

JUNE 2011 – QUARTERLY REPORT: OPERATIONS REVIEW

2011 EXPLORATION SEASON UNDERWAY IN MADAGASCAR: COPPER, VANADIUM AND NICKEL-COPPER PROGRAMMES

- 1,194 soil samples collected at Fotadrevo as part of major geochemical program designed to test 10km strike of prospective vanadium mineralisation – *follow-up costeaning planned as soon as assays are received.*
- 1,400m diamond drilling program underway at Vohibory testing multiple targets including a newly identified 1.2km long gold-copper-silver strike zone which has returned rock chip samples grading up to 8.33g/t Au, 9.3% Cu.
- Major soil sampling programme to commence at Ampanihy nickel-copper project in August – *to test additional ultramafic target zones outlined in geophysical surveys.*
- Independent geological review of the Company's projects underway, to enhance its ongoing exploration strategy.
- MGY retains A\$1.445M in cash reserves as at 30 June 2011

International minerals exploration company Malagasy Minerals Ltd (ASX:MGY) is pleased to advise that its 2011 field exploration program is now well underway, with the commencement of major drilling and soil sampling programmes at its 100%-owned **Fotadrevo, Vohibory and Ampanihy Projects** in southern Madagascar ..

Fotadrevo Vanadium Project

An initial 1,194-sample surface/auger soil sampling programme which commenced in mid-May has recently been completed. The programme is designed to cover a 10km strike trend over multiple identified radiometric anomalies.

Faster-than-expected progress has resulted in the programme being extended, with in-fill lines being undertaken on 200m spacing over priority target areas identified during the first-pass sampling just completed.

Samples will be assayed for Cu/Ni/V/Zn/As/Pb/Th and U, using Na₂O₂ fusion digest. Sample lines are plotted on Figure 1 attached.

Assay results are still pending, however, it is expected that targets defined by this programme will be ready for costeaning and/or drilling very soon after the assays are received.

Vohibory Project

A diamond drilling program comprising **11 holes totaling an estimated 1,400 metres of core drilling** has commenced at the Vohibory Project, initially testing targets in the 'VC-07' area, followed by those generated from integrated geological and geophysical interpretation of the 2010 exploration results (*see Figure 2 attached*). The Company is utilizing its own LY34 diamond drilling rig to undertake this reconnaissance drilling program.

A new coincident gold-copper-silver anomaly of approximately 1,200 metres in strike has been defined at the Vohibory Project, returning a best result of **8.33gpt gold, 9.3% copper and 23.5gpt silver** from surface rock

chip sampling. This zone lies along the southern extent of the VC-07 VTEM conductor trend in the central-west of the project (see *Figure 2 attached*).

Following completion of first-pass drilling at the VC-07 south area, the rig will move east to the VC-10 and VC-11 target areas (see *Figure 2 attached*), where initial drilling at the end of the 2010 season intersected several zones of low-level secondary copper values in sediments.

Additional targets have been identified along strike to the south of this area (see *Figure 2*), including areas which returned 19 ≥ 50 ppm copper results, coincident with gold and/or silver in soils.

Ampanihy Project

All outstanding results from 2010 core drilling have now been received, i.e. drill holes IPC0004, IPC0005 and IPC0016. While veinlets of chalcopyrite were observed in the core of IPC0004, the assay values returned were low-level. No other significant results were returned.

Using the considerable amount of information gained from the successful intersection of the massive sulphide bodies at Ianapera (i.e. *northern Ampanihy* – see *Figure 3 attached*) in 2010, the Company will commence systematic geochemical sampling and prospecting over the remainder of the Ampanihy Project. The Company is planning to collect a large number of samples commencing in August.

A large number of areas remain untested including new areas at Manambahy and Volovololo to the south east of Maniry (see *Figure 3 attached*). These latter two areas will be assessed using stream sediment sampling in the first instance once permits are granted.

CORPORATE

As at 30th June 2011 the Company retained A\$1.445 million in cash resources.

Labradorite royalties: the Company continues to receive Labradorite Royalties from three groups, generating revenues to assist in supporting local operating costs.

Commercial property rental: The Company continues to receive rental income from commercial leases at its base in Antananarivo.

RedCat Minerals Agreement: The Company has agreed to extend this agreement to 31 October 2011, having received additional consideration by way of non-refundable cash deposits. This agreement covers the proposed sale of a northern portion of the Vohibory project.

Management

The Company has appointed its CFO-Madagascar as Gerant (Country Manager) and is continuing its exploration activities in Madagascar with the assistance of its locally employed geologists, and with the assistance of consulting geologists.

An independent geological review of the Company's projects and results is currently being undertaken to enhance Malagasy's ongoing exploration strategy. The Company is also reviewing its management needs, strategy and structure for its ongoing operations. The Company is currently in dispute with its former Managing Director in respect of the terms of his resignation, his conduct and his repudiation of the terms of his resignation.

Political Situation

The current political situation is unchanged in Madagascar, with international mediation continuing to assist in the negotiation of an orderly resolution, with the aim of achieving free elections and the establishment of normalized relations with the international community and donor countries. The current situation in Madagascar has the potential to result in difficulties in obtaining effective legal redress. Meanwhile, continuing delays are being encountered in the processing of tenement applications and renewals. If the political situation does not improve there is a risk that the Company may not be able to secure the grant or renewal of tenements on satisfactory terms.

For and on behalf of the Board



Max Cozijn
Chairman – Acting CEO

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. Fergus Jockel, Consulting Geologist, who is a Member of the Australasian Institute of Mining and Metallurgy and of the Australian Institute of Geoscientists. Mr. Jockel 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. Jockel consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

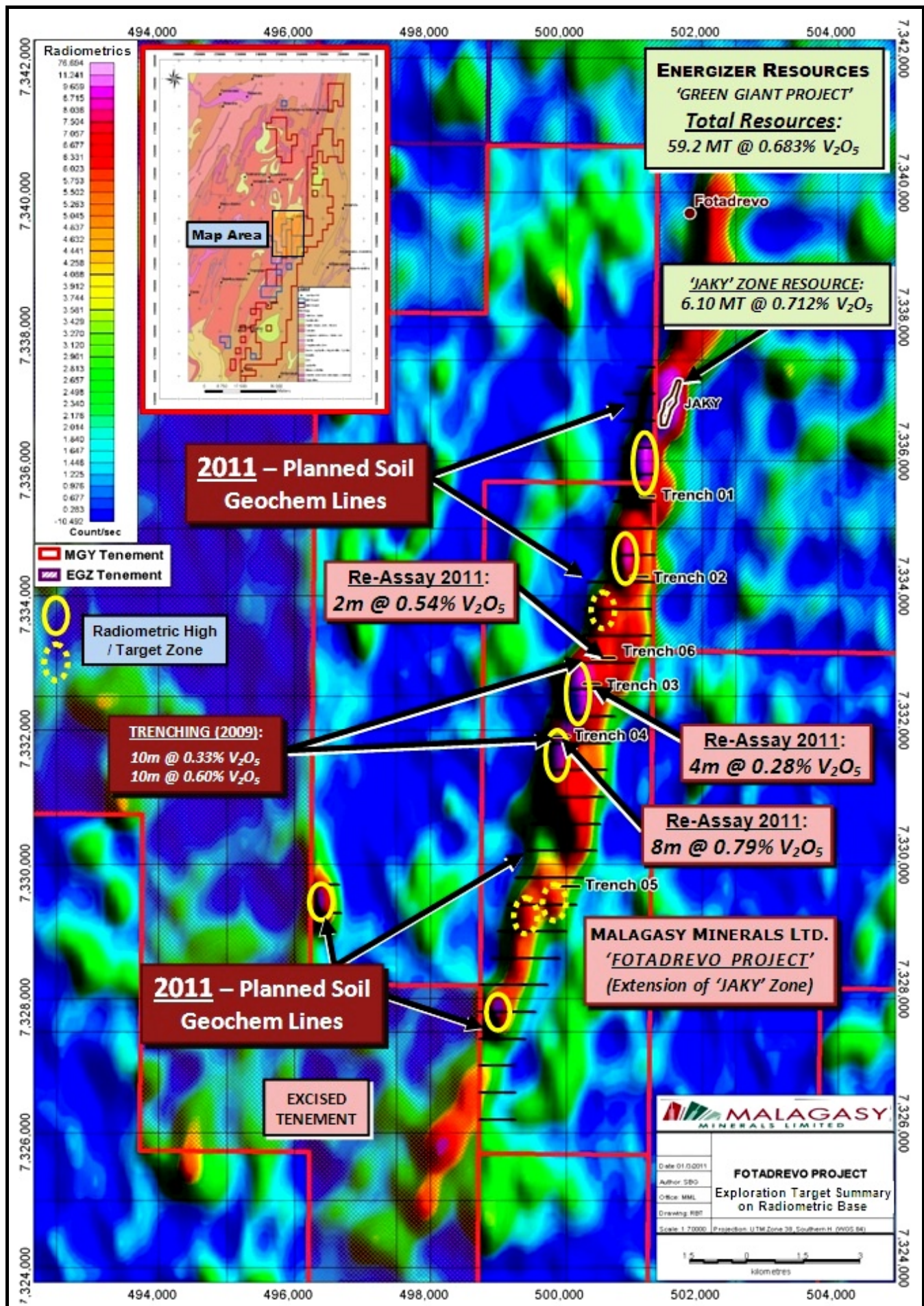


Figure 1: Radiometric data showing MGY anomalous zones equivalent to that hosting the 'Jaky' mineralisation. Six 1st-order and three 2nd-order targets (yellow solid / hashed ovoids respectively) have been defined. Revised assaying methodology (i.e. Na₂O₂ digest) has yielded an average 25% improvement in V₂O₅ response.

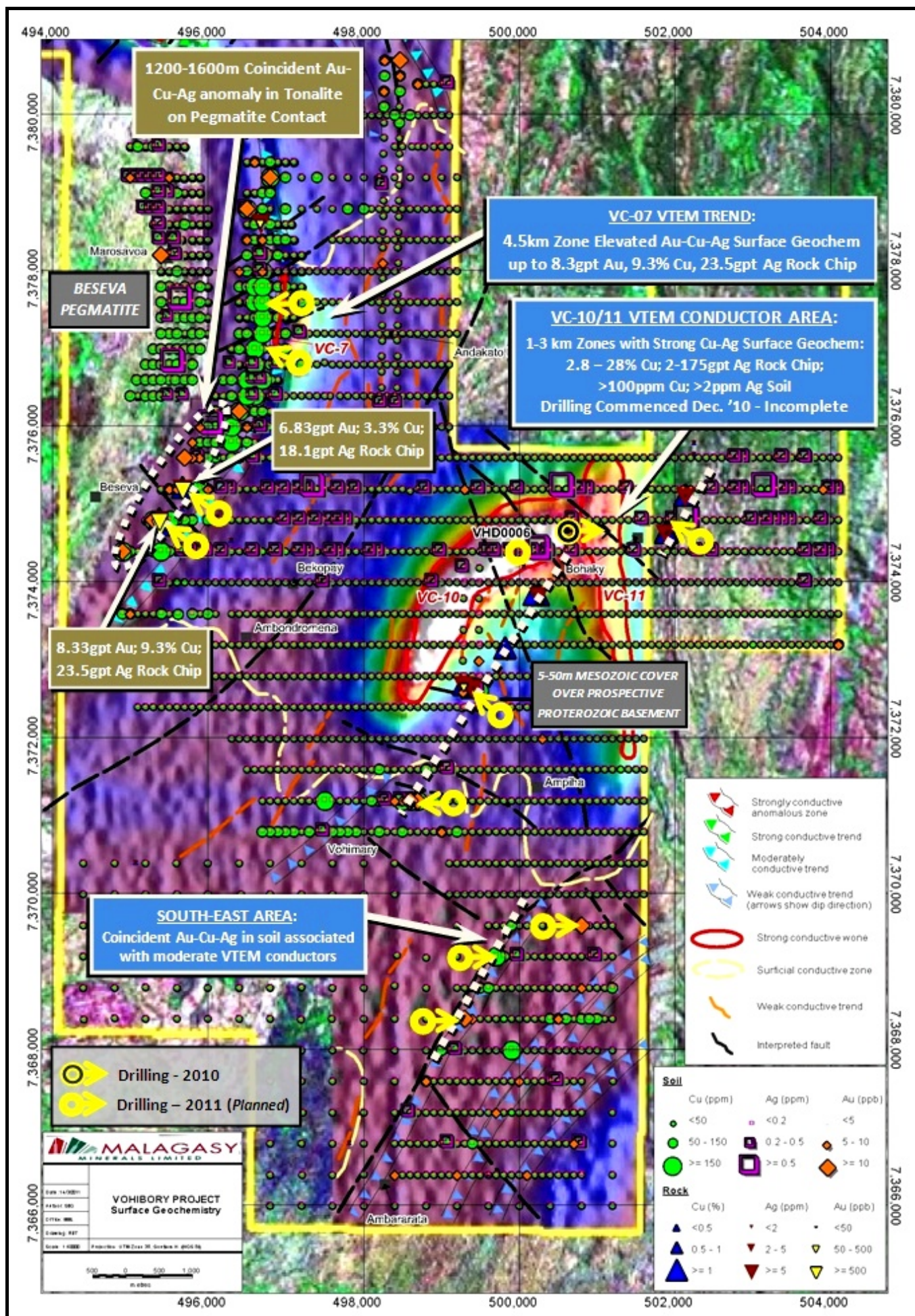


Figure 2: Summary of Vohibory Project on a VTEM base showing new Au-Cu-Ag zone at center-left and infill-soil defined Cu-Ag-(Au) zone in the south-east. Also shown are planned drill holes for 2011.

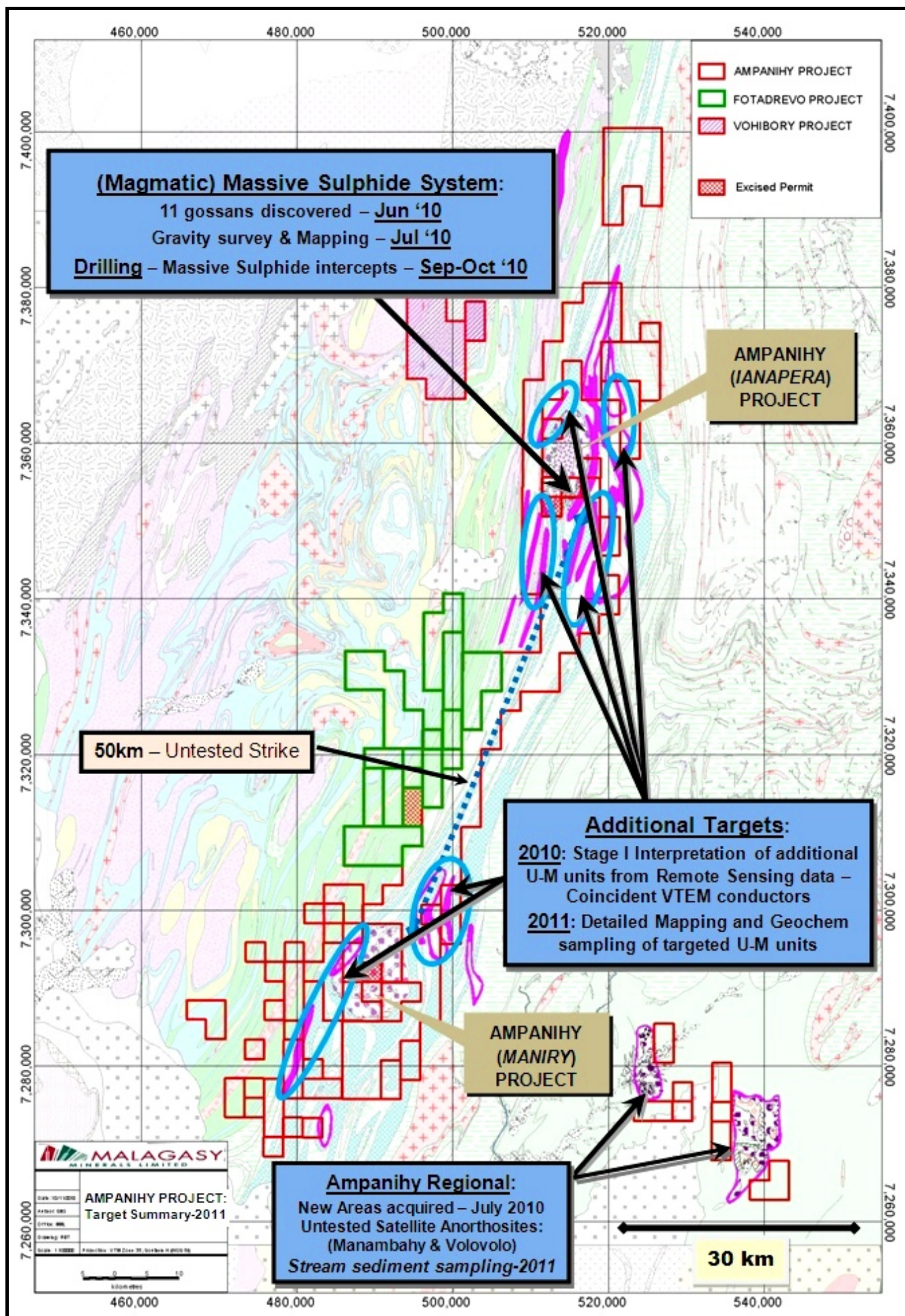


Figure 3: Ampanihy Project ultramafic (purple) target areas outlined in cyan. New tenements at Manambahy and Volovolo are at the lower right of the plan. These will initially be assessed via stream sediment sampling.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

MALAGASY MINERALS LIMITED

ABN

84 121 700 105

Quarter ended ("current quarter")

30 JUNE 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 Months) \$A'000
1.1	Receipts from product sales and related debtors	131	540
1.2	Payments for (a) exploration & evaluation (net)	(407)	(1,573)
	(b) development	-	-
	(c) production	-	-
	(d) administration (net)	(158)	(935)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	19	49
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (TVA recoverable)	-	-
Net Operating Cash Flows		(415)	(1,919)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(11)	(18)
1.9	Proceeds from sale of:		
	(a) prospects	49	249
	(b) equity investments	-	-
	(c) other fixed assets	-	70
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Payments to MRNL for Royalties)	(36)	(240)
	Other (Merger Costs)	-	(279)
Net investing cash flows		2	(218)
1.13	Total operating and investing cash flows (carried forward)	(413)	(2,137)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(413)	(2,137)
	Cash flows related to financing activities		
1.14	Net Proceeds from issues of shares, options, etc	-	3,017
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	3,017
	Net increase (decrease) in cash held	(413)	880
1.20	Cash at beginning of quarter/year to date	1,858	565
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,445	1,445

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	76
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Payment of Directors Fees, Wages and Consultancy Fees to Directors.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	10	10

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	-
4.3 Production	-
4.4 Administration	200
Total	500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	145	358
5.2 Deposits at call	1,300	1,500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,445	1,858

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed		Refer to Covering Quarterly Activity Report attached hereto		
6.2 Interests in mining tenements acquired or increased		Refer to Covering Quarterly Activity Report attached hereto		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities	Nil	Nil	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	*Ordinary securities	156,562,504	156,562,504	Various	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	*Convertible debt securities	Nil	Nil	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	Options <i>Unlisted</i>	1,000,000 2,000,000 2,000,000 4,003,600	- - - -	20c Options 20c Options 20c Options 20c Options	Expiry: 27/6/2013 Expiry: 01/12/2013 Expiry: 03/07/2013 Expiry: 07/07/2013
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	Nil	Nil		

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)	Nil	Nil
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Director/Company secretary)

Date: 26th July 2011

Print name: Max D.J. Cozijn

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities. The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.

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