



INTERIM FINANCIAL REPORT

31 DECEMBER 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

15 Lovegrove Close
MOUNT CLAREMONT WA 6010
Telephone: +61 8 9286-1219
Facsimile: +61 8 9284-3801

Postal Address

15 Lovegrove Close
MOUNT CLAREMONT WA 6010

Madagascar Operations Office

Batiment L Cite ex-BRGM, Rue Farafaty
Ampanandrianomby – Antananarivo 101
MADAGASCAR
Telephone: +261 20 22 416 63 / +261 20 22 591 34
Facsimile: +261 20 22 591 32

Stock Exchange Listing

Australian Securities Exchange
ASX Code: MGY

Auditor

William Buck Audit (WA) Pty Ltd
Level 3, 15 Labouchere Road,
SOUTH PERTH WA 6151

Solicitors to the Company

Steinepreis Paganin
Level 4, 16 Milligan Street
PERTH WA 6000

Solicitors (Madagascar)

Lexel Juridique & Fiscal
Zone Tana Water Front
Ambodivona
ANTANANARIVO 101
MADAGASCAR

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

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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Interim Financial Report Directors Report

Your Directors submit the financial report of the economic entity consisting of Malagasy Minerals Limited and the entities it controlled for the half year ended 31 December 2013, made in accordance with a resolution of the Board.

DIRECTORS

The names of Directors who held office during or since the end of the half year, for the whole period unless otherwise stated:

Mr Guy LeClezio (Non-Executive Director & Chairman)
Dr Peter Woods (Non-Executive Director)
Mr Graeme Boden (Non-Executive Director)
Mr Peter Langworthy (Non-Executive Director)(Appointed 24 July 2013)
Mr Max Cozijn (Non-Executive Director & Chairman)(Resigned 7 August 2013)

REVIEW OF OPERATIONS

The economic entity incurred a loss from ordinary activities after income tax of \$292,502 for the half year (2012: Loss of \$ 920,573).

Components of this performance were:

	31 December 2013	31 December 2012
	\$	\$
Other Operating Income	263,877	372,705
Operating Expenses	(556,379)	(1,293,278)
Profit/ (Loss) after tax	(292,502)	(920,573)

The Group had a cash balance of \$712,225 at 31 December 2013 (30 June 2013: \$409,811). The Group's increase in cash position was supported by the sale of 4,456,500 shares in Energizer Resources to raise \$743,104 in cash proceeds during the half year. At 31 December the Group held a balance of 3,043,500 shares in Energizer Resources which were available for sale.

HIGHLIGHTS - Six Months to 31 December 2013:

MOLO GRAPHITE PROJECT

- Malagasy has entered into a Memorandum of Understanding relating to a Sale and Purchase Agreement for the Molo Graphite Deposit and associated tenements. The finalisation of this agreement is expected in the March quarter. As detailed in the announcement Malagasy will receive cash and share payments on signing and at benchmark points through the development and operation of the Molo Graphite Project.
- In a separate but related deal, Malagasy will take an interest in the non-industrial mineral rights in Energizers Green Giant Project. Malagasy is targeting nickel, copper and platinum group metals.
- The Molo graphite deposit has a JORC and N143-101 compliant resource as follows:

MOLO GRAPHITE DEPOSIT RESOURCE ESTIMATION SUMMARY ((NI) 43-101)

Classification	Tonnes (mt)	Grade (C%)*	Cut-off grade (C%)
Indicated	84.0	6.3	2%
Inferred	40.3	6.3	2%
TOTAL	124.3	6.3	2%
"High-grade" Indicated & Inferred	60.1	8.1	4%

*Note – Reported Carbon % = Total Carbon

Interim Financial Report Directors Report (Continued)

EXPLORATION

Exploration for the 6-month period to 31 December 2013 was focused on defining the potential for the discovery of large-scale nickel-copper-PGM deposits and large-scale, high-grade graphite deposits. Highlights of this work include:

- Based on field programs completed before December 31 2013, but reported subsequent to the end of the year, significant results from the extensive nickel, copper, PGM exploration were reported. Results included:
 - Extensive zones of coincident nickel-copper soil geochemistry associated with a number of the prospective mafic-ultramafic intrusions have been defined;
 - Rock chip results from gossanous material in outcropping positions have returned results consistent with the presence of sulphides containing nickel-copper-platinum group metals. Results include:
 - Sample MD9306: 3722ppm Ni, 1666ppm Cu, 156ppb Pt-Pd
 - Sample MD9303: 3650ppm Ni, 308ppm Cu, 260ppb Pt-Pd
 - Sample MD9286: 1606ppm Ni, 469ppm Cu, 75ppb Pt-Pd
 - Sample MD9287: 1184ppm Ni, 661ppm Cu, 125ppb Pt-Pd
- Graphite exploration was focused on the Maniry Project Area in the southern part of Malagasy's main Ampanihy Project. Exploration consisted of systematic mapping and sampling over an area that has previously been identified as being prospective for large, high-grade, high-quality deposits of graphite. The results of this work include:
 - Identification of at least 12 major lenses of high-grade graphite mineralisation with widths ranging from 75 metres to 250 metres and average grades from 5% graphitic carbon to 12.13% graphitic carbon.
 - Traverse rock chip traverse results include:
 - Lens B 150 metres @ 8.28%C
 - Lens D 175 metres @ 11.75%C
 - Lens E 250 metres @ 8.67%C
 - Lens J 90 metres @ 12.13%C
 - Lens K 100 metres @ 9.80%C
 - Lens L 150 metres @ 10.18%C
 - Lens M 175 metres @ 7.26%C

Subject to field access, exploration into the first half of 2014 will be focused on the next stage evaluation of both the nickel-copper-PGM and graphite targets.

CORPORATE

MANAGEMENT

Malagasy Minerals Ltd has appointed exploration management consultants OMNI GeoX Pty Ltd ("OMNI GeoX") to provide exploration management services for the company. The principal consultants for OMNI GeoX include Peter Langworthy, Stephen Vallance and Donald Huntly. OMNI GeoX are highly experienced explorers and corporate managers.

Peter Langworthy, of OMNI Geox was appointed a non-executive director on 24 July 2013.
Max Cozijn resigned as non-executive director on 7 August 2013.

Interim Financial Report Directors Report (Continued)

POLITICAL SITUATION

The elections for President and legislature were completed on 20th December 2013. Mr Hery Rajaonarimampianina has been elected President and his investiture was held on 25th January 2014. Madagascar's Special Electoral Court has promulgated the list of the elected parliament members on 6 February 2014. As per the Constitution of Madagascar, the new Prime Minister is to be proposed by the strongest party of the parliament and to be appointed by the President. The new Prime Minister's name and the formation of a new government are expected in the week to come. The international community seems to have been generally satisfied with the electoral process and Madagascar has been reinstated into the African Union. As previously advised, continuing delays are being encountered in the processing of tenement applications, renewals, and the registration of additional minerals on the permits. If the electoral outcome does not see an improvement in these processes, 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.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporation Act 2001 is set out on the following page for the half-year ended 31 December 2013.

This report is signed in accordance with a resolution of the Board of Directors.



Mr Graeme Boden
Non-Executive Director

Dated this 11th day of March 2014

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF MALAGASY MINERALS LIMITED

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2013 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

CJ

Conley Manifis
Director

Dated this 11th day of March, 2014

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Level 3, 15 Labouchere Road (corner Mill Point Road), South Perth WA 6151
PO Box 748, South Perth WA 6951
Telephone: +61 8 6436 2888 • Facsimile: +61 8 6436 2889
williambuck.com

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Consolidated Statement of Profit & Loss and Other Comprehensive Income

For the half year ended 31 December 2013

		ECONOMIC ENTITY	
	Note	31 December 2013	31 December 2012
		\$	\$
Revenue	2	263,877	372,705
Fair Value Gain/(Loss) on Financial Assets	5	74,810	(100,368)
Gain on Sale of Financial Assets		244,984	-
Employee benefits expense		(311,395)	(440,135)
Depreciation expense		(48,883)	(41,779)
Finance costs		-	(20)
Foreign currency gain (loss)		391	(30,427)
Administration costs		(297,174)	(282,179)
Exploration expenditure		(187,450)	(254,298)
Share-based payments		(29,060)	(138,557)
Profit (Loss) before income tax expense		(289,900)	(915,058)
Income tax expense		(2,602)	(5,515)
Profit (Loss) attributable to members of the parent entity		(292,502)	(920,573)
Other Comprehensive Income:			
Items that may be reclassified to the profit & loss			
Adjustment from translation of foreign controlled entities		2,578	57,999
Income Tax relating to components of other comprehensive income		-	-
Total Comprehensive Income for the period attributable to members of the parent entity		(289,924)	(862,574)
Earnings Per Share:			
Basic earnings (loss) per Share (cents per Share)		(0.18)	(0.56)
Diluted earnings (loss) per Share (cents per Share)		(0.18)	(0.56)

The accompanying notes form part of these financial statements.

MALAGASY MINERALS LIMITED
ACN 121 700 105

Consolidated Statement of Financial Position

As at 31 December 2013

		ECONOMIC ENTITY	
	Note	31 December 2013	30 June 2013
		\$	\$
Current Assets			
Cash and cash equivalents		712,225	409,811
Trade and other receivables		63,720	67,432
Other current assets		3,521	203,571
Other financial assets	5	416,490	839,800
Total Current Assets		1,195,956	1,520,614
Non-Current Assets			
Other receivables	6	379,338	409,864
Property, plant and equipment		2,748,692	2,786,954
Investment in Joint Venture		1	1
Deferred exploration and evaluation costs		3,289,216	3,289,216
Total Non-Current Assets		6,417,247	6,486,035
TOTAL ASSETS		7,613,203	8,006,649
Current Liabilities			
Trade and other payables		172,000	342,421
Short-term provisions		18,685	19,147
Total Current Liabilities		190,685	361,568
Non-Current Liabilities			
Trade and other payables		505,194	524,919
Total Non-Current Liabilities		505,194	524,919
TOTAL LIABILITIES		695,879	886,487
NET ASSETS		6,917,324	7,120,162
EQUITY			
Issued capital	7	14,613,363	14,555,337
Reserves		(428,486)	(199,223)
Accumulated losses		(7,267,553)	(7,235,952)
TOTAL EQUITY		6,917,324	7,120,162

The accompanying notes form part of these financial statements.

MALAGASY MINERALS LIMITED
ACN 121 700 105

Consolidated Statement of Changes in Equity
For the half year ended 31 December 2013

ECONOMIC ENTITY	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2012	14,441,337	(3,973,380)	(754,846)	260,903	9,974,014
Loss for the period.	-	(920,573)	-	-	(920,573)
Other comprehensive income	-	-	57,999	-	57,999
Total	14,441,337	(4,893,953)	(696,847)	260,903	9,111,440
Transactions with owners in their capacity as owners:					
Shares issued during the period	46,500	-	-	-	46,500
Share based payments	-	-	-	92,057	92,057
Balance at 31 December 2012	14,487,837	(4,893,953)	(696,847)	352,960	9,249,997
Balance as at 1 July 2013	14,555,337	(7,235,952)	(631,419)	432,196	7,120,162
Loss for the period	-	(292,502)	-	-	(292,502)
Other comprehensive income	-	-	2,578	-	2,578
Total	14,555,337	(7,528,454)	(628,841)	432,196	6,830,238
Transactions with owners in their capacity as owners:					
Issue of shares	58,026	-	-	-	58,026
Options expired	-	260,903	-	(260,903)	-
Share based payments	-	-	-	29,060	29,060
Balance at 31 December 2013	14,613,363	(7,267,551)	(628,841)	200,353	6,917,324

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2013

	ECONOMIC ENTITY	
	31 December 2013	31 December 2012
	\$	\$
Cash flows from Operating Activities		
Payments to suppliers and employees	(596,530)	(868,215)
Payments for exploration and evaluation expenditure	(133,104)	(258,748)
Interest received	7,255	46,141
Royalties received	44,877	120,838
Other income	272,896	183,090
Finance costs	-	(20)
Net cash provided by / (used in) operating activities	(404,606)	(776,914)
Cash flows from Investing Activities		
Payments for property, plant & equipment	(8,987)	(15,230)
Proceeds on sale of property, plant & equipment	-	2,329
Proceeds on sale of exploration tenements	-	60,000
Proceeds on sale of financial assets	743,104	-
Net cash provided by / (used in) investing activities	734,117	47,099
Cash flows from Financing Activities		
Repayment of share sale agreement	(27,725)	(53,368)
Net cash and cash equivalents provided by / (used in) financing activities	(27,725)	(53,368)
Net increase / (decrease) in cash and cash equivalents held	301,786	(783,183)
Cash and cash equivalents at beginning of the period	409,811	1,949,520
Effect of Foreign exchange rates on cash holdings in foreign currencies	628	(587)
Cash and cash equivalents at end of the period	712,225	1,165,750

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the half year ended 31 December 2013

NOTE 1 – BASIS OF PREPARATION

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

Changes in accounting policy

The Group has to change some of its accounting policies as a result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:

- Principles of consolidation – new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*; and
- Accounting for employee benefits – revised AASB 119 *Employee Benefits*.

Other new standards that are applicable for the first time for the December 2013 half-year report are AASB 13 *Fair Value Measurement*, AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*.

Principles of consolidation – subsidiaries and joint arrangements

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, the group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to those entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Employee benefits

The adoption of the revised AASB 119 *Employee Benefits* resulted in changes to the group's accounting policy with regard to employee entitlements.

Notes to the Financial Statements (Continued)

For the half year ended 31 December 2013

NOTE 1 – BASIS OF PREPARATION (Continued)

As the group does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now measured as long term employee benefits and are calculated on a discounted basis. The impact of this change was immaterial.

Going Concern

The half-year financial statements have been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business.

For the half year ended 31 December 2013 the Group has incurred a loss of \$292,502 (December 2012: loss of \$ 920,573) and at 31 December 2013 the Group had working capital of \$1,005,272 (June 2013: \$1,159,046) including a cash and cash equivalents balance of \$712,225 (June 2013: \$409,811). Cash used in operating activities in the December 2013 half-year was \$404,604 (2012: \$776,914).

These conditions include a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The Directors believe that it is appropriate to prepare the financial report on a going concern basis in the expectation that:

- There is capacity for the Group to reduce its operating cost structure to a level where existing working capital is sufficient to cover the Group's operations for a period of at least 12 months from the date of the review report;
- The Group holds current and non-current assets which it could liquidate; and
- To the extent that further equity is required the Directors believe that a sufficient capital raising can be completed.

Should the Group be unable to achieve the matters set out above, there is material uncertainty whether the Group will be able to continue as a going concern and therefore, whether they will be able to realise their assets and extinguish their liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

NOTE 2 – PROFIT FOR THE PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	31 December 2013	31 December 2012
	\$	\$
Royalty and licence income	45,533	110,142
Interest income	6,742	33,495
Rental income	85,041	121,412
Drilling income	125,030	-
Other income	1,531	107,656
Total income	<u>263,877</u>	<u>372,705</u>

NOTE 3 – DIVIDENDS

No dividend have been paid or proposed.

Notes to the Financial Statements (Continued)

For the half year ended 31 December 2013

NOTE 4 – SEGMENT INFORMATION

The economic entity operates in two geographical segments being Australia and Madagascar and reports its segments consistent with the information provided to the chief operating decision maker, being the board of directors.

31 December 2013	Australia	Madagascar	Eliminations	Economic Entity
	\$	\$	\$	\$
Revenue	-	255,604	-	255,604
Other income	6,610	1,663	-	8,273
Total segment revenue	6,610	318,560	-	263,877
Result				
Segment results	(95,685)	(464,117)	267,300	(292,502)
Loss before income tax expense	(95,685)	(461,515)	267,300	(289,900)
Segment assets	7,452,527	3,294,753	(3,134,077)	7,613,203
Segment liabilities	(604,408)	(4,867,177)	4,775,706	(695,879)
Other				
Acquisition of non-current segment assets	-	8,987	-	8,987
Depreciation	10,748	38,135	-	48,883
30 June 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 results	(5,440,281)	(255,606)	(414,801)	(3,343,956)
Loss before income tax expense	(5,440,281)	(255,606)	2,433,315	(3,262,572)
Segment assets	7,536,273	3,495,414	(3,025,038)	8,006,649
Segment liabilities	(679,556)	(4,569,954)	4,363,023	(886,487)
Other				
Acquisition of non-current segment assets	-	16,508	-	16,508
Depreciation	3,381	86,068	-	89,449

NOTE 5 – OTHER FINANCIAL ASSETS

	31 December 2013	30 June 2013
	\$	\$
Opening balance at beginning of period	839,800	2,376,120
Sale of financial assets	(498,120)	-
Fair Value increase/ (decrease) of listed shares	74,810	(1,536,320)
Closing balance at end of period	416,490	839,800

Financial assets, revalued at fair value through the profit and loss represent 7,500,000 fully paid ordinary shares in Canadian company Energizer Resources Inc. Since 30 June 2013 the company has sold 4,456,500 Energizer shares to raise \$743,104 for working capital purposes. At 31 December 2013 the company held a balance of 3,043,500 shares in Energizer Resources Inc.

Notes to the Financial Statements (Continued)

For the half year ended 31 December 2013

NOTE 6 – NON-CURRENT RECEIVABLES

	31 December 2013 \$	30 June 2013 \$
Non-Current Receivables	379,338	409,864

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

NOTE 7 – ISSUED CAPITAL

160,847,767 fully paid ordinary shares (2013:158,812,504)	14,613,363	14,555,337
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	31 December 2013 Number	30 June 2013 Number
Ordinary shares		
Balance at the beginning of the period	158,812,504	156,562,504
Shares issued during the period:		
- 21 November 2012 ⁽¹⁾	-	750,000
- 8 April 2013 ⁽²⁾	-	750,000
- 8 April 2013 ⁽³⁾	-	750,000
- 5 December 2013 ⁽⁴⁾	2,035,263	-
Balance at the end of the period	160,847,767	158,812,504

There are no preference shares on issue.

Notes:

1. On 21 November 2012, 750,000 fully paid ordinary shares were allotted at a cost of \$0.062 per share pursuant to an agreement.
2. On 8 April 2013, 750,000 fully paid ordinary shares were allotted at \$0.042 per share pursuant to a service agreement.
3. On 8 April 2013, 750,000 fully paid ordinary shares were allotted at \$0.042 per share pursuant to a service agreement.
4. On 5 December 2013, 2,035,263 fully paid ordinary shares were issued to directors, subsequent to shareholder approval received on 27 November 2013. The shares were issued as payment for accrued director fees totalling \$58,026. 816,203 shares were issued at a price of \$0.0345 per share and the remaining 1,219,060 shares were issued at a price of \$0.0245 per share.

The Group has no maximum authorised share capital. Ordinary shares do not have a par value.

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

Options

No options were issued during the half-year.

Stock Exchange Listing

Total Issued Capital is 160,847,767 shares, all of which are listed on the ASX at 31 December 2013.

Notes to the Financial Statements (Continued)

For the half year ended 31 December 2013

NOTE 8 – 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.

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

	31 December 2013 Number	30 June 2013 Number
(a) Directors' Share Transactions:		
Mr M. Cozijn ⁽¹⁾	-	7,012,501
Mr G LeClezio	12,702,373	11,940,513
Dr P Woods	1,861,860	1,100,000
Mr G Boden	-	-
Mr P Langworthy ⁽²⁾	1,800,000	-
Total Director Ordinary Shares	16,364,233	20,053,014
(b) Directors' Option Transactions:		
Mr M. Cozijn ⁽¹⁾	-	3,000,000
Mr G LeClezio	2,000,000	2,500,000
Dr P Woods	2,000,000	2,500,000
Mr G Boden	750,000	750,000
M P Langworthy ⁽²⁾	900,000	-
Total Director Options	5,650,000	8,750,000

1. Mr M Cozijn resigned as a director on 7 August 2013.
2. Mr P Langworthy was appointed a director on 24 July 2013.

NOTE 9 – CONTINGENT LIABILITIES

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

NOTE 10 – EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the period, which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of the affairs for the economic entity in subsequent financial years other than:

- The subsequent sale of 2,043,500 Energizer shares to raise an additional \$295,559 for working capital purposes. The balance of Energizer shares held by the company at the date of this report is 1,000,000.

NOTE 11 – KEY MANAGEMENT PERSONNEL

Details of the Group's Key Management Personnel Compensation arrangements are provided in the Remuneration Report and the Notes to the Financial Statements contained in the Group's Annual Report for the year ended 30 June 2013. Subsequent to the 30 June 2013 reporting date, the following directors and their remuneration details have changed as follows:

- Mr Peter Langworthy was appointed as a Non-Executive Director on 24 July 2013.
- Mr Cozijn has ceased in the role of Non-Executive Chairman from 7 August 2013.

Directors' Declaration

The Directors of the company declare that:

- (a) The financial statements and notes, as set out on pages 6 to 14, are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the economic entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date.
- (b) In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:



Mr Graeme Boden
Non-Executive Director

Perth, Western Australia
11th March 2014

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MALAGASY MINERALS LIMITED AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Malagasy Minerals Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Malagasy Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

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

Level 3, 15 Labouchere Road (corner Mill Point Road), South Perth WA 6151
PO Box 748, South Perth WA 6951
Telephone: +61 8 6436 2888 • Facsimile: +61 8 6436 2889
williambuck.com

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MALAGASY MINERALS LIMITED AND CONTROLLED ENTITIES (CONT)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Malagasy Minerals Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter

Without modifying our conclusion expressed above, we draw attention to Note 1 in the financial report which states that the consolidated entity incurred a loss after income tax of \$292,502 during the half-year ended 31 December 2013. This result, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Matters Relating to the Electronic Presentation of the Reviewed Half Year Financial Report

This auditor's review report relates to the half year financial report of Malagasy Minerals Limited for the half year ended 31 December 2013 included on Malagasy Minerals Limited's web site. The company's directors are responsible for the integrity of Malagasy Minerals Limited's web site. We have not been engaged to report on the integrity of Malagasy Minerals Limited's web site. The auditor's review report refers only to the half year financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half year financial report to confirm the information included in the reviewed financial report presented on this web site.



William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124



Conley Manifis
Director

Dated this 11th day of March, 2014