



ANNUAL REPORT

TO 30TH JUNE 2013

Corporate Directory

Directors

Guy LeClezio – Non-Executive Chairman
Peter Woods – Non-Executive Director
Graeme Boden – Non-Executive Director
Peter Langworthy – Non-Executive Director

Country Manager Madagascar

Jean Luc Marquetoux

Company Secretaries

Graeme Boden
Natasha Forde

Registered and Corporate Office

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Postal Address

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Madagascar Operations Office

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Share Registry

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Telephone: +61 8 9315 2333
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Stock Exchange Listing

Australian Securities Exchange
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 Wednesday 27th November 2013.

Web Site

Visit our website at:
www.malagasyminerals.com

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

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Operating and Financial Review

OPERATIONS REVIEW

HIGHLIGHTS

Malagasy Minerals Ltd (“Malagasy”) has established a large exploration project in Southern Madagascar that is highly prospective for both **mafic-ultramafic intrusive related magmatic nickel-copper-platinum group metals (“PGM”) deposits** and **high-grade, high quality graphite deposits**.

During the year significant progress has been made in defining these opportunities and highlighting the programs of exploration to take them forward over the next year. Key outcomes established over the past 12 months include:

- The confirmation of a potential new major nickel-copper-PGM province at the Ampanihy Project with the discovery of an extensive suite of mafic-ultramafic intrusive rocks that have been demonstrated to contain magmatic nickel-copper sulphides;
- Major advancement of the Molo Graphite Joint Venture with the reporting of a maiden JORC and NI 43-101 compliant indicated and inferred mineral resource, the establishment of a positive Preliminary Economic Assessment (“PEA”) study and positive results returned from initial programs of metallurgical testwork; and
- Identification of the potential of Malagasy’s 100% owned tenements to host large-scale, high quality graphite deposits.

EXPLORATION PROJECTS

Malagasy has consolidated a large exploration project in Southern Madagascar over an area of approximately 1,858 km² (Figure 1).

The main **Ampanihy Project** covers approximately 110km of a Proterozoic aged major tectono-structural corridor that is highly prospective for mafic-ultramafic intrusive related magmatic nickel-copper-platinum group metals (“PGM”) deposits and high-grade, high quality graphite deposits. The project is sub-divided into 3 key projects; Ianapera (North), Fotadrevo (Central) and Maniry (South).

The second major exploration focus is the **Vohibory Project** located to the north west of Ampanihy. The project has recently been identified as being host to a large-scale mafic-ultramafic intrusion and exploration programs are now planned to determine the potential for hosting significant nickel-copper-PGM deposits.

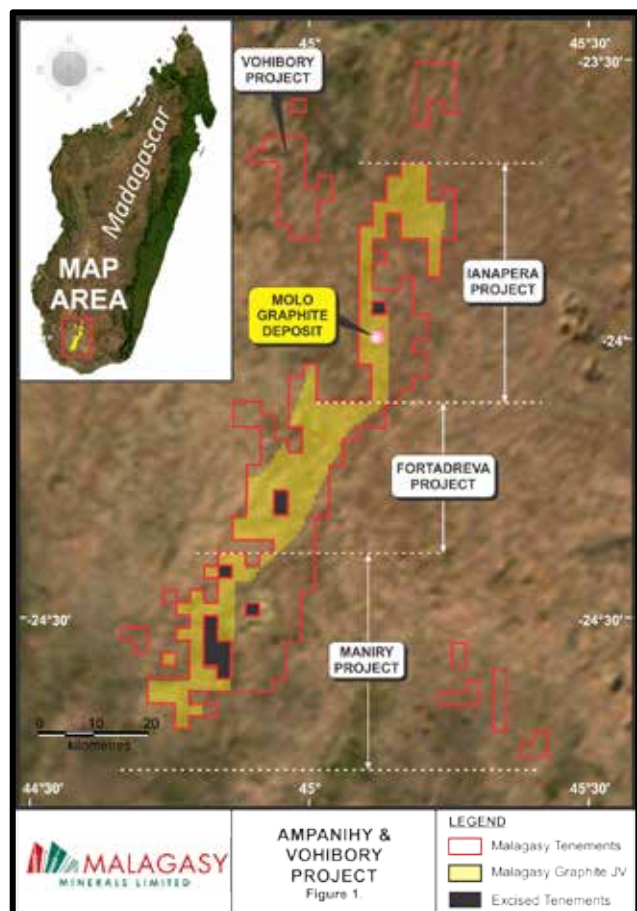


Figure 1 – Ampanihy Project Location Plan

Operating and Financial Review (Continued)

Ampanihy Project

Nickel-Copper-Platinum Group Metal Exploration (100% Malagasy Minerals Limited)

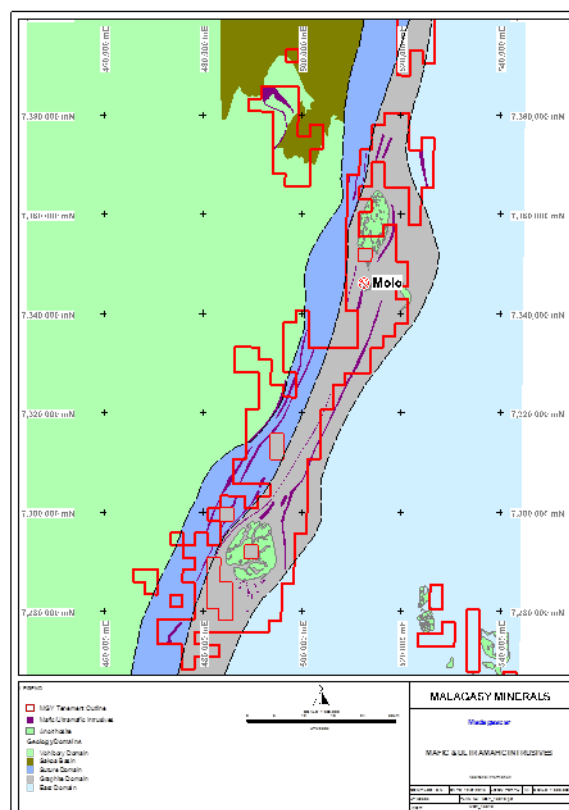
Malagasy Minerals owns 100% of the rights to explore for base and precious metal deposits across the Ampanihy Project. The Company is exploring for World-Class mafic-ultramafic intrusive related magmatic nickel-copper-platinum group metal deposits with similarities to the Voisey's Bay Deposit, Canada.

Malagasy initially commenced exploration for mafic-ultramafic intrusive related magmatic nickel-copper-platinum group metals (PGM) at the 100% owned Ampanihy Project during 2009. This included flying of a regional VTEM survey (2009) and a program of reconnaissance diamond drilling (2011). The key target identified within the project area is the Ampanihy Shear Zone; a major tectono-structural feature that is documented as a major crustal suture zone marking the collision of two tectonic plates. Through the presence of a number of large anorthosite intrusions it is inferred that mantle tapping magmatic processes have been active and these have provided a pathway for the emplacement of a suite of mafic-ultramafic intrusive rocks. It is this suite of rocks that is the target for magmatic nickel-copper-PGM deposits.

Initial exploration by Malagasy targeted the immediate area around the lanapera anorthosite intrusion and focused on testing a series of VTEM targets that in places are interpreted to coincide with mapped nickel-copper gossans. A number of these targets were selected for diamond drill testing. The drilling intersected zones of low-tenor sulphides (iron-rich sulphides with trace associated nickel and copper) that importantly are interpreted to be magmatic in nature and are hosted in the basal part of a mafic (gabbroic) intrusive unit. This result successfully demonstrates that the critical intrusive and sulphide forming processes required to form magmatic nickel-copper-PGM deposits associated with mafic-ultramafic rocks have taken place at Ampanihy.

Exploration during 2013 has established the following:

- Confirmation that the Ampanihy Project is host to a major suite of mafic-ultramafic intrusive rocks that are considered highly prospective to host magmatic nickel-copper-platinum group metal deposits;
- Identification of a suite of interpreted sills and/or dykes consisting of gabbro (troctolite), pyroxenite and peridotite rock that have been mapped along multiple horizons over at least 110km of strike within Malagasy's tenement holdings. This suite of intrusions is considered to form a distinct **"magmatic province"** (Figure 2);
- Confirmation of the presence of magmatic sulphides (low-tenor Fe-Ni-Cu) associated with intrusive mafic-ultramafic rocks at a number of locations. The presence of these sulphides indicates that the critical process of sulphur saturation has occurred and that potential exists for the formation of magmatic nickel-copper-PGM deposits; and
- The application of high-quality pXRF geochemical analysis can be applied as an effective tool to identify the prospective mafic-ultramafic stratigraphy and to highlight areas for immediate follow-up.



(Figure 2) – Ampanihy Project Geological Domain and Mafic-Ultramafic Rock Distribution Summary Map

Malagasy Minerals believes these results support the view that the 100% owned Ampanihy Project can be demonstrated to be a newly discovered mafic-ultramafic intrusive province. The definition of magmatic sulphides at a number of locations across the project supports the interpretation that the critical

Operating and Financial Review (Continued)

sulphide forming process has taken place and that potential exists for the development of accumulations of nickel-copper-PGM sulphide bodies.

The next phase of exploration will provide both a broad assessment of the entire project and commence more detailed programs in specific areas that warrant immediate follow-up.

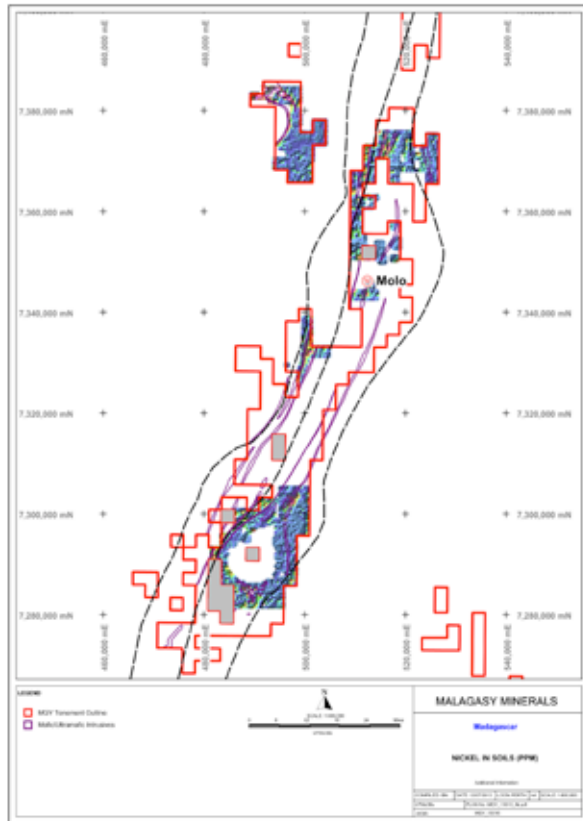


Figure 3 – Ampanihy Project Nickel Geochemical Sampling Results

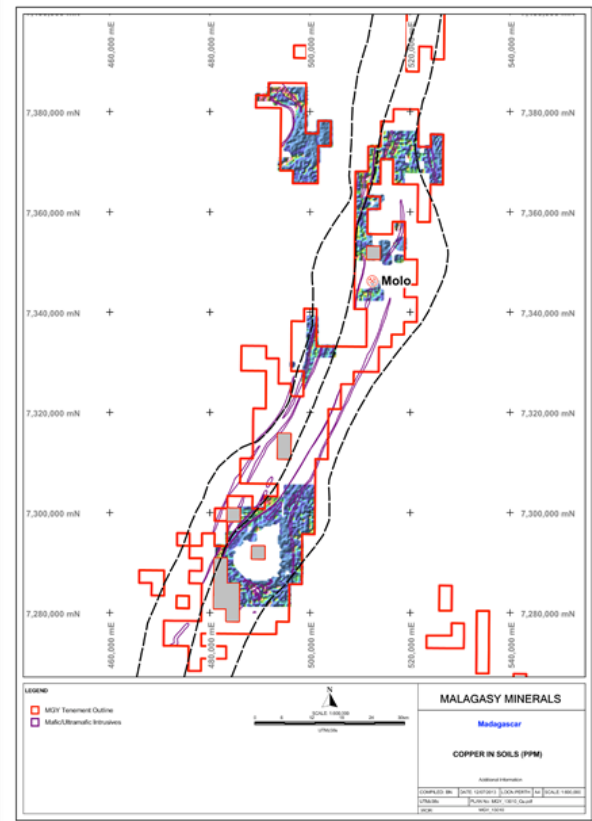


Figure 4 – Ampanihy Project Copper Geochemical Sampling Results

Molo Graphite Joint Venture (25% Malagasy Minerals Limited)

The Molo Graphite Project is part of an exploration and development joint venture with TSX-listed Canadian exploration company Energizer Resources Inc. (TSX code: EGZ). The joint venture covers industrial minerals, including graphite and vanadium, and incorporates approximately 40% of Malagasy's Ampanihy Project. Malagasy Minerals owns a 25% free-carried interest through to completion of a bankable feasibility study.

During 2013 the Molo Graphite Project has reached a series of important benchmarks:

- A maiden JORC and NI 43-101 mineral resource was announced during December 2012. An indicated and inferred resource of 124 million tonnes @ 6.3%C (reported at a 2%C cut-off grade) has now been established for the Molo Deposit (Table 1);

Table (1) - MOLO GRAPHITE DEPOSIT RESOURCE ESTIMATION SUMMARY			
Classification	Tonnes (mt)	Grade (C%)*	Cut-off grade (C%)
Indicated	84.0	6.3	2%
Inferred	40.3	6.3	2%
TOTAL	124.4	6.3	2%
"High-grade" Ind & Inf	60.1	8.1	4%

Operating and Financial Review (Continued)

- A positive Preliminary Economic Assessment (“PEA”) Study completed by DRA Mineral Projects (“DRA”) of Johannesburg, South Africa was released as a Canadian National Instrument 43-101 technical report in February 2013. The study outcomes were based on a 20-year mine life producing 84,000 tonnes of large flake graphite concentrate per year with an average specification of 92%C;
- A program of metallurgical testwork was completed and reported in July 2013 that achieved the following critical outcomes:
 - Achievement of greater than 99.9% graphitic carbon from a finished concentrate product;
 - Ultra-high purity graphite concentrate of greater than 99.9%C achieved through a first-pass, single-stage hydrometallurgical purification test at SGS Canada Inc.;
 - The analysis by SGS that achieved this result comprised of an average of five repeat assays on the concentrate over a two day period; and
 - A carbon speciation of the two composite samples provided to SGS that were used to generate the concentrate revealed that total organic carbon and carbonate carbon concentrations were below the analytical detection limit of 0.05%. These preliminary results suggest that essentially all carbon contained in the sample was present in the form of graphitic carbon.

These results will form the basis for optimisation studies moving forward into the next year and will target enhancing both the CAPEX and OPEX numbers outlined in the previously reported Preliminary Economic Assessment Study.

Graphite Exploration (100% Malagasy Minerals Limited)

In addition to holding a 25% free carried interest in the Molo Project area, Malagasy retains a 100% interest in the remaining 60% of the tenements that lie within the Company’s Ampanihy Project. Exploration for graphite on these tenements has highlighted the potential for additional high-quality flake graphite deposits to be delineated across the project.

Malagasy has been working to a strategy to define the potential of the 100% held ground to host additional high-grade graphite deposits that would have the potential to either enhance, or be enhanced by, the development of the Molo Graphite JV Deposit. Malagasy is targeting a high-grade resource base of >5,000,000 tonnes at a graphite grade of +15%C, with a particular focus on identifying near surface deposits that can be assessed quickly and at modest cost.

Graphite exploration over the past 12 months has focused on two key areas (Figure 5):

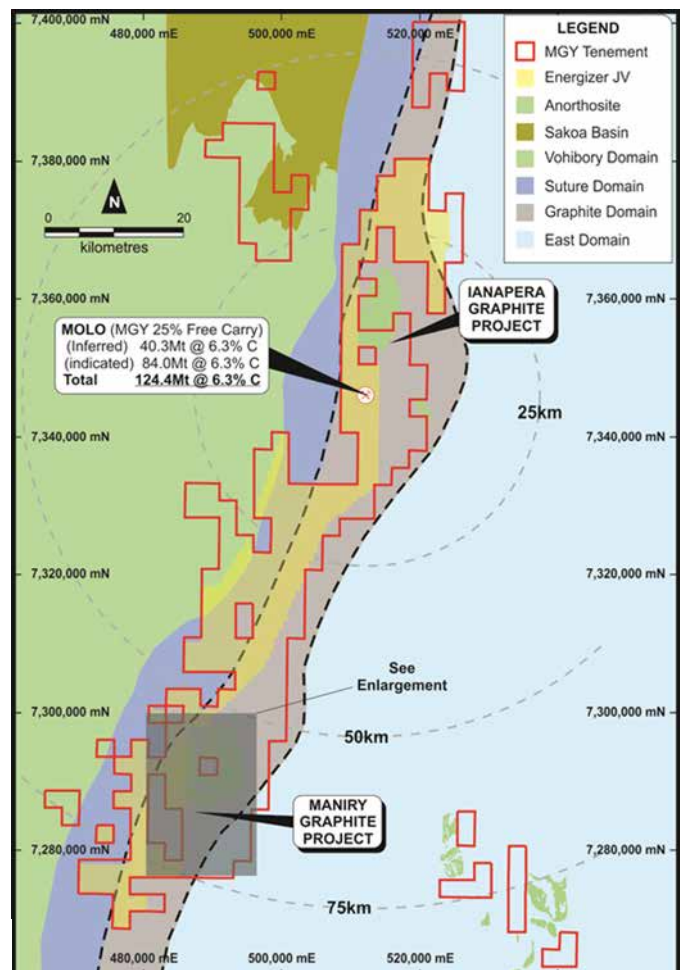


Figure (5) – Graphite Project Location Plan

Operating and Financial Review (Continued)

The **Ianapera Graphite Project** is located within 10 kilometres of the Molo Graphite Deposit (Figure 6) and consists of a series of high-grade outcrops of graphite mineralisation within a broader graphite trend. These high-grade near surface exposures of graphite mineralisation have the potential to collectively meet the stated resource target. Importantly, these high-grade graphite exposures can be demonstrated to lie over the top of a large conductive body as defined in the airborne electromagnetic data (VTEM) (Figure 6). Graphite is highly conductive and this may indicate the presence of a large graphitic mineralized system.

Exploration consisting of geophysical interpretation, detailed mapping and outcrop sampling has identified three target areas that have currently delineated dimensions up to 800 metres long by 30 metres wide. Rock chip results over 15%C (Table 2) were consistently collected across these positions.

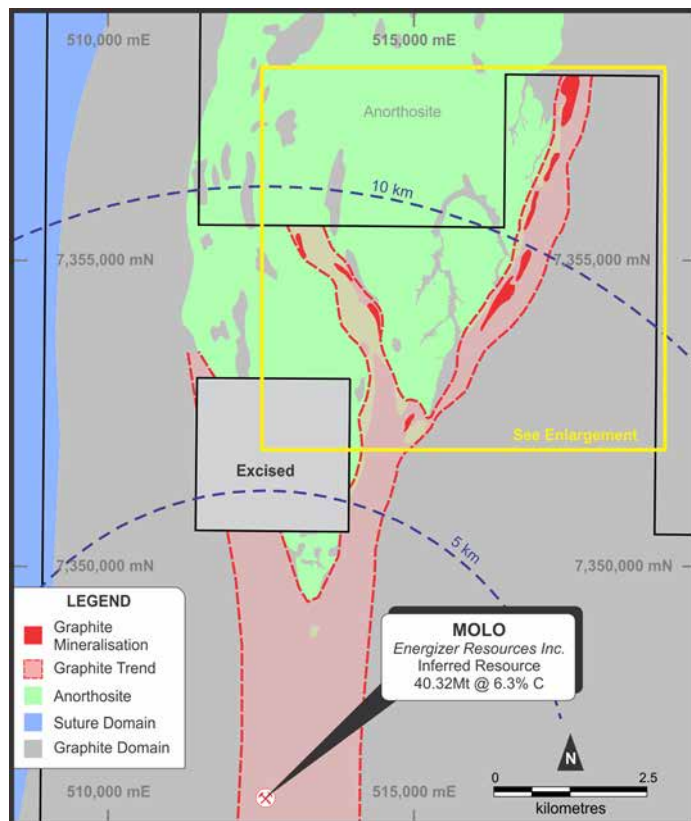


Figure (6) – Ianapera Graphite Project Summary Geology

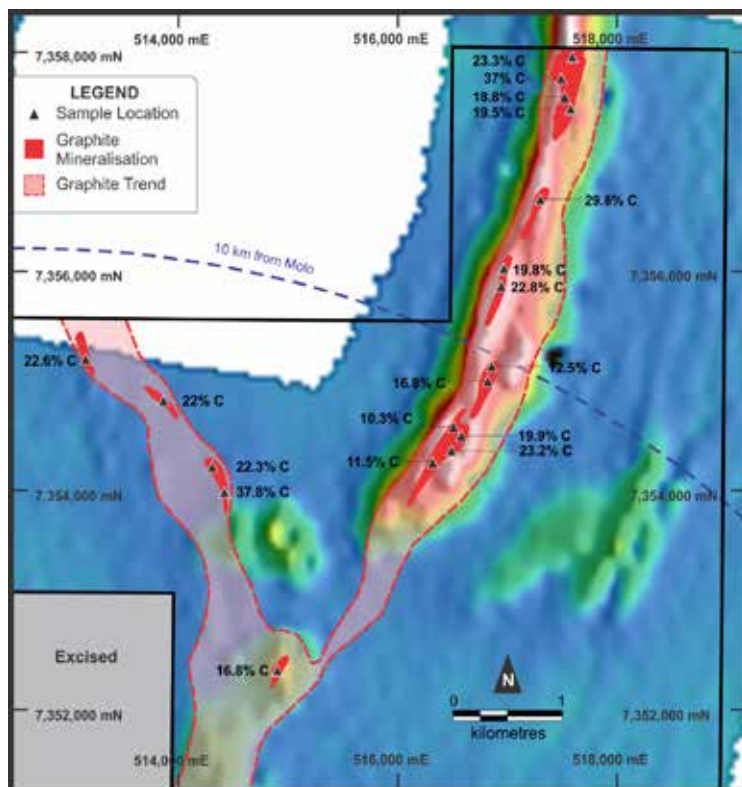


Figure (7) – Ianapera Graphite Project Rock Chip Results on VTEM

Sample No	Easting	Northing	C %
MD05745	517525	7357979	23.3
MD05747	517397	7357743	37.0
MD05748	517540	7357500	19.5
MD05753	517294	7356612	29.8
MD05755	516971	7355945	22.8
MD05759	514664	7353457	10.3
MD05769	516871	7355038	16.8
MD05771	516429	7354373	23.2
MD05773	513170	7355149	22.6
MD05774	513866	7354800	22.0
MD05775	514351	7354153	22.3
MD05784	516854	7355192	12.5
MD05786	516611	7354421	19.9
MD05789	514394	7353987	37.8
MD05792	514920	7352389	16.8

Table (2) - Analysis completed by Genalysis-Intertek Laboratories (Perth). The analytical method was CSA (Total Carbon and Sulphur by CS analyser) detection limit of 0.01% - 50%C.

Operating and Financial Review (Continued)

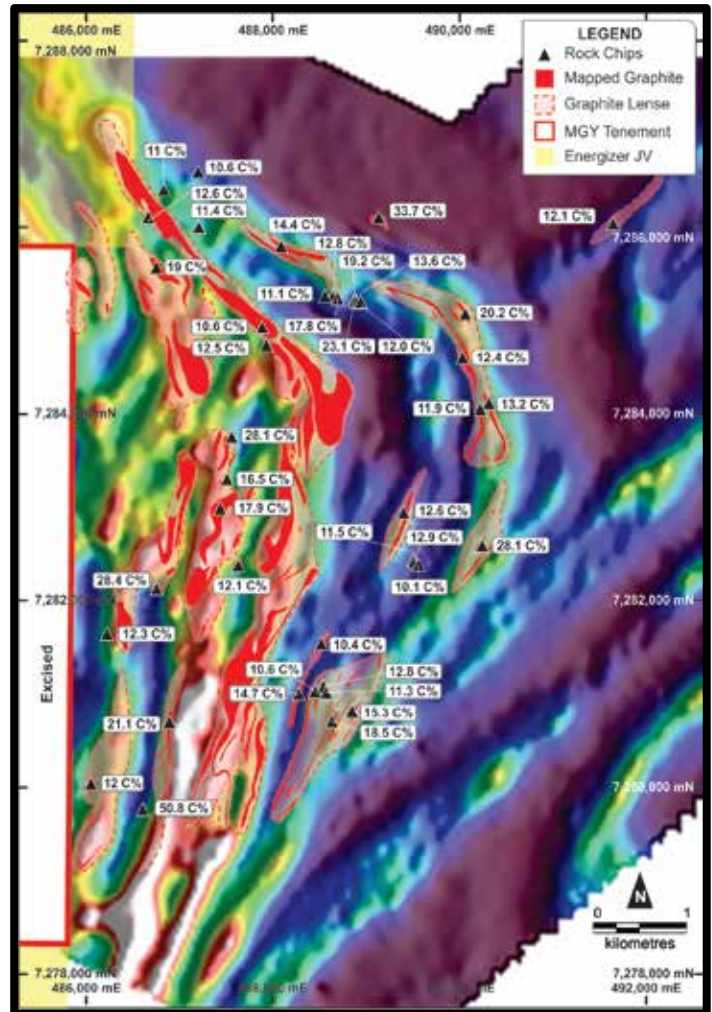
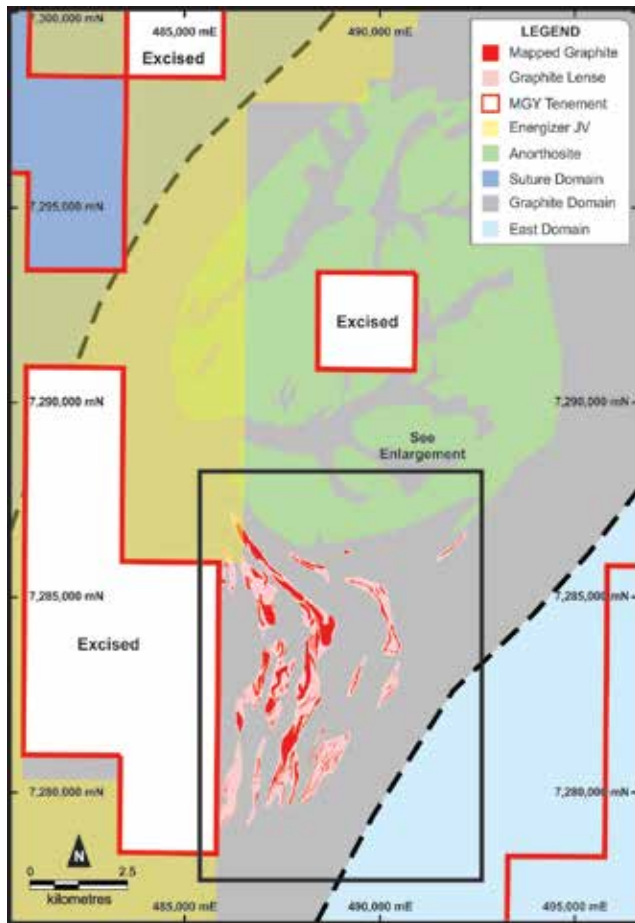
The second area of focus is the **Maniry Graphite Project** in the south of Malagasy's tenement holdings where exploration has identified a series of large, high-grade outcrops of graphite mineralisation (peak result 50.8%C) within a broader graphite trend over an area of approximately 8km x 4km.

These high-grade near surface exposures of graphite mineralisation clearly demonstrate the potential for the Maniry Project to host a significant graphite deposit. Importantly, these high-grade graphite exposures can be demonstrated to lie over the top of a large conductive body as defined in the airborne electromagnetic data (VTEM) (Figure 8). Graphite is highly conductive and this may indicate the presence of a large graphitic mineralized system. Results of a selection of the rock chip sampling program are provided in Table 3.

Table (3) – Maniry Project Graphite Assay Results			
Sample No	Easting	Northing	C %
MD05883	489148	7286108	33.70
MD05888	486744	7282097	28.40
MD05886	487557	7283740	28.10
MD05889	486885	7280652	21.10
MD05918	490079	7285071	20.20
MD05930	488644	7280660	18.50
MD05887	487435	7282960	17.90
MD05934	487504	7283278	16.50
MD05931	488858	7280769	15.30
MD05892	488091	7285801	14.40
MD05949	485966	7286158	13.00
MN36728	488885	7285221	19.15
MD37729	488890	7285200	13.57
MD36730	488911	7285177	23.07
MD36733	488708	7285224	17.79
MD36735	490318	7284103	13.16
MD36742	490249	7282590	28.11
MD36739	489523	7282420	12.94
MD36746	488294	7281010	14.69
MD36750	485605	7281412	24.92
MD36751	485608	7281580	15.68
MD36755	486627	7279776	50.78
MD36763	486397	7286528	15.71
MD36762	486418	7286564	20.53
MD36768	486773	7285551	19.00

Table (3) - Analysis completed by Genalysis-Intertek Laboratories (Perth). The analytical method was CSA (Total Carbon and Sulphur by CS analyser) detection limit of 0.01% - 50%C.

The next phase of graphite exploration at both the **Ianapera and Maniry Projects** during 2014 will involve more detailed and systematic sampling and mapping across key areas that have been determined to have the potential to host large, high grade, high quality graphite deposits.



Operating and Financial Review (Continued)

- Follow-up assessment of the Mo-Se anomaly for Rare Earth Elements (REE) by preliminary XRF analysis has identified a coherent set of anomalous values for Cerium (Ce), Lanthanum (La), Neodymium (Nd), Praseodymium (Pr) and Yttrium (Y);
- 9 samples out of 124 (~9%) have combined REE values of >1400ppm. Peak values for each REE are:

\$	Ce	496ppm
\$	La	337ppm
\$	Nd	942ppm
\$	Pr	506ppm
\$	Y	228ppm

- The REE's appear to lie outboard and zone the Mo-Se-U-Pb anomaly;
- Mapping of the area has defined a suite of granitic intrusive rocks that appear to be spatially associated with the anomalous geochemistry. Additional evaluation of the geology is required to determine the potential source and the association of these results; and
- More definitive sampling and assaying will be required to fully understand the potential of these results.

These results demonstrate that the greater Ampanihy Project has the potential to host a range of deposit styles in an easily accessible, under-explored and low-cost geological province. Whilst the key focus remains on exploring for mafic-ultramafic intrusive related nickel-copper-PGM deposits and evaluating the potential of the project to host world-class graphite deposits the potential for other commodities and styles of deposits cannot be ignored. The application of fundamental, but high quality exploration techniques will continue to be utilized in Malagasy Minerals' approach to exploration.

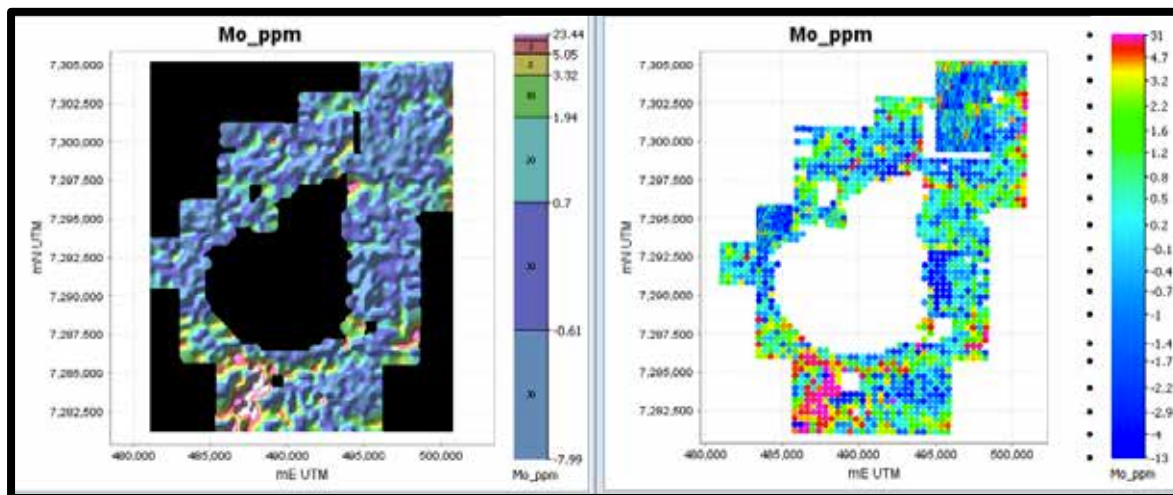


Figure (10) – Maniry Project Molybdenum Geochemical Image

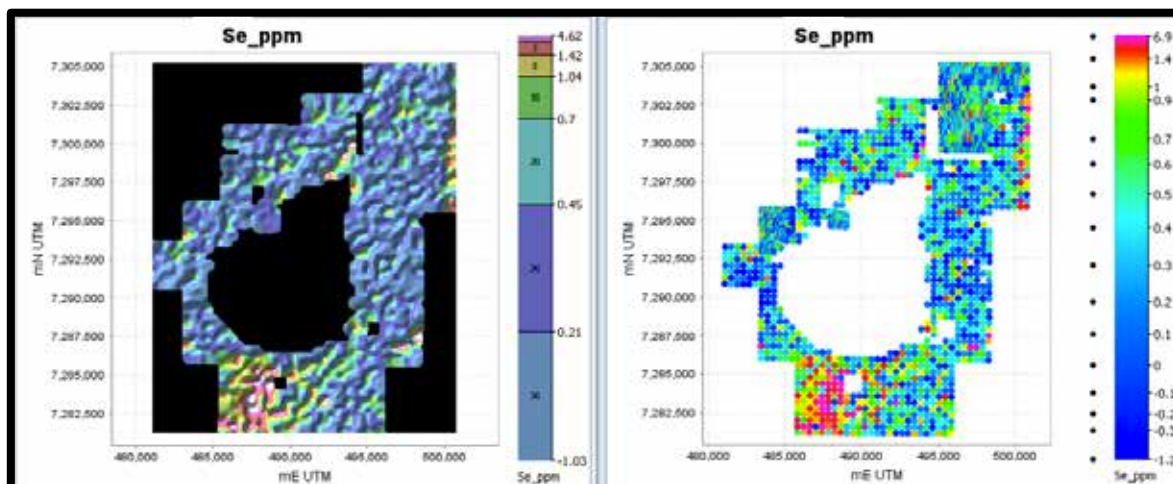


Figure (11) – Maniry Project Selenium Geochemical Image

Operating and Financial Review (Continued)

Vohibory Project

Nickel-Copper-Platinum Group Metal Exploration (100% Malagasy Minerals Limited)

The Vohibory Project is located 20km to the north west of the Ampanihy Project and covers an area of 106 km² (Figure 1.). The project has been identified as being highly prospective for both mafic-ultramafic hosted nickel-copper-PGM and copper-gold volcanic hosted massive sulphide (“VMS”) deposits.

An evaluation exploration program including reconnaissance field work undertaken during the year has identified the presence of a large mafic-ultramafic intrusion with anomalous nickel and copper geochemistry. Evaluation of this intrusion will continue into 2014 with programs of more detailed mapping, geochemical sampling and lithogeochemical evaluation. A series of previously modelled VTEM conductors have been re-assessed. Previous attempts to drill these target conductors has proved to be incomplete.

In addition to the nickel-copper-PGM prospectivity the Vohibory Project remains prospective for copper-gold (zinc-lead) volcanic hosted massive sulphide deposits. This prospectivity is demonstrated by widespread surface mineralisation (up to 29% Cu, 8.33g/t Au and 206g/t Ag) that has been identified at a number of priority targets. In addition limited previous drilling has returned wide zones of anomalous copper, gold and silver. It is also worth noting that Sunridge Gold Corp Besakoa Project lies to the immediate south in the same stratigraphic position.

FINANCIAL REVIEW

Business Strategy

Malagasy Minerals is a mineral exploration company with granted tenements all located in south-west Madagascar.

The company strategy is to try to fund at least the standing costs associate with its Madagascar exploration effort through revenue generated in Madagascar. There are four components to this strategy:

- Commercial rental of parts of the Antanarivo complex not required by the group (Figure 12).
- Royalty receipts from the quarrying of labradorite from the group's tenements.
- Third party contracts from the group's services subsidiary.
- Contributions to tenement rentals from labradorite quarries and joint venture partner.

Financial Position

The consolidated loss for the year was \$3.263 million, which included non-cash items of \$1.694 million, such that cash used in operations was \$1.503 million.

The largest non-cash charge was a \$1.536 million mark to market of Energizer Resources Inc (“EGZ”) shares held by the Company, reflecting a decline in its share price between June 2012 and June 2013. Since the end of the financial year 4 million EGZ shares have been sold at an average price of \$A0.167 per share, compared with the 30 June price of \$A0.112 per shares used in the accounts.

During 2013 the Malagasy operations required parent company funding of \$0.389 million, representing a shortfall in the strategy of self-funding, of which the largest component was the annual tenement rental payment of \$0.200 million, net share to Malagasy.

The group's cash balance of \$0.4 million at 30 June has been increased by the sale of EGZ shares.

Operating and Financial Review (Continued)

Corporate Transactions

RedCat Minerals Agreement:

The Company agreed to extend this agreement up to 31 December 2012, having received additional consideration by way of non-refundable cash deposits totalling A\$459,000 (received \$60,000 during 2013 financial year). This agreement covered the proposed sale of a northern portion of the Vohibory project and termination was agreed with effect from 31 December 2012.

Energizer Resources Inc (EGZ) Joint Venture:

The Joint Venture Agreement signed with EGZ in December 2011 involved the cash payment of \$US2.25 million and the issue of 7.5 million EGZ shares.

As set out in the Operations Report, EGZ has focussed on the Molo project and has issued a Preliminary Economic Assessments for a project with a graphite output of 80,000 tpa. EGZ continues to move towards the preparation of a Bankable Feasibility Study, at which time the Company's 25% interest in the Joint Venture will cease to be free carried. The Company may contribute its pro-rata share of subsequent expenditure or elect to have its interest diluted.

Management

The Company's only management in Perth is the four non-executive directors, with exploration management provided by Mr Langworthy in conjunction with staff from his associated company Omni GeoX Pty Ltd, and finance and administration services provided by Boden Corporate Services Pty Ltd whose employees include Natasha Forde who acts as group accountant and joint company secretary.

The Malagasy activities continue to be managed by the Country Manager (Gerant) and CFO, Jean Luc Marquetoux, with exploration activities managed from Perth, by Omni GeoX, in conjunction with local geological staff.

Mr Max Cozijn resigned as a director in August 2013, having served as Chairman since the Company's incorporation in 2006 and as CFO and Secretary for most of that time. The Company's asset position in Madagascar is largely the result of Max's efforts and the board expresses great appreciation, on behalf of both itself and shareholders, for the contribution which Max has made to the formation and development of the group.

Future Prospects

The group's cash balance at 30 June 2013 plus proceeds from the sale of EGZ shares will be sufficient to see the group through the 2013-14 year, albeit with a minimal exploration programme.

The planned programme is set out in the operations report above and will focus on the Ni-Cu-PGM projects and the Ampany graphite prospect.

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. As previously advised, 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, renewals, and the registration of additional minerals on the permits. 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 in a timely manner, or on satisfactory terms. Presently UN supervised new elections are planned to be held on 24 October 2013.

Operating and Financial Review (Continued)

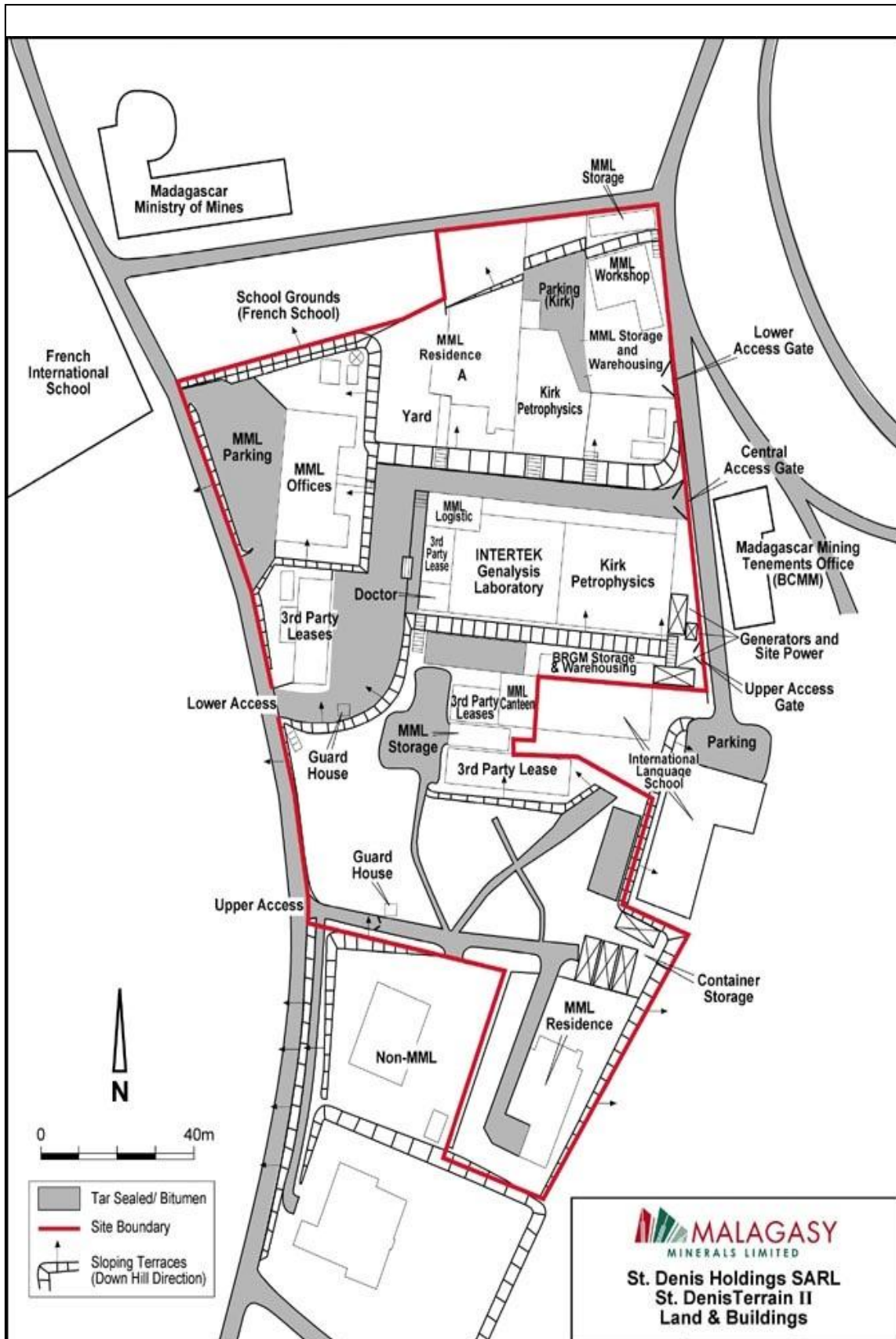


Figure (12) – Plan of St. Denis Terrain Showing Location & Extent of Building Infrastructure

Corporate Governance Statement

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" reporting 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.

The following governance-related documents can be found on the Company's website at www.malagasyminerals.com under the section marked "Corporate Governance":

Charters

Board
Audit Committee
Nomination Committee
Remuneration Committee

Policies and Procedures

Policy and Procedure for Selection and (Re)Appointment of Directors
Process for Performance Evaluations
Policy on Assessing the Independence of Directors
Diversity Policy (summary)
Code of Conduct (summary)
Policy on Continuous Disclosure (summary)
Compliance Procedures (summary)
Procedure for the Selection, Appointment and Rotation of External Auditor
Shareholder Communication Policy
Risk Management Policy (summary)

The Company reports below on how it has followed (or otherwise departed from) each of the recommendations during the 2012/2013 financial year (**Reporting Period**). The information in this statement is current at 13th September 2013.

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 Chief Executive Officer and assisting the Chief Executive Officer 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

Corporate Governance Statement (Continued)

Chief Executive Officer or, if the matter concerns the Chief Executive Officer, directly to the Chair or the lead independent director, as appropriate.

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.

The mix of skills and diversity for which the Board is looking to achieve in membership of the Board is a mix of relevant skills, knowledge and experience to meet its objectives. The skills, knowledge and experience which the Board considers to be particularly relevant include qualifications and experience in the areas of finance/accounting, operational and technical expertise and country experience. The Board also considers the balance of independence on the Board.

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

The Board does not have a majority of directors who are independent. The composition of the board during the reporting period was as follows:

1 July 2012 to 20 December 2012	
Max Cozijn	Not independent (executive)
Guy LeClezio	Not independent (substantial shareholder)
Peter Woods	Independent
Graeme Boden	Independent
21 December 2012 to 30 June 2013	
Max Cozijn	Not independent (executive)
Guy LeClezio	Not independent (substantial shareholder)
Peter Woods	Independent
Graeme Boden	Not independent (finance & admin contract)
Peter Langworthy (from 24 July 2013)	Not independent (exploration management)

The Board considers that its current composition is adequate for the Company's current size and operations, and believes that it has an appropriate mix of skills and experience relevant to the Company's business at this time. The Board does consider independence as a factor in any new Board appointments.

The independent director of the Company is Peter Woods. He is independent as he is a non-executive director who is not part of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

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

- Balance sheet items are material if they have a value of more than 10% of pro-forma net assets.
- 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

Corporate Governance Statement (Continued)

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 Guy LeClezio, Graeme Boden and Peter Langworthy.

Mr Leclezio is acting Chief Executive Officer and non-independent Chair of the Board. Mr Leclezio is non-independent because he is a substantial shareholder the Board believes that Mr Leclezio is the most appropriate person for the position of Chair because of his qualifications and experience. The Company has appointed Peter Woods as lead independent director to take the role of Chair when Mr Leclezio is unable to act in that role due to a conflict of interest.

Mr Boden was appointed as an independent director but was subsequently appointed as Company Secretary and his company now provides all accounting and administration services to the Company.

Mr Langworthy is a director and shareholder of Omni GeoX which has managed the Company's exploration programme prior to and since his appointment as a director.

It is considered that the quasi-executive nature of these contracts is sufficient to define these directors as non-independent.

Independent professional advice **(Recommendation: 2.6)**

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

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. Re-appointment of directors is not automatic.

Corporate Governance Statement (Continued)

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 no meetings during the Reporting Period.

The Company has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee.

Audit Committee

(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has not established a separate Audit Committee and accordingly, it is not structured in compliance with Recommendation 4.2. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated 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' and their attendance at Audit Committee meetings are set out in the following table.

Name	No. of meetings attended
Peter Woods (Chair) (independent, non-executive)	2
Guy LeClezio (non-independent, non-executive)	2
Max Cozijn (non-independent, executive)	2
Graeme Boden (non-independent, non-executive)	2

When the Board meets as the Audit Committee, Peter Woods chairs the meeting. To assist the Board to fulfil its function as the Audit Committee, the Company 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.

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

Corporate Governance Statement (Continued)

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.

Remuneration Committee

(Recommendations: 8.1, 8.2, 8.3, 8.4)

The Board has not established a separate Remuneration Committee and accordingly, it is not structured in accordance with Recommendation 8.2. Given the current size and composition of the Company, the Board believes that there would be no efficiencies 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 the directors' and their attendance at the Remuneration Committee meeting are set out in the following table:

Name	No. of meetings attended
Guy LeClezio (Chair) (not independent, non-executive)	1
Max Cozijn (non-independent, executive)	1
Peter Woods (independent, non-executive)	1
Graeme Boden (non-independent, non-executive)	1

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 of 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.

Corporate Governance Statement (Continued)

Performance evaluation

Senior executives

(Recommendations: 1.2, 1.3)

The Chief Executive Officer is responsible for evaluating the performance of the senior executives via an interview process. The performance of senior executives is reviewed against key duties and responsibilities as outlined in the employment agreement with the senior executives.

During the Reporting Period, there were no senior executives in employment with the Company.

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.

That last time that a performance evaluation of the Board and individual directors took place in accordance with the process disclosed was April 2012.

Ethical and responsible decision making

Code of Conduct

(Recommendations: 3.1, 3.5)

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.

Diversity

(Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company has established a Diversity Policy. During the Reporting Period, the Diversity Policy did not include requirements for the Board to establish measurable objectives for achieving gender diversity, or for the Board to assess annually both the objectives and progress towards achieving them as the Board was considering whether the setting of measurable objectives for achieving gender diversity was appropriate for the Company. The Board, in considering the Diversity Policy, amended the Company's Diversity Policy to include requirements for the Board to establish measurable objectives for achieving gender diversity, and for the Board to assess annually both the objectives and progress towards achieving them, and in June 2012 established the following measurable objectives for achieving gender diversity.

Measurable Objective

- Remunerate fairly between men and women at each job level;
- Provide flexible workplace arrangements;
- Provide career development opportunities for all employees (irrespective of any differences albeit gender, culture or other); and
- Promote an inclusive culture that treats the workforce with fairness and respect.

The Board will report on its progress towards achieving the measurable objectives set out above in its 2013/2014 Annual Report.

Corporate Governance Statement (Continued)

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	Proportion of women
Whole organisation	9 out of 44 (20%)
Senior Executive positions	1 out of 2 (50%)
Board	0 out of 4 (0%)

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.

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.

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 those 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 the following categories of risks as part of its systems and processes for managing material business risk: political, operational, ethical, legal, environmental, human capital, financial, market-related, economic, human capital and technological.

Corporate Governance Statement (Continued)

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

Directors' Report

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2013.

1. DIRECTORS

The Directors of the company at any time during or since the end of the year are set out below. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Mr Guy Francois Marie LE CLEZIO, BA – Non-Executive Chairman

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 was 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, BSc (Hons) / PhD (Geol), MAIG – 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 held by World Titanium Resources Ltd. He was 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.

Mr Graeme Raymond BODEN, B Ec(Hons) FAICD – Non-Executive Director and Company Secretary

Graeme is an experienced business executive with more than 35 years in senior corporate or financial roles, particularly in the planning and evaluation function of the resources industry and in the finance and administration function of a range of industries. He has 30 years' experience as a Director or Secretary of ASX listed companies. He is the principal of Boden Corporate Services, whose clients include listed companies World Titanium Resources Ltd and TUC Resources Ltd.

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

- Consegna Group Limited (until May 2011)

Mr Max Dirk Jan COZIJN, B.Com. CPA, MAICD – Non-Executive Director – Resigned 8th August 2013

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 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 (until 25 June 2012)
- Energia Minerals Limited (from May 1997 (listed December 2009))

Directors' Report (Continued)

Mr Peter LANGWORTHY, B. Sc Hons, MAusIMM – Non-Executive Director – Appointed 24th July 2013

Mr Langworthy is a geologist with a career spanning 26 years in mineral exploration and project development in Australia and Indonesia. He has specific expertise in building successful teams that have been responsible for significant mineral discoveries and in integrating technically sound exploration and resource development strategies into corporate planning. His industry experience includes 12 years in senior management roles with WMC Resources, four years with PacMin Mining as Exploration Manager, five years with Jubilee Mines where he built the team responsible for numerous discoveries at the Cosmos Nickel Mine and the Sinclair nickel project, and three years with Talisman Mining as Technical Director. At Jubilee he was part of the corporate team responsible for the growth of the company until it was taken over by Xstrata for \$23/share. Mr Langworthy is a non-executive chairman of Syndicated Metals Limited (March 2012 to present).

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

2. COMPANY SECRETARIES

Max Cozijn held the position of Company Secretary until 30 September 2012. Graeme Boden and Natasha Forde were appointed as joint Company Secretaries on that date.

Miss Forde has 6 years' experience, as an employee of Boden Corporate Services Pty Ltd, providing company secretarial and accounting services to a range of ASX listed and unlisted companies.

3. 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 Remuneration		Nomination	
	A	B	A	B	A	B	A	B
M Cozijn	9	9	2	2	1	1	-	-
P Woods	9	8	2	2	1	1	-	-
G Le Clezio	9	9	2	2	1	1	-	-
G Boden	9	9	2	2	1	1	-	-

A = Number eligible to attend

B = Number attended

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

Mr Langworthy was not appointed a director until after the end of the financial year.

4. 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.

5. OPERATING RESULTS

The consolidated loss of the economic entity after providing for income tax amounted to \$3,262,572 (2012: Profit \$2,718,046).

Directors' Report (Continued)

6. DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or recommended to be paid during the financial year (2012: Nil).

7. REVIEW OF OPERATIONS

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

8. FINANCIAL POSITION

The net assets of the economic entity have decreased by \$2,853,852 to \$7,120,162 during the financial year.

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

- Energizer Resources Inc. (TSX: EGZ) formed a Joint Venture with Malagasy Minerals in December 2011 with part of the consideration being 7,500,000 shares in EGZ. At the balance date the value of the shares has decreased by \$1,536,320 to \$839,800 (2012:\$2,376,120).
- Cash and cash equivalents balance at 30 June 2013 has decreased by \$1,539,709 to \$409,811 (2012: \$1,949,520). No capital raisings have been undertaken by the Company during the 2013 financial year.
- Exploration activities and Operating Costs

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

9. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than as set out elsewhere in the report, there were no significant changes in the state of affairs.

10. SUBSEQUENT EVENTS

There were no material events arising subsequent to 30 June 2013 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 other than:

- Mr Peter Langworthy was appointed as a Non-Executive Director on 24th July 2013.
- Mr Max Cozijn resigned as a Non-Executive Director on 8th August 2013.
- On 2nd August 2013, 500,000 unlisted options exercisable at \$0.15 on or before 30th November 2016 were issued to employees of the group.
- At the date of this report the Company has sold 4,000,000 of its 7,500,000 holding of shares in Energizer Resources, yielding cash receipts of \$666,364.

11. FUTURE DEVELOPMENTS

Likely future developments in the operations of the economic entity are referred to in the Operating and Financial Review section of this Annual Report.

12. 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.

Directors' Report (Continued)

13. DIRECTORS INTERESTS

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	
	<u>Direct</u>	<u>Indirect</u>	<u>Direct</u>	<u>Indirect</u>
G LeClezio	-	11,940,513	2,500,000	-
P Woods	-	1,100,000	-	2,500,000
G Boden	-	-	-	750,000
P Langworthy	-	1,800,000		900,000

14. 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.

Details of Remuneration for Year Ended 30 June 2013:

During the year there were two key management personnel who served as full time executives for the Company. Mr Cozijn served as Executive Chairman until 30 September 2012, after which he became the Non-Executive Chairman. The Country Manager and CFO in Madagascar held that position for the full year.

The Directors have fulfilled the management roles in the Company on a non-executive basis, with no changes in the fees which they would have been paid as directors, other than as set out below.

Mr Leclezio and Dr Woods agreed to take their fees as equity, subject to shareholder approval, with effect from 1 April 2013 and Mr Cozijn agreed to do the same with effect from 1 June 2013 until his resignation on 8 August 2013. Mr Leclezio and Dr Woods have further agreed to reduce their fees by 10% with effect from 1 October 2013.

Mr Boden has not been paid a fee for his services as a director since Boden Corporate Services Pty Ltd, of which he is a director and shareholder, began receiving fees for services provided by its employees on an hourly basis at rates charged to all of its clients.

Directors' Report (Continued)

Mr Langworthy was appointed a director in July 2013 and has agreed to take no fees for his role in that capacity and in managing the exploration programme until after 31 December 2013. Omni Geox Pty Ltd, of which he is a director and shareholder, is paid for the exploration services provided by its employees at hourly rates charged to all its clients.

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

2013	Director Salary & Fees \$	Other Services Fees \$	Super Contributions \$	Share Based Expense \$	Total \$	Performance related %
Key Management Personnel:						
<i>Directors:</i>						
M Cozijn	91,750	-	8,257	45,760	145,767	-
P Woods	18,600	-	25,000	45,760	89,360	-
G LeClezio	40,000	-	3,600	45,760	89,360	-
G Boden ²	10,900	67,667	-	17,160	95,727	-
	161,250	67,667	36,857	154,440	420,214	-
<i>Executives:</i>						
J L Marquetoux	99,310	-	-	-	99,310	-
	99,310	-	-	-	99,310	-
2012	Director Salary & Fees \$	Other Services Fees \$	Super Contributions \$	Share Based Expense \$	Total \$	Performance related %
Key Management Personnel:						
<i>Directors:</i>						
M Cozijn	130,128	-	17,161	-	147,289	-
P Woods	-	-	43,600	-	43,600	-
G LeClezio	40,000	-	3,600	-	43,600	-
G Boden ¹	2,906	-	-	-	2,906	-
	173,034	-	64,361	-	237,395	-
<i>Executives:</i>						
J L Marquetoux	105,106	-	-	-	105,106	-
	105,106	-	-	-	105,106	-

Notes:

- 1) G Boden was appointed a director on 6 June 2012.
- 2) Payments made to G Boden through Boden Corporate Services Pty Ltd (BCS) include time spent on Company activities, including accounting and administration by G Boden and other employees of BCS, during the period for which G Boden was Company Secretary and CFO.

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

There were no bonuses paid to any Key Management Personnel during the year.

Shares and Options issued as part of remuneration for the year ended 30 June 2013:

6,750,000 unlisted options exercisable at \$0.15 on or before 30th November 2016 were issued to Key Management Personnel giving rise to \$154,440 share based payment compensation benefits recorded in the table above.

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

Directors' Report (Continued)

15. COMPANY PERFORMANCE

The following table shows the gross revenue, profits, dividends and share price at the end of financial year for the past five financial years ending 30 June:

Economic Entity	2009	2010	2011	2012	2013
Revenue	972,950	695,679	850,032	4,160,826	664,831
Net Profit/(Loss)	(2,288,750)	(1,586,439)	(1,839,989)	2,718,046	(3,262,572)
Share Price at Year End	3.6c	4.9c	3.9c	8.5c	1.9c
Dividends Paid	-	-	-	-	-

16. 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 2013 (2012: Nil).

17. 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.

18. SHARE OPTIONS

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

Grant Date	Date of Expiry	Exercise Price	No. Under Option
1 December 2008	1 December 2013	\$0.20	2,000,000
16 November 2012	30 November 2015	\$0.15	7,000,000
22 May 2013	30 November 2015	\$0.15	500,000
30 September 2012	30 September 2015	\$0.30	375,000
31 December 2012	31 December 2015	\$0.40	375,000
31 March 2013	31 March 2016	\$0.50	375,000
			<u>10,625,000</u>

No options were exercised during the year ended 30 June 2013.

Directors' Report (Continued)

Since 30 June 2013 and up to the date of this report 8,003,600 unlisted options exercisable at \$0.20 per share have expired unexercised.

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

19. PROCEEDINGS OF THE COMPANY

Since the resignation of the former managing Director in June 2011, there have been civil actions initiated in Malagasy court against the Company and some, including criminal charges against employees or former employees of the Company's subsidiaries. The Company has always contended that all of these actions were without foundation.

Advice from the Company's Malagasy counsel is that all actions brought against the Company have been dismissed. However, the former Managing Director has lodged an objection to a ruling by the Commercial Court that his claim under an Australian contract was outside the jurisdiction of the Malagasy court.

20. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 29 of the annual report.

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



G Boden
Director

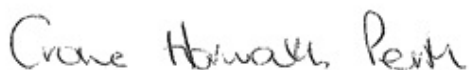
Perth, Western Australia

26 September 2013

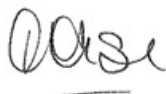
AUDITOR'S INDEPENDENCE DECLARATION

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 2013, I declare that, to the best of my knowledge and belief, there have been:

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



CROWE HORWATH PERTH



PHILIPPA HOBSON
Partner

Signed at Perth, 26 September 2013

Consolidated Statement of Profit & Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Note	ECONOMIC ENTITY	
		2013 \$	2012 \$
Revenue	2	664,831	4,160,826
Fair value gain/ (loss) on financial assets	11	(1,536,320)	1,209,480
Employee benefits expense		(697,508)	(693,330)
Depreciation expense	3	(89,449)	(98,315)
Provision for doubtful debts		(286,525)	-
Finance costs		-	(930)
Administration costs		(502,559)	(486,198)
Exploration expenditure	3	(640,499)	(1,221,011)
Foreign exchange movements		(30,085)	(2,320)
Share-based payments		(285,293)	-
Loss before income tax expense		(3,403,407)	2,868,202
Income tax benefit / (expense)	4	140,835	(150,156)
Net (loss)/profit attributable to members of the parent entity		(3,262,572)	2,718,046
Other Comprehensive Income			
<i>Items that may be re-classified to profit or loss:</i>			
Adjustment from translation of foreign controlled entities		123,427	(150,479)
Income tax relating to components of other comprehensive income		-	-
Total Comprehensive (Loss)/ Income for the year attributable to members of the parent entity.		(3,139,145)	2,567,567
Overall Operations:			
Basic and dilutive earnings/(loss) per share - cents per share	5	(2.07)	1.74

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2013

		ECONOMIC ENTITY	
	Note	2013	2012
		\$	\$
Current Assets			
Cash and Cash Equivalents	7	409,811	1,949,520
Other Receivables	9	67,432	270,054
Other Current Assets	8	203,571	170,945
Other Financial Assets	11	839,800	2,376,120
Total Current Assets		1,520,614	4,766,639
Non-Current Assets			
Other Receivables	9	409,864	429,740
Property, Plant & Equipment	10	2,786,954	2,862,233
Investment in Joint Venture		1	1
Deferred Exploration and Evaluation costs	13	3,289,216	3,289,216
Total Non-Current Assets		6,486,035	6,581,190
TOTAL ASSETS		8,006,649	11,347,829
Current Liabilities			
Trade and Other Payables	14	342,421	888,397
Short-term Provisions	15	19,147	33,284
Total Current Liabilities		361,568	921,681
Non-Current Liabilities			
Trade and Other Payables	16	524,919	452,134
Total Non-Current Liabilities		524,919	452,134
TOTAL LIABILITIES		886,487	1,373,815
NET ASSETS		7,120,162	9,974,014
EQUITY			
Issued Capital	17	14,555,337	14,441,337
Reserves	18	(199,223)	(493,943)
Accumulated Losses		(7,235,952)	(3,973,380)
TOTAL EQUITY		7,120,162	9,974,014

The accompanying notes form part of these financial statements.

MALAGASY MINERALS LIMITED
ABN 84 121 700 105

Consolidated Statement of Changes in Equity
For the year ended 30 June 2013

ECONOMIC ENTITY	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 30 June 2011	14,441,337	(6,691,426)	(604,367)	260,903	7,406,447
Shares issued during the year	-	-	-	-	-
Transaction costs	-	-	-	-	-
Movement in Share Option Reserve	-	-	-	-	-
Profit attributable to members of economic entity	-	2,718,046	-	-	2,718,046
Other Comprehensive Income	-	-	(150,479)	-	(150,479)
Balance at 30 June 2012	14,441,337	(3,973,380)	(754,846)	260,903	9,974,014
Shares issued during the year	114,000	-	-	-	114,000
Transaction costs	-	-	-	-	-
Movement in Share Option Reserve	-	-	-	171,293	171,293
Loss attributable to members of economic entity	-	(3,262,572)	-	-	(3,262,572)
Other Comprehensive Income	-	-	123,427	-	123,427
Balance at 30 June 2013	14,555,337	(7,235,952)	(631,419)	432,196	7,120,162

The accompanying notes form part of these financial statements

MALAGASY MINERALS LIMITED
ABN 84 121 700 105

Statement of Cash Flows
For the year ended 30 June 2013

		ECONOMIC ENTITY	
	Note	2013	2012
		\$	\$
Cash flows from Operating Activities			
Payments to suppliers and employees		(945,689)	(958,282)
Payments for exploration expenditure		(896,276)	(1,227,414)
Interest received		62,228	73,241
Royalties received		115,407	129,698
Other income		161,228	248,618
Finance costs		-	(930)
Net cash used in operating activities	20(a)	(1,503,102)	(1,735,069)
Cash flows from Investing Activities			
Payments for property, plant and equipment		(16,508)	(35,086)
Proceeds on sale of exploration tenements (non-refundable deposits)		60,000	150,000
Proceeds on entering into Joint Venture Agreement		-	2,276,065
Payments for equity share in Joint Venture Entity		-	(1)
Net cash provided by investing activities		43,492	2,390,978
Cash flows from Financing Activities			
Share Sale Agreement Instalment Payments		(82,115)	(128,640)
Net cash flows used in financing activities		(82,115)	(128,640)
Net (decrease)/ increase in cash held		(1,541,725)	527,269
Cash at the beginning of the financial year	7	1,949,520	1,451,555
Effect of exchange rates on cash holdings in foreign currencies		2,016	(29,304)
Cash at the end of the financial year	7	409,811	1,949,520

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the year ended 30 June 2013

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.

The financial statements were authorised for issue on 24th September 2013 by the Directors of the Company.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The consolidated financial statements of Malagasy Minerals Limited as at the year ended 30 June 2013 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 Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The separate financial statements of the parent entity, Malagasy Minerals Ltd, have not been presented within this financial report as permitted by the Corporations Act 2001.

Basis of Preparation:

Going Concern Basis

The financial report has been prepared on the going concern basis which assumes continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

The ability of the Group to execute current planned or minimal exploration activities requires the Group to raise additional capital within the next 12 months. Accordingly, the Group is in the process of investigating various options for the raising of additional funds which include but is not limited to the implementation of strategic joint ventures, sale of existing non-core assets and access to equity markets.

Should the Group not be able to raise the necessary capital as set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Reporting Basis and Conventions

Except for the cash flow information 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.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(e) Financial Instruments

Recognition

Financial instruments are initially measured at fair value 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.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Financial assets at fair value through profit or loss

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

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 arm's 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 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) Interests in Joint Ventures

The Groups interests in the joint venture entity is recorded using the equity method of accounting in the consolidated financial statements. Details of the Groups interest is provided in Note 12.

(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.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Group companies

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

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of

(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 and Other Income

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).

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 Madagascan tax authority. The Directors believe the full amount to be recoverable and therefore a provision for impairment has not been made.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Expenses

Accrued expenses are amounts in respect of the Share Sale Agreement with WTR Holdings Pty 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) Other receivables

Other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1f) for further discussion on the determination of impairment losses.

(r) Other payables

Other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(s) Adoption of New and Revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be classified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(t) New Accounting Standards for Application in the Future

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

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.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of the change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010–7 may have a significant impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- *AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).*

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of “control” and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

The Group's interest in the Energizer Joint Venture Company (see Note 12), which is currently referred to as a “joint venture entity”, will be referred to as a “joint venture” under AASB 11. Joint ventures are required to be accounted for using the equity method of accounting under AASB 11. The proportionate consolidation method is no longer permitted. However, this will not have any impact on the Group's financial statements as the Group's interest in the Energizer Joint Venture Company is currently accounted for using the equity method of accounting.

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group's financial statements.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The Group has not yet determined any potential impact of these pronouncements on its financial statements.

- *AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).*

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

- *AASB 2011–4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).*

This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report as a whole because:

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
 - AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.
- *AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (applicable for annual reporting periods commencing on or after 1 January 2013).*

These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:

- removal of the “corridor” approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and
- disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:
 - i service cost and net interest expense in profit or loss; and
 - ii remeasurements in other comprehensive income.

AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The directors anticipate that the application of the amendments to AASB 119 will not have an impact on the amounts reported as the Group does not have a defined benefit plan.

- *AASB 2012–2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2013).*

AASB 2012–2 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard is not expected to significantly impact the Group's financial statements.

- *AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).*

This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group's financial statements.

- *AASB 2012–5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 (applicable for annual reporting periods commencing on or after 1 January 2013).*

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of Annual Improvements to IFRSs 2009–2011 Cycle by the International Accounting Standards Board, including:

- AASB 1: First-time Adoption of Australian Accounting Standards to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: Presentation of Financial Statements and AASB 134: Interim Financial Reporting to clarify the requirements for presenting comparative information;
- AASB 116: Property, Plant and Equipment to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 2 – REVENUE	Note	ECONOMIC ENTITY	
		2013 \$	2012 \$
Operating Activities:			
- royalties		226,887	228,736
- rental		213,279	126,232
- other		119,450	122,386
- tenement sales (non-refundable deposits)		60,000	150,000
Non-operating activities:			
- Net Interest received		45,215	90,767
- Energizer JVA consideration	2A	-	3,442,705
Total Revenue		664,831	4,160,826

NOTE 2A – ENERGIZER JVA

Non-refundable deposit received	-	271,273
Joint venture cash consideration	-	2,004,792
Initial recognition of listed shares at Fair Value		1,166,640
Total Revenue	-	3,442,705

A Joint Venture Agreement with Canadian company Energizer Resources Inc. (EGZ) was executed on 15 December 2011, resulting in a total of US\$2.25M being paid to Malagasy plus 7.5M EGZ shares. The Joint Venture Company (75% EGZ; 25% MGY) was formed with the right to explore for industrial minerals including vanadium and graphite within approximately 40% of MGY's tenement holdings. Malagasy is free carried until completion of a BFS by EGZ for its 25% JV interest.

NOTE 3 – (LOSS)/ PROFIT FOR THE YEAR

Expenses

Finance costs	-	930
Depreciation of non-current assets		
- Land and Buildings	17,119	18,023
- Property, Plant & Equipment	32,996	35,389
- Field equipment	15,394	21,621
- Motor vehicles	23,940	23,282
Total depreciation	89,449	98,315
Exploration expenditure	704,807	1,221,011
Rental expenses on operating leases:		
- minimum office lease payments	41,142	39,442

NOTE 4 - INCOME TAX

(a) Income Tax Expense

The prima facie tax (benefit) / benefit on (Loss) / Profit from ordinary activities is reconciled as follows:
The Components of tax expense comprise:

- Current Tax	6,587	1,273
- Deferred Tax	1,461	148,883
- Prior year adjustment	(148,883)	-
	(140,835)	150,156

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 4 - INCOME TAX (Continued)	ECONOMIC ENTITY	
	2013	2012
	\$	\$
The Prima facie tax on (Loss) / Profit before income tax at 30% (2012: 30%)	(1,021,022)	860,461
Add/(subtract) the tax effect of:		
- Prior year adjustments	(148,883)	-
- Tax attributable to foreign subsidiary	8,084	1,273
- Effect of lower tax rate ⁽¹⁾	-	45,687
- Permanent differences	1,356,144	250,518
- Recognition of deferred tax not previously brought to account	-	(1,062,593)
- Deferred tax assets not brought to account	(335,158)	54,810
Income tax (benefits) / expense attributable to entity	(140,835)	150,156

(1) The corporate tax rate in Madagascar is 21% (2012: 21%)

(b) Recognised Deferred Tax Balances

Deferred Tax Asset	-	213,961
Deferred Tax Liability	-	(362,844)
	-	(148,883)

(c) Unrecognised Deferred Tax Balances

The following deferred tax assets have not been brought to account:

Unrecognised deferred tax assets comprise:

- Future income tax benefits attributable to tax losses	412,265	594,568
- Transaction costs on equity issue	-	-
	412,265	594,568

ECONOMIC ENTITY

(d) Deferred Tax Liability

Deferred Tax Assets:

	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
	\$	\$	\$	\$
Future Income tax benefits attributable to tax losses	130,689	(130,689)	-	-
Transaction costs on equity issue	83,272	(83,272)	-	-
Balance as at 30 June 2013	213,961	(213,961)	-	-

Deferred Tax Liabilities:

Deferred Tax on fair value increase/ (decrease) of listed shares in EGZ

	362,844	(362,844)	-	-
Balance as at 30 June 2013	362,844	(362,844)	-	-

NOTE 5 – EARNINGS PER SHARE	ECONOMIC ENTITY	
	2013	2012
	\$	\$
(Loss) / Profit used in the calculation of basic and dilutive EPS	(3,262,572)	2,718,046
	Cents	Cents
Basic and Diluted (loss) / profit per share		
- cents per share	(2.07)	1.74
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and dilutive EPS	157,341,271	156,562,504

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 5 – EARNINGS PER SHARE (Continued)

As at 30 June 2013 there are 16,128,600 unlisted options on issue. The effect of these options is 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

Directors:

Mr. M.D.J Cozijn – Non-Executive Director (Resigned 8 August 2013)
Mr. G.F. Le Clezio – Non-Executive Chairman
Dr. P.J. Woods – Non-Executive Director
Mr. G.R. Boden – Non-Executive Director (appointed 6 June 2012)

Executives:

Mr J.L Marquetoux – CFO & Gerant (Madagascar)

(a) Key Management Personnel Remuneration

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:

	ECONOMIC ENTITY	
	2013 \$	2012 \$
Short term employee benefits	328,227	318,140
Post – employment benefits	36,857	24,361
Other long-term benefits	-	-
Share Based Payments	154,440	-
	<u>519,524</u>	<u>342,501</u>

(b) Equity and Options Granted as Compensation

6,750,000 Options were issued to Key Management Personnel in the current financial year (2012: Nil).

No shares were issued to Key Management Personnel in the current or the previous financial year.

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

Key Management Personnel	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Exercise Price	Allotment Date	Expiry Date
Directors:							
M Cozijn	1,000,000	1,000,000	01/12/08	\$0.09	\$0.20	01/12/08	01/12/13
	2,000,000	2,000,000	16/11/12	\$0.02	\$0.15	21/11/12	30/11/16
G LeClezio	500,000	500,000	01/12/08	\$0.09	\$0.20	01/12/08	01/12/13
	2,000,000	2,000,000	16/11/12	\$0.02	\$0.15	21/11/12	30/11/16
P Woods	500,000	500,000	01/12/08	\$0.09	\$0.20	01/12/08	01/12/13
	2,000,000	2,000,000	16/11/12	\$0.02	\$0.15	21/11/12	30/11/16
G Boden	750,000	750,000	16/11/12	\$0.02	\$0.15	21/11/12	30/11/16
	<u>8,750,000</u>	<u>8,750,000</u>					
Executives:							
JL Marquetoux	-	-					

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 6 – KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

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.

As set out in the Directors' report, some directors have agreed to take compensation in shares rather than cash, provided that shareholders give approval for the shares to be issued.

At 30 June 2013, the number of shares which would be issued for the amount of director fees accrued at that is as follows:

Director	Fees Accrued \$	Share Price	No. of Shares
G LeClezio	10,900	\$0.045	242,222
P Woods	10,900	\$0.045	242,222
M Cozijn	6,358	\$0.035	181,657
	<u>28,158</u>		<u>666,101</u>

(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

2013 Key Management Personnel	Balance 1 July 2012	Granted as Remuneration	Balance 30 June 2013	Total Vested 30 June 2013	Total Exercisable 30 June 2013	Total Unexercisable 30 June 2013
Directors:						
M Cozijn	1,000,000	2,000,000	3,000,000	2,000,000	2,000,000	1,000,000
G LeClezio	500,000	2,000,000	2,500,000	1,500,000	1,500,000	1,000,000
P Woods	500,000	2,000,000	2,500,000	1,500,000	1,500,000	1,000,000
G Boden	-	750,000	750,000	375,000	375,000	375,000
	<u>2,000,000</u>	<u>6,750,000</u>	<u>8,750,000</u>	<u>5,375,000</u>	<u>5,375,000</u>	<u>3,375,000</u>

Executives:

JL Marquetoux	-	-	-	-	-	-
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2012 Key Management Personnel	Balance 1 July 2011	Granted as Remuneration	Balance 30 June 2012	Total Vested 30 June 2012	Total Exercisable 30 June 2012	Total Unexercisable 30 June 2012
Directors:						
M Cozijn	1,000,000	-	1,000,000	1,000,000	1,000,000	-
G LeClezio	500,000	-	500,000	500,000	500,000	-
P Woods	500,000	-	500,000	500,000	500,000	-
G Boden ⁽¹⁾	-	-	-	-	-	-
	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>

Executives:

JL Marquetoux	-	-	-	-	-	-
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(1) Mr G Boden was appointed a non-executive director on 6 June 2012.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 6 – KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

(e) Shareholdings of Key Management Personnel

2013 Key Management Personnel	Balance 1 July 2012	Purchased	Options Exercised	Disposals	Balance 30 June 2013
Directors:					
M Cozijn	7,512,501	-	-	500,000	7,012,501
G LeClezio	11,940,513	-	-	-	11,940,513
P Woods	1,100,000	-	-	-	1,100,000
G Boden	-	-	-	-	-
	<u>20,553,014</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>20,053,014</u>
Executives:					
JL Marquetoux	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>20,553,014</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>20,053,014</u>

2012 Key Management Personnel	Balance 1 July 2011	Purchased	Options Exercised	Disposals	Balance 30 June 2012
Directors:					
M Cozijn	7,512,501	-	-	-	7,512,501
G LeClezio	2,019,809	9,920,704	-	-	11,940,513
P Woods	100,000	1,000,000	-	-	1,100,000
G Boden ⁽¹⁾	-	-	-	-	-
	<u>9,632,310</u>	<u>10,920,704</u>	<u>-</u>	<u>-</u>	<u>20,553,014</u>
Executives:					
JL Marquetoux	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>9,632,310</u>	<u>10,920,704</u>	<u>-</u>	<u>-</u>	<u>20,553,014</u>

(1) Mr G Boden was appointed a non-executive director on 6 June 2012.

NOTE 7 – CASH AND CASH EQUIVALENTS

	ECONOMIC ENTITY	
	2013	2012
	\$	\$
Cash on hand	100	200
Cash at bank	53,430	133,510
Deposits at call ⁽¹⁾	340,471	1,800,000
Bond	15,810	15,810
	<u>409,811</u>	<u>1,949,520</u>

(1) The effective interest rate on deposits at call is 3.20% (2012: 5.50%) and has a maturity of 30 days.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

	ECONOMIC ENTITY	
	2013	2012
	\$	\$
NOTE 8 – OTHER CURRENT ASSETS		
Prepayments	201,418	169,079
Other	2,154	1,866
Total Other Current Assets	203,572	170,945

NOTE 9 – OTHER RECEIVABLES

Current:

Other receivables	67,432	270,054
	67,432	270,054

Non-Current:

Other receivables	409,864	429,740
	409,864	429,740

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

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Property, Plant & Equipment – At cost	369,557	523,703
Less accumulated depreciation	(154,260)	(287,685)
Total Property, Plant & Equipment	215,297	236,018
Field Equipment – At cost	356,504	362,101
Less accumulated depreciation	(183,614)	(175,712)
Total Field Equipment	172,890	186,389
Motor Vehicles – At cost	233,450	235,226
Less accumulated depreciation	(217,840)	(195,676)
Total Motor Vehicles	15,610	39,550
Total Property, Plant and Equipment	403,797	461,957
Land and Buildings – At cost	2,500,000	2,500,000
Less accumulated depreciation	(116,843)	(99,724)
Total Land & Buildings	2,383,157	2,400,276
TOTAL FIXED ASSETS	2,786,954	2,862,233

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (Continued)

(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:

Economic Entity	Land & Buildings \$	Property, Plant & Equipment \$	Field Equipment \$	Motor Vehicles \$	Total \$
Balance at 30 June 2011	2,418,298	257,541	200,921	48,662	2,925,422
Additions and reclassifications	-	13,823	7,093	14,171	35,087
Disposals	-	-	-	-	-
Depreciation expense	(18,023)	(35,389)	(21,621)	(23,282)	(98,315)
Currency Translation Differences	1	43	(4)	(1)	39
Carrying amount at 30 June 2012	2,400,276	236,018	186,389	39,550	2,862,233
Additions and reclassifications	-	12,275	4,234	-	16,509
Disposals	-	-	(2,339)	-	(2,339)
Depreciation expense	(17,119)	(32,996)	(15,394)	(23,940)	(89,449)
Currency Translation Differences	-	-	-	-	-
Carrying amount at 30 June 2013	2,383,157	215,297	172,890	15,610	2,786,954

NOTE 11 – OTHER FINANCIAL ASSETS

Listed shares in Energizer Resources:

	ECONOMIC ENTITY	
	2013 \$	2012 \$
At 1 July	2,376,120	-
Initial recognition at Fair Value	-	1,166,640
Fair value increase/ (decrease) of	(1,536,320)	1,209,480
At 30 June	839,800	2,376,120

Financial Assets at fair value through profit and loss represent 7,500,000 fully paid ordinary shares in Canadian company Energizer Resources Inc. (EGZ).

NOTE 12 – INTERESTS IN JOINT VENTURES

A Joint Venture Agreement with Canadian company Energizer Resources Inc. (EGZ) was executed on 15 December 2011, resulting in a total of US\$2.25M being paid to Malagasy plus 7.5M EGZ shares. The Joint Venture Company (75% EGZ; 25% MGY) was formed with the right to explore for industrial minerals including vanadium and graphite within approximately 40% of MGY's tenement holdings. Malagasy is free carried until completion of a BFS by EGZ for its 25% JV interest.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 13 – DEFERRED EXPLORATION AND EVALUATION COSTS	ECONOMIC ENTITY	
	2013	2012
	\$	\$
At 1 July	3,289,216	3,289,216
Additions and Reclassifications	-	-
Impairment	-	-
At 30 June	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 14 – CURRENT TRADE & OTHER PAYABLES

Unsecured liabilities:

Trade Payables	120,226	523,341
Tax Liability	-	150,156
Accrued Expenses ⁽¹⁾	222,195	214,900
Total Current Trade & Other Payables	342,421	888,397

- (1) Accrued expenses include amounts in respect of the Share Sale Agreement with WTR Holdings Pty 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 actually received by MADA-Aust SARL.

NOTE 15 – SHORT-TERM PROVISIONS

Provision for annual leave:

Opening Balance	33,284	52,960
Additional provisions	7,176	17,985
Amounts Used	(21,313)	(37,661)
Total Provisions	19,147	33,284

	No.	No.
Number of employees at year end	44	46

NOTE 16 – NON-CURRENT TRADE & OTHER PAYABLES

Unsecured liabilities:

Accrued Expenses ⁽¹⁾	524,919	452,134
Total Non-Current Payables	524,919	452,134

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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 17 – ISSUED CAPITAL	ECONOMIC ENTITY	
	2013 \$	2012 \$
158,812,504 fully paid ordinary shares (2012: 156,562,504)	14,555,337	14,441,337
	14,555,337	14,441,337
Ordinary shares:	No.	No.
At 1 July	156,562,504	156,562,504
<i>Shares issued during the year:</i>		
- 21 November 2012 ⁽¹⁾	750,000	-
- 8 April 2013 ⁽²⁾	750,000	-
- 8 April 2013 ⁽³⁾	750,000	-
At 30 June	158,812,504	156,562,504

There are no preference shares on issue.

Notes:

- (1) On 21 November 2012, 750,000 fully paid ordinary shares were allotted at \$0.062 per share pursuant to a service agreement.
- (2) On 8 April 2013, 750,000 fully paid ordinary shares were allotted at \$0.043 per share pursuant to a service agreement.
- (3) On 8 April 2013, 750,000 fully paid ordinary shares were allotted at \$0.047 per share pursuant to a service agreement.

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 158,812,504 (2012: 156,562,504) shares, all of which are listed on the Australian Securities Exchange (ASX) at the date of this report.

Options:

- 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.
- 4,003,600 unlisted Options with an exercise price of \$0.20 and with expiry date of 7 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.
- 375,000 unlisted Options with an exercise price of \$0.30 and with expiry date of 30 September 2015 are on issue.
- 375,000 unlisted Options with an exercise price of \$0.40 and with expiry date of 31 December 2015 are on issue.
- 375,000 unlisted Options with an exercise price of \$0.50 and with expiry date of 31 March 2016 are on issue.
- 7,000,000 unlisted Options with an exercise price of \$0.15 and with expiry date of 30 November 2016 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

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 17 – ISSUED CAPITAL (Continued)

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.

NOTE 18 – RESERVES

	ECONOMIC ENTITY	
	2013	2012
	\$	\$
Foreign Currency Translation Reserve ⁽¹⁾	(631,419)	(754,846)
Option Reserve ⁽²⁾	432,196	260,903
	<u>(199,223)</u>	<u>(493,943)</u>

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

NOTE 19 – PARENT ENTITY DISCLOSURES

(a) Assets

	PARENT ENTITY	
	2013	2012
	\$	\$
Current Assets	1,228,230	4,333,518
Non-Current Assets	6,308,044	8,621,876
Total Assets	<u>7,536,274</u>	<u>12,955,394</u>

(b) Liabilities

Current Liabilities	154,637	640,438
Non-Current Liabilities	524,919	452,134
Total Liabilities	<u>679,556</u>	<u>1,092,572</u>

(c) Shareholders Equity

Issued Capital	14,555,337	14,441,337
Reserves	432,196	260,903
Accumulated Losses	(8,130,815)	(2,839,418)
Total Shareholders Equity	<u>6,856,718</u>	<u>11,862,822</u>

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 19 – PARENT ENTITY DISCLOSURES (Continued)	PARENT ENTITY	
	2013 \$	2012 \$
(d) Statement of Comprehensive Income		
Net (Loss) / Profit attributable to members of the parent entity	(5,440,281)	3,226,950
Total Comprehensive (Loss) / Income for the period attributable to members of the parent entity.	(5,440,281)	3,226,950

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.

NOTE 20 - CASH FLOW INFORMATION	ECONOMIC ENTITY	
	2013 \$	2012 \$

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

Profit /(Loss) after income tax	(3,262,572)	2,718,046
<i>Non-cash flows in result:</i>		
Depreciation	89,449	98,315
Fair value Gain/ (Loss) on Financial Assets	1,536,320	(1,209,480)
Share consideration for Joint Venture and revaluation	-	(2,426,065)
Foreign Currency Translation	119,944	-
Share Option expense	285,293	-
<i>Changes in assets and liabilities:</i>		
Increase/(Decrease) in income taxes payable	1,461	1,273
(Increase)/Decrease in other current assets	130,052	(1,242,388)
Increase /(Decrease) in payables and accruals	(403,049)	325,230
Cashflow used by Operations	(1,503,102)	(1,735,069)

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)	409,811	1,949,520
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NOTE 21 – CONTROLLED ENTITIES

		2013	2012
<i>Parent Entity:</i>			
Malagasy Minerals Limited	Australia	-	-
<i>Subsidiaries of Malagasy Minerals Limited:</i>			
Mada Aust SARL	Madagascar	100%	100%
Mazoto Minerals SARL ⁽¹⁾	Madagascar	100%	100%
Energex SARL	Madagascar	100%	100%
Mining Services SARL	Madagascar	100%	100%
St Denis Holdings SARL	Madagascar	100%	100%

Notes to the Financial Statements (Continued)
For the year ended 30 June 2013

NOTE 21 – CONTROLLED ENTITIES (Continued)

(1) A 10% interest is held in trust for Malagasy Minerals Limited.

The subsidiaries noted above are all controlled entities and are dependent on the parent entity for financial support. At the year end, total net loans to these subsidiaries amount to \$1,380,396 (2012: \$6,236,605). Loans to subsidiaries total \$5,925,886 (2012: \$8,082,863) with a provision for impairment of \$4,545,490 (2012: \$1,846,258).

NOTE 22 – CONTINGENT ASSETS AND LIABILITIES

(a) Contingent Assets and Liabilities

There were no contingent assets or liabilities at 30 June 2013 (2012: Nil).

(b) 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 \$350,000 per annum are payable to maintain ownership over the tenement areas. 40% of the tenement rents are recouped under the Energizer Joint Venture.

(c) Finance Lease Commitments

There are no finance leases (2012: Nil).

(d) Operating Lease Commitments

A non-cancellable operating lease contracted for, but not capitalized in the financial statements relates to a property lease for 2 years with an expiration date of 30 June 2014.

	ECONOMIC ENTITY	
	2013	2012
	\$	\$
Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:		
- not later than one year	36,439	34,704
- between one and five years	-	36,439
	<u>36,439</u>	<u>71,143</u>

NOTE 23 – EVENTS SUBSEQUENT TO BALANCE DATE

There were no material events arising subsequent to 30 June 2013 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 other than:

- Mr Peter Langworthy was appointed as a Non-Executive Director on 24th July 2013.
- Mr Max Cozijn resigned as a Non-Executive Director on 8th August 2013.
- On 2nd August 2013, 500,000 unlisted options exercisable at \$0.15 on or before 30th November 2016 were issued to employees of the group.
- At the date of this report the Company has sold 4,000,000 of its 7,500,000 holding of shares in Energizer Resources, yielding cash receipts of \$666,364.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 24 – 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 Directors 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 Market 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.

ECONOMIC ENTITY 2013	Net Financial Assets/(liabilities) in AUD				
	MGA	AUD	USD	EURO	Total AUD
Cash	21,261	387,826	573	151	409,811
Receivables	52,768	603	-	-	53,371
Payables	(206,931)	(94,637)	-	-	(301,568)
Statement of Financial Position exposure	(132,902)	293,792	573	151	161,614

ECONOMIC ENTITY 2012	Net Financial Assets/(liabilities) in AUD				
	MGA	AUD	USD	EURO	Total AUD
Cash	17,097	1,920,216	1,182	11,025	1,949,520
Receivables	241,043	29,012	-	-	270,055
Payables	(281,243)	(1,092,572)	-	-	(1,373,815)
Statement of Financial Position exposure	(23,103)	856,656	1,182	11,025	845,760

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.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

Credit risk:

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		Total	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
Financial Liabilities due for payment:						
Payables	301,568	706,781	-	-	301,568	706,781
Amounts payable to related parties	60,000	214,900	524,919	452,134	584,919	667,034
Total expected outflows	361,568	921,681	524,919	452,134	886,487	1,373,815
Financial Assets – Cash Flows						
Realisable:						
Cash	409,811	1,949,520	-	-	409,811	1,949,520
Assets	839,800	2,376,120	-	-	839,800	2,376,120
Receivables	67,432	270,054	-	-	67,432	270,054
Total Inflow on Financial Instruments	1,317,043	4,595,694	-	-	1,317,043	4,595,694

Financial Instruments Measured at Fair Value:

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements.

The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2013	Level 1	Level 2	Level 3	Total
Financial assets:				
<i>Available-for-sale financial assets:</i>				
- listed investments	839,800	-	-	839,800
	839,800	-	-	839,800

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

2012	Level 1	Level 2	Level 3	Total
Financial assets:				
<i>Available-for-sale financial assets:</i>				
- listed investments	2,376,120	-	-	2,376,120
	2,376,120	-	-	2,376,120

Included within Level 1 of the hierarchy are the Energizer Resources Inc shares listed on the Toronto Stock Exchange. The fair values of these financial assets have been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

In determining the fair value of unlisted investments included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted.

No transfers between the levels of the fair value hierarchy occurred during the current or previous reporting period.

(b) Interest Rate Risk

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

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing Within Year		Non-Interest Bearing		Total	
	2013 %	2012 %	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
Cash	2.88%	5.50%	69,240	149,320	340,471	1,800,000	100	200	409,811	1,949,520
Receivables			-	-	-	-	67,432	270,054	67,432	270,054
Total Financial Assets			69,240	149,320		1,800,000	67,532	270,254	477,243	2,219,574
Payables			-	-	-	-	(886,487)	(1,373,815)	(886,487)	(1,373,815)
Total Financial Liabilities			-	-	-	-	(886,487)	(1,373,815)	(886,487)	(1,373,815)
Net Financial Assets			69,240	149,320	340,471	1,800,000	(818,955)	(1,103,561)	(409,244)	845,759

(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 2013, 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:

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 24 – FINANCIAL INSTRUMENTS (Continued)	ECONOMIC ENTITY	
	2013 \$	2012 \$
Change in profit:		
Increase in interest rate by 1%	2,934	5,089
Decrease in interest rate by 1%	(2,934)	(5,089)
Change in equity:		
Increase in interest rate by 1%	2,934	(5,089)
Decrease in interest rate by 1%	(2,934)	5,089

Foreign Currency Risk Sensitivity:

Analysis at 30 June 2013, 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:

Change in profit:		
Improvement in AUD to MGA by 5%	(14,670)	(25,445)
Decline in AUD to MGA by 5%	14,670	25,445
Change in equity:		
Improvement in AUD to MGA by 5%	14,670	25,445
Decline in AUD to MGA by 5%	(14,670)	(25,445)

NOTE 25 – 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.
- Intersegmental 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:

In 2012 royalties from Labradorite Operations represented 31% of total revenue in Madagascar and this is shared between 3 customers.

In 2013 royalty revenue recorded from Labradorite Operations totalled \$226,886. However due to non-payment by 2 of the 3 customers for the period extending back into the 2012 year a provision for non-recovery totalling \$222,217 was recorded at 30 June 2013.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 25 – STATEMENT OF OPERATIONS BY SEGMENT (Continued)

2013	Australia	Madagascar	Eliminations	Economic Entity
Revenue				
Other Income	45,361	1,101,372	(481,902)	664,831
Total Segment Revenue	45,361	1,101,372	(481,902)	664,831
Result				
Segment Result	(5,440,281)	(255,606)	(414,801)	(3,343,956)
Profit/(Loss) before Income tax	(5,589,164)	(247,558)	2,433,315	(3,403,407)
Profit/(Loss) after income tax	(5,440,281)	(255,606)	2,433,315	(3,262,572)
2013 Assets	Australia	Madagascar	Eliminations	Economic Entity
Segment Assets	7,536,273	3,495,414	(3,025,038)	8,006,649
Segment Liabilities	(679,556)	(206,931)	-	(886,487)
Other				
Acquisition of non-current segment assets	-	16,508	-	16,508
Depreciation	3,381	86,068	-	89,449
2012	Australia	Madagascar	Eliminations	Economic Entity
Revenue				
Other Income	3,557,421	729,573	(126,168)	4,160,826
Total Segment Revenue	3,557,421	729,573	(126,168)	4,160,826
Result				
Segment Result	3,226,950	(826,135)	317,231	2,718,046
Profit/(Loss) before income tax	3,375,833	(824,862)	317,231	2,866,202
Profit/(Loss) after income tax	3,226,950	(826,135)	317,231	2,718,046
Assets				
Segment Assets	12,955,496	3,447,183	(5,054,850)	11,347,829
Segment Liabilities	(1,092,572)	(6,228,645)	5,947,402	(1,373,815)
Other				
Acquisition of non-current segment assets	1,725	33,361	-	35,086
Depreciation	6,753	91,562	-	98,315

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 26 – RELATED PARTY TRANSACTIONS

Transactions between related parties are on usual commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Directors' Share Transactions:

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

	ECONOMIC ENTITY	
	2013	2012
	\$	\$
Ordinary Shares	20,053,014	20,553,014

(b) Related Party Transactions:

WTR Holdings Pty Ltd (formerly Madagascar Resources NL)	-	128,640
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WTR Holdings Pty Ltd (WTR) was the holder of 10,000,000 ordinary shares in Malagasy Minerals Ltd. 100% of these shares were sold in April 2012 and at 30 June 2013, WTR held nil shares. WTR ceased to be a related party on that date.

WTRL are paid 70% of net labradorite royalty receipts actually received from existing contracts as per the Share Sale Agreement. At 30 June 2013, WTRL is owed \$584,919.

NOTE 27 – AUDITORS REMUNERATION

Amount payable to Crowe Horwath as Auditor

- Auditing or reviewing the financial report	44,600	42,354
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Amounts payable to non Crowe Horwath firms for the audit and review of the financial reports of subsidiary companies was \$6,094 (2012: \$7,200)

NOTE 28 – SHARE BASED PAYMENTS

The following Share-based payment arrangements existed at 30 June 2013.

Options:

2013				2012			
Grant Date	No. of Options	Exercise Price	Expiry Date	Grant Date	No. of Options	Exercise Price	Expiry Date
01/12/2008	2,000,000	\$0.20	01/12/2013	27/06/2008	1,000,000	\$0.20	26/06/2013
01/12/2008	1,000,000	\$0.20	03/07/2013	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
02/04/2009	4,003,600	\$0.20	07/07/2013	01/12/2008	1,000,000	\$0.20	03/07/2013
30/09/2012	375,000	\$0.30	30/09/2015	02/04/2009	4,003,600	\$0.20	07/07/2013
21/11/2012	7,000,000	\$0.15	30/11/2016		<u>9,003,600</u>		
31/12/2012	375,000	\$0.40	31/12/2015				
31/03/2013	<u>375,000</u>	\$0.50	31/03/2016				
	<u>16,128,600</u>						

None of the options hold voting or dividend rights.

Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

NOTE 28 – SHARE BASED PAYMENTS (Continued)

	2013		2012	
	No of Options	Exercise Price	No of Options	Exercise Price
Outstanding at 1 July	9,003,600	\$0.20	9,003,600	\$0.20
Expired	(1,000,000)	\$0.20	-	-
Granted during the period:				
- 22/11/2012	7,000,000	\$0.15	-	-
- 30/09/2012	375,000	\$0.30	-	-
- 31/12/2012	375,000	\$0.40	-	-
- 31/03/2013	375,000	\$0.50	-	-
Outstanding at 30 June	16,128,600	-	9,003,600	\$0.20
Exercisable at 30 June	12,628,600	-	9,003,600	\$0.20

2013:

The fair value of services rendered in return for share options granted is based on the fair value of share options granted, measured using the Black-Sholes option pricing formula. 8,125,000 share options were granted during the year ended 30 June 2013.

Fair Value of Share Options & Assumptions:	Directors	Consultants		
Grant date	22/11/2012	30/09/2012	31/12/2012	31/3/2013
Number granted	7,000,000	375,000	375,000	375,000
Fair Value at grant date (per option)	\$0.026	\$0.019	\$0.080	\$0.097
Share Price at grant date	\$0.051	\$0.062	\$0.041	\$0.050
Exercise price	\$0.150	\$0.300	\$0.400	\$0.500
Expected share price volatility	100%	100%	100%	100%
Expected life of option (days)	1,475	1,095	1,095	1,096
Expected dividends	-	-	-	-
Risk free interest rate	2.52%	2.41%	2.67%	2.87%

2012:

No share options were granted during the year ended 30 June 2012.

NOTE 29 – COMPANY DETAILS

The registered office of the company is:
Malagasy Minerals Limited
15 Lovegrove Close
Mount Claremont WA 6010
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 30 to 62 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the economic entity;
2. the Chairman (CEO equivalent) Chief Financial Officer 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:



G Boden
Director

Perth, Western Australia
26 September 2013

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MALAGASY MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Malagasy Minerals Limited and its Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view 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 and notes 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*.

Auditor's Opinion

In our opinion, the financial report of consolidated entity is in accordance with the *Corporations Act 2001* including:

- (a)
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date;
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of matter

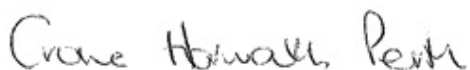
We draw attention to Note 1 to the financial statements which describes the uncertainty related to the consolidated entity's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 26 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report for Malagasy Minerals Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.



CROWE HORWATH PERTH



PHILIPPA HOBSON
Partner

Signed at Perth, 26 September 2013

ASX Additional Information

1. *Listed Shares*

The shareholder information set out below was applicable as at 20 September 2013.

a) Distribution of Share Holdings

Size of Holding	Number of Shareholders	Number of Shares
1 - 1,000	20	5,046
1,001 - 5,000	32	108,789
5,001 - 10,000	97	824,500
10,001 - 100,000	421	19,557,161
100,001 and over	193	138,317,008
Total Shareholders	763	158,812,504

There are 209 Shareholders with less than a marketable parcel at a price of \$0.027, totalling 1,790,618 shares.

b) 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.

c) Twenty Largest Share Holders

SHAREHOLDERS (Fully Paid Ordinary)	NUMBER OF SHARES	%
RUNNING WATER LIMITED	10,595,513	6.67
NEFCO NOMINEES PTY LTD	7,000,000	4.41
HARMANIS NOMINEES PTY LTD	7,000,000	4.41
LEET INVESTMENTS PTY LIMITED	5,400,000	3.40
MIDAS CONSULTANCY LIMITED	4,800,000	3.02
DIPLOMAT HOLDINGS PTY LTD	4,153,016	2.62
JP MORGAN NOMINEES AUSTRALIA LTD	3,779,510	2.38
TEMMEDO PTY LTD	3,550,000	2.24
MR RENE LEGOLL	3,500,000	2.20
MAGAUURITE PTY LTD	3,450,000	2.17
MR HARVEY ZHENYU WANG & MRSLINDA QUAN CHEN	3,175,000	2.00
LEET INVESTMENTS PTY LTD	3,161,918	1.99
MR ROBERT HASTINGS SMYTHE	2,900,000	1.83
T A WATERSON & C E CROSS	1,940,000	1.22
TEMMEDO PTY LTD	1,810,000	1.14
OMNI GEOX PTY LTD	1,800,000	1.13
MAGAUURITE PTY LTD	1,750,000	1.10
DR DIGBY JOHN EDGAR CULLEN	1,600,000	1.01
MR JULES LE CLEZIO	1,532,018	0.96
FGL CAPITAL PTY LTD	1,500,000	0.94
TOP 20 SHAREHOLDERS	74,396,975	46.84
TOTAL ISSUED SHARES	158,812,504	100.00

ASX Additional Information (Continued)

d) Substantial Shareholders

The names of the substantial shareholders listed in the Company's share register as at 20 September 2013 were:

SHAREHOLDERS (Fully Paid Ordinary)	NUMBER OF SHARES	%
Guy LeClezio	11,940,513	7.52
Total	11,940,513	7.52

e) On Market Buy-Back

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

2. Unquoted Securities - Shares

There are no unquoted ordinary shares at the date of this report.

3. Unquoted Securities – Options

The following Unlisted Options are on issue:

No. of Options	Exercise Price	Vesting Date	Expiry Date
2,000,000	\$0.20	01/12/2008	01/12/2013
3,500,000	\$0.15	21/11/2012	30/11/2016
3,500,000	\$0.15	30/11/2013	30/11/2016
375,000	\$0.30	30/09/2012	30/09/2015
375,000	\$0.40	31/12/2012	31/12/2015
375,000	\$0.50	31/03/2013	31/03/2016
500,000	\$0.15	02/08/2013	30/11/2016
10,625,000			

MALAGASY MINERALS LIMITED
ABN 84 121 700 105

Tenement Schedule

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	Total Carres (New - 0.391km2)	Interest %	Notes
						4752		
3432	PR	18-Jun-01	17-Jun-11	10	Ampanihy - Central (Big 'S')	1648	807 - 100% 841 - 25% in JV	1
5391	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	2
5392	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	2
5393	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	2
5394	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Maniry	48	40 - 100% 8 - 25% in JV	3
12834	PR	01-Mar-05	28-Feb-15	10	Majunga	64	100%	
13063m	PR	04-Feb-05	03-Feb-15	10	Vohibory	240	100%	
13063s	PR	04-Feb-05	03-Feb-15	10	Vohibory	96	100%	4
13064	PR	04-Feb-05	03-Feb-15	10	Fotadrevo	48	25% in JV	
13089	PR	04-Feb-05	03-Feb-15	10	Ampanihy - Maniry	48	100%	
13508	PR	04-Feb-05	03-Feb-15	10	Vohibory	16	100%	4
13811	PR	14-Mar-05	13-Mar-15	10	Ampanihy - Maniry	48	25% in JV	
13812	PR	14-Mar-05	13-Mar-15	10	Ampanihy - Maniry	32	100%	
13827	PR	14-Mar-05	13-Mar-15	10	Ampanihy - Ianapera	192	100%	
13829	PR	14-Mar-05	13-Mar-15	10	Vohibory	32	100%	
13832	PR	14-Mar-05	13-Mar-15	10	Ampanihy - Maniry	16	100%	
14618	PR	26-Jan-05	25-Jan-15	10	Ampanihy - Ianapera	32	100%	
14619	PR	26-Jan-05	25-Jan-15	10	Ampanihy - Maniry	16	25% in JV	
14620	PR	26-Jan-05	25-Jan-15	10	Fotadrevo	48	25% in JV	
14622	PR	26-Jan-05	25-Jan-15	10	Fotadrevo	64	25% in JV	
14623	PR	26-Jan-05	25-Jan-15	10	Ampanihy - Ianapera	112	39 - 100% 73 - 25% in JV	
16746	PR	09-Sep-05	08-Sep-15	10	Ampanihy - Ianapera	16	100%	
16747	PR	09-Sep-05	08-Sep-15	10	Ampanihy - Maniry	48	25% in JV	

NOTES

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Interest %

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MALAGASY MINERALS LIMITED
ABN 84 121 700 105

Tenement Schedule (Continued)

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	Total Carres (New - 0.391km2)	Interest %	Notes
16749	PR	09-Sep-05	08-Sep-15	10	Ampanihy - Maniry	16	100%	
16750	PR	09-Sep-05	08-Sep-15	10	Ampanihy - Maniry	32	100%	
16753	PR	09-Sep-05	08-Sep-15	10	Ampanihy - Maniry	48	4 - 100% 44 - 25% in JV	
18915	PR	10-Mar-06	09-Mar-16	10	Anjeba (Antinimora/Jafaro)	112	100%	
18916	PR	23-Feb-06	22-Feb-16	10	Anjeba (Antinimora/Jafaro)	32	100%	
19003	PR	23-Feb-06	22-Feb-16	10	Ampanihy - Maniry	16	25% in JV	
19851	PR	04-Feb-05	03-Feb-15	10	Fotadrevo	32	25% in JV	
19932	PE	10-Mar-06	09-Mar-46	40	Ampanihy - Maniry	112	102 - 100% 10 - 25% in JV	5
19933	PE	10-Mar-06	09-Mar-46	40	Ampanihy - Maniry	16	100%	5
19934	PR	26-Jan-05	25-Jan-15	10	Fotadrevo	16	25% in JV	
19935	PR	26-Jan-05	25-Jan-15	10	Fotadrevo	16	25% in JV	
21059	PR	14-Sep-07	13-Sep-12	5	Ampanihy - Maniry	16	25% in JV	6
21060	PR	30-Oct-06	29-Oct-11	5	Ampanihy - Maniry	16	3 - 100% 13 - 25% in JV	6
21061	PR	30-Oct-06	29-Oct-11	5	Ampanihy - Maniry	16	25% in JV	6
21062	PR	03-Oct-07	02-Oct-12	5	Ampanihy-Maniry	32	4 - 100% 28 - 25% in JV	6
21063	PR	30-Oct-06	29-Oct-11	5	Ampanihy - Maniry	32	25% in JV	6
21064	PR	30-Oct-06	29-Oct-11	5	Ampanihy - Maniry	16	1 - 100% 15 - 25% in JV	6
24864	PR	08-May-07	07-May-12	5	Fotadrevo	48	25% in JV	6
25093	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Ianaopera	16	100%	7
25094	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Ianaopera	16	100%	7
25095	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Maniry	48	100%	7
25605	PR	18-Jun-01	17-Jun-11	10	Ampanihy - Maniry	80	25% in JV	8
25606	PR	18-Jun-01	17-Jun-11	10	Ampanihy - Maniry	16	9 - 100% 7 - 25% in JV	5

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MALAGASY MINERALS LIMITED
ABN 84 121 700 105

Tenement Schedule (Continued)

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	Total Carres (New - 0.391km2)	Interest %	Notes
28340	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	160	137 - 100% 23 - 25% in JV	
28341	PR	08-Jan-08	07-Jan-13	5	Ampanihy-Maniry	16	100%	
28345	PR	08-Jan-08	07-Jan-13	5	Ampanihy-Maniry	48	100%	
28346	PR	08-Jan-08	07-Jan-13	5	Ampanihy-Maniry	16	4 - 100% 12 - 25% in JV	
28347	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	112	4 - 100% 108 - 25% in JV	
28348	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	16	25% in JV	
28349	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	16	25% in JV	
28352	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	96	25% in JV	
28353	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	96	47 - 100% 49 - 25% in JV	
29020	PR	12-Sep-08	25-Oct-12	5	Fotadrevo	32	20 - 100% 12 - 25% in JV	5
29082	PR	12-Sep-08	11-Sep-13	5	Tranomaro	224	100%	
29084	PR	14-Jul-08	13-Jul-13	5	Tranomaro	16	100%	
29085	PR	12-Sep-08	11-Sep-13	5	Tranomaro	144	100%	
31733	PR	11-Feb-09	10-Feb-14	5	Ampanihy-Maniry	16	100%	
31734	PR	11-Feb-09	10-Feb-14	5	Ampanihy-Maniry	16	25% in JV	
31735	PR	11-Feb-09	10-Feb-14	5	Ampanihy-Maniry	16	25% in JV	

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