MALAGASY MINERALS LIMITED

ABN 84 121 700 105

AND CONTROLLED ENTITIES

ANNUAL FINANCIAL STATEMENTS

TO 30TH JUNE 2014

MALAGASY MINERALS LIMITED
ACN 121 700 105

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

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

Share Registry

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

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, The Read Building
16 Milligan Street
PERTH WA 6000

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 1-30 pm on Tuesday 25th November 2014.

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

Contents

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 ***high-grade, high quality graphite deposits and mafic-ultramafic intrusive related magmatic nickel-copper-platinum group metals ("PGM") deposits.***

Key outcomes from corporate activity and exploration programmes during the year were:

- Generation of $1,038,663 cash from the sale of shares held in Energizer Resources Inc (EGZ).
- Sale of the Company's 25% interest in the EGZ industrials minerals joint venture, encompassing the Molo graphite project. The sale crystallised cash for working capital whilst retaining some upside to the success at Molo, enabling focus on the Company's 100% owned graphite and metal exploration projects.
- Work programs during the year clearly demonstrated the potential for the Maniry Graphite Project to host significant deposits of high grade graphite mineralisation.
- Field work on the Ampanihy Ni-Cu-PGM project has focussed on geochemical sampling, outcrop sampling and detailed mapping.

EXPLORATION PROJECTS

Malagasy has consolidated a large exploration project in Southern Madagascar over an area of approximately 1,858 km^2 (Figure 1).

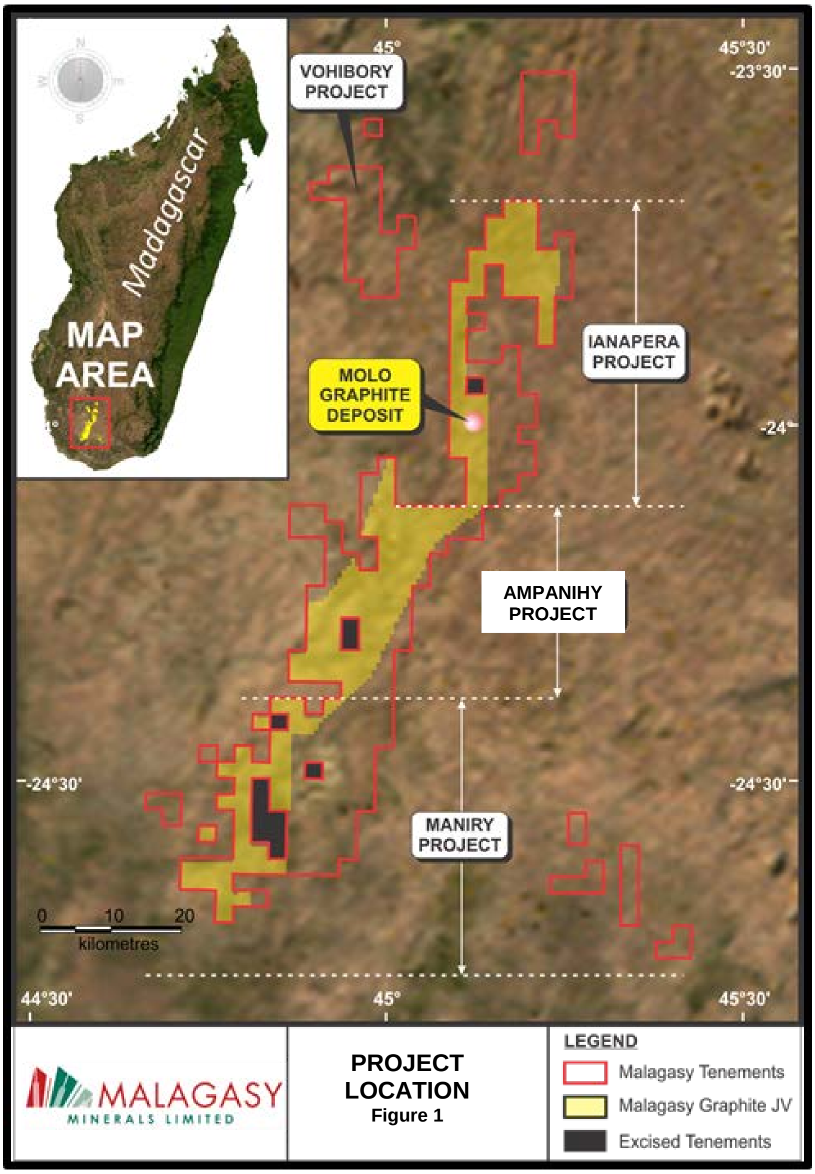


Figure 1 – Project Location Plan

Operating and Financial Review (Continued)

Graphite Exploration (100% Malagasy Minerals Limited)

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 the Maniry area (Figure 2):

The ***Maniry Graphite Project*** lies 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.

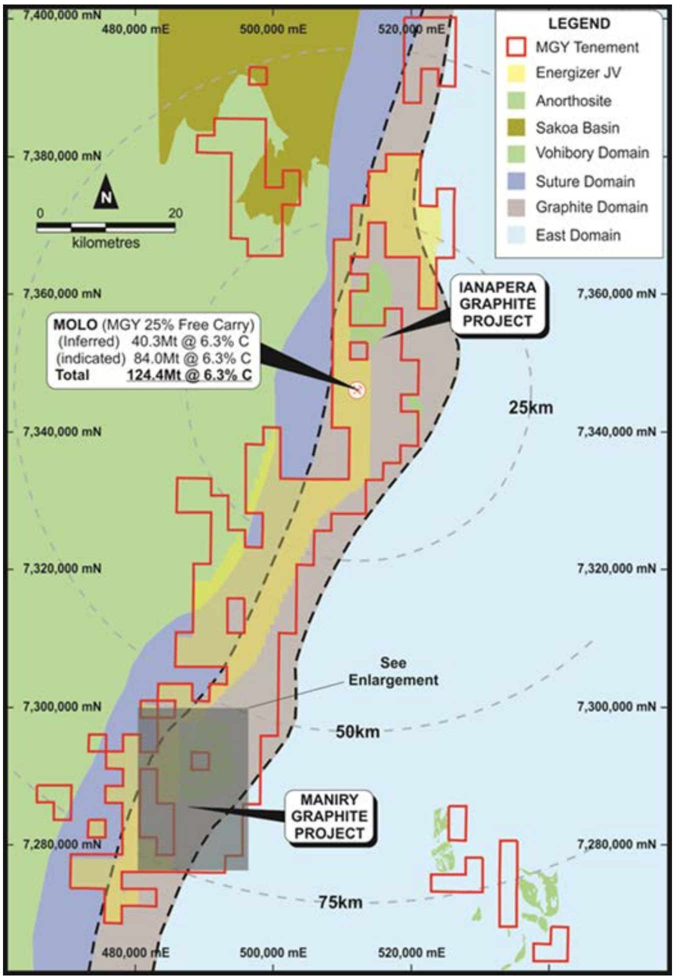


Figure (2) – Graphite Project Location Plan

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). Graphite is highly conductive and this may indicate the presence of a large graphitic mineralized system.

Systematic rock chip sampling during November 2013, across the interpreted strike of the graphite lenses resulted in the identification of 12 graphite lenses each of which have the potential to host a significant deposit of graphite mineralisation.

The first of the 12 targets selected for further evaluation was name the **Razafy Prospect**. Key outcomes from detailed mapping and sampling of this prospect included:

- Identification of 6 high grade coarse flake graphite horizons extending over 1.6km.
- Graphite horizons have been mapped at widths ranging from 20 to 70 metres.
- Preliminary petrological analysis of selected samples confirms high quality of the graphite mineralisation. The graphite flake size is generally >0.7mm with some material as coarse as several millimetres. The graphite analysed is also largely free from inclusions of other minerals.

The Maniry Graphite Province

The work referred to above and subsequently has established a large scale graphite province. Exploration has defined at least 22 large-scale zones of prominently outcropping graphite mineralisation over an estimated area of 5km x 2.5km. The individual lenses within the area have strike extensions of up to 1.8km and widths of up to 350m. (Figure 3).

Operating and Financial Review (Continued)

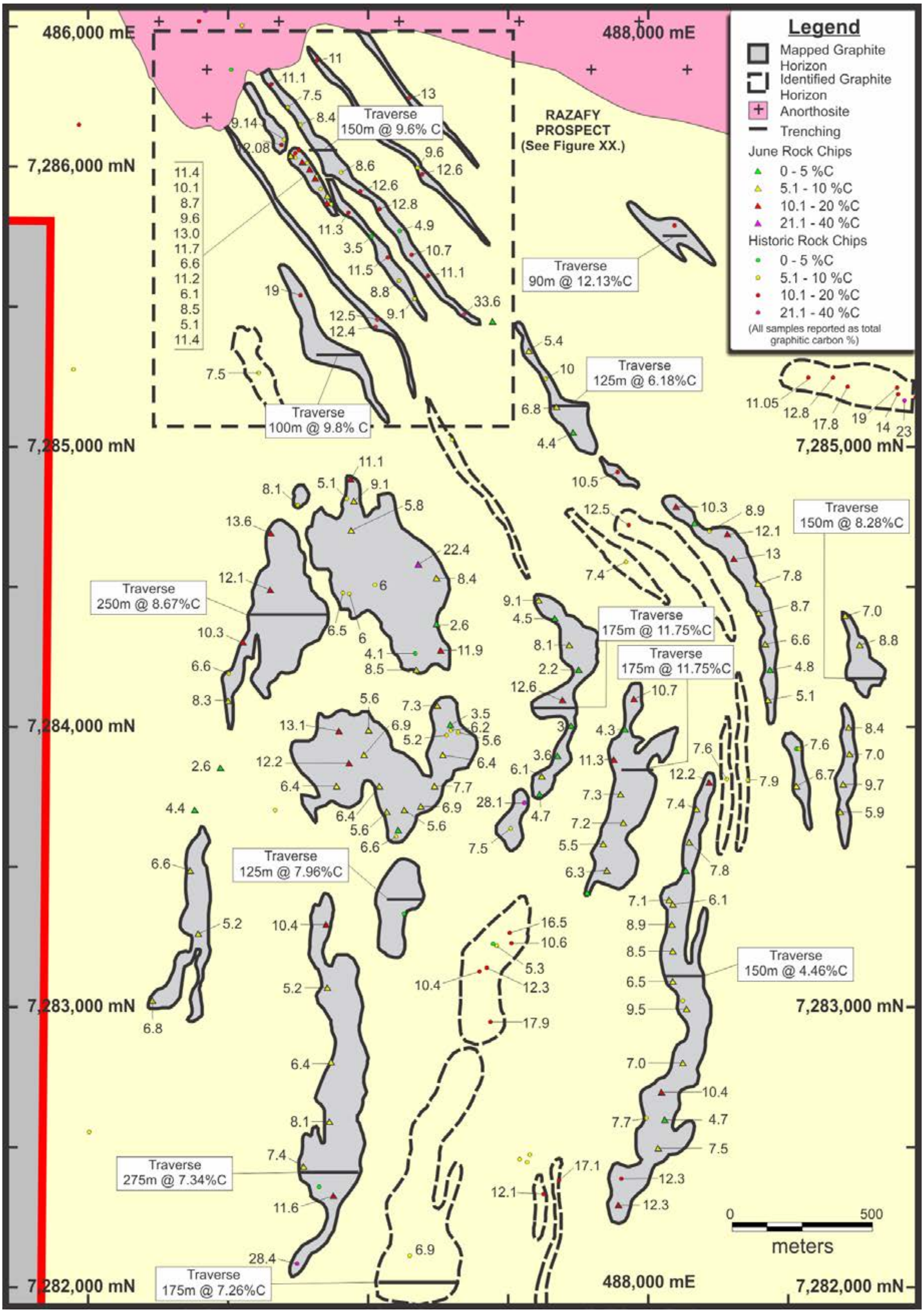


Figure (3) – Maniry Project high-grade graphite mapped outcrops

The high-grade graphite mineralisation occurs as defined layers and disseminations hosted by Proterozoic aged gneissic rocks. The Maniry Project area has been upgraded and structurally thickened due to folding on the margin of a large anorthosite intrusion.

Operating and Financial Review (Continued)

A total of 450 samples have now been taken across the Maniry Project area. The grade characteristics of the samples are demonstrated in the following tabulation.

Total samples	**N = 450**			
	%	**Samples**	**Cumulative %**	**Cumulative Samples**
>20%C	3%	(n = 14)	3%	14
12-20%C	12%	(n = 54)	15%	68
10-12%C	12%	(n = 53)	27%	121
8-10%C	21%	(n = 95)	48%	216
5-8%C	35%	(n = 156)	83%	372
Peak Result	**50.78%C**			

The results align with the indications from Razafy testing, low variability and potential for areas of very high grade mineralisation.

Forward Programme

The Maniry Project has now reached an advanced stage of exploration and is in a position to be drill tested in order to confirm the size, grade and quality of the mineralisation. The drilling programme is expected to commence in the last week of September 2014 and is aimed at defining areas with the potential to host higher grade zones with the potential for definition of an initial resource.

The ***Ianapera Graphite Project*** is located within 10 kilometres of the Molo Graphite Deposit (Figure 4) 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 were consistently collected across these positions.

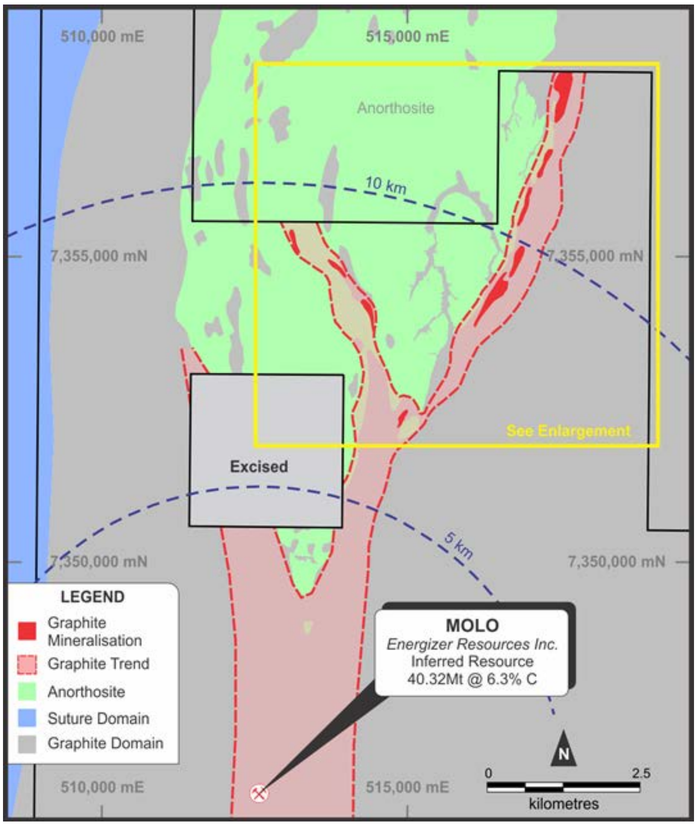


Figure (4) – Ianapera Graphite Project Summary Geology

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

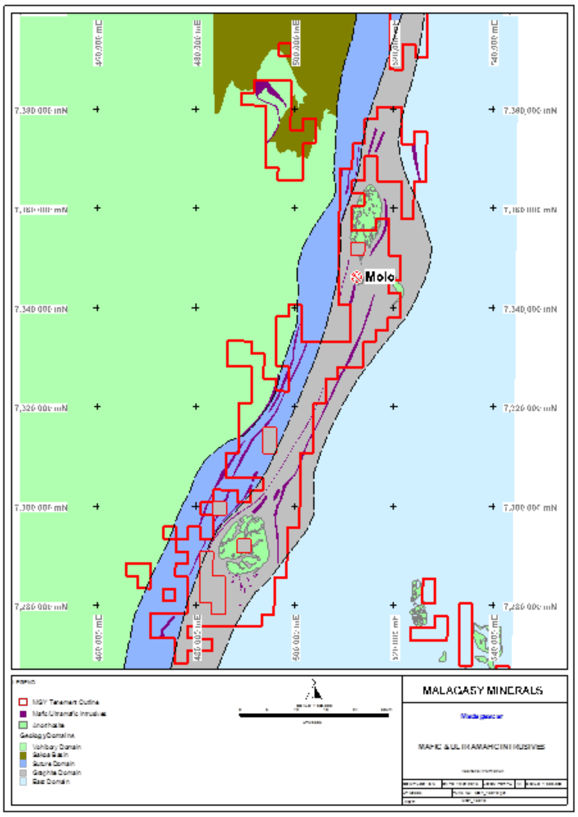
Malagasy Minerals owns 100% of the rights to explore for base and precious metal deposits across the Ampanihy Project. The Company is exploring for World-Class mafic-ultramafic intrusive related magmatic nickel-copper-platinum group metal deposits with similarities to the Voisey's Bay Deposit, Canada.

Ampanihy Project

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).

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 Ianapera 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.



(Figure 5) – Ampanihy Project Geological Domain and Mafic-Ultramafic Rock Distribution Summary Map

Exploration 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 5);
- 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

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

Vohibory Project

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 has identified the presence of a large mafic-ultramafic intrusion with anomalous nickel and copper geochemistry. A series of previously modelled VTEM conductors have been re-assessed. Previous attempts to drill these target conductors has proved to be incomplete.

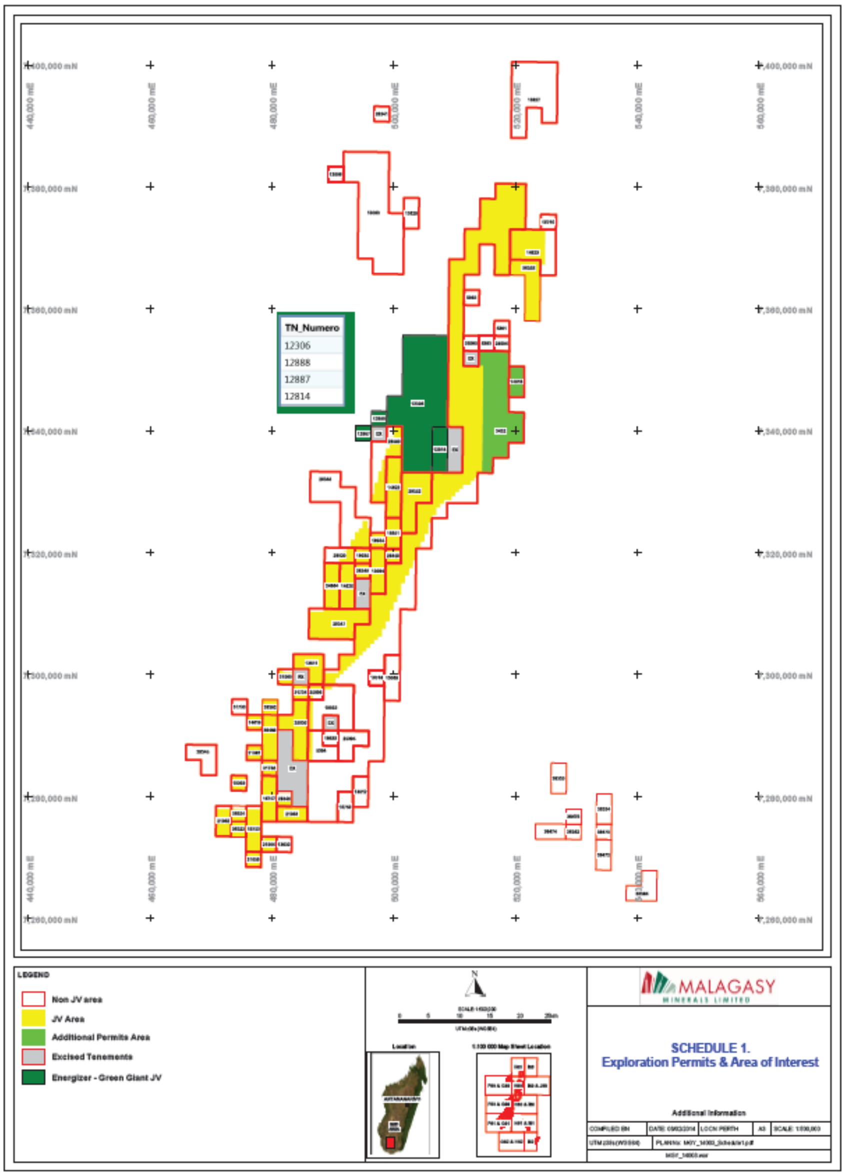
In addition to the nickel-copper-PGM prospectivity the Vohibory Project remains prospective for copper-gold (zinc-lead) volcanic hosted massive sulphide deposits. This prospectivity is demonstrated by widespread surface mineralisation (up to 29% Cu, 8.33g/t Au and 206g/t Ag) that has been identified 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.

Green Giant Joint Venture (75% Malagasy Minerals)

During June 2014 Malagasy and Energizer Resources Inc (EGZ) executed an agreement which created the Green Giant Joint Venture, to explore for minerals on the four tenements shaded in dark green on Figure 6 and which lie west of existing Malagasy tenements.

Malagasy has a 75% interest in the Green Giant Joint Venture and EGZ 25%.

The initial activity in relation to these tenements will be the integration of all EGZ exploration data into the Malagasy data bases.



(Figure 6) – Green Giant Joint Venture Tenements

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 associated 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 7).
- 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 or sub-lease.

Financial Position

The consolidated profit for the year was $229,752 which included profit of $1.14 million from the sale of the 25% shareholding in the Molo Project joint venture company.

Net cash from operations was an outflow of $0.6 million, although payment of 2014 tenement fees of $0.4 million had been deferred by the government past the balance date. Cash received from the sale of Energizer Resources shares held at 30 June 2013, together with sale of the 25% JV interest resulted in an overall cash increase of $0.7 million for the year and a cash balance of $1.13 million at 30 June 2014.

During the year Malagasy operations required parent company funding of $0.2 million, representing a shortfall in the self-funding strategy.

Corporate Transactions

Energizer Resources Inc (EGZ):
The Joint Venture Agreement signed with EGZ in December 2011, through which EGZ earned a 75% interest in the industrial mineral rights to approximately 40% of the Company's tenements, involved a cash payment of US$2.25 million and the issue of 7.5 million shares. At 30 June 2014, 6.5 million of these shares had been sold.

During the year the Company sold the remaining 25% interest in the joint venture to EGZ for a consideration of CAN$0.4 million, 2.5 million EGZ shares and 3.5 million EGZ warrants exercisable at US$0.14 on or before 25 March 2019.

A further cash payment and a further two tranches of shares will be paid if the Molo project reaches feasibility and production milestones.

Contemporaneously with the sale of the industrial minerals joint venture interest, a new joint venture, named the Green Giant Joint Venture, was created, with Malagasy holding 75% of the shares in the company which will hold the rights to non-industrial minerals in EGZ's Green Giant tenements through a subsidiary in Madagascar. Malagasy will fund all exploration for non-industrial minerals on these tenements until a "decision to mine" is made.

Operating and Financial Review (Continued)

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.

Future Prospects

The group's cash balance at 30 June 2014 plus proceeds from the sale of EGZ shares will be sufficient to see the group through the 2014-15 year, albeit with a small exploration programme.

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

Political Situation

The political situation in Madagascar progressed through democratic elections for the President and the parliament, resulting in the induction of a president, prime minster and government ministers. The international community subsequently began a process of re-engagement with Madagascar, with the prospect of trade and aid relationships being resumed.

Notwithstanding these encouraging developments the Bureau du Cadastre Minier de Madagascar (BCMM), responsible for the regulation and administration of the country's mining tenements, has not begun to deal with the backlog of transactions which has built up over four years. Malagasy has tenement applications, tenement renewals, the registration of additional minerals on the permits and the registration of sub-leases to EGZ with the BCMM for processing.

Operating and Financial Review (Continued)

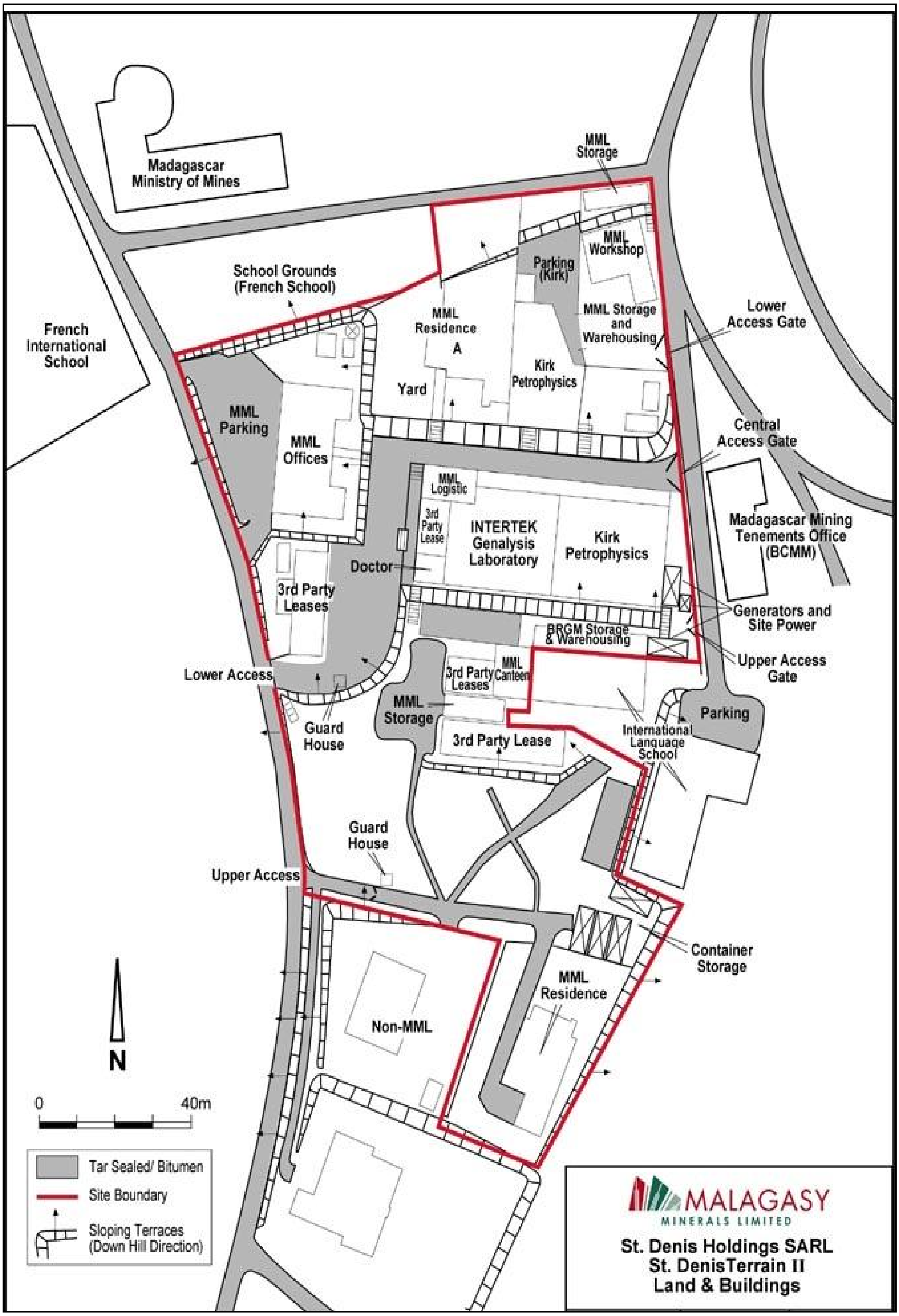


Figure (7) – Plan of St. Denis Terrain Showing Location & Extent of Building Infrastructure

Directors' Report

The directors present their report on the Economic Entity, comprising Malagasy Minerals Limited (referred to in these financial statements as "the Economic Entity" or "Malagasy") and its wholly owned subsidiaries, together with the financial report for the year ended 30 June, 2014 and the audit report thereon.

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 (Age: 58)

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.

Mr LeClezio's special responsibilities are in the areas of corporate matters, including transactions, capital markets and liaison in Madagascar.

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 (Age: 67)

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.

Dr Woods is the lead independent director.

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 (Age: 65)

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 Spectrum Rare Earths Limited.

Mr Boden's special responsibilities are as Chief Financial Officer.

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

- Consegna Group Limited (until May 2011)

Mr Peter LANGWORTHY, BSc(Hons), MAusIMM – Non-Executive Director (Age: 50)
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).

Mr Langworthy's special responsibilities are for direction of the exploration programme.

During the past three years Mr Langworthy has held the following other listed company directorship:

- Chairman - Syndicated Metals Limited.

Mr Max Dirk Jan COZIJN, BCom, 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)

2. COMPANY SECRETARIES

Graeme Boden and Natasha Forde were appointed as joint Company Secretaries on 30 September 2012.

Miss Forde has 7 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:

	Directors' Meetings		Committee Meetings					
			Audit		Remuneration		Nomination	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
G Le Clezio	9	9	1	1	1	1	1	1
Max Cozijn	1	1	1	1	1	1	1	1
P Langworthy	9	9	1	1	1	1	1	1
P Woods	9	9	1	1	1	1	1	1
G Boden	9	9	1	1	1	1	1	1

A = Number eligible to attend
B = Number attended

The Full Board sits as the Audit, Remuneration and Nomination Committees when those responsibilities are required to be fulfilled.

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 profit of the economic entity after providing for income tax amounted to $229,752 (2013: Loss $3,262,572).

6. DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or recommended to be paid during the financial year (2013: 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 from page 3.

8. FINANCIAL POSITION

The net assets of the economic entity have increased by $254,958 to $7,375,120 during the financial year.

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

- Cash and cash equivalents balance at 30 June 2014 has increased by $715,297 to $1,125,108 (2013: $409,811). No capital raisings have been undertaken by the Company during the 2014 financial year, however $379,740 cash consideration was received from Energizer Resources for the sale of the company's 25% joint venture interest and $1,038,663 was received from the sale of 6,500,000 Energizer Resources ordinary shares.
- Exploration activities and Operating Costs have partly offset these inflows.

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 2014 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 the sale of 750,000 Energizer shares to raise an additional $178,569 for working capital purposes. The number of Energizer shares held by the company at the date of this report is 2,750,000.

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 programmes. There have been no breaches of the Group's obligations under environmental laws.

13. DIRECTORS INTERESTS

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

Director	No. of Shares	No. of Unlisted Options
G LeClezio	12,702,373	2,000,000
P Woods	1,861,860	2,000,000
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 Key Management Personnel of Malagasy Minerals Limited.

The remuneration policy was approved by the Board. Executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits as relevant or appropriate to their position. 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 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 2014:

During the year there was one key management person who served as a full time executive for the Company. 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.

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.

Mr Langworthy was appointed a director on 24 July 2013 and 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. From 1 January 2014, Mr Langworthy agreed to take his directors fees as equity on the same basis as the other non-executive directors.

(a) Remuneration for Key Management Personnel of the economic entity during the year was as follows:

2014 Key Management Personnel:	Director Fees $	Other Services Fees $	Super Contributions $	Share Based Expense $	Total $	Performance related %
Directors:						
M Cozijn[1]	7,339	-	678	7,040	15,057	-
P Woods	40,000	-	3,700	7,040	50,740	-
G LeClezio	40,000	-	3,700	7,040	50,740	-
G Boden[2]	-	93,710	-	2,640	96,350	-
P Langworthy[3][4]	20,000	104,565	1,850	-	126,415	-
	107,339	198,275	9,928	23,760	339,302	-
Executives:						
J L Marquetoux	169,714	-	-	2,210	171,924	-
						-
	277,053	**198,275**	**9,928**	**25,970**	**511,226**	**-**

2013 Key Management Personnel:	Director Fees $	Other Services Fees $	Super Contributions $	Share Based Expense $	Total $	Performance related %
Directors:						
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	10,900	67,667	-	17,160	95,727	-
	161,250	67,667	36,857	154,440	420,214	-
Executives:						
J L Marquetoux	99,310	-	-	-	99,310	-
	99,310	-	-	-	99,310	-
	260,560	**67,667**	**36,857**	**154,440**	**519,524**	**-**

Notes:

(1) Mr Cozijn resigned as a director on 8 August 2013.

(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, including N Forde.

(3) Mr Langworthy was appointed a director on 23 July 2013.

(4) Payments made to Mr Langworthy, through Omni GeoX Pty Ltd (Omni) include time spent on managing and executing the exploration programme by P Langworthy and other employees of Omni.

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.

(b) Equity issued as part of remuneration:

Options:

During 2014, 250,000 options were issued to key management personnel giving rise to $2,210 share based compensation benefits being recorded. The options are exercisable at $0.15 on or before 30th November 2016 and all options vested on the date of issue, 2 August 2013 .

During 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 being recorded in that year, and $23,760 being recorded in the 2014 year. Half of the options vested on date of issue, 21 November 2012 and the remaining half vested on 30th November 2013.

The following table sets out options on issue as at the date of this report, previously granted as compensation and their terms & conditions.

Key Management Person	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Exercise Price	Allotment Date	Expiry Date
Directors:							
M Cozijn(1)	2,000,000	2,000,000	16/11/12	$0.02	$0.15	21/11/12	30/11/16
G LeClezio	2,000,000	2,000,000	16/11/12	$0.02	$0.15	21/11/12	30/11/16
P Woods	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
	6,750,000	6,750,000					
Executives:							
JL Marquetoux	250,000	250,000	22/05/13	$0.01	$0.15	02/08/13	30/11/16

Notes:
(1) M Cozijn resigned as a director on 8 August 2013.

Shares:

As set out in the Directors' report, from 1 April 2013, some directors agreed to take compensation in shares rather than cash, provided that shareholders give approval for the shares to be issued.

At the annual general meeting held on 27 November 2013, shareholders approved the issue of 2,035,263 shares to directors in place of director fees as set out in the following table.

The deemed issue price is equal to the simple average of the closing price of Shares traded on ASX on the first and last trading days of the period.

Director	Period	Fees Accrued $	Issue Price	No. of Shares Issued as Compensation
G LeClezio	1 April 2013 to 30 June 2013	10,900	$0.0345	315,942
	1 July 2013 to 30 September 2013	10,925	$0.0245	445,918
P Woods	1 April 2013 to 30 June 2013	10,900	$0.0345	315,942
	1 July 2013 to 30 September 2013	10,925	$0.0245	445,918
M Cozijn(1)	1 June 2013 to 30 June 2013	6,359	$0.0345	184,319
	1 July 2013 to 8 August 2013	8,017	$0.0245	327,224
		58,026		**2,035,263**

Notes:
(1) M Cozijn resigned as a director on 8 August 2013.

At 30 June 2014 there is a balance of $87,400 in accrued director's fees. The number of shares which would potentially be issued to clear this debt, after shareholder approval is 3,419,898 shares, as set out in the following table.

Director	Period	Fees Accrued $	Issue Price	No. of Shares Potentially to be Issued as Compensation
G LeClezio	1 October 2013 to 31 December 2013	10,925	$0.026	420,192
	1 January 2014 to 31 March 2014	10,925	$0.024	455,208
	1 April 2014 to 30 June 2014	10,925	$0.027	404,630
P Woods	1 October 2013 to 31 December 2013	10,925	$0.026	420,192
	1 January 2014 to 31 March 2014	10,925	$0.024	455,208
	1 April 2014 to 30 June 2014	10,925	$0.027	404,630
P Langworthy	1 January 2014 to 31 March 2014	10,925	$0.024	455,208
	1 April 2014 to 30 June 2014	10,925	$0.027	404,630
		87,400		**3,419,898**

(c) Movements in share and options holdings, held by key management personnel:

Movements in options over equity instruments:

The movement during the reporting period in the number of options over ordinary shares in the Entity held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Balance 1 July 2013	Granted as Remuneration	Expired	Balance 30 June 2014	Vested During the Year	Vested & Exercisable 30 June 2014
Directors:						
M Cozijn(1)	3,000,000	-	-	n/a	n/a	n/a
G LeClezio	2,500,000	-	(500,000)	2,000,000	1,000,000	2,000,000
P Woods	2,500,000	-	(500,000)	2,000,000	1,000,000	2,000,000
G Boden	750,000	-	-	750,000	375,000	750,000
P Langworthy(2)	n/a	-	-	900,000	-	900,000
	8,750,000	-	(1,000,000)	5,650,000	2,375,000	5,650,000
Executives:						
JL Marquetoux	-	250,000	-	250,000	250,000	250,000
N Forde	250,000	-	-	250,000	125,000	250,000

	Balance 1 July 2012	Granted as Remuneration	Expired	Balance 30 June 2013	Vested During the Year	Vested & Exercisable 30 June 2013
Directors:						
M Cozijn	1,000,000	2,000,000	-	3,000,000	2,000,000	2,000,000
G LeClezio	500,000	2,000,000	-	2,500,000	1,500,000	1,500,000
P Woods	500,000	2,000,000	-	2,500,000	1,500,000	1,500,000
G Boden	-	750,000	-	750,000	375,000	375,000
	2,000,000	6,750,000	-	8,750,000	3,375,000	5,375,000
Executives:						
JL Marquetoux	-	-	-	-	-	-
N Forde	-	250,000	-	250,000	125,000	125,000

Notes:

(1) M Cozijn resigned as a director on 8 August 2013.

(2) P Langworthy was appointed a director on 24 July 2013.

Directors' Report (Continued)

Movements in Share Holdings:

The movement during the reporting period in the number of ordinary shares in the Entity held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance 1 July 2013	Acquired	Options Exercised	Disposed	Balance 30 June 2014
Directors:					
M Cozijn[(1)]	7,012,501	-	-	-	n/a
G LeClezio	11,940,513	761,860 [(3)]	-	-	12,702,373
P Woods	1,100,000	761,860 [(3)]	-	-	1,861,000
G Boden	-	-	-	-	-
P Langworthy[(2)]	n/a	-	-	-	1,800,000
	20,053,014	1,523,720	-	-	16,363,373
Executives:					
JL Marquetoux	-	-	-	-	-
	-	-	-	-	-
	20,053,014	1,523,720	-	-	16,363,373

	Balance 1 July 2012	Acquired	Options Exercised	Disposed	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	-	-	-	-	-
	20,553,014	-	-	500,000	20,053,014
Executives:					
JL Marquetoux	-	-	-	-	-
	-	-	-	-	-
	20,553,014	-	-	500,000	20,053,014

Notes:

(1) M Cozijn resigned as a director on 8 August 2013.
(2) P Langworthy was appointed a director on 24 July 2013.
(3) The shares acquired by Dr Woods and Mr LeClezio were allotted as compensation for accrued directors fees after approval by shareholders at the annual general meeting held 27 November 2013.

Related Party Transactions with Key Management Personnel:

Apart from details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

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

The aggregate amounts recognised during the year relating to key management personnel and their related parties are as follows:

Directors' Report (Continued)

Key Management Person	Transaction	ECONOMIC ENTITY 2014 $	2013 $
Mr P Langworthy(1)(2)	Exploration programme management	104,565	-
Mr G Boden(3)	Corporate services	93,710	67,667
		198,275	67,667

(1) Mr P Langworthy became a key management person on his appointment as a director on 23 July 2014.
(2) Omni GeoX Pty Ltd, of which Mr P Langworthy is the Managing Director, provides services in relation to the management and execution of the exploration programme, for which fees were billed on hourly rates the same as for other clients, as were due and payable under normal terms.
(3) Boden Corporate Services Pty Ltd, of which Mr G Boden is a director, provides services in company secretarial, accounting and administration roles for which service fees were billed based on normal market rates, and were due and payable under normal terms. Boden Corporate commenced providing these services from 1 October 2013.

Amounts payable to key management personnel at the reporting date arising from these contact services were as set out below:	ECONOMIC ENTITY 2014 $	2013 $
Current payables:		
Trade and other payables	19,854	3,993
	19,854	3,993

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	2010	2011	2012	2013	2014
Revenue	695,679	850,032	4,160,826	664,831	1,831,271
Net Profit/(Loss)	(1,586,439)	(1,839,989)	2,718,046	(3,262,572)	229,752
Share Price at Year End	4.9c	3.9c	8.5c	1.9c	2.8c
Dividends Paid	-	-	-	-	-

16. NON-AUDIT SERVICES

No fees were paid or payable to William Buck Audit (WA) Pty Ltd for non-audit services during the year ended 30 June 2014 (2013: Nil, Crowe Horwarth).

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.

Directors’ Report (Continued)

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
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
			8,625,000

No options were exercised during the year ended 30 June 2014.

19. PROCEEDINGS OF THE COMPANY

Since the resignation of a former Managing Director in June 2011, there have been civil actions initiated in Malagasy court against the Company’s subsidiaries. The Company has always contended that all of these actions were without foundation and advice from the Company’s Malagasy counsel is that all actions brought against the Company’s subsidiaries have been dismissed.

20. AUDITOR’S INDEPENDENCE DECLARATION

The lead auditor’s independence declaration for the year ended 30 June 2014 has been received and can be found on page 22 of the annual report.

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

G R Boden
Director

Perth, Western Australia

30th September 2014

William Buck

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2014 there have been:

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

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

William Buck

William Buck Audit WA Pty Ltd
ABN 67 125 012 124

Conley Manifis
Director

Dated this 30th day of September, 2014

CHARTERED ACCOUNTANTS & ADVISORS

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Praxity ASSOCIATE GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Consolidated Statement of Profit or Loss and Comprehensive Income

For the year ended 30 June 2014

		ECONOMIC ENTITY	
	Note	**2014 $**	**2013 $**
Revenue	2	1,831,271	664,831
Fair value gain/ (loss) on financial assets	3	20,287	(1,536,320)
Employee benefits expense		(586,635)	(697,508)
Depreciation expense	4	(81,954)	(89,449)
Provision for doubtful debts		-	(286,525)
Administration costs		(537,088)	(502,559)
Exploration expenditure	4	(383,590)	(640,499)
Foreign exchange movements		2,711	(30,085)
Share-based payments		(29,060)	(285,293)
Profit / (Loss) before income tax expense		235,942	(3,403,407)
Income tax benefit / (expense)	5	(6,190)	140,835
Net (loss)/profit attributable to members of the parent entity		229,752	(3,262,572)
Other Comprehensive Income			
Items that may be re-classified to profit or loss:			
Adjustment from translation of foreign controlled entities		(61,880)	123,427
Income tax relating to components of other comprehensive income		-	-
Total Comprehensive (Loss)/ Income for the year attributable to members of the parent entity.		167,872	(3,139,145)
Overall Operations:			
Basic and dilutive earnings/(loss) per share - cents per share	18	0.14	(2.07)

The accompanying notes form part of these financial statements

MALAGASY MINERALS LIMITED
ABN 84 121 700 105

Consolidated Statement of Financial Position
As at 30 June 2014

	Note	ECONOMIC ENTITY 2014 $	2013 $
Current Assets			
Cash and Cash Equivalents	6	1,125,108	409,811
Other Receivables	8	158,894	67,432
Other Current Assets	7	88,745	203,571
Other Financial Assets	3	837,702	839,800
Total Current Assets		2,210,449	1,520,614
Non-Current Assets			
Other Receivables	8	313,630	409,864
Property, Plant & Equipment	9	2,715,925	2,786,954
Investment in Joint Venture		1	1
Deferred Exploration and Evaluation costs	11	3,289,216	3,289,216
Total Non-Current Assets		6,318,772	6,486,035
TOTAL ASSETS		8,529,221	8,006,649
Current Liabilities			
Trade and Other Payables	12	670,278	342,421
Short-term Provisions	13	16,771	19,147
Total Current Liabilities		687,049	361,568
Non-Current Liabilities			
Trade and Other Payables	14	467,052	524,919
Total Non-Current Liabilities		467,052	524,919
TOTAL LIABILITIES		1,154,101	886,487
NET ASSETS		7,375,120	7,120,162
EQUITY			
Issued Capital	15	14,613,363	14,555,337
Reserves	16	(492,946)	(199,223)
Accumulated Losses	17	(6,745,297)	(7,235,952)
TOTAL EQUITY		7,375,120	7,120,162

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 2014

ECONOMIC ENTITY	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Total $
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
Profit/ (Loss) attributable to members of parent 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
Shares issued during the year	58,026	-	-	-	58,026
Transaction costs	-	-	-	-	-
Transfer from Option Reserve	-	260,903	-	(260,903)	-
Movement in Share Option Reserve	-	-	-	29,060	29,060
Profit/ (Loss) attributable to members of parent entity	-	229,752	-	-	229,752
Other Comprehensive Income	-	-	(61,880)	-	(61,880)
Balance at 30 June 2014	14,613,363	(6,745,297)	(693,299)	200,353	7,375,120

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
For the year ended 30 June 2014

	Note	ECONOMIC ENTITY 2014 $	2013 $
Cash flows from Operating Activities			
Payments to suppliers and employees		(779,794)	(945,689)
Payments for exploration expenditure		(216,737)	(896,276)
Interest received		15,479	62,228
Receipts from customers		396,834	276,635
Net cash used in operating activities	20	(584,218)	(1,503,102)
Cash flows from Investing Activities			
Payments for property, plant and equipment		(10,927)	(16,508)
Proceeds on sale of fixed assets		3,000	-
Proceeds on sale of financial assets		1,038,663	-
Proceeds on sale of exploration tenements (non-refundable deposits)		-	60,000
Proceeds on sale of Joint Venture Interest		379,740	-
Net cash provided by investing activities		1,410,476	43,492
Cash flows from Financing Activities			
Share Purchase Agreement Instalment Payments		(57,867)	(82,115)
Net cash flows used in financing activities		(57,867)	(82,115)
Net (decrease)/ increase in cash held		768,391	(1,541,725)
Cash and cash equivalent at the beginning of the financial year	6	409,811	1,949,520
Effect of exchange rates on cash holdings in foreign currencies		(53,094)	2,016
Cash and cash equivalent at the end of the financial year	6	1,125,108	409,811

The accompanying notes form part of these financial statements.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 30th September 2014 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 2014 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 Limited, 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 realisation of assets and the settlement of liabilities in the ordinary course of business.

The ability of the Group to execute current planned exploration activities requires the Group to secure additional funds within the next 12 months. Accordingly, the Group is in the process of investigating various options for securing additional working capital which include but is not limited to the implementation of strategic joint ventures, sale of existing non-core assets, including shares held in Energizer Resources Inc, a Toronto Securities Exchange listed entity, and access to equity markets to raise additional share capital if required.

For the year ended 30 June 2014 the Company has made a profit of $229,752 (2013: loss of $3,262,572) and at year end the Company had working capital of $1,523,400 (2013: $1,159,046) including a cash and cash equivalents balance of $1,125,108 (2013: $409,811). Cash used in operating activities in 2014 was $584,216 (2013: $1,503,102).

Should the Group be unable to raise the necessary working 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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies:

(a) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Consolidated Entity and Entities (including special purpose entities) controlled by the Consolidated Entity (its subsidiaries). Control is achieved where the Consolidated Entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the group controls another entity.

Unrealised gains or transactions between the group and its associates are eliminated to the extent of the group’s interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Non-controlling 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 reporting 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 statement of profit and loss and other comprehensive income 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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and impairment losses.

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.

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

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

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

Class of Fixed Asset	Depreciation Rate
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 the end of the reporting period. 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 statement of profit or loss and other comprehensive income.

(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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of profit or loss and other comprehensive income.

(e) Financial Instruments

Recognition and measurement

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.

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 the statement of profit or loss and other comprehensive income.

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 and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

comprehensive income. Impairment testing is performed annually for goodwill and intangible 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 10.

(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.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

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 statement of profit or loss and other comprehensive income.

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, when the average rate approximates the rate at the date of the transaction; 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 the statement of profit or loss and other comprehensive income in the period in which the operation is disposed of.

(i) Employee Benefits

Short-term employee benefits:
Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits:
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined contribution superannuation benefits:
All employees of the Group, located in Australia receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.50% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Equity-settled compensation:
Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. 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 shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

Rental income is recognised on a straight line basis over the period of the lease term so as to reflect a constant periodic return on the property.

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

(m) Goods and Services Tax (GST)

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

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

(n) Contributed Equity

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

(o) Comparative Figures

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

(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 assesses 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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 at a rate which will pay the liability in accordance with the agreement 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 1(f) 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 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The new standards and amendments adopted include the following:

- *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 does not significantly impact the Group's financial statements.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 10), which is currently referred to as a “joint venture entity”, is 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 did 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 did not significantly impact the Group’s financial statements.

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 determined there will be no significant impact to 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.

  This Standard will result in more detailed fair value disclosures, but does not 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 does not 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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued

- 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.

  The directors confirm that the application of the amendments to AASB 119 does 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 does not 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
  -

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 does not significantly impact the Group's financial statements.

(t) New Accounting Standards for Application in the Future

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June, 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Consolidated Entity's business and therefore, no change necessary to the Consolidated Entity accounting policies

NOTE 2 – REVENUE	ECONOMIC ENTITY 2014 $	2013 $
Operating Activities:		
- royalties	90,632	226,887
- rental	155,651	213,279
- drilling services	125,030	-
- other	38,575	119,450
- tenement sales (non-refundable deposits)	-	60,000
Non-operating activities:		
- net Interest received	15,480	45,215
- EGZ consideration [1]	1,145,320	-
- sale of other financial assets	260,583	-
Total Revenue	1,831,271	664,831

(1) See note 10 regarding details on the consideration received from Energizer Resources Inc. (EGZ).

NOTE 3 – OTHER FINANCIAL ASSETS

	2014 $	2013 $
Listed Shares in Energizer Resources [(1)]	452,702	839,800
Warrants in Energizer Resources [(2)]	385,000	-
	837,702	839,800

(1) Listed shares in Energizer Resources:

	2014 $	2013 $
At 1 July	839,800	2,376,120
Fair value increase/ (decrease)	20,287	(1,536,320)
Shares received as consideration	370,695	
Shares sold	(778,080)	-
At 30 June	452,702	839,800

Financial assets, revalued at fair value through the profit and loss represent 3,500,000 (30 June 2013: 7,500,000) fully paid ordinary shares in Canadian company Energizer Resources Inc, of which 2,500,000 are in escrow until 23 June 2015, after having being received as consideration during the year.

During the 2014 year the company has sold 6,500,000 Energizer shares to raise $1,038,663 for working capital purposes.

(2) Warrants in Energizer Resources – at fair value:

	2014 $	2013 $
At 1 July	-	-
Warrants issued as consideration	385,000	-
At 30 June	385,000	-

During 2014, the Company was issued 3,500,000 Warrants in Energizer Resources Inc as part consideration for the sale of a joint venture interest (see note 10). The Warrants are convertible at USD $0.14 per warrant and expire 25 March 2019.

NOTE 4 – (LOSS)/ PROFIT FOR THE YEAR	ECONOMIC ENTITY 2014 $	2013 $
Expenses		
Depreciation of non-current assets		
- Land and Buildings	18,577	17,119
- Property, Plant & Equipment	40,653	32,996
- Field equipment	16,702	15,394
- Motor vehicles	6,022	23,940
Total depreciation	81,954	89,449
Exploration expenditure	383,590	704,807
Rental expenses on operating leases:		
- minimum office lease payments	-	41,142

NOTE 5 - INCOME TAX

	2014 $	2013 $
(a) Income Tax Expense		
The prima facie tax expense / (benefit) on Profit / (Loss) from ordinary activities is reconciled as follows:		
The Components of tax expense comprise:		
- Current Tax	4,028	6,587
- Deferred Tax – temporary differences	2,162	1,461
- Prior year adjustment	-	(148,883)
	6,190	(140,835)
The Prima facie tax on Profit / (Loss) before income tax at 30% (2013: 30%)	70,783	(1,021,022)
Add/(subtract) the tax effect of:		
- Prior year adjustments	-	(148,883)
- Tax attributable to foreign subsidiary	6,190	8,084
- Other assessable income not included as accounting income	8,427	5,258
- Non-deductible expenses	98,437	1,395,163
- Accounting income not included as assessable income	(428,011)	(154)
- Other deductible expenses	(34,583)	(39,732)
- Deferred tax assets / (liabilities) not brought to account	284,947	(339,549)
Income tax expense / (benefit) attributable to entity	6,190	(140,835)
(b) Recognised Deferred Tax Balances		
Deferred Tax Asset	-	-
Deferred Tax Liability	-	-
	-	-
(c) Unrecognised Deferred Tax Balances		
The following deferred tax assets have not been brought to account:		
Unrecognised deferred tax assets comprise:		
- Deferred tax assets attributable to tax losses	546,508	412,265
- Transaction costs on equity issue	26,706	-
	573,214	412,265

NOTE 5 - INCOME TAX (Continued)

ECONOMIC ENTITY (d) Deferred Tax Liability	Opening Balance $	Charged to Income $	Charged to Equity $	Closing Balance $
Deferred Tax Assets:				
Deferred tax assets attributable to tax losses	546,508	(546,508)	-	-
Transaction costs on equity issue	26,706	(26,706)	-	-
Balance as at 30 June 2014	573,214	(573,214)	-	-
Deferred Tax Liabilities:				
Deferred tax on fair value increase/ (decrease) of listed shares in EGZ	22,063	(22,063)	-	-
Balance as at 30 June 2014	22,063	(22,063)	-	-

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise these benefits.

NOTE 6 – CASH AND CASH EQUIVALENTS	ECONOMIC ENTITY 2014 $	2013 $
Cash on hand	222	100
Cash at bank	814,428	53,430
Deposits at call (1)	304,648	340,471
Bond	5,810	15,810
	1,125,108	409,811

(1) The effective interest rate on deposits at call is 3.35% (2013: 3.20%).

NOTE 7 – OTHER CURRENT ASSETS

Current:		
Prepayments	87,010	201,418
Other	1,735	2,154
Total Other Current Assets	88,745	203,572

NOTE 8 – OTHER RECEIVABLES

Current:		
Other receivables	158,894	67,432
	158,894	67,432
Non-Current:		
Other receivables	313,630	409,864
	313,630	409,864

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 9 – PROPERTY, PLANT AND EQUIPMENT	ECONOMIC ENTITY 2014 $	2013 $
Plant & Equipment – At cost	330,805	369,557
Less accumulated depreciation	(149,125)	(154,260)
Total Plant & Equipment	181,680	215,297
Field Equipment – At cost	345,305	356,504
Less accumulated depreciation	(185,228)	(183,614)
Total Field Equipment	160,077	172,890
Motor Vehicles – At cost	233,450	233,450
Less accumulated depreciation	(223,862)	(217,840)
Total Motor Vehicles	9,588	15,610
Total Plant and Equipment	351,345	403,797
Land and Buildings – At cost	2,500,000	2,500,000
Less accumulated depreciation	(135,420)	(116,843)
Total Land & Buildings	2,364,580	2,383,157
TOTAL FIXED ASSETS	2,715,925	2,786,954

(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 $	Plant & Equipment $	Field Equipment $	Motor Vehicles $	Total $
Balance 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
Additions and reclassifications	-	7,036	3,889	-	10,925
Disposals	-	-	-	-	-
Depreciation expense	(18,577)	(40,653)	(16,702)	(6,022)	(81,954)
Currency Translation Differences	-	-	-	-	-
Carrying amount at 30 June 2014	2,364,580	181,680	160,077	9,588	2,715,925

NOTE 10 – 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 was free carried for its 25% interest until completion of a BFS by EGZ.

On 27th March 2014, the Company announced that it had sold its 25% shareholding in the Joint Venture Company to EGZ. The sale was completed by 30 June and the consideration included in the financial statements was:

- Cash AUD $389,625
- 2,500,000 shares escrowed for 12 months at an issue price of CAD $0.15 per share.
- 3,500,000 warrants convertible at USD $0.14 per warrant on or before 25th March 2019.
  These warrants have been valued at $A 0.10 at acquisition, using Black Scholes option pricing model and the following assumptions:

Market Price at Issue Date	$A0.148
Market Volatility	100%
Exercise Price	$A0.149
Risk Free Interest Rate	3.48% pa

Additional receipts, which may arise if EGZ achieve feasibility and production milestones, are set out below:

- On completion of a Bankable Feasibility Study ("BFS") EGZ will:
  - Pay Malagasy the sum of CAD $700,000 cash; and
  - Issue 1,000,000 EGZ shares to Malagasy.

- On the commencement of commercial production EGZ will:
  - Pay Malagasy the sum of CAD $1,000,000 cash; and
  - Commence payment to Malagasy of a 1.5% Net Smelter Return ("NSR") on all production.

These additional receipts have not been included as contingent assets as the fair value at the date of this report is nil.

Contemporaneously with the sale, a new joint venture was established over EGZ's Green Giant Tenements in Madagascar. Malagasy has established a Mauritian subsidiary, Ampanihy Exploration, in which it holds 75% equity and EGZ holds 25% equity and Ampanihy will have a wholly owned subsidiary in Madagascar to be named Ampex SARL, which will hold the exploration rights for non-industrial minerals on Green Giant tenements. EGZ will continue to own the tenements and the industrial mineral rights. Malagasy will fund all exploration expenditure for non-industrial minerals on the joint venture are until a "decision is made to mine".

NOTE 11 – DEFERRED EXPLORATION & EVALUATION COSTS	ECONOMIC ENTITY 2014 $	2013 $
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.

	ECONOMIC ENTITY	
	2014	2013
NOTE 12 – CURRENT TRADE & OTHER PAYABLES	$	$
Unsecured liabilities:		
Trade Payables	493,947	120,226
Accrued Payables – Operating	28,931	134,037
Accrued Payables – Directors Fees	87,400	28,158
Accrued Payables – WTR Holdings[(1)]	60,000	60,000
Total Current Trade & Other Payables	670,278	342,421

(1) Accrued expenses include amounts in respect of the Share Purchase 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 13 – SHORT–TERM PROVISIONS

	2014	2013
Provision for annual leave:		
Opening 1 July	19,147	33,284
Additional provisions	29,004	7,176
Amounts used	(29,242)	(21,313)
Foreign exchange adjustments	(2,138)	-
Closing 30 June	16,771	19,147
	No.	**No.**
Number of employees at year end	42	44

NOTE 14 – NON-CURRENT TRADE & OTHER PAYABLES

	2014	2013
	$	**$**
Unsecured liabilities:		
Accrued Expenses [(1)]	467,052	524,919
Total Non-Current Trade & Other Payables	467,052	524,919

(1) Accrued expenses are amounts in respect of the Share Purchase 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.

The agreement provides that repayment is due only from amounts received in cash from royalty payers. Two of the three companies ceased operations during 2011 and have returned the tenements to the Company. The term of the remaining royalty agreement ends 2 November 2020.

	ECONOMIC ENTITY	
	2014	2013
NOTE 15 – ISSUED CAPITAL	$	$
160,847,767 fully paid ordinary shares (2013: 158,812,504)	14,613,363	14,555,337
	14,613,363	14,555,337

	ECONOMIC ENTITY		ECONOMIC ENTITY	
Ordinary shares:	**No.**	**$**	**No.**	**$**
At 1 July	158,812,504	14,555,337	156,562,504	14,441,337
Shares issued during the year:				
- 21 November 2012 (1)	-	-	750,000	46,500
- 8 April 2013 (2)	-	-	750,000	32,250
- 8 April 2013 (3)	-	-	750,000	35,250
- 5 December 2013 (4)	2,035,263	58,026	-	-
At 30 June	160,847,767	14,613,363	158,812,504	14,555,337

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.

(4) On 5 December 2013, 2,035,263 fully paid ordinary shares were allotted as compensation for$58,026 of accrued directors fees. (See Remuneration Report).

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.

The Company does not have authorised capital or par value in respect of its shares.

Stock Exchange Listing:
Total Issued Capital is 160,847,767 (2013:158,812,504) shares, all of which are listed on the Australian Securities Exchange (ASX) at the date of this report.

Options:
- 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.
- 7,500,000 unlisted Options with an exercise price of $0.15 and with expiry date of 30 November 2016 are on issue.

NOTE 16 – RESERVES	ECONOMIC ENTITY 2014 $	2013 $
Option reserve:		
Opening balance 1 July	432,196	260,903
Share based payments for the period	29,060	171,293
Transfer to accumulated losses	(260,903)	-
Closing balance 30 June	200,353	432,196

The option reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 19 and the Remuneration Report for further details.

Foreign currency translation reserve:		
Opening balance 1 July	(631,419)	(754,846)
Translation movement for the period	(61,880)	123,427
Closing balance 30 June	(693,299)	(631,419)

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

NOTE 17 – ACCUMULATED LOSSES

Opening balance 1 July	(7,235,952)	(3,973,380)
Profit / (Loss) for the period	229,752	(3,262,572)
Transfer from option reserve	260,903	-
Closing balance 30 June	(6,745,297)	(7,235,952)

NOTE 18 – EARNINGS PER SHARE	ECONOMIC ENTITY 2014 $	2013 $
Profit / (Loss) used in the calculation of basic and dilutive EPS	229,752	(3,262,572)
	Cents	**Cents**
Basic and Diluted profit / (loss) per share - cents per share	0.14	(2.07)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and dilutive EPS	159,966,749	157,341,271

As at 30 June 2014 there are 8,625,000 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 19 – SHARE BASED PAYMENTS

The following Share-based payment arrangements existed at 30 June 2014.

2014				2013			
Grant Date	**No. of Options**	**Exercise Price**	**Expiry Date**	**Grant Date**	**No. of Options**	**Exercise Price**	**Expiry Date**
30/09/2012	375,000	$0.30	30/09/2015	01/12/2008	2,000,000	$0.20	01/12/2013
21/11/2012	7,000,000	$0.15	30/11/2016	01/12/2008	1,000,000	$0.20	03/07/2013
31/12/2012	375,000	$0.40	31/12/2015	01/12/2008	1,000,000	$0.20	03/07/2013
31/03/2013	375,000	$0.50	31/03/2016	02/04/2009	4,003,600	$0.20	07/07/2013
22/05/2013	500,000	$0.15	30/11/2016	30/09/2012	375,000	$0.30	30/09/2015
	8,625,000			21/11/2012	7,000,000	$0.15	30/11/2016
				31/12/2012	375,000	$0.40	31/12/2015
				31/03/2013	375,000	$0.50	31/03/2016
					16,128,600		

None of the options hold voting or dividend rights.

	2014		2013	
	No of Options	**Exercise Price**	**No of Options**	**Exercise Price**
Outstanding at 1 July	16,128,600	$0.15 - $0.50	9,003,600	$0.20
Expired	(8,003,600)	$0.20	(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
- 22/05/2013	500,000	$0.15	-	-
Outstanding at 30 June	8,625,000	-	16,128,600	-
Exercisable at 30 June	8,625,000	-	12,628,600	-

Terms and conditions:

- 1,000,000 unlisted Options with an exercise price of $0.20 and an expiry date of 3 July 2013, expired unexercised on the expiry date.
- 1,000,000 unlisted Options with an exercise price of $0.20 and an expiry date of 3 July 2013, expired unexercised on the expiry date.
- 4,003,600 unlisted Options with an exercise price of $0.20 and an expiry date of 7 July 2013, expired unexercised on the expiry date.
- 2,000,000 unlisted Options with an exercise price of $0.20 and with expiry date of 1 December 2013, expired unexercised on the expiry date.
- 375,000 unlisted Options which vested on issue, with an exercise price of $0.30 and an expiry date of 30 September 2015 are on issue.
- 375,000 unlisted Options which vested on issue, with an exercise price of $0.40 and an expiry date of 31 December 2015 are on issue.
- 375,000 unlisted Options which vested on issue, with an exercise price of $0.50 and an expiry date of 31 March 2016 are on issue.
- 7,000,000 unlisted Options with an exercise price of $0.15 and with an expiry date of 30 November 2016 are on issue. 50% of the options vested immediately on issue and 50% vested on 30 November 2013.
- 500,000 unlisted Options which vested on issue, with an exercise price of $0.15 and with an expiry date of 30 November 2016 are on issue.

NOTE 19 – SHARE BASED PAYMENTS (Continued)

Fair value:
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. 500,000 share options were granted during the year ended 30 June 2014 (2013: 8,125,000).

Fair Value of Options & Assumptions:	***Employees***	***Directors***	***Consultants***		
Grant date	22/05/13	22/11/12	30/09/12	31/12/12	31/3/13
Number granted	500,000	7,000,000	375,000	375,000	375,000
Fair Value at grant date (per option)	$0.011	$0.026	$0.019	$0.080	$0.097
Share Price at grant date	$0.030	$0.051	$0.062	$0.041	$0.050
Exercise price	$0.150	$0.150	$0.300	$0.400	$0.500
Expected share price volatility	100%	100%	100%	100%	100%
Expected life of option (days)	1,288	1,475	1,095	1,095	1,096
Expected dividends	-	-	-	-	-
Risk free interest rate	2.59%	2.52%	2.41%	2.67%	2.87%

NOTE 20 - CASH FLOW INFORMATION

	ECONOMIC ENTITY	
	2014	**2013**
	$	**$**
Reconciliation of cash flow from operations, with loss after income tax:		
Profit /(Loss) after income tax	229,752	(3,262,572)
Non-cash flows in result:		
Depreciation	81,954	89,449
Fair value Gain/ (Loss) on Financial Assets	(20,287)	1,536,320
Share / Warrant consideration for sale of Joint Venture interest	(755,695)	-
Cash consideration for sale of Joint Venture interest	(379,740)	-
Foreign Currency Translation	(8,786)	119,944
Share Option expense	29,060	285,293
Cash flows in result not classified as cash flows from operations:		
Profit on sale of fixed assets	(3,000)	-
Profit on sale of financial assets	(260,583)	-
Changes in assets and liabilities:		
Increase/(Decrease) in income taxes payable	3,725	1,461
(Increase)/Decrease in other current assets	122,867	130,052
Increase /(Decrease) in payables and accruals	376,515	(403,049)
Cashflow used by Operations	(584,218)	(1,503,102)

NOTE 21 – CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at 30 June 2014 (2013: Nil).

NOTE 22 - COMMITMENTS

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. 30% of the tenement rents are recouped under the Energizer Joint Venture.

NOTE 22 – COMMITMENTS (Continued)

Operating Lease Commitments:

A non-cancellable operating lease contracted for, but not capitalised in the financial statements related to a property lease for 2 years which expired on 30 June 2014.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:	ECONOMIC ENTITY 2014 $	2013 $
- not later than one year	-	36,439
- between one and five years	-	-
	-	36,439

NOTE 23 – EVENTS SUBSEQUENT TO REPORTING DATE

There were no material events arising subsequent to 30 June 2014 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:

- The sale of 750,000 Energizer shares to raise an additional $178,569 for working capital purposes. The balance of Energizer shares held by the company at the date of this report is 2,750,000.

NOTE 24 – FINANCIAL INSTRUMENTS

(a) Capital risk management:

Management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern.

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.

(b) Market risk:

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.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(c) 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 statement of financial position can be affected by movements in the AUD$/Ariary exchange rates. The Group do not seek to hedge this exposure.

NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

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	**Net Financial Assets/(liabilities) in AUD**				
2014	**MGA**	**AUD**	**USD**	**EURO**	**Total AUD**
Cash	417,281	706,913	497	417	1,125,108
Receivables	148,065	10,829	-	-	158,894
Payables	(485,072)	(185,206)	-	-	(670,278)
Statement of Financial Position exposure	80,274	532,536	497	417	613,724

ECONOMIC ENTITY	**Net Financial Assets/(liabilities) in AUD**				
2013	**MGA**	**AUD**	**USD**	**EURO**	**Total AUD**
Cash	21,261	387,826	573	151	409,811
Receivables	52,768	603	-	-	53,371
Payables	(187,784)	(154,637)	-	-	(342,421)
Statement of Financial Position exposure	(113,755)	233,792	573	151	120,761

Foreign currency risk sensitivity:

Analysis at 30 June 2014, 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:	**ECONOMIC ENTITY**	
	2014	**2013**
	$	**$**
Change in profit:		
- Improvement in AUD to MGA by 5%	(23,083)	(14,670)
- Decline in AUD to MGA by 5%	23,083	14,670
Change in equity:		
- Improvement in AUD to MGA by 5%	23,083	14,670
- Decline in AUD to MGA by 5%	(23,083)	(14,670)

(d) Interest rate risk:

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	2014	2013
Variable rate instruments:		
- Financial assets	1,125,108	409,811

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

	2014		**2013**	
ECONOMIC ENTITY	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Variable rate instruments	11,251	(11,251)	4,098	(4,098)

NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

(e) 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.

The following are the contractual maturities of the Group's financial liabilities:	**Carrying Amount $**	**Contractual Cash Flows $**	**6 Months or Less $**
Trade and other payables:			
- at 30 June 2014	670,278	(670,278)	(670,287)
- at 30 June 2013	301,568	(301,568)	(301,568)

(f) 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.

(g) 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).

2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available-for-sale financial assets:				
- listed investments	452,702	-	-	452,702
- unlisted warrants	-	385,000	-	385,000
	452,702	385,000	-	837,702
2013				
Financial assets:				
Available-for-sale financial assets:				
- listed investments	839,800	-	-	839,800
	839,800	-	-	839,800

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.

NOTE 24 – FINANCIAL INSTRUMENTS (Continued)

In determining the fair value of unlisted investments included in Level 2 of the hierarchy, which include unlisted warrants held in Energizer Resources Inc, the Black Scholes option pricing model has been used to calculate a fair value based on the income approach valuation and inputs as set out in Note 10.

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

(h) Financial Liability and Financial Asset Maturity Analysis:

	Within 1 year		1 to 5 years		Total	
ECONOMIC ENTITY	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**	**$**	**$**
Financial Liabilities due for payment:						
Payables	539,649	273,410	-	-	539,649	273,410
Amounts payable to related parties	87,400	28,158	-	-	87,400	28,158
Amounts payable for Share Purchase Agreement	60,000	60,000	467,052	524,919	527,052	584,919
Total expected outflows	687,049	361,568	467,052	524,919	1,154,101	886,487
Financial Assets – Cash Flows Realisable:						
Cash	1,125,108	409,811	-	-	1,125,108	409,811
Assets	837,702	839,800	-	-	837,702	839,800
Receivables	158,894	67,432	-	-	158,894	67,432
Total Inflow on Financial Instruments	2,121,704	1,317,043	-	-	2,121,704	1,317,043

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, Madagascar and Mauritius.

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.

NOTE 25 – STATEMENT OF OPERATIONS BY SEGMENT

Significant Customers:
In 2014 royalty revenue recorded from Labradorite Operations totalled $90,632.

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.

2014	**Australia**	**Madagascar**	**Mauritius**	**Eliminations**	**Economic Entity**
Revenue					
Other Income	658,315	407,375	-	-	1,065,690
Total Segment Revenue	658,315	407,375	-	-	1,065,690
Result					
Segment Result	691,420	(955,370)	(3,455)	497,157	229,752
Profit/(Loss) before Income tax	691,420	(949,180)	(3,455)	497,157	235,942
Assets					
Segment Assets	8,289,482	3,392,177	-	(3,150,438)	8,529,220
Segment Liabilities	(652,258)	(501,843)	-	-	(1,154,101)
Other					
Acquisition of non-current assets	-	10,925	-	-	10,925
Depreciation	10,748	71,206	-	-	81,954

2013	**Australia**	**Madagascar**	**Mauritius**	**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)
Assets					
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 assets	-	16,508	-	-	16,508
Depreciation	3,381	86,068	-	-	89,449

NOTE 26 – RELATED PARTY DISCLOSURES

Key Management Personnel:

Mr G Le Clezio – Non-Executive Chairman
Mr M Cozijn – Non-Executive Chairman (Resigned 8 August 2013)
Mr P Langworthy – Non-Executive Director (Appointed 24 July 2013)
Dr P Woods – Non-Executive Director
Mr G Boden – Non-Executive Director
Mr J.L Marquetoux – CFO & Gerant (Madagascar)

Key Management Personnel Remuneration:

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

	ECONOMIC ENTITY	
The totals of remuneration paid to Key Management Personnel of the Group during the year are as follows:	**2014** **$**	**2013** **$**
Short term employee benefits	475,328	328,227
Post – employment benefits	9,928	36,857
Other long-term benefits	-	-
Share Based Payments	25,970	154,440
	511,226	519,524

Controlled Entities:

The consolidated financial statements include the financial statements of Malagasy Minerals Limited and the subsidiaries set out in the following table.

		% Ownership	
Subsidiaries of Malagasy Minerals Limited:	**Country**	**2014**	**2013**
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%
Ampanihy Exploration Limited	Mauritius	75%	-

(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 $1,815,138 (2013: $1,380,396) Loans to subsidiaries total $6,360,628 (2013: $5,925,886) with a provision for impairment of $4,545,490 (2013: $4,545,490).

NOTE 27 – PARENT ENTITY DISCLOSURES

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	PARENT ENTITY	
	2014	2013
	$	$
Assets:		
Current Assets	1,555,444	1,228,230
Non-Current Assets	6,732,038	6,308,044
Total Assets	8,287,482	7,536,274
Liabilities:		
Current Liabilities	185,206	154,637
Non-Current Liabilities	467,052	524,919
Total Liabilities	652,258	679,556
Shareholders' Equity:		
Issued Capital	14,613,363	14,555,337
Reserves	200,353	432,196
Accumulated Losses	(7,178,492)	(8,130,815)
Total Shareholders' Equity	7,635,224	6,856,718
Statement of Comprehensive Income:		
Net (Loss) / Profit attributable to members of the parent entity	691,420	(5,440,281)
Total Comprehensive (Loss) / Income for the period attributable to members of the parent entity	691,420	(5,440,281)

There have been no guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries. The Parent entity has not entered into any contractual commitments for the acquisition of property plant and equipment at the date of this report.

	PARENT ENTITY	
	2014	2013
NOTE 28 – AUDITORS REMUNERATION	$	$
Amount payable to William Buck Audit (WA) Pty Ltd (2013: Crowe Horwath) as Auditor		
- Auditing or reviewing the financial report	28,110	44,600

Amounts payable to other audit firms for the audit and review of the financial reports of subsidiary companies was $6,383 (2013: $6,094)

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 27 to 54 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 2014 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 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 R Boden
Director

Perth, Western Australia
30th September 2014

William Buck

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

Report on the Financial Report

We have audited the accompanying financial report of Malagasy Minerals Limited (the company) and the entities it controlled at year's end or from time to time during the financial year (the consolidated entity) on pages 23 to 55. The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit of loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 of the financial report that gives a true and fair view 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.

CHARTERED ACCOUNTANTS & ADVISORS

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William Buck

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

Auditor's Opinion

In our opinion:

a) the financial report of the consolidated entity on pages 23 to 55 is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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

Without modifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a cash outflow from operating activities of $584,218 for the year ended 30 June 2014. This condition, along with other matters set forth in note 1, indicates 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 30 June 2014. 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 of Malagasy Minerals Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Malagasy Minerals Limited for the year ended 30 June 2014 included on Malagasy Minerals Limited web site. The company's directors are responsible for the integrity of Malagasy Minerals Limited web site. We have not been engaged to report on the integrity of the Malagasy Minerals Limited web site. The auditor's report refers only to the 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 audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck

William Buck Audit WA Pty Ltd
ABN 67 125 012 124

Conley Manifis
Director

Dated this 30th day of September, 2014

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 2013/2014 financial year (**Reporting Period**). The information in this statement is current at 18th September 2014.

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 (currently the Chairman in an acting role), or, if the matter concerns the Chairman, directly to 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 2013 to 20 December 2013	
Max Cozijn (resigned 8 August 2013)	Not independent (executive)
Peter Langworthy (from 24 July 2013)	Not independent (exploration management)
Guy LeClezio	Not independent (substantial shareholder)
Peter Woods	Independent
Graeme Boden	Independent
21 December 2013 to 30 June 2014	
Guy LeClezio	Not independent (substantial shareholder)
Peter Woods	Independent
Graeme Boden	Not independent (finance & admin contract)
Peter Langworthy	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 considers 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:

- Statement of financial position 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 statement of financial position or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The non-independent directors of the Company are 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 Dr 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.

Board committees

Nomination Committee
(Recommendations: 2.4, 2.6)

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

The full Board, in its capacity as the Nomination Committee, held one meeting during the Reporting Period.

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 one 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)	1
Guy LeClezio (non-independent, non-executive)	1
Max Cozijn (non-independent, non-executive)	1
Peter Langworthy (non-independent, non-executive)	1
Graeme Boden (non-independent, non-executive)	1

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 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) (independent, non-executive)	1
Peter Woods (non-independent, non-executive)	1
Max Cozijn (non-independent, executive)	1
Peter Langworthy (non-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 a 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.

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 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:

Corporate Governance Statement (Continued)

	Proportion of women
Whole organisation	9 out of 42 (20%)
Key management personnel	0 out of 1 (0%)
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.
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

Corporate Governance Statement (Continued)

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.

ASX Additional Information

1. *Listed Shares*

The shareholder information set out below was applicable as at 16 September 2014.

a) Distribution of Share Holdings

Size of Holding	No. of Shareholders	No. of Shares
1 - 1,000	25	5,169
1,001 - 5,000	34	119,154
5,001 - 10,000	88	759,988
10,001 - 100,000	396	18,425,207
100,001 and over	196	141,538,249
Total Shareholders	739	160,847,767

There are 176 Shareholders with less than a marketable parcel at a price of $0.034, totalling 1,247,563 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

Shareholder	No. of Shares	%
Running Water Limited	10,595,513	6.59
Nefco Nominees Pty Ltd	8,000,000	4.97
Harmanis Holdings Pty Ltd	7,000,000	4.35
Timmid Pty Ltd	5,590,000	3.48
Midas Consulting Limited	4,700,000	2.92
JP Morgan Nominees Australia Limited	3,979,686	2.47
Magaurite Pty Ltd	3,650,000	2.27
Rene Legoll	3,500,000	2.18
Harvey Z & Chen L Q Wang	3,150,000	1.96
Robert Hastings Smythe	2,900,000	1.80
Leet Investments Pty Ltd	2,700,000	1.68
Talex Investments Pty Ltd	2,293,043	1.43
Magaurite Pty Ltd	2,250,000	1.40
T A Watterson & C E Cross	2,236,776	1.39
Guy Francois Le Clezio	2,011,860	1.25
Firefox Limited	2,000,000	1.24
Jules Le Clezio	1,929,001	1.20
Quantum Holdings Pty Ltd	1,861,860	1.16
Omni GeoX Pty Ltd	1,800,000	1.12
Neptune Design Limited	1,737,500	1.08
Top Twenty Shareholders	73,885,239	45.94
Total Issued Capital	160,847,767	100.00

ASX Additional Information (Continued)

d) Substantial Shareholders

The names of the substantial shareholders listed in the Company's share register as at 16 September 2014 were:

Shareholder	No. of Shares	%
Guy LeClezio	12,702,373	7.89
Total	**12,702,373**	**7.89**

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
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
8,625,000			

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	563 :100% 1,085:100% - IM	1,2
5391	**PE**	20-Nov-02	19-Nov-42	**40**	Ampanihy - Ianapera	16	100%	
5392	**PE**	20-Nov-02	19-Nov-42	**40**	Ampanihy - Ianapera	16	100%	
5393	**PE**	20-Nov-02	19-Nov-42	**40**	Ampanihy - Ianapera	16	100%	
5394	**PE**	20-Nov-02	19-Nov-42	**40**	Ampanihy - Maniry	48	40 : 100% 8 :100% -IM	1
12834	PR	01-Mar-05	28-Feb-15	**10**	Majunga	64	100%	
13063	PR	04-Feb-05	03-Feb-15	**10**	Vohibory	336	100%	
13064	PR	04-Feb-05	03-Feb-15	**10**	Fotadrevo	48	100% - IM	1
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%	
13811	PR	14-Mar-05	13-Mar-15	**10**	Ampanihy - Maniry	48	100% - IM	1
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% - IM	1
14619	PR	26-Jan-05	25-Jan-15	**10**	Ampanihy - Maniry	16	100% - IM	1
14620	PR	26-Jan-05	25-Jan-15	**10**	Fotadrevo	48	100% - IM	1
14622	PR	26-Jan-05	25-Jan-15	**10**	Fotadrevo	64	100% - IM	1
14623	PR	26-Jan-05	25-Jan-15	**10**	Ampanihy - Ianapera	112	39 : 100% 73 : 100%-IM	1
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	100% - IM	1

NOTES

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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
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 :100% - IM	1
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	100% - IM	1
19851	PR	04-Feb-05	03-Feb-15	**10**	Fotadrevo	32	100% - IM	1
19932	**PE**	10-Mar-06	09-Mar-46	**40**	Ampanihy - Maniry	112	102 : 100% 10 : 100% - IM	1
19933	**PE**	10-Mar-06	09-Mar-46	**40**	Ampanihy - Maniry	16	100%	
19934	PR	26-Jan-05	25-Jan-15	**10**	Fotadrevo	16	100% - IM	1
19935	PR	26-Jan-05	25-Jan-15	**10**	Fotadrevo	16	100% - IM	1
21059	PR	14-Sep-07	13-Sep-12	**5**	Ampanihy - Maniry	16	100% - IM	1,2
21060	PR	30-Oct-06	29-Oct-11	**5**	Ampanihy - Maniry	16	3 : 100% 13 :100% - IM	1,2
21061	PR	30-Oct-06	29-Oct-11	**5**	Ampanihy - Maniry	16	100% - IM	1,2
21062	PR	03-Oct-07	02-Oct-12	**5**	Ampanihy-Maniry	32	4 : 100% 28 :100% -IM	1,2
21063	PR	30-Oct-06	29-Oct-11	**5**	Ampanihy - Maniry	32	100% - IM	1,2
21064	PR	30-Oct-06	29-Oct-11	**5**	Ampanihy - Maniry	16	1 : 100% 15 :100% - IM	1,2
24864	PR	08-May-07	07-May-12	**5**	Fotadrevo	48	100% - IM	1,2
25093	**PE**	18-Jan-07	17-Jan-47	**40**	Ampanihy - Ianapera	16	100%	3
25094	**PE**	18-Jan-07	17-Jan-47	**40**	Ampanihy - Ianapera	16	100%	3
25095	**PE**	18-Jan-07	17-Jan-47	**40**	Ampanihy - Maniry	48	100%	3
25605	PR	18-Jun-01	17-Jun-11	**10**	Ampanihy - Maniry	80	100% - IM	1,2
25606	PR	18-Jun-01	17-Jun-11	**10**	Ampanihy - Maniry	16	9 : 100% 7 : 100% - IM	1,2

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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 :100% - IM	1,2
28341	PR	08-Jan-08	07-Jan-13	**5**	Ampanihy-Maniry	16	100%	2
28345	PR	08-Jan-08	07-Jan-13	**5**	Ampanihy-Maniry	48	100%	2
28346	PR	08-Jan-08	07-Jan-13	**5**	Ampanihy-Maniry	16	4 : 100% 12 : 100% - IM	1,2
28347	PR	08-Jan-08	07-Jan-13	**5**	Fotadrevo	112	4 : 100% 108 : 100% -IM	1,2
28348	PR	08-Jan-08	07-Jan-13	**5**	Fotadrevo	16	100% - IM	1,2
28349	PR	08-Jan-08	07-Jan-13	**5**	Fotadrevo	16	100% - IM	1,2
28352	PR	08-Jan-08	07-Jan-13	**5**	Fotadrevo	96	100% - IM	1,2
28353	PR	08-Jan-08	07-Jan-13	**5**	Fotadrevo	96	47 : 100% 49 :100% - IM	1,2
29020	PR	12-Sep-08	25-Oct-12	**5**	Fotadrevo	32	20 : 100% 12 : 100% - IM	1,2
29082	PR	12-Sep-08	11-Sep-13	**5**	Tranomaro	224	100%	2
29084	PR	14-Jul-08	13-Jul-13	**5**	Tranomaro	16	100%	2
29085	PR	12-Sep-08	11-Sep-13	**5**	Tranomaro	144	100%	2
31733	PR	11-Feb-09	10-Feb-14	**5**	Ampanihy-Maniry	16	100%	2
31734	PR	11-Feb-09	10-Feb-14	**5**	Ampanihy-Maniry	16	100% - IM	1,2
31735	PR	11-Feb-09	10-Feb-14	**5**	Ampanihy-Maniry	16	100% - IM	1,2
12306	PR	09-Nov-04	08-Nov-14	**10**	Fotadrevo	416	75 % in GGJV	4
12814	PR	26-Jan-05	25-Jan-15	**10**	Fotadrevo	48	75 % in GGJV	4
12887	PR	26-Jan-05	25-Jan-15	**10**	Fotadrevo	16	75 % in GGJV	4
12888	PR	26-Jan-05	25-Jan-15	**10**	Fotadrevo	16	75 % in GGJV	4

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