MALAGASY
MINERALS LIMITED
ABN 84 121 700 105

29th December 2010 **ASX Announcement** **ASX: MGY**

EXPLORATION UPDATE – IANAPERA AND VOHIBORY PROJECTS, MADAGASCAR

INITIAL DRILLING OF VTEM/GOSSAN SYSTEM COMPLETED WITH ASSAYS DUE JANUARY

International minerals company Malagasy Minerals Ltd (ASX Code: **MGY**) advises that initial drilling has now been completed at its 100%-owned **Vohibory** Project, located 40km to the north west of the **Ianapera Project**, completing the first round of reconnaissance exploration at these emerging projects in southern Madagascar.

Drill hole VHD0006 at Vohibory was completed to a down-hole depth of 155m and was designed to test multiple objectives including: (i) the interpreted upper and lower VTEM conductors at VC-10 and VC-11; (ii) the northern extent of a potentially mineralized interpreted fault structure; (iii) an interpreted fold closure at the junction of VTEM conductors VC-10 and VC-11; and (iv) an inferred 2^{nd}-order gravity trend associated with '(ii)' (*see Figure 1 attached*).

The hole intersected multiple zones of coarse-grained sediments with trace secondary copper minerals (malachite) observed within several units between 55 and 120 metres down-hole. Graphitic mudstones at 130 metres to 145 metres down-hole are the likely source of the original VTEM conductor.

PVC tubes have been inserted in preparation for a follow-up down-hole EM survey, provisionally planned for the mid-2011 field season.

In-fill soil sampling (i.e. 100m x 400m from 400m x 400m) and prospecting has also been completed along the southern strike extent of the above target zone over areas of exposed Neoproterozoic basement. A total of 195 samples from this programme have been submitted to Intertek-Genalysis Madagascar and Perth for multi-element analysis. Preparation is complete with the pulps in process of trans-shipment to Perth. The location of the in-fill area in relation to the current drilling area is shown on Figure 1 attached.

Sampling of drill cores from the previously reported chalcopyrite-bearing massive sulphide intercept in drill hole IPC0007 at the 100%-owned **Ianapera Project** has been completed, with a total of 15 samples being submitted to Intertek-Genalysis Madagascar and Perth for multi-element analysis. Preparation is complete with the pulps in process of trans-shipment to Perth.

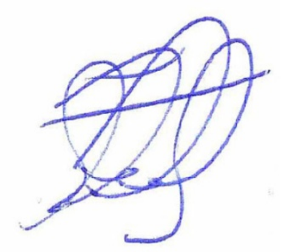
The current status of samples from the recently completed drilling and prospecting programmes at the Ianapera and Vohibory Projects is tabulated below:

Project	Detail	No. Samples	Current Status	Analysis Completion
Ianapera	IPC0002/0003/0006 core	48	In transit to Perth	Estimate mid-January 2011
Ianapera	IPC0007 core	15	In transit to Perth	Estimate late January 2011
Vohibory	100mx400m in-fill soil	195	In transit to Perth	Estimate late January 2011
Vohibory	VHD0006	TBA	Samples to be prepared in early Jan	Estimated end Jan-Feb 2011
		258		

The Company will be undertaking a full review of the 2010 field season results of the Ianapera and Vohibory projects to assist in planning of the 2011 exploration activities, which will include plans to complete additional drilling operations at Vohibory in March/April 2011 with the objective of further testing targets within the VC-10 and VC-11 VTEM conductor / gossan zone as well as the 'VC-10 - SW Extension' area (*see Figure 1*).

The company's LY34 drilling rig has performed well this season, completing a total of nine (9) holes for 1,400 metres over two project areas including a 400m angle hole at drilling advance rates of up to 51 metres per 24hr period and 22hr per day machine availability. This has kept drilling costs to an average of A$40/metre, excluding assaying.

The Company will provide additional information on an ongoing basis as it continues to develop these highly prospective projects.



Steven Goertz
Managing Director

Competent Persons Statement

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

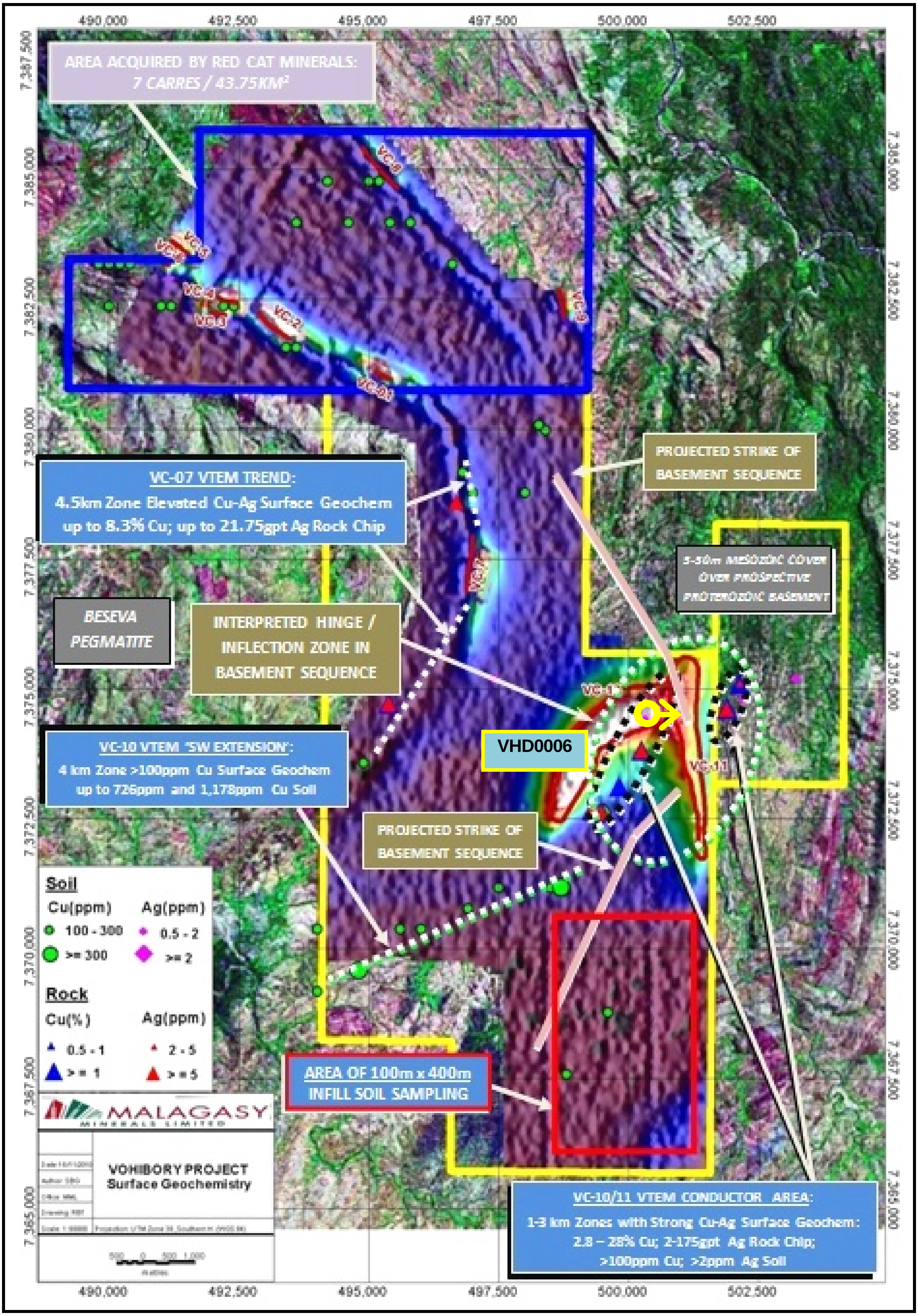


Figure 1: *Summary plan of Vohibory Project showing drill hole location and infill soil area.*