Partner

Signed at Perth, 22 September 2011



SHAREHOLDER INFORMATION

1. Shareholding

The shareholder information set out below was applicable as at 20th September 2011:

(a) **Distribution of Share Holdings as at 20th September 2011**

Size of Holding and Option Holdings	Number of Shareholders
1 - 1,000	7
1,001 - 5,000	35
5,001 - 10,000	81
10,001 - 100,000	416
100,001 and over	218
Total Shareholders	757

(b) *Of the above total 169 Ordinary Shareholders hold less than a marketable parcel.*

(c) **Substantial Shareholders**

World Titanium Resources Ltd holds 10,000,000 ordinary shares representing 6.39% 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 (08) 9463 6656.

4. The register of securities is held at;

Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross WA 6153, Telephone +61 (08) 9315 2333.

5. Stock Exchange Listing

Quotation has been granted for 156,562,504 ordinary shares on all member exchanges of the Australian Stock Exchange Limited ("ASX") and trade under the symbol 'MGY'.

6. Unquoted Securities - Shares

There are no unquoted ordinary shares at the date of this report with all securities released from escrow on 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 6 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 20th September 2011

SHAREHOLDERS (Fully Paid Ordinary)	NUMBER OF SHARES	%
WORLD TITANIUM RESOURCES LTD	10,000,000	6.39%
NEFCO NOMINEES PL	8,125,000	5.19%
DIPLOMAT HOLDINGS PL	7,500,000	4.79%
MIDAS CONSULTANCY LTD	5,000,000	3.19%
GOERTZ SUPERFUND A/C	4,550,000	2.91%
TEMMEDO PL	3,700,000	2.37%
LEET INVESTMENTS PL	3,300,000	2.11%
MAD HOLDINGS LTD	3,125,000	2.00%
RENE LEGOLL	2,700,000	1.72%
LEET INVESTMENTS PL S/F	2,500,000	1.60%
RUPERT MCCAMMON	2,500,000	1.60%
TALEX INVESTMENTS PL	2,010,000	1.28%
ROBERT SMYTHE SUPERFUND	2,010,000	1.28%
H WANG & L CHEN	1,984,382	1.27%
BOND STREET CUSTOMERS LTD	1,875,000	1.20%
TRISTESSE PL	1,730,000	1.10%
RUNNING WATER LTD	1,631,832	1.04%
TOLTEC HOLDINGS PL	1,617,478	1.03%
FGL ASSET MANAGEMENT LTD	1,500,000	0.96%
BUSSELTON DENTAL PL	1,330,000	0.85%
TOP 20 SHAREHOLDERS	68,688,692	43.88%
TOTAL ISSUED SHARES as at 20	156,562,504	100.00%

GROUP TENEMENT SCHEDULE

100% OWNED

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	Total Carres (New - 0.391km2)	Minerals Currently under Title	Notes
						4752		
3432	PR	18/06/2001	18/06/2011	10	Ampanihy - Central	1648	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	1
5391	PE	20/11/2002	20/11/2042	40	Ampanihy - lanapera	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	2
5392	PE	20/11/2002	20/11/2042	40	Ampanihy - lanapera	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	2
5393	PE	20/11/2002	20/11/2042	40	Ampanihy - lanapera	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	2
5394	PE	20/11/2002	20/11/2042	40	Ampanihy - Maniry	48	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	3
12834	PR	01/03/2005	01/03/2015	10	Majunga	64	Ilmenite	
13063m	PR	04/02/2005	04/02/2015	10	Vohibory	240	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
13063s	PR	04/02/2005	04/02/2015	10	Vohibory	96	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	4
13064	PR	04/02/2005	04/02/2015	10	Fotadrevo	48	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
13089	PR	04/02/2005	04/02/2015	10	Ampanihy - Maniry	48	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
13508	PR	04/02/2005	04/02/2015	10	Vohibory	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	4
13811	PR	14/03/2005	14/02/2015	10	Ampanihy - Maniry	48	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
13812	PR	14/03/2005	14/02/2015	10	Ampanihy - Maniry	32	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
13827	PR	14/03/2005	14/02/2015	10	Ampanihy - lanapera	192	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
13829	PR	14/03/2005	14/02/2015	10	Vohibory	32	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
13832	PR	14/03/2005	14/03/2015	10	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
14618	PR	26/01/2005	26/01/2015	10	Ampanihy - lanapera	32	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
14619	PR	26/01/2005	26/01/2015	10	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	Total Carres (New - 0.391km2)	Minerals Currently under Title	Notes
14620	PR	26/01/2005	26/01/2015	10	Fotadrevo	48	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
14622	PR	26/01/2005	26/01/2015	10	Fotadrevo	64	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
14623	PR	26/01/2005	26/01/2015	10	Ampanihy - lanapera	112	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
16746	PR	09/09/2005	09/09/2015	10	Ampanihy - lanapera	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
16747	PR	09/09/2005	09/09/2015	10	Ampanihy - Maniry	48	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
16749	PR	09/09/2005	09/09/2015	10	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
16750	PR	09/09/2005	09/09/2015	10	Ampanihy - Maniry	32	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
16753	PR	09/09/2005	09/09/2015	10	Ampanihy - Maniry	48	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
18915	PR	10/03/2006	10/03/2016	10	Anjeba (Antinimora/ Jafaro)	112	Cu, Ni, Co, Mn, Ag, Zn, Fe, Au	
18916	PR	23/02/2006	23/02/2016	10	Anjeba (Antinimora/ Jafaro)	32	Cu, Ni, Co, Mn, Ag, Zn, Fe, Au	
19003	PR	23/02/2006	22/02/2016	10	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
19851	PR	04/02/2005	04/02/2015	10	Fotadrevo	32	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
19932	PE	10/03/2006	09/03/2046	40	Ampanihy - Maniry	112	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	5
19933	PE	10/03/2006	09/03/2046	40	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	5
19934	PR	26/01/2005	26/01/2015	10	Fotadrevo	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
19935	PR	26/01/2005	26/01/2015	10	Fotadrevo	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
21059	PR	14/09/2007	14/09/2012	5	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	

GROUP TENEMENT SCHEDULE (CONTINUED)

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	Total Carres (New - 0.391km2)	Minerals Currently under Title	Notes
21060	PR	30/10/2006	30/10/2016	10	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
21061	PR	30/10/2006	30/10/2016	10	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
21062	PR	03/10/2007	03/10/2012	5	Ampanihy - Maniry	32	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
21063	PR	30/10/2006	30/10/2016	10	Ampanihy - Maniry	32	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
21064	PR	30/10/2006	30/10/2016	10	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag	
24864	PR	08/05/2007	08/05/2012	5	Fotadrevo	48	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	
25093	PE	18/01/2007	18/01/2047	40	Ampanihy - lanapera	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	6
25094	PE	18/01/2007	18/01/2047	40	Ampanihy - lanapera	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	6
25095	PE	18/01/2007	18/01/2047	40	Ampanihy - Maniry	48	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	6
25605	PR	18/06/2001	18/06/2011	10	Ampanihy - Maniry	80	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite, V, Ti	7
25606	PR	18/06/2001	18/06/2011	10	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Labradorite	8
28340	PR	1/08/2008	1/08/2013	5	Fotadrevo	160	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
28341	PR	1/08/2008	1/08/2013	5	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
28345	PR	1/08/2008	1/08/2013	5	Ampanihy - Maniry	48	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
28346	PR	1/08/2008	1/08/2013	5	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
28347	PR	1/08/2008	1/08/2013	5	Fotadrevo	112	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
28348	PR	1/08/2008	1/08/2013	5	Fotadrevo	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
28349	PR	1/08/2008	1/08/2013	5	Fotadrevo	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	Total Carres (New - 0.391km2)	Minerals Currently under Title	Notes
28352	PR	1/08/2008	1/08/2013	5	Fotadrevo	96	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
28353	PR	1/08/2008	1/08/2013	5	Fotadrevo	96	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn, V, Ti	
29020	PR	26/10/2007	26/10/2012	5	Fotadrevo	32	Ni, Cu, Fe, Mn, Au, Ag, Zn, U, Th, Ta, Nb, Sc, V, Ti	
29082	PR	9/12/2008	9/12/2013	5	Tranomaro	224	Cu, Fe, Mn, Au, Ag, Zn, Ni, Co	
29084	PR	9/12/2008	9/12/2013	5	Tranomaro	16	Cu, Fe, Mn, Au, Ag, Zn, Ni, Co	
29085	PR	9/12/2008	9/12/2013	5	Tranomaro	144	Cu, Fe, Mn, Au, Ag, Zn, Ni, Co	
31733	PR	11/02/2009	11/02/2014	5	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
31734	PR	11/02/2009	11/02/2014	5	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	
31735	PR	11/02/2009	11/02/2014	5	Ampanihy - Maniry	16	Ni, Cu, Co, Cr, Fe, Mn, Pt, Pd, Rh, Au, Ag, Zn	

Group Tenement Schedule Notes

1. EUROMAD (1) & MAGRAMA (13) & SQNY (2) - Royalty and partial tenement fees payable to MDA (renewal for 3 years processed on 17/08/11 – awaiting confirmation from BCMM)
2. EUROMAD - Royalty and partial tenement fees payable to MDA
3. EUROMAD (2 squares)- Royalty and partial tenement fees payable to MDA
4. Red Cat Option
5. MAGRAMA - Royalty & Partial Tenement Fees Payable to MDA
6. SQNY - Royalty and Partial Tenement Fees Payable to MDA
7. Carres (3) LBD royalty to MAGRAMA - Carre (1) to EUROMAD. (renewal for 3 years processed on 17/08/11 – awaiting confirmation from BCMM)
8. MAGRAMA – Royalty & Partial Tenement Fees Payable to MDA. (renewal for 3 years processed on 17/08/11 - awaiting confirmation from BCMM)

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

**Registered and Corporate Office**

Unit 7, 11 Colin Grove
WEST PERTH WA 6005

Telephone: +61 8 9463-6656
Facsimile: +61 8 9463-6657

Madagascar Operations Office

Batiment L Cite ex-BRGM, Rue Farafaty
Ampandrianomby – Antananarivo 101
MADAGASCAR

Telephone: +261 20 22 416 63
+261 20 22 591 34
Facsimile: +261 20 22 591 32

www.malagasyminerals.com