



Unit 7, 11 Colin Grove. West Perth, WA 6005  
Telephone: +61-8-9463 6656; Facsimile: +61-8-9463 6657  
E-mail: [admin@malagasyminerals.com](mailto:admin@malagasyminerals.com) Web Site: [www.malagasyminerals.com](http://www.malagasyminerals.com)

## QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2010

### HIGHLIGHTS

#### *Trading On ASX (Code 'MGY')*

#### **MADAGASCAR EXPLORATION PROJECTS**

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

- Northern 30% of project are to be sold to neighbouring explorer Red Cat Minerals Ltd.
- **Additional copper targets defined** – Multi-kilometre Rock Chip & Soil anomalies in (retained) central and southern project area - results of up to **29% copper, 175gpt silver, 4500ppm nickel and 40ppb platinum**
- **Drilling to focus on central and southern targets** and to be funded by sale proceeds

##### ***Fotadrevo Vanadium Project***

- **8.0km long mineralised zone** identified ~ six (6) costeans totalling 1,870 line metres completed:
  - best results included **10m @ 0.60% V<sub>2</sub>O<sub>5</sub>** including **4m @ 0.74% V<sub>2</sub>O<sub>5</sub>**
- **Additional 35km of prospective strike** to be explored in 2010

##### ***Ampanihy Nickel-Copper Project***

- **Major overhaul of historical and current data** now complete
- **Numerous anomalous nickel-copper** targets confirmed and upgraded by geochem and VTEM exploration work
- Planned site visit by **international nickel expert** in June Quarter expected to define priority drill targets

#### **LABRADORITE QUARRYING**

- **Royalty revenue from Labradorite quarrying operations** continues to support operating overheads and exploration activities in Madagascar

#### **OTHER OPERATIONS**

- Intertek-Genalysis and Kirk Petrophysics laboratory facilities both fully operational, resulting in substantial upgrades to Company's facilities.
- Rental income continues to increase, offsetting operational costs in Madagascar.

## **OVERVIEW**

During the March 2010 Quarter, Malagasy Minerals continued to actively review its operations in Madagascar with a view to conserving cash and redirecting exploration expenditure to those projects with the highest prospectivity. To this end, the Company retains 1,950km<sup>2</sup> of exploration tenure over the following core project areas:

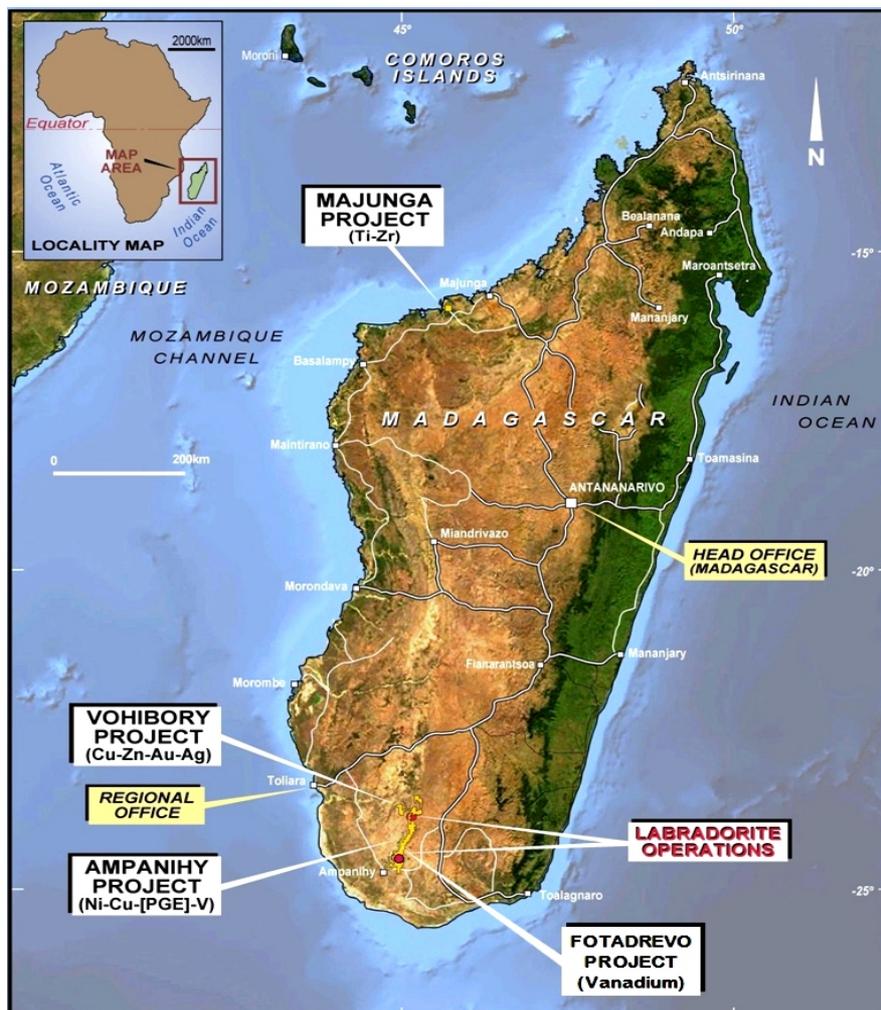
- **Vohibory** (Cu-Ag VMS) – 150km<sup>2</sup>
- **Ampanihy** (Ni-Cu-PGE – including the. **Fotadrevo Vanadium Project**) – 1,775km<sup>2</sup>
- **Mahajunga** (Ilmenite) – 25km<sup>2</sup>

The Vohibory VMS Project continues to show strong promise, with priority follow-up drilling currently planned for the 2010 field season. Delineated VTEM / geochem nickel-copper targets at Ampanihy as well as extensive holdings along strike from existing targets at central Ampanihy / Fotadrevo vanadium will also be developed in 2010.

The Mahajunga Ilmenite Project has been retained given its low-cost and proximity to the major north western port city of Majunga.

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

Additionally, Malagasy continues to receive royalty revenue from Labradorite quarrying operations of approximately A\$300,000 per annum. and rental income from its commercial assets in Madagascar of approximately A\$300,000 per annum.



**Figure 1 – Madagascar Projects Location Map**

## **MADAGASCAR EXPLORATION PROJECTS**

### **Vohibory Cu-Ag VMS Project (100%-owned)**

The Vohibory Project – which is located 140km east-southeast of Tulear – comprises three (3) permits covering a total of approximately 150km<sup>2</sup> and is considered by Malagasy to be a potential Volcanogenic Massive Sulphide (VMS) base metals target.

Previous surface prospecting from two sub-parallel north-south trending corridors within the project tenements returned strong rock chip and soil sample results of up to 29% copper, 175gpt silver, 4500ppm nickel and 40ppb platinum.

During the March 2010 Quarter, the Company completed a comprehensive review of recent and historical exploration data with digitizing of detailed geological mapping at 1:5,000 and 1:10,000 scale at an advanced stage and expected to be completed end of April 2010.

Encouraging results have been returned from drill hole VHD003, with best results including:

- **4m grading 10.3g/t silver** from surface; and
- **6m grading 1.07g/t silver; 105ppm copper; 540ppm zinc; and 27ppm molybdenum** from 184m.

Additionally, analysis of soil samples collected from the southern portion of the project were completed via in-house XRF and returned results up to 1,178ppm copper.

Results from 45 rock chip samples combined with the detailed review and incorporation of historical data have defined several areas of coincident copper-silver anomalism associated with untested VTEM conductors.

The strongest of these anomalies – a 3km zone associated with the large VC-10 conductor in the central-east of the project – has returned results of 2% to 28% copper and 2gpt to 122gpt silver from rock chips.

This zone comprises the central component of an eight (8) km semi-contiguous zone of copper - silver anomalism extending from the extreme central-east of the property to the southwest corner. These zones, together with other exploration results, are summarised in Figure 2 below.

Of particular interest is that the southern zone is overlain by 5m - 30m of Mesozoic cover that disconformably overlies the host lithologies of the Proterozoic basement sequences. This represents a priority drilling target for the 2010 field season.

Subsequent to a review of 2009 exploration results, the company has entered into an agreement with Mauritian company Red Cat Minerals Ltd., whereby Red Cat subsidiary Sakamena SA will acquire the northernmost seven squares of the Vohibory project from our wholly-owned subsidiary Mada-Aust SARL, as detailed in the Corporate Section.

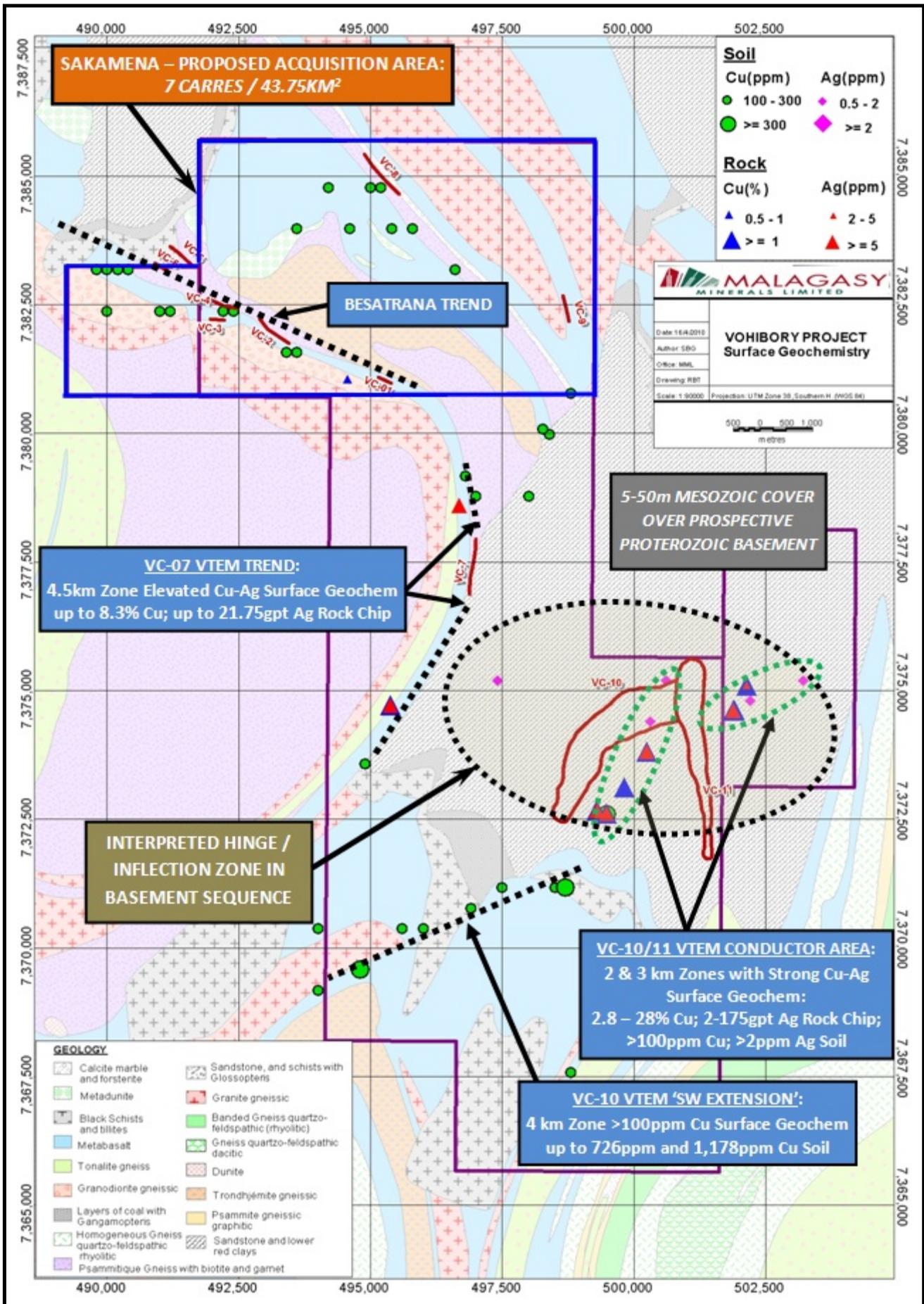


Figure 2: Summary of current exploration at Vohibory. Of particular interest is the area around VTEM conductors VC-10 and VC-11 (black-dashed ovoid) containing a total of 8 strike kilometers of Cu-Ag anomalism. The area outlined in blue to the north is currently under negotiation regarding sale to Mauritian company Red Cat Minerals.

## AMP-Central (Fotadrevo) Vanadium Project

Malagasy is targeting vanadium and (sulphide-hosted) base metals mineralisation at this project, which is located in central-western Ampanihy.

Subsequent to previously reported geochemical sampling, the Company successfully defined an eight (8) kilometre long zone of anomalous vanadium mineralisation and during the December Quarter, comprehensive first-pass costeaning (trenching) of this mineralised trend was completed over the initial 6.5 km extent of this zone. This comprised six (6) costeans totalling 1,870 line metres and at an average length of over 300 metres per costean.

Analytical results from the costeans were received during the March reported period, with anomalous results returned from four of the six costeans.

Trench '4' returned the best result – **10m @ 0.60% V<sub>2</sub>O<sub>5</sub>** (incl. **4m @ 0.74% V<sub>2</sub>O<sub>5</sub>**) between 202 metres and 212 metres – from the western terminus of the costean, at an average depth of two metres below natural surface ('BNS'). Some vanadium-anomalous zones were also associated with elevated copper (max. 923ppm Cu), zinc (max. 799ppm Zn) and iron (max. 30% Fe).

Interpretation of these results suggests that the main zone of vanadium mineralisation along the extended 'Jaky' trend likely lies adjacent to the west of the tested zone in an area of artisanal cultivation and heavy overburden, masking any anomalous response from the initial surface geochem programmes used for targeting the Phase I costeans.

Initial priority for 2010 will be to extend costeaning on Trenches 01, 03, 04 and 06 to the west to confirm the presence of higher-grade vanadium mineralisation.

Results are summarised in Table 1 and Figure 3 below:

**Table 1 – Trench Results**

Trench No.	Width (m)	Grade (% V <sub>2</sub> O <sub>5</sub> )	Start (m)*	End (m)*
T01	1	0.26	95	96
T03	4	0.24	100	104
T04	6	0.18	4	10
	18	0.25	92	110
	10	0.60	202	212
	<i>Incl.</i>	<i>0.74</i>	<i>204</i>	<i>208</i>
	10	0.33	236	246
T06	2	0.27	158	160

*\* 'Start' and 'End' refer respectively to the westernmost and easternmost extent of the mineralised zone of the reported Trench, as measured from the western terminus. Average depth BNS for all costeans was 2 to 4 metres.*

Additionally, the Company controls in excess of 35 strike kilometers of prospective lithology to the south and west of the initial target area, and this belt will be subjected to detailed prospecting and soil geochemistry to delineate the presence of additional areas of interest. This regional target area is summarised on Figure 4 overleaf.

The recommended programme is to utilise the proven combination of soil geochemistry and prospecting in the first instance, as this has proven effective in detecting V-Cu mineralisation in the area.

Regional soil sampling on an 800m x 400m grid spacing, combined with abovementioned prospecting and stream sampling as appropriate, will provide adequate first-pass coverage. Extension of these lines to the east (i.e. 3 to 4km average) would also provide coverage of the currently untested suture zone covering the region between the two anorthosite intrusives at Ianapera and Maniry.

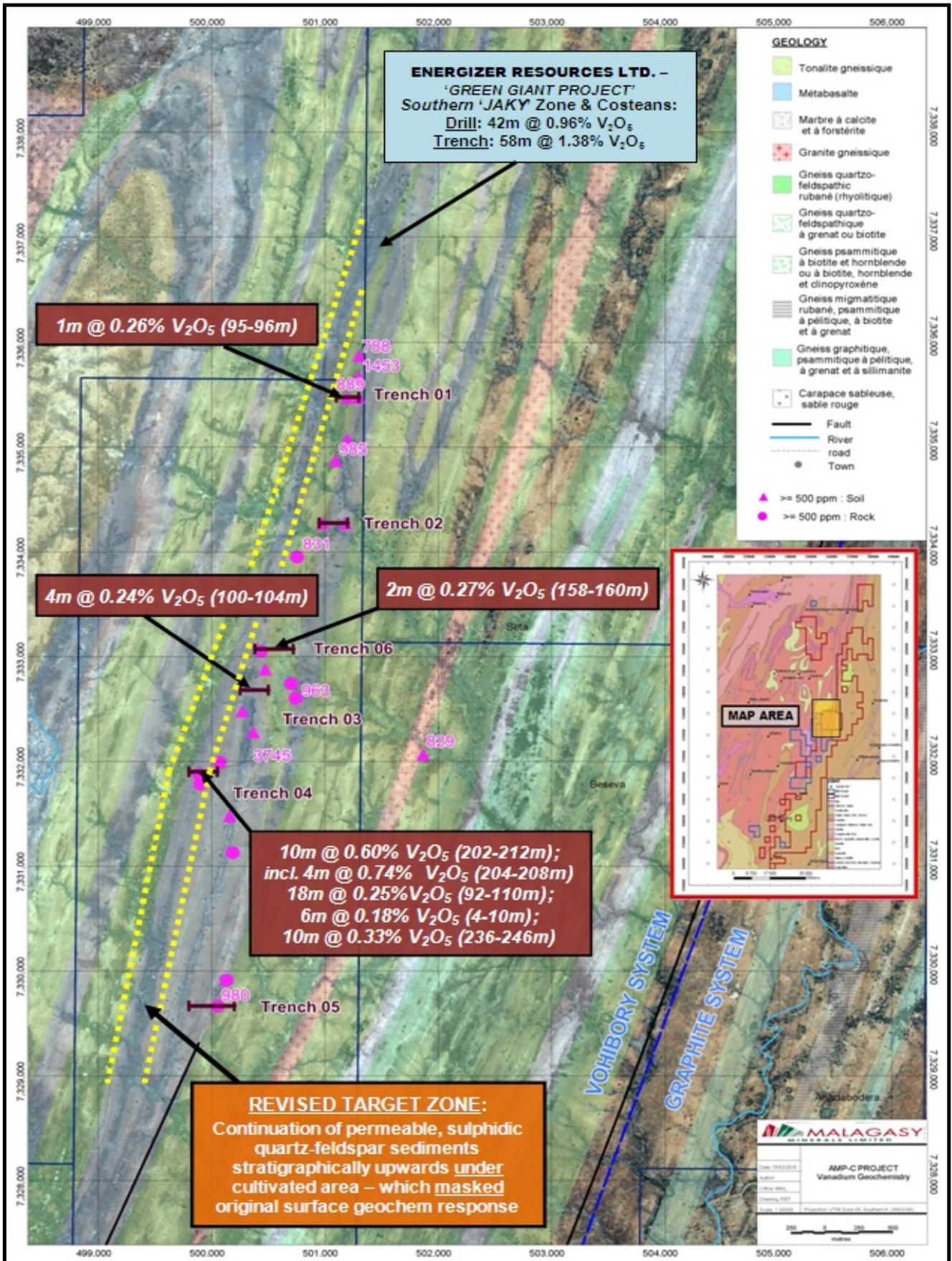


Figure 3: Summary of results from costeaning completed by MML in December 2009. Results indicate that main mineralisation is likely adjacent to the west in a belt of cultivation, this feature likely masking the response from surface geochemical programmes used as a basis for targeting Phase I costeans

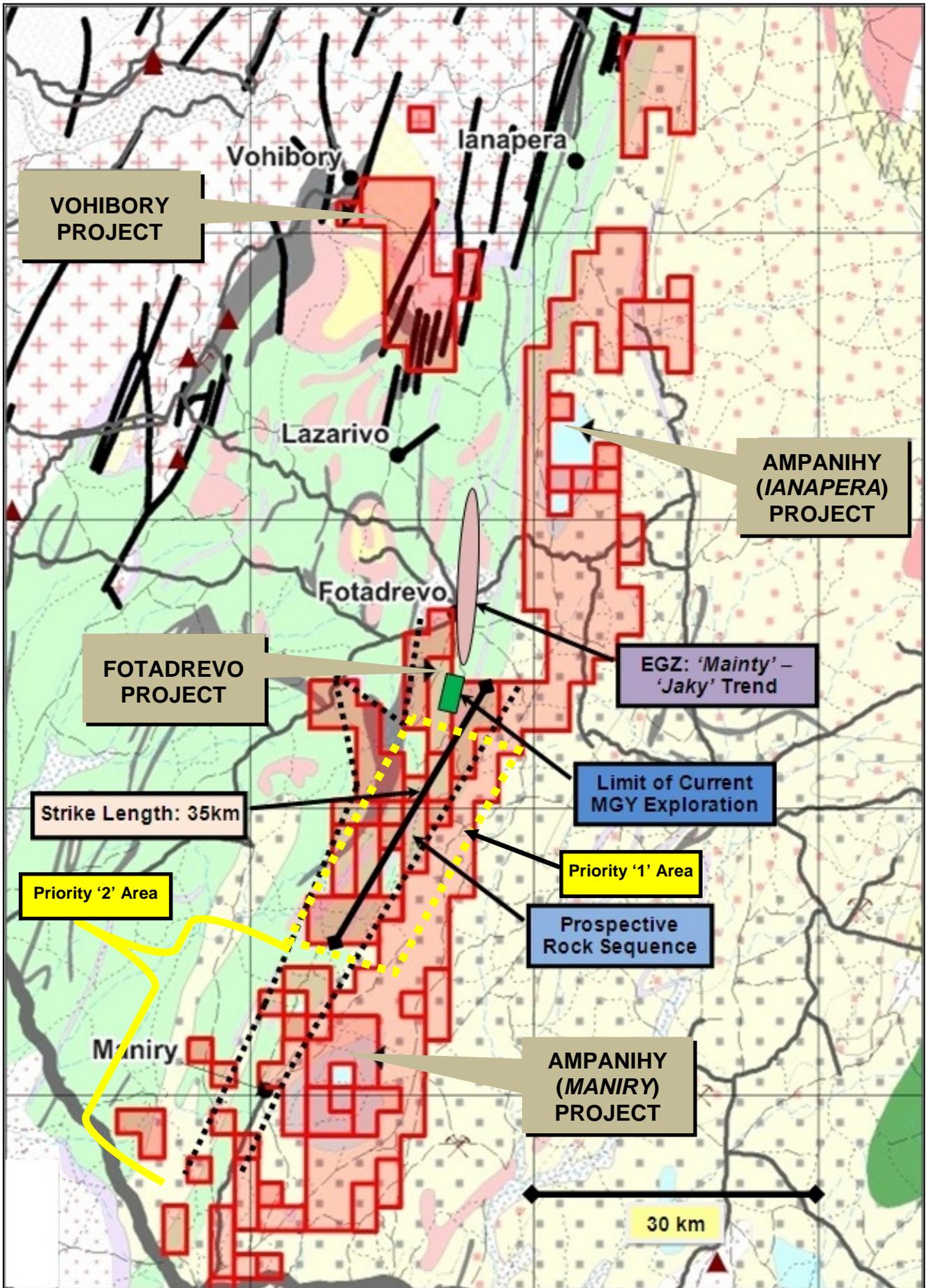


Figure 4: Tenement holding of MML over vanadium-prospective sequences to the south and west of the current exploration area MML will initially be assessing this area with surface geochemistry as a means of determining the presence of vanadium or other mineralisation types during the 2010 field season

## Ampanihy Ni-Cu-PGE Project

The Ampanihy Project is the second largest of the Company's projects and is located north of its namesake town of Ampanihy in south-central Madagascar. The project comprises a total of 56 permits of 1,775 sq km area, covering approximately 80km of regional strike.

Malagasy is targeting sulphide-hosted nickel-copper-PGE mineralisation at this project, centred around two large (80 sq km) anorthosite (gabbroic) intrusives. During the 2008 field season, the Company completed a 3,500 line-km VTEM-Aeromagnetic survey over the margins of these intrusives which delineated numerous target VTEM conductors, some of which are coincident with both anomalous surface geochemistry and observed copper gossans.

During the March Quarter, the Company has undertaken a comprehensive overview and collation of historical and recent exploration data. This work identified a number of areas of interest from which a total of 214 samples from 2008 and 2009 surface geochemistry programmes were subsequently recovered and analysed by Intertek.

Results have delineated a total of seven (7) areas of anomalous coincident nickel-copper geochemistry associated with VTEM conductors. Additionally, several anomalous zones have also been defined in areas close to VTEM conductors or outside of the original VTEM survey area.

For **Maniry** in the south of the project area (see Figure 4), a total of five (5) areas of coincident VTEM / geochem have been identified around the intrusive margin. Of particular interest is a six (6) km NE-SW striking zone with its northern terminus at MA\_VC01.

Site inspection of this area in 2009 indicated the presence of Gabbro intruding ferruginised metasediments. Limited prospecting returned results of 901ppm Ni and 176ppm Cu and will require extension of the current soil grid to the north to cover this area.

Also of interest are the areas around MA\_VC16 and MA\_VC23, both of which display strong correlation with anomalous Ni-Cu surface geochemistry. Field inspection in the MA\_VC26 area in 2009 located extensive goethitic ironstone regolith with colloidal magnesite float.

Results from the **Ianapera** intrusive in the north (Figure 5) have confirmed the prospectivity of previously reported AMC11 > 49 and AMC47 areas along the eastern margin of the intrusive. Four (4) areas of coincident anomalous Ni-Cu geochemistry have also been defined in areas close to VTEM conductors or outside of the original VTEM survey area.

In particular, a five (5) km N-S striking zone of coincident Ni-Cu located outside the limit of the VTEM survey will require in-fill prospecting. Similarly, the area to the north of the limit of soil geochemistry at AMP-I contains a number of VTEM conductors that warrant extension of the current soil grid to provide coverage.

Plans are in place to have an international nickel sulphide expert visit the project in early June 2010 to assess these targets on the ground and assist in prioritising the best drill targets.

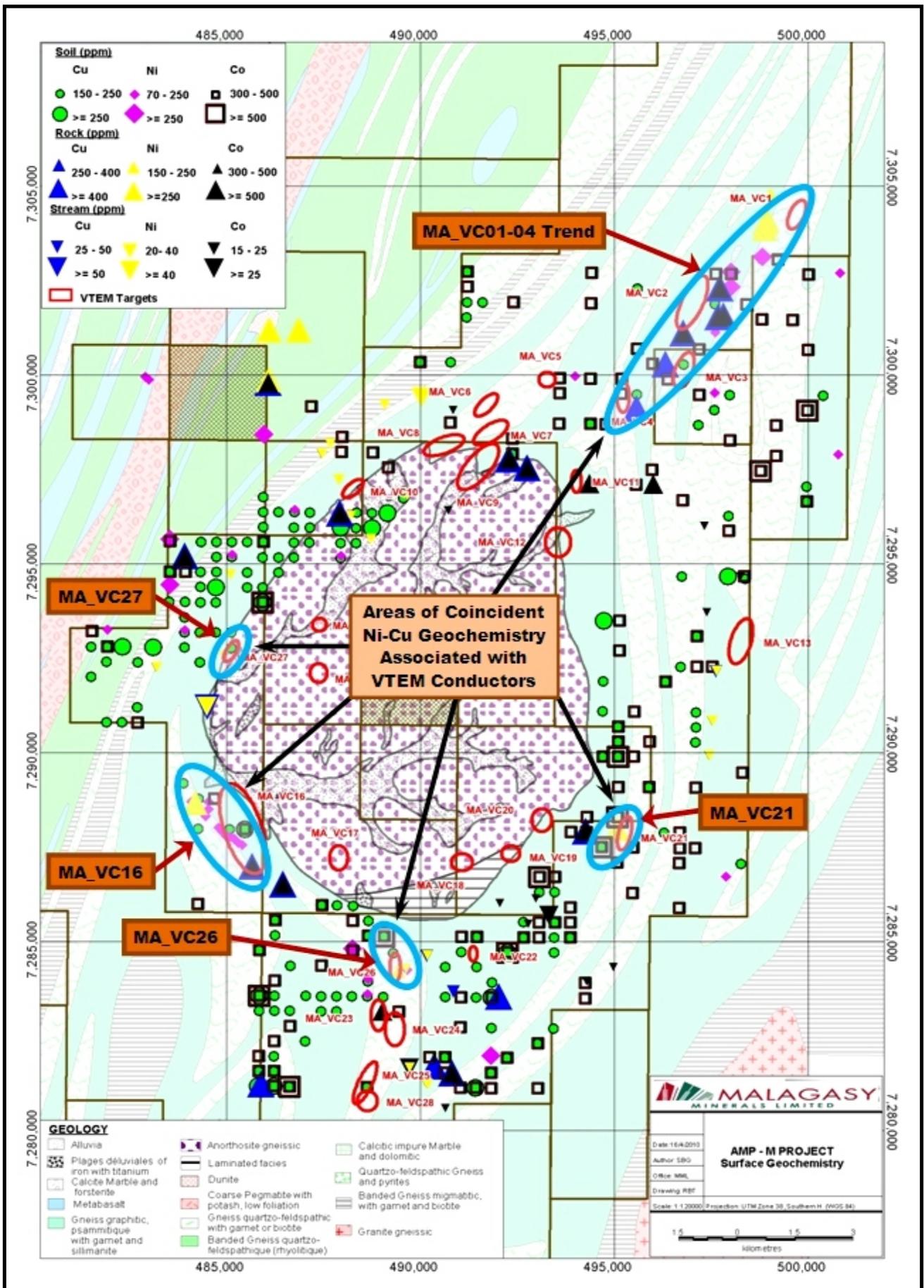


Figure 4: Summary geology and geochemistry plan for AMP-M (Maniry) project area showing relation between Ni-Cu-Co anomalism and VTEM conductors surveyed during 2008. Priority targets (cyan ovoids) labelled as dark orange – note in particular Targets MA\_VC16 and the multi-km zone to the SW of MA\_VC01.

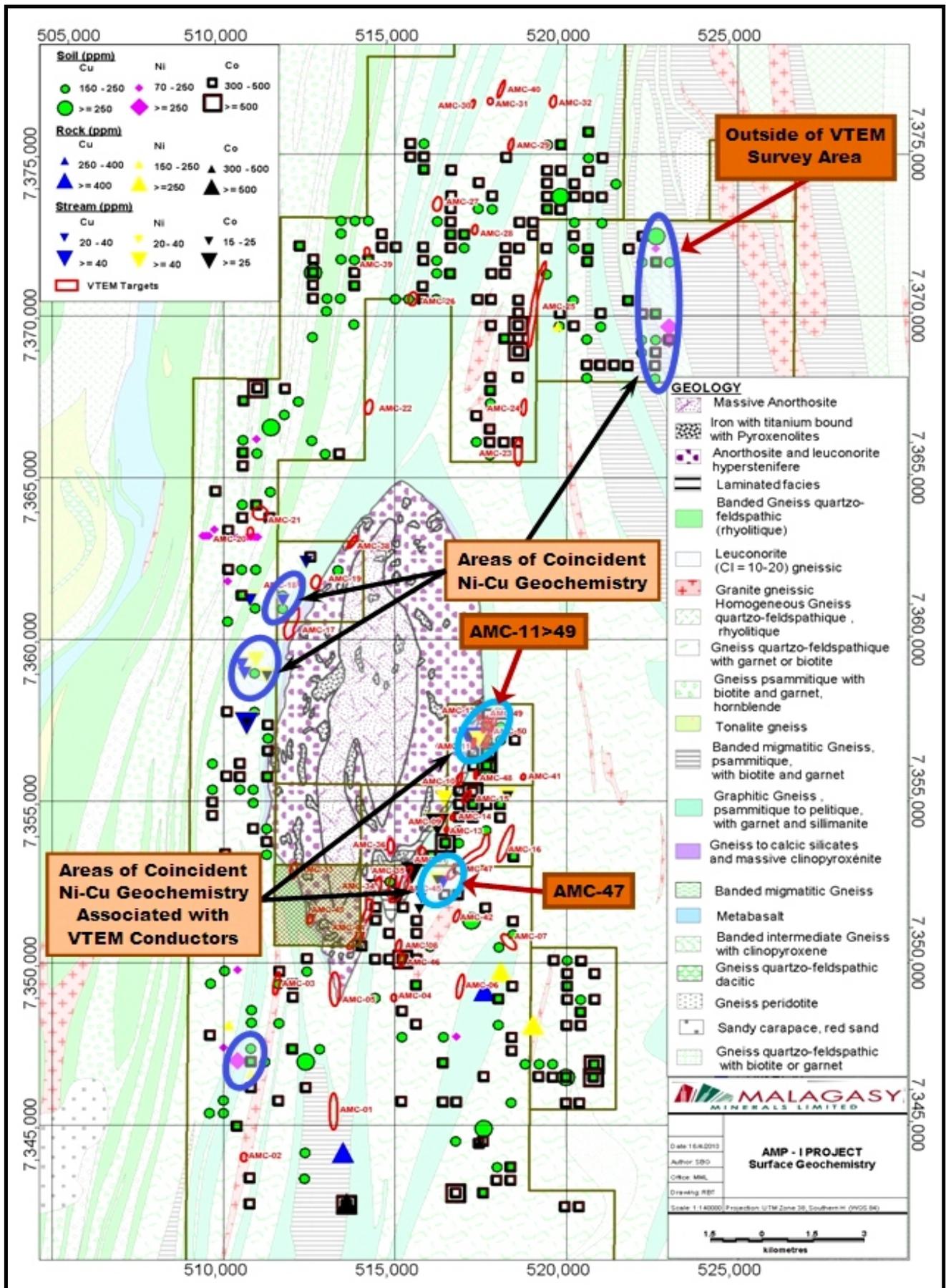


Figure 5: Summary geology and geochemistry plan for AMP-I (lanapera) project area showing relation between Ni-Cu-Co anomalism and VTEM conductors surveyed during 2008. Priority targets (cyan ovoids) labelled as dark orange – note also areas delineated by purple ovoids; displaying coincident Ni-Cu (+/-Co) geochemistry

## **COMMERCIAL PROPERTY – ST DENIS HOLDINGS SARL**

Since taking possession of the St Denis commercial site on 31<sup>st</sup> July 2008, Malagasy has continued the process of upgrading the infrastructure at its two hectare compound in Antananarivo. At present, annual rental income of approximately A\$300,000 is being received by the Company

Several hundred square metres of commercial space remain available for rental and the Company continues to seek additional tenants.

## **MINING SERVICES SARL (MINSERV)**

During the March Quarter, the Company has comprehensively reviewed its drilling requirements and inventory and will continue to use its own drilling rigs for exploration drilling.

Malagasy is evaluating the appointment of an expatriate supervisor to oversee drilling operations and maintenance for its field operations going forward.

## **CORPORATE**

Malagasy continues to restructure its commercial property holdings, operational assets and running costs with a view to maximising revenue income and reducing costs to become cash flow sufficient at its Madagascar operations.

With Labradorite Royalty and Rental income, the operations in Madagascar are close to being self supporting, leaving exploration and Australian administrative costs to be funded.

Total issued capital is 95,000,003 of which 75,375,003 shares are listed with the following securities being escrowed:

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

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

### *Agreement with Red Cat Minerals*

Subsequent to the end of the Quarter, the Company reached agreement to divest part of the Vohibory VMS Copper-Silver Project to Australian company Red Cat Minerals Ltd (“Red Cat”), which is planning to undertake an IPO on the Australian Securities Exchange (‘ASX’).

Under the agreement, between Malagasy’s wholly-owned Madagascar-based subsidiary Mada-Aust SARL, and Red Cat subsidiary Sakamena SA, Mada-Aust will receive a total of \$300,000 in cash for the tenements.

\$50,000 will be paid upon execution with the balance payable when Red Cat lists on the ASX, which is expected to occur before the end of August 2010. \$200,000 worth of shares in Red Cat will be issued to Malagasy for services upon the admission of Red Cat to the ASX.

The agreement covers an area of 43.75 sq km over the northern portion of the Vohibory Project, representing less than 30% of the Vohibory copper-silver VMS project area.

These tenements cover the eastern extension to the Besatrana copper mine trend and are contiguous with the Sakamena leases adjacent to the west and north of Malagasy’s ground.

The proceeds of the sale will boost Malagasy’s cash resources, assisting the Company in focusing on its emerging targets in the central and southern portions of the Vohibory Project.

### Political Situation - Madagascar

As previously advised, the current political situation in Madagascar remains stable, and international mediation is assisting in the negotiation of a peaceful resolution of the political situation, with the aim of achieving early elections and the re-establishment of normalised relations with both the international community and donor countries.

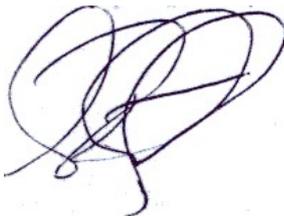
The Company's operations and staff remain secure and business is being conducted on a normal day-to-day basis. Entry and exit to the country continues without impediment.

However, as a consequence of reduced foreign support pending resolution of the current political transition, the Madagascan Government has imposed increased annual tenement rents of over 100%. This action is deemed unconstitutional and the Company is working closely with other mineral exploration industry stakeholders and the government in order to resolve this matter.

Currently, Malagasy Minerals has paid the annual rental amounts due under the constitutional legislative framework and is awaiting final legal resolution of the increased rents charged.

The Company regularly updates its website at [www.malagasyminerals.com](http://www.malagasyminerals.com)

For and on Behalf of the Board,



**Steven Goertz**  
**Managing Director**

**30<sup>th</sup> April 2010**

cc: Directors

### **Competent Persons Statement**

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

### **About Malagasy Minerals**

Malagasy Minerals Limited (ASX: MGY) is an international exploration company with a high-potential minerals company in Madagascar, a largely unexplored country off the east coast of Southern Africa.

The company currently holds some 1,950 sq km of mineral tenure in the country and is exploring for magmatic nickel-copper-PGE, vanadium, and copper-silver VMS-style mineralisation.

The Company's senior management and operational headquarters are located in Antananarivo, the capital of Madagascar. Malagasy has an existing income stream from royalties on labradorite mining as well as rental income on its logistics and operational base which effectively covers all in-country overheads.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

<b>MALAGASY MINERALS LIMITED</b>
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ABN

<b>ABN 84 121 700 105</b>
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Quarter ended ("current quarter")

<b>31 MARCH 2010</b>
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### Consolidated statement of cash flows

	Current quarter \$'000	Year to date (9 months) \$'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	149	514
1.2 Payments for (a) exploration and evaluation (net)	(244)	(664)
(b) development	-	-
(c) production	-	-
(d) administration (net)	(279)	(871)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	19
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (TVA recoverable)	-	-
<b>Net Operating Cash Flows</b>	<b>(370)</b>	<b>(1,002)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(11)	(52)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Payments to MRNL)	(15)	(133)
<b>Net investing cash flows</b>	<b>(26)</b>	<b>(185)</b>
1.13 Total operating and investing cash flows (carried forward)	(396)	(1,187)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	<b>Total operating and investing cash flows (brought forward)</b>	<b>(396)</b>	<b>(1,187)</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc. (Net) – IPO Expenses paid	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(3)	(9)
1.18	Dividends paid	-	-
1.19	Other – Trade Creditors/Debtors	-	-
	<b>Net financing cash flows</b>	<b>(3)</b>	<b>(9)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(399)</b>	<b>(1,196)</b>
1.20	Cash at beginning of quarter/year to date	639	1,436
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>240</b>	<b>240</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	<b>76</b>
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions Payments of wages, quarterly Directors Fees and Consultancy Fees to Directors.	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements/bonds	10	10

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
<b>Total</b>	<b>150</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	240	239
5.2 Deposits at call	-	400
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>240</b>	<b>639</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed		Refer Covering Quarterly Activity Report attached hereto		
6.2 Interests in mining tenements acquired or increased		Refer Covering Quarterly Activity Report attached hereto		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	Nil	Nil	-	-
7.2 Changes during quarter	-	-	-	-
7.3 <b>+Ordinary securities</b>	<b>95,000,003</b>	<b>75,375,003</b>	Various	Fully Paid
7.4 Changes during quarter				
(a) Increases Through Issue - placement	-	-	-	-
(b) Decreases through return of capital, buy-backs	-	-	-	-
(c) Ex-Escrow	-	-	-	-
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	Nil	Nil	-	-
7.6 Changes during quarter	-	-	-	-
7.7 <b>Options</b> <i>Unlisted</i>	<b>1,000,000</b> <b>2,000,000</b> <b>2,000,000</b> <b>4,003,600</b>	- - - -	20c Options 20c Options 20c Options 20c Options	Expiry: 27/6/2013 Expiry: 01/12/2013 Expiry: 03/07/2013 Expiry: 07/07/2013
7.8 Issued during quarter <i>Unlisted</i>	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		

+ See chapter 19 for defined terms.

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Director/Company Secretary)

Date: ..... **30 April 2010.**

Print name:

.....**Max D.J. Cozijn**.....

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