

24 September 2010

ASX Ltd
10th Floor, 20 Bond Street
Sydney NSW 2000

Dear Sir,

PROPOSED MERGER WITH MADAGASCAR RESOURCES

Malagasy Minerals Ltd (ASX Code: "MGY") advises that it has decided not to proceed with the proposed merger with unlisted Madagascar-based company, Madagascar Resources NL ("MRNL"), as announced to the ASX on 26 May 2010.

Malagasy believes that, while the proposed combination of the assets of the two companies in Madagascar has strategic merit, it is not in Malagasy shareholders' best interests to proceed with the merger at this time.

The termination of the proposed merger frees Malagasy up to concentrate on the ongoing drilling programme at its exciting new Ianapera Nickel-Copper Project, located in southern Madagascar, where it recently announced that it had intersected a zone of massive and disseminated sulphides in its first drill hole into the target.

Drilling is continuing at Ianapera, where Malagasy is testing up to 11 massive sulphide gossans containing anomalous nickel, copper and PGEs, located in the north-eastern part of its broader Ampanihy Project. This Project appears to contain a large mafic-ultramafic system with the potential to host significant nickel-copper-PGE deposits.

Finalisation of the terms of the termination are currently being settled by Malagasy and MRNL.

This release relates to the request for the trading halt dated 22 September 2010.

For and on behalf of the Board



Max Cozijn
Director/Company Secretary

cc: Directors