Madagascar Resources NL

ABN 58 061 662 011

Annual report – 30 June 2009

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Corporate directory

Directors

Peter J Woods
Non-Executive – Technical Director

Guy F M Le Clezio
Non-Executive – Corporate Director

Graeme R Boden
Non-Executive – Financial Director

Earl V Young
Non- Executive Director

N Tristan B Davenport
Non- Executive Director

Company Secretary

Graeme R Boden

Company Secretary and Share Registry

Graeme R Boden

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Madagascar Resources NL

Chairman's Report

This is the sixteenth Annual Report of Madagascar Resources NL (MRNL). During the year ended 30 June 2009, further progress has been made in attempting to realise the potential of our interests in Madagascar.

The main effort has been in dealing with the aftermath of the GFC and the political situation that developed in Madagascar during the year. The most important event occurred post balance date, on 17 July 2009, when Exxaro terminated the option agreement with MRNL. It is the view of the board, supported by legal opinion, that MRNL now has regained 100% unencumbered ownership of the Toliara Sands Project ("TSP").

Since regaining ownership of TSP, mineral sand consultants TZ Minerals International Pty Ltd ("TZMI") have been engaged to undertake a comprehensive review of the project. Our aim is to devise a new project concept that is capable of being developed within identified infrastructure and mineralogical constraints and which is also capable of attracting financing partners with a positive strategic view of the TSP.

TZMI has proposed a three-phase strategy: fatal flaw analysis; reinvention of the project at possibly smaller scale and capital cost, with focus on higher grade portions of the Ranobe orebody; and marketing of the new concept.

Following the fatal flaw analysis, TZMI concluded that there is sufficient value in the deposit to sustain a revised operation and that the resource can potentially be converted into final products that will be accepted by the market place.

TZMI has visited the site and is processing ore samples as well as concentrate to validate Exxaro's results and to design a simpler processing system respectively. It is anticipated that Stage 2 will be complete by December 2009.

Subject to satisfactory results, a new project concept will be developed and an investigation into the best way to bring the project to fruition will be undertaken.

In the meantime contact has been maintained with State Ministers, government agencies and environmental Non Government Organisations (NGOs) to make sure they are aware of the status of the Toliara Sands Project and that MRNL is aware of their aspirations. The good relationship with local villages near Ranobe has also been maintained. Political developments in Madagascar have been unsettling but it does appear that things are settling down again.

During 2007 MRNL agreed to vend all non TSP assets into Malagasy Minerals Ltd which listed on the ASX on 7 July 2008, raising A$10 million. MRNL holds 10 million Malagasy shares (around 10% of the listed entity) and has received $1,031,272 cash since that listing. MRNL will continue to receive 70% of the monthly revenue from the labradorite operations, up to a maximum of a further A$1,168,728.

As a result of this, at 30 September 2009, MRNL had $1,167,000 in cash and expected instalment receipts of around $160,000 this year.

The progress of Malagasy Minerals Ltd can be followed on its website: www.malagasyminerals.com

The fact that MRNL has regained the TSP is a very exciting development as the Company now has the opportunity to realise value for the project for the benefit of shareholders.

I would like to thank all those involved in bringing the company to its current position particularly Graeme Boden and Guy LeClezio in Perth, who were instrumental in regaining TSP and to Jules LeClezio and our team in Madagascar.

Our Annual General Meeting will be held on 25th November 2009 and your attendance would be welcome.

Peter Woods
Acting Chairman

Madagascar Resources NL

Review of exploration

This review summarises the activities undertaken by the Company over the past year, and outlines the Company's intentions.

Work has focussed on the Toliara Sands Project (TSP) including:
- progressing a Bankable Feasibility Study on the Ranobe heavy mineral sand deposit
- continuing exploration for mineral sands in the major dune system in the M-M permits to the north of Ranobe

The progress of non-TSP projects now held by Malagasy Minerals can be followed on their website: www.malagasyminerals.com

TOLIARA SANDS PROJECT (TSP)

BACKGROUND

In October/November 2001, a reconnaissance aircore drilling program along the coastal plain between Toliara and Morombe in southwest Madagascar confirmed the potential for a resource of approximately 1300 million tonnes (Mt) of sand grading 5% HM (heavy minerals - mainly ilmenite with some zircon and rutile) at Ranobe, 40 km north of Toliara.

North of Ranobe (the M-M area) drilling was carried out at 5 locations. Significant HM was intersected at all locations, particularly around Ankililoaka and Basibasy.

In 2003 Ticor Ltd (later Kumba and now Exxaro) negotiated an Option over the Toliara Sands Project which included all areas drilled to that date. In 2003 drilling was carried out at Ranobe and Basibasy and a Pre-Feasibility Study (PFS) commenced on the Ranobe deposit.

In early 2005 the PFS was completed on the Ranobe deposit and a decision was taken by Exxaro to commence a Bankable Feasibility Study on the deposit, and to continue with exploration in the M-M area to the north.

In 2006 and 2007 reconnaissance trips to the most northern part of the M-M area confirmed the potential of the area to host higher TiO_2 ilmenite and more zircon than at Ranobe.

Ranobe - Bankable Feasibility Study

The Bankable Feasibility Study (BFS) on the Ranobe deposit included studies into: mineral resource, mineralogy, mineral processing, mining method, marketing, infrastructure, manpower, logistics, power generation, the environment and financial matters. The BFS was conducted by Exxaro from early 2005 until July 2009.

Based on drilling in 2003 and 2005 the resource within the Upper Sand Unit is classified as follows:

- Measured - 209 Million tonnes at 7.44% HM
- Indicated - 320 Million tonnes at 6.09% HM
- Inferred - 181 Million tonnes at 5.32%HM

The total classified resource is therefore 710 Mt at 6.29% HM and 4.23% slimes (with 4.07% ilmenite, 0.12% rutile, 0.32% leucoxene and 0.35% zircon). The total mineral resource at Ranobe based on drilling in 2001, 2003 and 2005 is around 1400Mt at 4.7% HM.

The HM suite is dominated by ilmenite, which can be separated into a low grade and high grade ilmenite product. Recent testwork focused on attempting to produce marketable products from the ilmenite, including alternative beneficiation processes to address the high thorium levels. Other minerals include: altered ilmenite (which is potentially a separate product), leucoxene, zircon and rutile.

A range of mining methods (dry or dredge) and transport options (road, rail, conveyor, barge) were considered. An Environmental and Social Impact Statement was prepared in conjunction with these studies to ensure that the environmental and social consequences of each option were considered during the planning process.

In addition, nurseries were established at two villages near the deposit and at the Toliara Arboretum. Seeds collected from the Ranobe forest have been germinated and trial plantings on the rehabilitated bulk sample pits have been initiated. These trials have been successful in that almost all species planted have continued to grow over the past 2 years. Results from these trials, as well as ongoing monitoring of forest recovery from fires will form an important part of the final Rehabilitation Strategy.

Negotiations are still underway with government officials and various funding agencies regarding surface rights, taxes and other financial requirements of the project.

The issues which Exxaro saw as presenting significant impediments to project development included:

- Method of power generation (local or regional power station and fuel type)
- Mineral beneficiation
- Mining method (dry or dredge)
- Rehabilitation strategy
- Port site (in lagoon or near Toliara)
- Export of products
- Uranium and thorium content in the mineral products
- Surface rights

Exxaro's last capital cost estimate is around USD 410 million (using R8/US$ exchange rate) which is based on mining and processing between 15 and 22Mtpa of sand (depending on grade) to produce an average of 560,000tpa of smelter grade ilmenite, 107,000tpa of high TiO_2 ilmenite, 48,000tpa of zircon and 12,000tpa of rutile.

The many issues to be resolved including economic, political and technological developments caused Exxaro to re-evaluate its strategic investment in the TSP. Exxaro concluded that "TSP is unfortunately no longer aligned with the new business focus of Exxaro, which made this decision (to withdraw) after due consideration of all relevant factors and despite the fact that the TSP may be developed by other parties in the future."

Accordingly Exxaro advised MRNL that it "has terminated, with effect from 17 July 2009, its rights under an Option Agreement with Australian company Madagascar Resources NL ("MRNL") and its Malagasy subsidiary Exploitation Madagascar SARL ("EMSARL") in regard to the Toliara Sands Project ("TSP") in Madagascar."

A New Direction

MRNL has been handed all project information and has engaged mineral sand consultants TZMI, to undertake a comprehensive review of the project. The Company's aim is to devise a new project concept that is capable of being developed within identified infrastructure and mineralogical constraints and which is also capable of attracting financing partners with a positive strategic view of the TSP.

Exxaro's plans placed constraints on development of the deposit that need not exist under other circumstances (ie a mining rate of 15-22 million tonnes per year and a sole market for the ilmenite at its Empangeni smelters).

TZMI has proposed a three-phase strategy: fatal flaw analysis; reinvention of the project at possibly smaller scale and capital cost, with focus on higher grade portions of the Ranobe orebody; and marketing of the new concept.

Following the fatal flaw analysis, TZMI concluded that there is sufficient value in the deposit to sustain a revised operation and that the resource can potentially be converted into final products that will be accepted by the market place.

TZMI has visited the site and is processing ore samples as well as concentrate to validate Exxaro's results and to design a different type of flowsheet aimed at relaxing some of the restrictions applied by Exxaro.

Subject to satisfactory results, a new project concept will be developed taking into account the key cost drivers of power and logistics in aiming for higher margins. Lower cost options for a concentration plant will be considered, as opposed to the more heavily engineered versions considered to date. Transport and border crossing restrictions pertaining to elevated radioactivity are recognized as issues which must be solved economically.

Most of the data intended to be used in the scoping study are expected to be found in the database generated by Exxaro during the BFS.

It is anticipated that the second phase of the TZMI study will be completed by December 2009.

M-M Area

In the M-M area, three areas appear to have potential to host significant HM mineralisation.

Ankililoaka

At Ankililoaka, 25 km north of Ranobe, drilling in 2001 and 2005 encountered significant intersections (ie 0-45m at 6.4% HM) over a distance of 5000m, in young quartz sands and clayey sands, to both north and south of a northwest trending ridge of limestone. The estimated size and grade of the mineralisation based on this drilling is around 360Mt at 5.8% HM and 8.9% slime.

The HM suite is dominated by ilmenite (52%), leucoxene (5%), rutile (1%) and zircon (4%). The TiO_2 content of the ilmenite ranges from 47.6 to 56.8% TiO_2. The HM suite therefore appears to be similar to that at Ranobe.

Basibasy

At Basibasy 60km north of Ranobe, there appears to be a shoreline running roughly north-south, with clay-rich sediments to the east. West of this “shoreline” the sediments are more sandy and drilling in 2001, 2003 and 2005 encountered significant mineralisation (ie 39m at 7.0%HM) in quartz sands in an area around 2km by 3km. The estimated size and grade of the mineralisation based on this drilling is around 440Mt at 4.9%HM and 8.3% slime.

The HM suite is dominated by ilmenite (50%), leucoxene (16%), rutile (1%) and zircon (7%). The TiO_2 content of the ilmenite ranges from 50.2 to 59.6% TiO_2. This HM suite therefore appears to be different from that at Ranobe.

Northern-most Big Dune

The most northern part of the M-M area is occupied by a large semi-circular dune field. Hand auger drilling results were encouraging in that visible HM was seen at several sites while the mineral suite contains ilmenite (70%) with an average TiO_2 content of 58%; and there is more zircon (8-10%) than at sites further south.

A report by Exxaro on HM samples from the area concludes with: “the ilmenite products were high TiO_2 as they averaged 58% TiO_2. All indications are positive of a good high TiO_2 ilmenite product. The qualities of the zircon products were not fully ascertained ‘(due to small samples)’. All indications are positive that a marketing grade zircon can be produced”. The challenge however is to locate orebodies with grades >3% THM.

TZMI have also tested the heavy minerals from this area. They conclude that the HM suite comprises ilmenite (82%) and zircon (11%). The 56%TiO_2 ilmenite (36% yield) is readily marketable but that the 59%TiO_2 ilmenite (yield 29%) and zircon (yield 11%) would have limited marketability due to high UTh. This will need to be addressed.

The airborne geophysical survey, aimed at defining zones of HM accumulations was completed over the area. This survey failed to define potential heavy mineral accumulations but it did highlight three bullseye magnetic targets which are possibly small magmatic intrusions at shallow depth. The drilling program planned for late 2008 has been delayed until 2010.

Conservation Area

Discussions have continued with groups involved in plans to declare a large conservation area along the coast, which included some of our M-M permits. These discussions have resulted in almost total exclusion of our remaining permits from the proposed conservation area, thereby enabling us to continue exploration at Ankililoaka, Basibasy and the Big Dune area.

Future Work

Further work is warranted at Ankililoaka, Basibasy and the Big Dune as work to date confirms that both the TiO2 content in the ilmenite and the zircon content in the HM suite increase northwards from Ranobe.

FUTURE PLANS

Work in the forthcoming year will be focused on the Toliara Sands Project which will include assisting TZMI conclude their study at Ranobe, and in seeking funding to develop the project to the best advantage of the MRNL shareholders.

Peter Woods
Technical Director

Madagascar Resources NL

Directors' report
For the year ended 30 June 2009

The Directors present their report together with the financial report of the consolidated entity consisting of Madagascar Resources NL and the entities it controlled ("the Group") at the end of or during the year ended 30 June 2009 and the auditor's report thereon.

Directors
The Directors of the Company at any time during or since the end of the financial year:

Dr Peter J Woods BSc(Hons), PHD, MAIG
Peter Woods has been a non-executive director for 16 years. He holds a Bachelor of Science (Honours) and a Doctorate of Philosophy (Geology) from the University of Western Australia. He has had over 30 years' experience in the mining and exploration industry specialising in base metals, gold, diamonds and industrial minerals. He is currently a consulting geologist and a Member of the Australian Institute of Geoscientists.

Special responsibilities: Technical and geological matters

Mr Guy F M Le Clezio BA
Guy Le Clezio has been a non-executive director for 16 years. He holds a Bachelor of Arts from the University of Western Australia. He has had 20 years experience in the Securities industry with a special interest in the mining and exploration industry. He is also a director of Running Water Limited, a share trading and investment company.

Special responsibilities: Corporate matters

Mr Graeme R Boden BEc(Hons), FAICD, AFAIM
Graeme Boden has been a non-executive director and company secretary for 6 years. Mr Boden has worked as a senior corporate and financial manager with more than 25 years experience in the resources industry in both planning and evaluation roles, and finance and administration management. He is the principal of Boden Corporate Services Pty Ltd, which provides accounting, company secretarial and other administrative and commercial services to start-up companies. His client base includes several companies with ambitions of proceeding to an ASX listing and he has over 15 years experience as a director or secretary of listed companies. He is also a director of ASX listed Helicon Group Limited.

Special responsibilities: Financial and company secretarial matters

Mr Earl V Young, BA, BEc
Earl Young has been a non-executive director for 5 years. With a career background in the Securities Industry, Mr Young has served as a consultant, Corporate Officer and Director to companies in the United States and abroad. He serves as President of the US/Madagascar Business Council and has represented domestic and foreign start-ups and early stage companies in their effort to obtain financing as well as assisting in their business and marketing strategies. He was Vice President of Rauscher-Pierce Securities and Rotan-Mosle, President of ENR Securities, the fund raising arm of Energy Resources a listed oil and gas company, and one of the founding partners of Renaissance Capital an investment company specialising in small capitalisation companies.

Special responsibilities: Representative for MAD Holdings Ltd

Mr N Tristan B Davenport
Tristan Davenport was appointed by the Directors in 2007. He has been an employee of J R Boulle Corporation since 1995 and has been involved in the mining industry for over 20 years, principally in the Congo, but also in other African countries, including Madagascar.

Special responsibilities: Representative for MAD Holdings Ltd

Madagascar Resources NL

Directors' report (continued)

For the year ended 30 June 2009

Directors' meetings

The number of meetings of the Company's board of directors held during the year ended 30 June 2009, and the number of meetings attended by each director were:

	Number of meetings held while director	Number of meetings attended while director
P J Woods	3	3
G F M Le Clezio	3	3
G R Boden	3	3
E V Young	3	2
N T B Davenport	3	3

Directors' and Executives' emoluments

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

There are no paid Directors or executives of Madagascar Resources NL.

Share based compensation - options

During the 2009 financial year, shareholders approved an option grant to the Directors. All options vested at grant. There were no further options issued as compensation during the year ended 30 June 2009. There are no performance conditions attached to the issued options.

The terms and conditions of each grant of options are as follows:

30 June 2009	Vested #	Granted #	Grant date	Fair value per option at grant date (cents)	Exercise price per option (cents)	Expiry date
P Woods	1,000,000	1,000,000	28/11/08	1.44	5	30/11/13
G F M Le Clezio	1,000,000	1,000,000	28/11/08	1.44	5	30/11/13
G Boden	1,000,000	1,000,000	28/11/08	1.44	5	30/11/13
G Young	500,000	500,000	28/11/08	1.44	5	30/11/13
T Davenport	500,000	500,000	28/11/08	1.44	5	30/11/13

The fair value of the options was charged to the Income Statement during the 2009 financial year.
Options granted carry no dividend or voting rights.

Shares provided on exercise of remuneration options

There were no shares provided on exercise of remuneration options during the financial year ended 30 June 2009 or 30 June 2008.

Directors' report (continued)

For the year ended 30 June 2009

Principal activities

During the year the principal continuing activities of the group consisted of mineral exploration in Madagascar.
As disclosed in the earlier sections of this annual report, exploration on the Toliara Sands Project was conducted by a third party under an option agreement through which payments totalling $US5 million have been received by the Company prior to the 2008 year. Further, the sale of the Company's wholly owned subsidiary, MADA-AUST SARL, to Malagasy Minerals NL was concluded when that company listed on the Australian Securities Exchange in July 2008.

There were no other significant changes in the nature of the activities of the Company during the year.

Dividends

There were no dividends paid or declared during the financial period and up to the date of this report.

Significant changes in state of affairs

The Company contracted in April 2007 to sell MADA-AUST SARL, the subsidiary which held all of the tenements in Madagascar which were not subject to the Exxaro option. The subsidiary was sold to Malagasy Minerals Limited (MML), for consideration which included 10,000,000 preference shares which were to convert to ordinary shares upon listing of MML, $A750,000 cash upon MML listing and up to a further $1,450,000 payable from 70% of the labradorite royalty income receipts over time. The sale of MADA-AUST SARL was subject to the listing of MML on the Australian Securities Exchange, which was achieved on 7th July 2008. Consequently, the 10,000,000 preference shares were converted to 10,000,000 ordinary shares in MML and the cash payment of $750,000 was received.

The consolidated net loss after tax for the year was $177,194 (2008: $244,557 loss). Net assets of the consolidated entity increased by $173,718 from $2,279,874 to $2,453,592.

Events subsequent to reporting date

Subsequent to the balance date, on 17 July 2009, Exxaro Mineral Sands, the holder of the option to acquire the Toliara Sands Project, gave notice of termination of the option.

Exxaro, through predecessor, entities signed an option agreement in late 2003, in which the intent of the parties was for Exxaro to conduct a Pre- Feasibility Study and then proceed to financing and development of the Project. The Pre- Feasibility Study was completed and the components of a Bankable Feasibility Study had been under study over a four year period.

The concept which Exxaro was using as the basis for its studies was to feed its smelters at Empangeni. Following Exxaro's termination of the option agreement, MRNL has reviewed an alternative smaller scale, high grade project, using transport and infrastructure concepts to keep initial capital expenditure as low as practicable.

Other than this matter, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely developments

Comments on future operational plans of the Group are included in this report under the review of exploration.

Environmental regulation

The Board is committed to environmental best practice in its operations and ensures full compliance with all statutory environmental regulations and guidelines.

Madagascar Resources NL

Directors' report (continued)

For the year ended 30 June 2009

Share options

Options to take up ordinary fully paid shares in the Company at the date of this report are as follows:

	Date options granted	Number	Issue price of shares	Expiry date
Executive options	30 November 2005	2,200,000	25 cents	30 November 2009
Executive options	28 November 2008	5,000,000	5 cents	30 November 2013

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

750,000 options exercisable at $0.40 per share expired unexercised on 30 June 2008.

Shares issued on the exercise of options

No further shares have been issued during or since the end of the period under review and no amounts are unpaid on any of the shares.

Directors' interests in shares and options

As at 30th June 2009 and also at the date of this report, the interest of the Directors and/or related parties in shares and options were

Shareholdings 30 June 2009	**Balance 1/7/08**	**Transfers**	**Balance 30/6/09***
P J Woods	1,760,001	-	1,760,001
G F M Le Clezio	4,970,002	(200,000)	4,770,002
N T B Davenport	-	-	-
E V Young	250,000	-	250,000
G R Boden	-	-	-
	6,980,003	(200,000)	6,780,003

Shareholdings 30 June 2008	**Balance 1/7/07**	**Transfers**	**Balance 30/6/08**
P J Woods	1,760,001	-	1,760,001
G F M Le Clezio	4,970,002	-	4,970,002
N T B Davenport	-	-	-
E V Young	250,000	-	250,000
G R Boden	-	-	-
	6,980,003	-	6,980,003

*** and at the date of this report.**

Option holdings 30 June 2009	**Balance 1/7/08**	**Granted as remuneration**	**Options exercised**	**Forfeited**	**Balance at 30/6/09**	**Exercisable**	**Non-exercisable**
P J Woods	750,000	1,000,000	-	-	1,750,000	1,750,000	-
G F M Le Clezio	250,000	1,000,000	-	-	1,250,000	1,250,000	-
E V Young	250,000	500,000	-	-	750,000	750,000	-
G R Boden	100,000	1,000,000	-	-	1,100,000	1,100,000	-
T Davenport	-	500,000	-	-	500,000	500,000	-
	1,350,000	4,000,000	-	-	5,350,000	5,350,000	-

Madagascar Resources NL

Directors' report (continued)

For the year ended 30 June 2009

Option holdings 30 June 2008	Balance 1/7/07	Granted as remuneration	Options exercised	Forfeited	Balance at 30/6/08	Exercisable	Non-exercisable
P J Woods	1,250,000	-	-	(500,000)	750,000	750,000	-
G F M Le Clezio	250,000	-	-	-	250,000	250,000	-
E V Young	250,000	-	-	-	250,000	250,000	-
GR Boden	100,000	-	-	-	100,000	100,000	-
	1,850,000	-	-	(500,000)	1,350,000	1,350,000	-

Indemnification and insurance of officers and auditors

Indemnification

During or since the end of the financial year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such by an officer or an auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against liability incurred by an officer or an auditor.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 41 and forms part of the Directors' report for financial year 2009.

This report is made with a resolution of Directors:

Graeme R Boden
Director

Dated at Perth this 24th day of November 2009.

Madagascar Resources NL

Financial report – 30 June 2009

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The financial report was authorised for issue by the directors on 24th November 2009.

MADAGASCAR RESOURCES NL ("the Company") is a company limited by shares, incorporated and domiciled in Australia.

The consolidated financial report of the Company for the financial year ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the "Group").

A description of the nature of the Group operations and principal activities is included in the review of exploration on pages 4 to 7 and in the Directors' report on pages 8 to 12.

Madagascar Resources NL and its Controlled Entities

Income statements

For the year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Expense					
Accounting, taxation and secretarial services		(155,085)	(171,977)	(124,620)	(126,609)
Depreciation and amortisation		(1,087)	(1,280)	(1,087)	(1,280)
Exploration expenditure		-	(196,025)	-	(178,252)
Geological and logistical consulting services		-	(77,463)	-	(77,463)
Office expenses		(53,633)	(88,454)	(38,149)	(52,689)
Other expenses		-	-	(53,095)	(102,633)
Personnel expenses	4	(72,050)	-	(72,050)	-
Profit/(loss) before financing costs and tax expense		(281,855)	(535,199)	(289,001)	(538,926)
Financial income		112,962	302,391	106,478	295,247
Financial expenses		(5,960)	(4,633)	-	-
Net financial income/(costs)	6	107,002	297,758	106,478	295,247
Profit/(loss) before income tax		(174,853)	(237,441)	(182,523)	(243,679)
Income tax expense	7	(2,341)	(7,116)	-	-
Profit/(loss) attributable to members of Madagascar Resources NL		(177,194)	(244,557)	(182,523)	(243,679)
Basic earnings per share (cents per share)	8	(0.35)	(0.48)	(0.36)	(0.47)

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 18 to 37.

Madagascar Resources NL and its Controlled Entities

Statement of changes in equity

For the year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Total equity at the beginning of the financial year		2,279,874	4,575,600	2,306,169	4,604,443
Exchange differences on translation of foreign operations		18,862	3,426	-	-
Net income recognised directly in equity		18,862	3,426	-	-
Profit/(loss) for the year		(177,194)	(244,557)	(182,523)	(243,679)
Total recognised income and expense for the year		(158,332)	(241,131)	(182,523)	(243,679)
Transactions with equity holders in their capacity as equity holders:					
Dividend paid		-	(2,054,595)	-	(2,054,595)
Asset revaluation		260,000	-	260,000	-
Share based payments	*15*	72,050	-	72,050	-
		332,050	(2,054,595)	332,050	(2,054,595)
Total equity at 30 June		2,453,592	2,279,874	2,455,696	2,306,169

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 18 to 37.

Madagascar Resources NL and its Controlled Entities

Balance sheet

As at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Assets					
Cash and cash equivalents	*9*	1,294,755	528,881	1,232,555	492,893
Trade and other receivables	*10*	173,172	997,512	160,418	954,192
Total current assets		1,467,927	1,526,393	1,392,973	1,447,085
Other investments	*11*	360,000	100,000	360,000	100,000
Other receivables	*10*	744,484	802,816	744,484	802,816
Property, plant and equipment	*13*	25,938	46,083	2,912	3,999
Total non-current assets		1,130,422	948,899	1,107,396	906,815
Total assets		2,598,349	2,475,292	2,500,369	2,353,900
Liabilities					
Trade and other payables	*14*	144,757	195,418	44,673	47,731
Total current liabilities		144,757	195,418	44,673	47,731
Total liabilities		144,757	195,418	44,673	47,731
Net assets		2,453,592	2,279,874	2,455,696	2,306,169
Equity					
Issued capital	*16*	3,916,580	3,916,580	3,916,580	3,916,580
Reserves	*17(a)*	309,423	(41,489)	381,550	49,500
Accumulated Losses	*17(b)*	(1,772,411)	(1,595,217)	(1,842,434)	(1,659,911)
Total equity		2,453,592	2,279,874	2,455,696	2,306,169

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 18 to 37.

Madagascar Resources NL and its Controlled Entities

Statement of cash flows

For the year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Cash flows from operating activities					
Cash receipts from customers		-	-	-	-
Cash paid to suppliers and employees		(185,324)	(515,131)	(160,680)	(405,705)
Cash generated from operations		(185,324)	(515,131)	(160,680)	(405,705)
Income taxes paid		(2,341)	(955,272)	-	(952,491)
Net cash used in operating activities	*24*	(187,665)	(1,470,403)	(160,680)	(1,358,196)
Cash flows from investing activities					
Acquisition of property, plant and equipment		-	(3,939)	-	(2,174)
Subsidiary sale instalments received		889,972	141,300	889,972	141,300
Interest received		58,567	142,364	58,466	142,001
Dividends received		5,000	945	5,000	945
Net cash provided by investing activities		953,539	280,670	953,438	282,072
Cash flows from financing activities					
Loans to subsidiaries		-	-	(53,096)	(102,633)
Dividends paid		-	(2,054,595)	-	(2,054,595)
Net cash used in financing activities		-	(2,054,595)	(53,096)	(2,157,228)
Net increase/(decrease) in cash and cash equivalents		765,874	(3,244,328)	739,662	(3,233,352)
Cash and cash equivalents at 1 July		528,881	3,773,209	492,893	3,726,245
Cash and cash equivalents at 30 June	*9*	1,294,755	528,881	1,232,555	492,893

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 18 to 37.

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

1. Significant accounting policies

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs"), including Australian Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

The consolidated financial report of the Group also complies with the IFRS and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2009, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2009. 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 its business and, therefore, no change necessary to Group accounting policies.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exits when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements, less provision for diminution in circumstances where it is considered that the investment may not recover its book value.

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Unrealised gains arising from transactions with equity accounted investee are eliminated against the investment to the extent of the Group's interest in investee.

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

1. Significant accounting policies (continued)

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the financial currency of the Group at foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign currency differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. The revenues and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on retranslation are recognised in a separate component of equity.

Prior to translating the financial statements of foreign operations in hyperinflationary economies, the financial statements, including comparatives, are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the balance sheet date.

(iii) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. They are released into the income statement upon disposal.

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy i).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and its cost can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Leasehold improvements	10 years
Motor vehicles	4-5 years
Office equipment	4-10 years
Office furnishings	4-5 years
Tools and equipment	4 years
Plant and installations	5 years

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

1. Significant accounting policies (continued)

(f) Exploration and evaluation expenditure

Expenditure incurred during exploration and the early stages of evaluation of new areas of interest is written off as incurred.

Where the Directors decide to progress to development in an area of interest all further expenditure incurred relating to the area will be capitalised.

Projects are advanced to development status when it is expected that future expenditure can be recouped through sale or successful development and exploitation of the area of interest.

(g) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy i).

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and a commercial bill.

(i) Impairment

The carrying amounts of the consolidated assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of the Group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(k) Share capital

(i) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(ii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

1. Significant accounting policies (continued)

(l) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

(m) Share-based payment transactions

The share option program allows the Group's directors and key management personnel to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binominal option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(n) Trade and other payables

Trade and other payables are stated cost.

(o) Revenue

Revenues are measured at fair value of the consideration received net of the amount of goods and services tax (GST in Australia, TVA in Madagascar) payable to the taxation authorities. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible returns of goods can be estimated reliably and there is no continuing management involvement with the goods.

Interest income

Interest income is recognised in the income statement as it accrues.

Royalties

A minimum monthly royalty is invoiced until the quarry advises that a buyer has purchased and removed the labradorite blocks from the site. At that time a further invoice is raised for amounts extracted less the minimum royalty already received.

Logistical support services

Revenue received by a subsidiary for support services provided to the Toliara Sands Project is recognised once the service is performed and an invoice raised.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: The initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

1. Significant accounting policies (continued)

(q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST in Australia, TVA in Madagascar), except where the amount of GST/TVA incurred is not recoverable from the Australian Tax Office (ATO) or Centre Fiscal Mandrosoa (Fisc). In these circumstances, the GST/TVA is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST/TVA included. The net amount of GST/TVA recoverable from, or payable to, the ATO/Fisc is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST/TVA components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO/Fisc are classified as operating cash flows.

2. Accounting estimates and judgements

Management has been involved in the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. Those estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Key sources of estimation uncertainty

Note 13 contains information about the assumptions and their risk factors relating to the recoverable amount of certain fixed assets. In Note 18, analysis is given of the foreign exchange exposure and interest bearing assets of the consolidated entity and risks in relation to foreign exchanges and interest rate movements.

Accounting policy 1(f) discusses the Group's assumptions about exploration expenditure. The consolidated entity adopts the more conservative policy of writing off all exploration and evaluation expenditure and it is only if the area of interest is developed that an asset may be realised.

3. Segment reporting

Primary reporting

The Group operates predominantly in the field of mineral exploration and development.

Secondary reporting - geographical segments

The Company's administrative functions are carried out in Perth, Western Australia and to a lesser extent in Port Louis, Mauritius. The Company's principal business segment of mineral exploration and development is carried out in Madagascar.

	Australia	***Mauritius***	***Madagascar***	***Eliminations***	***Consolidated***
2009	***$***	***$***	***$***	***$***	***$***
External segment revenue	-	-	-	-	-
Segment operating profit/(loss)	(148,573)	(75,915)	(65,364)	146,608	(143,244)
Depreciation, amortisation and impairment	(1,087)	-	-	-	(1,087)
Segment assets by location	2,240,369	382	822,652	(725,054)	2,338,349
Acquisition of non-current assets	-	-	-	-	-
Segment liabilities by location	44,673	355,453	903,750	(1,159,119)	144,757

	Australia	***Mauritius***	***Madagascar***	***Eliminations***	***Consolidated***
2008	***$***	***$***	***$***	***$***	***$***
External segment revenue	-	-	-	-	-
Segment operating profit/(loss)	(243,680)	(130,928)	(66,063)	196,114	(244,557)
Depreciation, amortisation and impairment	(1,280)	-	-	-	(1,280)
Segment assets by location	2,353,900	3,134	892,011	(773,752)	2,475,293
Acquisition of non-current assets	2,174	-	1,765	-	3,939
Segment liabilities by location	47,731	282,290	928,221	(1,062,824)	195,418

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
4. Personnel expenses					
Equity settled transactions	15	72,050	-	72,050	-
5. Auditors' remuneration					
Audit services					
Auditors of the Company					
Audit and review of financial reports:					
HLB Mann Judd		16,000	20,000	16,000	20,000
Other overseas auditors		6,000	5,609	-	-
		22,000	25,609	16,000	20,000
6. Net financial income					
Interest income		58,316	144,364	58,214	144,001
Foreign exchange gain		6,382	6,781	-	-
Dividend income		-	5,945	-	5,945
Interest on consideration instalments		48,264	145,301	48,264	145,301
Financial income		112,962	302,391	106,478	295,247
Foreign exchange loss		(5,960)	(4,633)	-	-
Financial expense		(5,960)	(4,633)	-	-
Net financial income/(costs)		107,002	297,758	106,478	295,247
7. Income tax expense					
The major components of income tax expense are:					
Income statement					
Current income tax					
Current income tax (credit)		2,341	2,781	-	-
Adjustments for prior years		-	-	-	-
Deferred tax expense					
Relating to origination and reversal of temporary differences		-	4,335	-	-
Unused tax losses not recognised as Deferred Tax Asset		-	-	-	-
Total income tax expense in income statement		2,341	7,116	-	-
Numerical reconciliation between tax expense/(credit) and pre-tax net profit /(loss)					
Accounting loss before income tax		(174,853)	(237,441)	(182,523)	(243,679)
Income tax benefit using the domestic corporation tax rate of 30% (2008: 30%)		(52,456)	(71,232)	(54,757)	(73,104)
Increase in income tax expense due to:					
Non-deductible expenses/(benefit)		31,446	27,985	32,148	27,985
Tax losses not recognised / (recognised)		13,350	86,305	14,949	88,177
Minimum tax requirement in Madagascar		2,341	2,781	-	-
Deferred tax recognised in Madagascar		-	4,335	-	-
Decrease in income tax expense/(benefit)					
Non-assessable income		(12,904)	(43,058)	(12,904)	(43,058)
		(18,223)	7,116	(20,564)	-
Over provided in previous years		20,564	-	20,564	-
Income tax expense on pre-tax net profit/(loss)		2,341	7,116	-	-

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

7. Income tax expense

The Directors estimate the potential future income tax benefit arising from tax losses and temporary differences available to Madagascar Resources NL to be $103,126 (2008: $88,177) and consolidated $346,085 (2008: $450,258) which substantially relates to expenditure incurred in relation to the exploration of heavy mineral sands and associated minerals in Madagascar.

The potential future income tax benefit arising from tax losses and timing differences has not been brought to account in this financial report as realisation of the benefit cannot be regarded as probable.

The potential future income tax benefit will only be obtained by the Group if:

(a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
(b) the Company continues to comply with the conditions for deductibility as imposed by tax legislation; and
(c) no changes in tax legislation adversely affect the Company in realising the benefit.

8. Earnings per share

	Consolidated		Parent	
	2009	2008	2009	2008
Basic earnings per share	*cents per share*	*cents per share*	*cents per share*	*cents per share*
Continuing operations	(0.35)	(0.48)	(0.36)	(0.47)
Total basic earnings per share	(0.35)	(0.48)	(0.36)	(0.47)

Basic earnings per share
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	$	$	$	$
Earnings from continuing operations	(177,194)	(244,557)	(182,523)	(243,679)
	Shares	**Shares**	**Shares**	**Shares**
Weighted average number of shares	51,364,870	51,364,870	51,364,870	51,364,870

9. Cash and cash equivalents

	2009	2008	2009	2008
	$	$	$	$
Bank balances	1,294,755	528,881	1,232,555	492,893
Cash and cash equivalents in statement of cash flows	1,294,755	528,881	1,232,555	492,893

10. Trade and other receivables

Current				
Deferred consideration receivable	151,809	935,185	151,809	935,185
Trade debtors	2,310	12,107	-	5,000
Other debtors and prepayments	17,304	48,220	6,860	12,007
Accrued income	1,749	2,000	1,749	2,000
	173,172	997,512	160,418	954,192
Non-current				
Deferred consideration receivable	744,484	802,816	744,484	802,816
Loans to related parties	-		172,935	119,839
Less: Provision for non-recovery of loans	-	-	(172,935)	(119,839)
	744,484	802,816	744,484	802,816
	917,656	1,800,328	904,902	1,757,008

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

11. Other investments

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Non-current investments					
Investments in non-controlled entities					
- Fair Value (2008: Cost)		360,000	100,000	360,000	100,000
Investments in controlled entities					
- Cost	*22*	-	-	101,660	101,660
- Provision for writedown to net recoverable value	*22*	-	-	(101,660)	(101,660)
Investments in controlled entities		360,000	100,000	360,000	100,000

The ultimate recoupment of investments in controlled entities will be dependent on the successful development and commercial exploitation or sale of exploration projects held by those controlled entities.

12. Current tax assets and liabilities

The current tax liability for the consolidated entity of $nil (2008: $nil) represents the amount of income taxes payable in respect of the current period.

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

13. Property, plant and equipment

	Consolidated								Parent	
	Motor vehicles	Office equipment	Office furnishings	Leasehold improve-ments	Tools and equipment	Plant and technical equipment	Under con-struction	Total	Office equipment	Total
Cost										
Balance at 1 July 2007	41,287	22,709	4,837	12,966	-	6,334	-	88,133	3,936	3,936
Other acquisitions	-	3,939	-	-	-	-	-	3,939	2,174	2,174
Disposals	-	-	-	-	-	-	-	-	-	-
Effect of movements in foreign exchange	991	499	151	587	-	(160)	-	2,068	-	-
Balance at 30 June 2008	42,278	27,147	4,988	13,553	-	6,174	-	94,140	6,110	6,110
Balance at 1 July 2008	42,278	27,147	4,988	13,553	-	6,174	-	94,140	6,110	6,110
Other acquisitions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Effect of movements in foreign exchange	3,689	2,369	435	1,183	-	539	-	8,215	-	-
Balance at 30 June 2009	45,967	29,516	5,423	14,736	-	6,713	-	102,355	6,110	6,110

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

13. Property, plant and equipment (continued)

	Consolidated								Parent	
	Motor vehicles	Office equipment	Office furnishings	Leasehold improve-ments	Tools and equipment	Plant and technical equipment	Under con-struction	Total	Office equipment	Total
Depreciation and impairment losses										
Balance at 1 July 2007	12,042	9,157	1,604	3,074	-	1,510	-	27,387	831	831
Depreciation charge for the year	10,290	5,754	971	1,319	-	1,203	-	19,537	1,280	1,280
Impairment losses	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Effect of movements in foreign exchange	568	323	66	109	-	67	-	1,133	-	-
Balance at 30 June 2008	22,900	15,234	2,641	4,502	-	2,780	-	48,057	2,111	2,111
Balance at 1 July 2008	22,900	15,234	2,641	4,502	-	2,780	-	48,057	2,111	2,111
Depreciation charge for the year	11,243	6,287	1,061	1,441	-	1,315	-	21,347	1,087	1,087
Impairment losses	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Effect of movements in foreign exchange	3,342	2,223	385	657	-	406	-	7,013	-	-
Balance at 30 June 2009	37,485	23,744	4,087	6,600	-	4,501	-	76,417	3,198	3,198
Carrying amounts										
At 1 July 2007	29,245	13,552	3,233	9,892	-	4,824	-	60,746	3,105	3,105
At 30 June 2008	19,378	11,913	2,347	9,051	-	3,394	-	46,083	3,999	3,999
At 1 July 2008	19,378	11,913	2,347	9,051	-	3,394	-	46,083	3,999	3,999
At 30 June 2009	8,482	5,772	1,336	8,136	-	2,212	-	25,938	2,912	2,912

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

14. Trade and other payables

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Trade payables	20,503	45,993	12,581	11,639
Non-trade payables and accrued expenses	124,254	149,425	32,092	36,092
	144,757	195,418	44,673	47,731

15. Employee benefits

Share based payments

The Company has a share option program that entitles directors and key management personnel to purchase shares in the entity. On 30 November 2005, and 28 November 2008, grants were offered to directors and key management personnel. In accordance with these programs, options are exercisable at the exercise price determined at the date of grant.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date/employee entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to key management at 30 November 2005	2,200,000	50% of options vested immediately and 50% have vested subsequently	4 years
Option grant to key management at 28 November 2008	5,000,000	100% of options vested immediately	5 years
Total share options	7,200,000		

The options outstanding at 30 June 2009 have a weighted average exercise price of 11.1 cents and a weighted average remaining contractual life of 3.20 years.

During the year, no share options were exercised (2008: nil).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black & Scholes option-pricing model. The contractual life of the option (4 years) is used as an input into this model. Expectations of early exercise are incorporated into the Black & Scholes option-pricing model.

	Key Management Personnel	
Fair value of share options and assumptions	**2009**	**2006**
Fair value at measurement date	1.44 cents	2.25 cents
Share price	5 cents	10 cents
Exercise price	5 cents	25 cents
Expected volatility (expressed as weighted average volatility used in the modelling under Black & Scholes option-pricing model)	25%	66.7%
Option life (expressed as weighted average life used in the modelling under Black & Scholes option-pricing model)	5 years	3.75 years
Discount for non-negotiability	0%	30%
Expected dividends	0%	0%
Risk-free interest rate (based on national government bonds)	3.30%	5.34%

The expected volatility is based on the historic volatility of prices paid for options transferred and options exercised.

Share options granted to key management on 30 November 2005 were estimated to have a fair value of 2.25 cents per option and were under a service condition which has been met.

Share options granted to key management on 28 November 2008 were estimated to have a fair value of 1.44 cents and vested immediately upon grant.

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

15. Employee benefits (continued)

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Employee expenses					
Balance 01 July		-	-	-	-
Share based payments	*4*	72,050	-	72,050	-
Balance 30 June		72,050	-	72,050	-

The fair value of the share options at grant date is determined based on the Black & Scholes formula. The model inputs were the share price of 5 cents, the exercise price of 5 cents, expected volatility of 25 per cent, expected dividends of zero percent, a term of five years and risk-free interest rate of 3.30 percent.

16. Issued capital

	2009 Shares	2008 Shares	2009 $	2008 $
On issue at 1 July	51,364,870	51,364,870	3,916,580	3,916,580
Issued during year	-	-	-	-
On issue at 30 June – fully paid	51,364,870	51,364,870	3,916,580	3,916,580

The Company has also issued share options (see note 15).

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Options

Information relating to the Madagascar Resources NL Option Plan, including details of options issued, exercised and lapsed during the financial year, and options outstanding at the end of the financial year is set out in Note 15.

17. Reserves and accumulated losses

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Reconciliation of movement in reserves				
a) Reserves				
Foreign currency translation reserve	(72,127)	(90,989)	-	-
Share-based payments reserve	121,550	49,500	121,550	49,500
Asset revaluation reserve	260,000	-	260,000	-
	309,423	(41,489)	381,550	49,500
Foreign currency translation reserve:				
Balance at 1 July	(90,989)	(94,415)	-	-
Currency translation differences arising during the year	18,862	3,426	-	-
` Balance at 30 June	(72,127)	(90,989)	-	-
Share-based payments reserve:				
Balance 1 July	49,500	49,500	49,500	49,500
Option expense	72,050	-	72,050	-
Balance 30 June	121,550	49,500	121,550	49,500
Asset revaluation reserve:				
Balance 1 July	-	-	-	-
Revaluation	260,000	-	260,000	-
Balance at 30 June	260,000	-	260,000	-
(b) Accumulated profits / (losses)				
Movements in accumulated profits / (losses) were as follows:				
Balance at 1 July	(1,595,217)	703,935	(1,659,911)	638,363
Dividend paid from prior year profit	-	(2,054,595)	-	(2,054,595)
Net profit/loss for the year	(177,194)	(244,557)	(182,523)	(243,679)
Balance 30 June	(1,772,411)	(1,595,217)	(1,842,434)	(1,659,911)

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

18. Dividends

The Directors declared a dividend in relation to the 2007 year, of 4 cents per share, fully franked. The dividend was paid during December 2007. The total amount required to fund the dividend was $2,054,595 and was fully franked, absorbing franking credits of $880,541.

	Parent	
	2009	2008
Dividend franking account	$	$
30% franking credits available to shareholders of Madagascar Resources NL for subsequent financial years.	78,424	78,424

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:
(a) franking credits that will arise from the payment of the current tax liabilities
(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

19. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business.

Credit risk

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group does not require collateral in respect of financial assets.

Cash transactions are limited to high credit quality financial institutions.

Interest rate risk

As the Group has no interest-bearing liabilities, the Group's loss and operating cash flows are not exposed to change in market interest rates.

The Group's interest rate risk arises from the interest-bearing assets. Cash being held to fund exploration programs and operating costs are placed with financial institutions at variable rates which exposes the Group to cash flow interest rate risk. To attempt to manage this risk the Group policy is to place all but immediately required funds into a commercial bill.

Cash and cash equivalents

Balances held in bank accounts are bearing a floating interest rate of 2.75% (2008: 5.6% - 7.0%).

Other financial assets and liabilities

All other financial assets and liabilities of the group are non-interest bearing.

Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to Malagasy Ariary, Euro and the US Dollar.

The Group's risk management policy is to keep surplus cash in US Dollars and have major contracts written using Euro or US Dollars as the currency for calculation of the liability or revenue stream. During 2009, ongoing expenditures in foreign currencies were minimal and the cash balance held in US dollars at 30 June 2009 was approximately $US40,000.

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

19. Financial instruments (continued)

Market risk

The Group's activities expose it primarily to the changes in foreign currency exchange rates and interest rates on cash balances.

The total advances to all subsidiaries for the year were $A53,096 (previous year $102,633). Advances to the Mauritian subsidiaries are made in Australian dollars and converted to US dollars when payments are required to be made. Advances to Malagasy subsidiaries are made in US dollars as funds are required to pay invoices and are held in US dollars before being converted to Ariary or Euro as required. The net assets of all of the subsidiaries total a deficit of $64,304, as exploration expenditure has been written down to nil.

Hence a change in the exchange rate of 100 basis points, if applied to the total advance for the year would have an impact on earnings and equity of about $A530. The same change on year end balances held in US dollars would be about $A400.

The cash balances held at year end were $1.295 million, on which interest was being earned at 2.75%. A change in the interest rate of 100 basis points, if applied to the year end balance for a whole year, would have the effect of changing earnings and equity by $12,950.

Capital risk management

The Company's primary objectives when managing capital are to safeguard the company's ability to continue as a going concern. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the group, to the extent that these do not conflict with the directors' fiduciary duties towards the Company or the requirements of local regulation. The results of the directors' review of the Company's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared. The Company was not subject to externally imposed capital requirements in either the current or prior year.

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

Consolidated	*Note*	**Carrying amount 2009 $**	**Fair value 2009 $**	**Carrying amount 2008 $**	**Fair value 2008 $**
Trade and other receivables	*10*	744,484	744,484	1,800,328	1,800,328
Cash and cash equivalents	*9*	1,294,755	1,294,755	528,881	528,881
Trade and other payables	*14*	(144,757)	(144,757)	(195,418)	(195,418)
		1,894,482	1,894,482	2,133,791	2,133,791

Parent	*Note*	**Carrying amount 2009 $**	**Fair value 2009 $**	**Carrying amount 2008 $**	**Fair value 2008 $**
Trade and other receivables	*10*	904,902	904,902	1,757,008	1,757,008
Cash and cash equivalents	*9*	1,232,555	1,232,555	492,893	492,893
Trade and other payables	*14*	(44,673)	(44,673)	(47,731)	(47,731)
		2,092,784	2,092,784	2,202,170	2,202,170

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

19. Financial instruments (continued)

Trade and other receivables / payables

Receivables and payables which have a remaining life of less than one year are recorded at the nominal amount, which is deemed to reflect the fair value.

The amount receivable from Malagasy Minerals Limited in relation to unpaid consideration for its purchase of Mada-Aust SARL amounts to:

	Nominal Amount 2009 $	Fair Value 2009 $	Nominal Amount 2008 $	Fair Value 2008 $
Current	160,000	151,809	950,000	935,185
Non-Current	1,008,728	744,484	1,108,700	802,816
Total	1,168,728	896,293	2,058,700	1,738,001

The fair value has been calculated by discounting the amounts receivable by 8% pa, based upon the estimated timing of receipts.

20. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Consolidated	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	$	$	$	$	$	$
Trade and other receivables	-	-	(1,749)	(7,000)	(1,749)	(7,000)
Accrued expenses	22,000	26,000	-	-	22,000	26,000
Other items	15,946	-	-	-	15,946	-
Non-recognition of deferred taxes	(36,197)	(19,000)	-	-	(36,197)	(19,000)
Tax liabilities/ (assets)	1,749	7,000	(1,749)	(7,000)	-	-
Set off of tax	(1,749)	(7,000)	1,749	7,000	-	-
Net tax liabilities/ (assets)	-	-	-	-	-	-

	Assets		Liabilities		Net	
Parent	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	$	$	$	$	$	$
Trade and other receivables	-	-	(1,749)	(7,000)	(1,749)	(7,000)
Accrued expenses	16,000	20,000	-	-	16,000	20,000
Provisions	-	-	-	-	-	-
Other items	15,946	221,499	-	-	15,946	221,499
Non-recognition of deferred taxes	(30,197)	(234,499)	-	-	(30,197)	(234,499)
Tax liabilities/ (assets)	1,749	7,000	(1,749)	(7,000)	-	-
Set off of tax	(1,749)	(7,000)	1,749	7,000	-	-
Net tax liabilities/ (assets	-	-	-	-	-	-

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

21. Capital and other commitments

(a) Lease commitments

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	4,675	6,236	1,455	1,455
Representing:				
Non-cancellable operating leases	-	4,033	-	-
Cancellable operating leases	4,675	2,203	1,455	1,455
	4,675	6,236	1,455	1,455

The Group has a non-cancellable lease on the property which houses the resident manager in Madagascar. This lease is for the period 1 July 2008 – 30 June 2009 and can be renewed upon mutual agreement.

The cancellable leases relate to offices in Madagascar and Australia. The Group is required to give three months notice prior to the end of a one year term for its office in Madagascar and one office under a monthly rental agreement in Australia.

(b) Exploration expenditure commitments

The group has minimum annual expenditure commitments, as required by the Malagasy Mining Code, in order to maintain title to various mining permits which are held in Madagascar. Expected annual rental for calendar 2010 in relation to existing exploration tenements is approximately $AU 136,000.

22. Contingencies

There were no contingent amounts payable at year end.

23. Consolidated entities

Name of entity	Country of incorporation	Class of shares	Equity holding		Cost of the Company's investment	
			2009 %	2008 %	2009 $	2008 $
Madagascar Resources Ltd	Mauritius	Ordinary	100	100	100,000	100,000
Madagascar Mineral Fields Ltd	Mauritius	Ordinary	100	100	1,660	1,660
Exploitation Madagascar SARL	Madagascar	Ordinary	100	100	1,543,081	1,550,686
Madagascar Resources SARL	Madagascar	Ordinary	100	100	395,857	422,397

The above Malagasy incorporated companies are owned by Madagascar Resources Ltd (nil% of EMSARL (2008 – 0.6%) and nil% of MRSARL (2008 – 1.6%) Madagascar Mineral Fields Ltd (100% of EMSARL and 100% of MRSARL) and are therefore indirectly 100% owned by Madagascar Resources NL. The Malagasy incorporated companies carry on business in Madagascar. Madagascar Resources Ltd and Madagascar Mineral Fields Ltd carry on business in Mauritius.

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

24. Reconciliation of cash flows from operating activities

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Profit/(loss) after income tax		(177,194)	(244,557)	(182,523)	(243,679)
Non-cash items					
Depreciation and amortisation	*13*	1,087	1,280	1,087	1,280
Expense recovery of non-cash items from third party		19,058	18,559	-	-
Impairment losses		-	-	53,096	102,633
Foreign exchange (gains)/losses		18,862	2,187	-	-
Equity-settled share-based payment expenses	*15*	72,050	-	72,050	-
Interest on consideration instalments receivable		(48,264)	(145,301)	(48,264)	(145,301)
Items classified as investing activities					
Interest received		(58,567)	(142,363)	(58,466)	(142,001)
Dividend received		-	(945)	-	(945)
Changes in operating assets and liabilities					
Decrease in trade and other receivables		40,964	29,282	5,398	25,249
(Decrease) in trade and other payables		(50,661)	(36,054)	(3,058)	(2,941)
(Decrease) in income tax payable		-	(952,491)	-	(952,491)
Net cash used in operating activities		(187,665)	(1,470,403)	(160,680)	(1,358,196)

25. Key management personnel disclosures for non-disclosing entities

Transactions with key management personnel

The Group provides non-cash benefits to directors and key management personnel. The key management personnel compensation included in "personnel expenses" (see Note 6) is as follows:

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Share based payments	72,050	-	72,050	-

Other key management personnel transactions with the Company

A number of key management persons of the Company, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

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

Director	Transaction	Note	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Dr Peter Woods	Geological and Corporate Consultancy Services	(i)	50,803	59,536	50,803	59,536
Guy le Clezio	Strategic Consultancy Services	(ii)	-	25,000	-	25,000
Graeme Boden	Secretarial and Financial Consultancy Services	(iii)	54,083	57,446	54,083	57,446
Non-director						
Jules le Clezio	Logistical and Administrative Consultancy Services	(iv)	-	42,080	-	42,080

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

25. Key management personnel disclosures for non-disclosing entities (continued)

I. Dr Peter Woods is a director and shareholder of Quantum Holdings Pty Ltd ("Quantum"). During the year Quantum provided geological and administrative consultancy services to Madagascar Resources NL and certain of its controlled entities. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

II. Guy Le Clezio provided strategic consultancy services to Madagascar Resources NL during the year. Amounts were billed based upon normal market rates for such services and were due and payable under normal payment terms.
Guy Le Clezio is a director and shareholder of Canon Point Pty Ltd and Running Water Ltd.

III. Graeme Boden is a director and shareholder of Boden Corporate Services Pty Ltd ("Boden"). During the year Boden staff provided company secretarial, financial consultancy, accounting and administrative services to Madagascar Resources NL. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

IV. Jules Le Clezio, through his consultancy company, Midas Consultancy Pty Ltd, provided logistical consultancy services to MADA-AUST SARL as well as acting as the nominated manager for that company, Exploration Madagascar SARL and Madagascar Ressources SARL in Madagascar. He also provided administrative consultancy services to Madagascar Resources NL during the year.

Amounts payable to key management personnel and their related parties at reporting date arising from these transactions were as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
Current payables	$	$	$	$
Trade creditors	1,865	9,781	1,865	9,781
	1,865	9,781	1,865	9,781

Service Contracts and Company expenses
There were no formal service contracts in existence during or since the end of the financial period. Any payments made to key management personnel were on the basis of hourly rate approved in advance by directors.

During the year, certain Company expenses were incurred by the Directors of the Company and other key management personnel of the Group. These amounts were reimbursed to Directors by the Company on the production of the appropriate receipts.

At balance date, the interest of the Directors and/or related parties in shares and options were:

Shareholdings	**Balance 1/7/2008**	**Transfers**	**Balance 30/6/2009**
At 30 June 2009			
P J Woods	1,760,001	-	1,760,001
G F M Le Clezio	4,970,002	(200,000)	4,770,002
N T B Davenport	-	-	-
E V Young	250,000	-	250,000
G R Boden	-	-	-
	6,980,003	(200,000)	6,780,003

Shareholdings	**Balance 1/7/2007**	**Transfers**	**Balance 30/6/2008**
At 30 June 2008			
P J Woods	1,760,001	-	1,760,001
G F M Le Clezio	4,970,002	-	4,970,002
N T B Davenport	-	-	-
E VYoung	250,000	-	250,000
G R Boden	-	-	-
	6,980,003	-	6,980,003

Madagascar Resources NL and its Controlled Entities

Notes to the financial statements

25. Key management personnel disclosures for non-disclosing entities (continued)

Option holdings 30 June 2009	Balance 1/7/2008	Granted as remuneration	Options exercised	Forfeited	Balance at 30/6/2009	Exercisable	Non-exercisable
P J Woods	750,000	1,000,000	-	-	1,750,000	1,750,000	-
G F M Le Clezio	250,000	1,000,000	-	-	1,250,000	1,250,000	-
E V Young	250,000	500,000	-	-	750,000	750,000	-
G R Boden	100,000	1,000,000	-	-	1,100,000	1,100,000	-
N T B Davenport	-	500,000			500,000	500,000	-
	1,350,000	4,000,000	-	-	5,350,000	5,350,000	-

Option holdings 30 June 2008	Balance 1/7/2007	Granted as remuneration	Options exercised	Forfeited	Balance at 30/6/2008	Exercisable	Non-exercisable
P J Woods	1,250,000	-	-	(500,000)	750,000	750,000	-
G F M Le Clezio	250,000	-	-	-	250,000	250,000	-
E V Young	250,000	-	-	-	250,000	250,000	-
GR Boden	100,000	-	-	-	100,000	100,000	-
	1,850,000	-	-	(500,000)	1,350,000	1,350,000	-

Share based compensation - options

During the 2009 financial year options were issued to key management personnel. Each option is convertible into one ordinary share. The term of the options was five years and the exercise price is 5 cents. In the event of an option holder leaving the Company the vested options remain issued. The terms and conditions of each grant of options affecting remuneration in this period is as follows:

30 June 2009	Vested At end of period	Granted	Grant date	Fair value per option at grant date (cents)	Exercise price per option (cents)	Expiry date
P Woods	1,000,000	1,000,000	28/11/08	1.44	5	30/11/13
G Le Clezio	1,000,000	1,000,000	28/11/08	1.44	5	30/11/13
G Boden	1,000,000	1,000,000	28/11/08	1.44	5	30/11/13
E Young	500,000	500,000	28/11/08	1.44	5	30/11/13
J Le Clezio	1,000,000	1,000,000	28/11/08	1.44	5	30/11/13
T Davenport	500,000	500,000	28/11/08	1.44	5	30/11/13

26. Related parties- non key management personnel disclosures

Identity of related parties

The Company has a related party relationship with its subsidiaries (see Note 23) and key management personnel (see Note 25).

Other related party transactions

Subsidiaries

Further loan funds of $53,096 (2008:$102,633) were advanced to the Malagasy and Mauritian subsidiaries during the year to cover operating costs. Loans to controlled entities are interest free and unsecured. It is the Company's intention not to seek payments of the above amounts for at least 12 months.

27. Subsequent events

On 17th July 2009, Exxaro Mineral Sands gave written advice of the termination of its options agreement, in which it could acquire all of the Company's subsidiaries, the sole asset of which is the Toliara Sands Project.

Since Exxaro's termination, the Company has pursued studies of an alternative development strategy for a small development based on a high grade section of the orebody and keeping transport infrastructure capital as low as possible.

Directors' declaration

The Directors of the Madagascar Resources NL , the "Company" declare that:

1. The financial statements and notes as set out on pages 13 to 37 are in accordance with the Corporations Act 2001 and:

   comply with Australian accounting standards, the Corporations Regulations 2001; and

   give a true and fair view of the financial position as at 30 June 2009 and of their performance for the year ended on that date, of the company and the economic entity.

2. The Chief Executive Officer and the Chief Finance 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 Accounting Standards; and

   c) The financial statements and notes for the financial year give a true and fair view

3. 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.

On behalf of the Board

Graeme R Boden
Director
Perth 24th November 2009

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
Madagascar Resources NL

We have audited the accompanying financial report of Madagascar Resources NL ("the company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both the company and the Madagascar Resources NL Group ("the consolidated entity") as set out on pages 13 to 38. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Madagascar Resources NL is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their 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.

HLB Mann Judd

HLB MANN JUDD

Chartered Accountants

Perth, Western Australia
24 November 2009

N G NEILL
Partner

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Madagascar Resources NL for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Madagascar Resources NL.

Perth, Western Australia
24 November 2009

N G NEILL
Partner, HLB Mann Judd

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