ABN 84 121 700 105

27th October 2011 ASX Announcement ASX: MGY

SEPTEMBER 2011 – QUARTERLY REPORT: OPERATIONS REVIEW

NEW INDUSTRIAL MINERALS JOINT VENTURE IN MADAGASCAR: 2011 COPPER, VANADIUM AND NICKEL-COPPER EXPLORATION UNDERWAY

- **Joint Venture Heads of Agreement executed with Canadian company Energizer Resources Inc. ("EGZ") for a consideration of US$2.25M plus 7.5M EGZ shares.**

- **Energizer to undertake exploration for industrial minerals and vanadium over part of MGY's ground adjacent to Energizer's world-class Green Giant vanadium deposit.**

- **4 diamond drill holes (788m) completed at the Vohibory Project to test a newly identified 1.2km copper-gold-silver zone which returned surface assays of up to 9.3% Cu and 8.33g/t Au – *results expected in the December 2011 Quarter*.**

- **1,194 soil samples collected at the Fotadrevo Vanadium Project as part of major geochemical program designed to test a 10km strike length of prospective vanadium mineralization.**

- **233 samples sent for assay in Perth, with results confirming field-based XRF analysis which shows a coincident V-Ni-Cu anomaly extending over 9km.**

- **Major regional stream sediment sampling programme comprising 216 samples completed at the Ampanihy Nickel-Copper Project targeting the Ampanihy Suture Zone – *assays expected in the December 2011 Quarter with further stream sediment sampling planned.***

- **Independent geological review of the Company's projects continuing with Southern Geoscience Consultants commissioned to complete a geophysical review of the Ampanihy area.**

- **MGY retains A$1.082M in cash reserves as at 30 September 2011**

International minerals exploration company Malagasy Minerals Ltd (**ASX: MGY**) is pleased to advise that its 2011 field exploration program is continuing, with major drilling and stream sediment sampling programmes on its 100%-owned **Fotadrevo, Vohibory and Ampanihy Projects** in southern Madagascar. *(Refer Figure 1).*

Energizer Resources JV HOA

During the Quarter, MGY entered into a binding Heads of Agreement ("HOA") with Canadian-listed company Energizer Resources Inc (TSX: EGZ) to establish an industrial minerals exploration and development joint venture covering approximately 40 per cent of the Company's tenement area in southern Madagascar.

Under the HOA, a joint venture company owned 75 per cent by Energizer and 25 per cent by Malagasy will have the right to explore for a group of defined industrial minerals including vanadium (*listed in full below*) within specifically defined permits.

Malagasy has already identified extensive zones of vanadium mineralization on its tenements located adjacent to Energizer Resources' world-class Green Giant vanadium deposit (*see Fotadrevo Project below*). The new joint venture is expected to accelerate the search for vanadium and other industrial minerals in Madagascar.

Malagasy and its Madagascar subsidiaries will enter into sub-leasing arrangements with the joint venture company in respect of its permits, which will allow it to retain title to those permits during exploration and until Energizer delivers a Bankable Feasibility Study ("BFS") on any discovery it makes. Energizer will manage operations undertaken by the joint venture.

Malagasy's interest in the joint venture will be free carried until Energizer delivers a Bankable Feasibility Study ("BFS"). If Energizer or the joint venture company delivers a BFS on any discovery, Malagasy will have the right to contribute to development and mining operations in accordance with its 25% interest in the joint venture or may elect to dilute its interest.

If Malagasy elects to dilute its joint venture interest to below 10%, then Malagasy's interest will convert to a 2% net smelter return royalty.

If the joint venture company makes a decision to mine on any discovery, Malagasy and Energizer have agreed to complete all the requirements to obtain the relevant mining permit to allow the joint venture company to undertake mining operations in the defined area.

The HOA is subject to Energizer being satisfied with the outcome of its due diligence enquiries in relation to Malagasy and its Madagascan subsidiaries that hold the permits.

Under the terms of the HOA, Malagasy will receive:

- A non-refundable deposit of US$250,000 on execution of the HOA (received on 7 October 2011); and
- US$2,000,000 in cash and 7,500,000 Energizer shares upon signing of definitive agreements and the successful completion of the due diligence review.

The HOA – and any transactions contemplated by the HOA – remain subject to Malagasy and Energizer obtaining any and all applicable regulatory approvals, including from the TSX.

Throughout the course of the HOA, Malagasy will retain access to all properties to carry out any exploration and development it chooses for all other minerals including base metals, precious metals, platinum-group elements, excluding only the vanadium and industrial minerals specified in the list below.

Energizer will be responsible for keeping the tenements in good standing including the payment of all tenement rents and minimum expenditure requirements of the nominated tenements covered by the area of interest for this JV.

The following constitutes the industrial minerals as defined in the Agreement with Energizer:

Vanadium, Lithium, Aggregates, Alunite, Barite, Bentonite, Vermiculite, Carbonatites, Corundum, Dimensional stone (excluding labradorite), Feldspar (excluding labradorite), Fluorspar, Granite, Graphite, Gypsum, Kaolin, Kyanite, Limestone / Dolomite, Marble, Mica, Olivine, Perlite, Phosphate, Potash – Potassium minerals, Pumice Quartz, Staurolite, Zeolites.

Fotadrevo Vanadium Project

The results of a 1,194-sample surface/auger soil sampling programme which was completed in mid-May have been analysed utilizing the Company's own XRF equipment. Of these samples, 233 were then sent for assaying to allow calibration of the XRF results.

The programme identified a coincident V-Ni-Cu anomaly with assays up to 0.62%V, 2,096ppm Ni and 437ppm Cu respectively. In addition, there were anomalous uranium values of up to 98ppm. The soil sampling was designed to cover a 10km strike trend over multiple identified radiometric anomalies.

The results of the soil sampling indicate a near continuous V-Ni-Cu anomaly of over a strike length of 9km, open-ended to both the north and south. Further soil sampling is planned to close off the anomalous zone and to ascertain whether further anomalous zones exist to the west of the currently outlined zone. Figures 2-4 show the respective zones of V, Ni and Cu anomalism.

While trenching had been completed previously, the Company believes that additional trenching is warranted now that geochemistry has been used to better define the zones of anomalism. The trenching and additional soil sampling is expected to be completed this field season – depending on developments with the EGZ JV.

Vohibory Project (Copper-Silver-Gold)

A planned diamond drilling program comprising 11 holes commenced during the Quarter with a total of 1,400 metres of core drilling planned.

Four holes for 788 metres were completed during the Quarter, all located in the VC-07 anomaly area. The drilling was planned to test a combination of VTEM and geochemical anomalies. In addition to anomalous soil samples, recent rock chip sampling had identified a Cu-Au-Ag zone extending over a strike length of 1.2km with values up to 9.3% Cu, 8.33g/t Au and 23.5g/t Ag respectively.

The anomalous zone comprises copper oxide minerals hosted by pegmatite within quartz-feldspar-mica schist. In the drilling multiple pegmatite zones were intersected, however, only minor sulphides were observed, generally pyrite. The drill core has since been transported to the Antananarivo office where a thorough geological review of the drill core is underway.

The Company plans to sample all the pegmatite zones and immediate country rock and this work will be undertaken during the December Quarter. Figure 4 is a plan detailing the location of the drilling.

Drilling has now commenced in a second area covered by the VC-10 and VC-15 anomalies. Previous drilling in 2009 had intersected several zones of low level secondary copper values in the overlying Permian Sakoa sediments (equivalent to the basal Karoo Supergroup in southern Africa). In addition, there are several small copper workings in the same sediments.

Two diamond drill holes have commenced in this area for a total of 571 metres, however neither hole has yet been completed as more rods were required to reach the Proterozoic basement. These rods have now been purchased and the drilling is continuing, although ground difficulties have been experienced. Figure 5 shows the current location of the drilling.

The source of the Cu-Ag mineralization within the Sakoa rocks is thought to be derived from the Proterozoic basement and therefore requires deeper drilling to be tested properly. However, initial geological interpretation did not predict that these overlying sediments were so thick. Consequently the drill-holes have had to be extended deeper than anticipated.

Once the two drill holes above have been completed, seven diamond drill holes have been planned for a gold anomalous area in the eastern part of the Vohibory Project. A gold-in-soil anomaly was located here coincident with artisinal gold workings in the area. The host rock type in this area is quartz veining within quartz-feldspar-mica schist. Figure 4 shows the location where the next round of drilling at Vohibory is to be completed.

Further mapping is also underway on the Vohibory tenement area as further old Cu-Au workings were located north of the current drilling.

Ampanihy Project (Nickel-Copper-PGE)

59 selected samples from the 2010 core drilling (i.e. drill holes IPC0001-IPC007) at the Ianapera prospect (Ampanihy Project) were sent to another laboratory (Ultra Trace) for confirmatory assaying. The assays between the two laboratories exhibited an excellent agreement; and also demonstrated that the massive sulphides (pyrrhotite-pyrite) intersected are indeed Ni-Cu poor.

During the Quarter, a regional stream sediment sampling programme was completed within what is referred to as the Ampanihy Suture Zone, which comprises 60km of prospective stratigraphy for Ni-Cu mineralization between the Ianapera anorthosite in the north and the Maniry anorthosite in the south. 216 stream sediment samples and 16 rock chip samples were collected. Assay results have been returned from the sampling programme, with coincident elevated nickel and sulphur values. Furthermore, there are elevated U-Th values. Currently, these results are being fully assessed and a decision on whether to complete further sampling in this area will be made.

Meanwhile, a further 95 stream sediment samples have been planned for collection in the southern area in the vicinity of the Maniry Anorthosite. This is programme is planned to commence in the December Quarter.

While undertaking the stream sediment sampling, an outcrop of near massive graphite was located within the Ampanihy Suture Zone. The outcrop covers approximately 300 metres of strike and essentially comprises a coarse grained graphite-feldspar-mica schist and would be classified as a high grade metamorphic-hosted vein deposit.

Madagascar has a history of graphite mining and produces approximately 5,000 tonnes per annum, which is mainly exported to the USA. However, the graphite producer market is dominated primarily by China and India, producing ~73% and 12% of the world's annual production respectively. Currently major uses for graphite include brake linings, steel additives, solid lubricants and refractory applications.

Advances in thermal technology and acid-leaching techniques that enable the production of higher purity graphite powders are likely to lead to development of new applications for graphite in high-technology fields. Such innovative refining techniques have enabled the use of improved graphite in carbon-graphite composites, electronics, foils, friction materials, and special lubricant applications. Flexible graphite product lines, such as graphoil (a thin graphite cloth) are likely to be the fastest growing market. Large-scale fuel-cell applications are being developed that could consume as much graphite as all other uses combined

In addition to the VTEM survey completed, there is a considerable amount of aeromagnetic data available to the Company. Consequently a detailed review is underway by Southern Geoscience Consultants (SGC) targeting coincident VTEM and aeromagnetic anomalies that are coincident with geochemical anomalies and geological structures identified on the Ikonos data.

The initial study involved ascertaining the magnetic signature of the area drill holes IPC001 and IPC007 intersected massive pyrrhotite over 2 metres in the Ianapera Sector. This has led to identification of 25 'areas of interest' outlined by SGC at Ianapera and this data will be further assessed to generate targets for future drill testing.

A large number of areas remain untested including new areas at Manambahy and Volovolo to the south east of Maniry. These two areas will be assessed using stream sediment sampling in the first instance once the permits are granted.

CORPORATE

As at 30th September 2011 the Company retained A$1.082 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.

Red Cat Minerals Agreement: The Company has agreed to a further extension of this agreement to 31 December 2011, having received additional consideration by way of non-refundable cash deposits totaling A$309,000 to date. This agreement covers the proposed sale of a northern portion of the Vohibory project.

Management

The Company has appointed experience executive Fergus Jockel as its Exploration Manager and is continuing its exploration activities in Madagascar with the assistance of its locally employed geologists.

As previously advised 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. Malagasy has been advised that Mr Goertz has commenced legal action in Madagascar to seek to use the Madagascar legal system to recover certain monies and goods in dispute pursuant to certain agreements made between Hendry Consultancy Ltd (Mauritius), for the provision of Mr Goertz's services, and Malagasy Minerals Ltd (Australia).

This Legal action consists of the “Notification of Garnishment” of our subsidiary company’s bank accounts in Madagascar including certain assets. This action will be vigorously defended. Malagasy believes that not only is there no basis for such claims, but action brought by Mr Goertz is required to be pursued through the Australian legal system, as specified in the underlying agreements. The amount in dispute is for approximately A$120,000.
The Company believes Mr Goertz has taken this action in Madagascar in order to circumvent the due legal process which would be required under Australian Law.

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 mineralization 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.

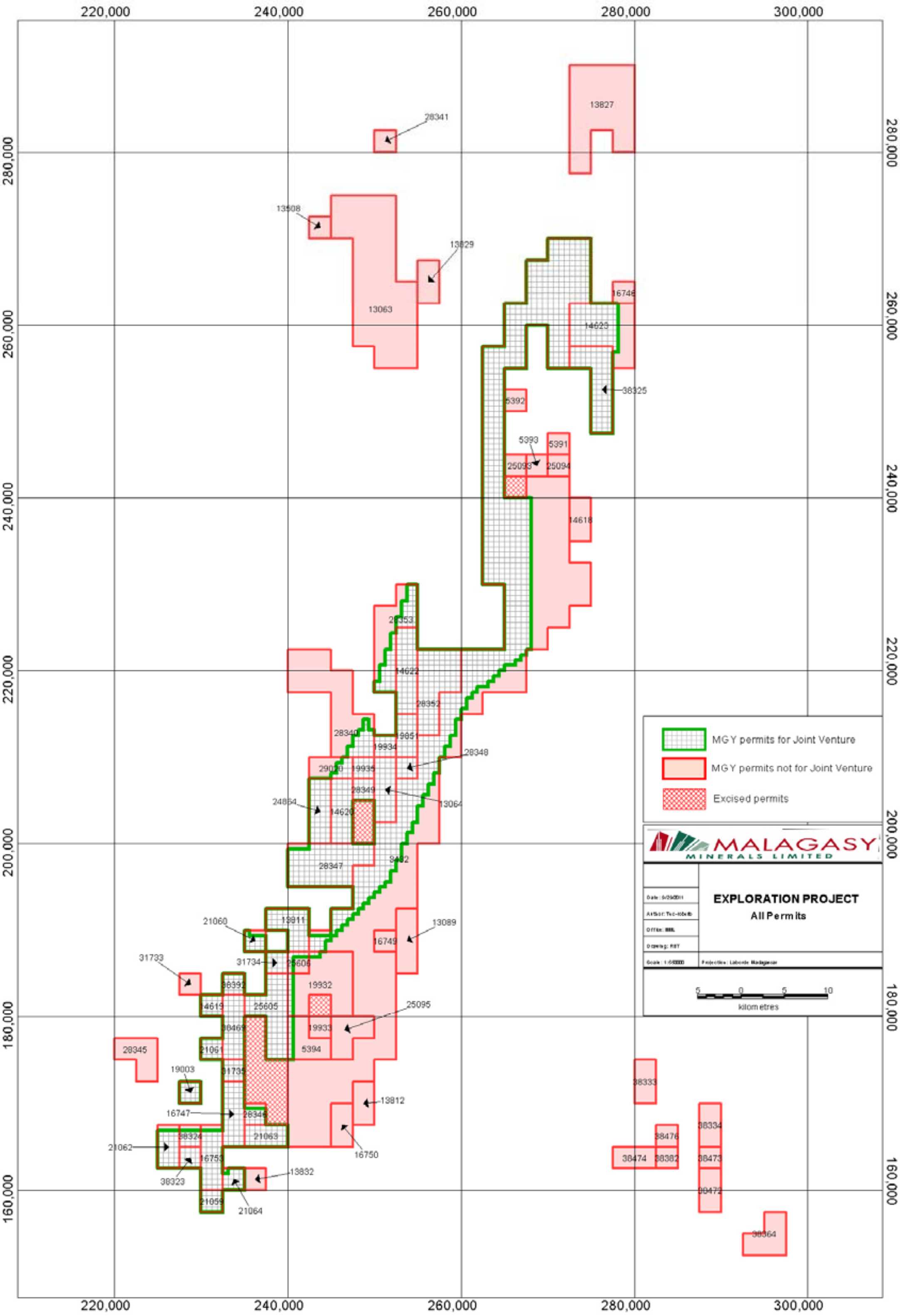

Figure 1: *Plan detailing area of prospective Joint Venture with Energizer Minerals*

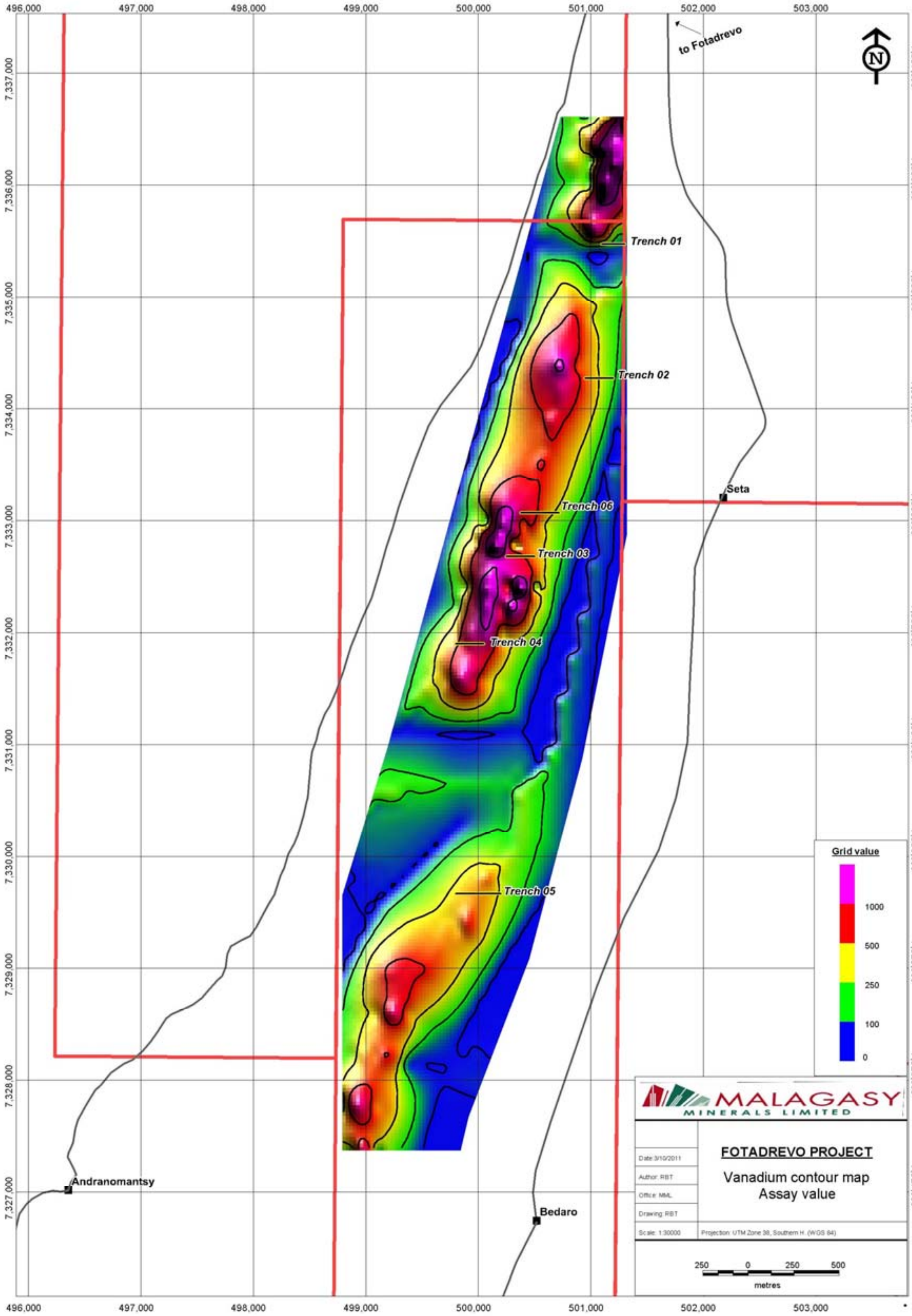

Figure 2: *Plan detailing level of Vanadium-in-soil anomalism at the Fotadrevo Project.*

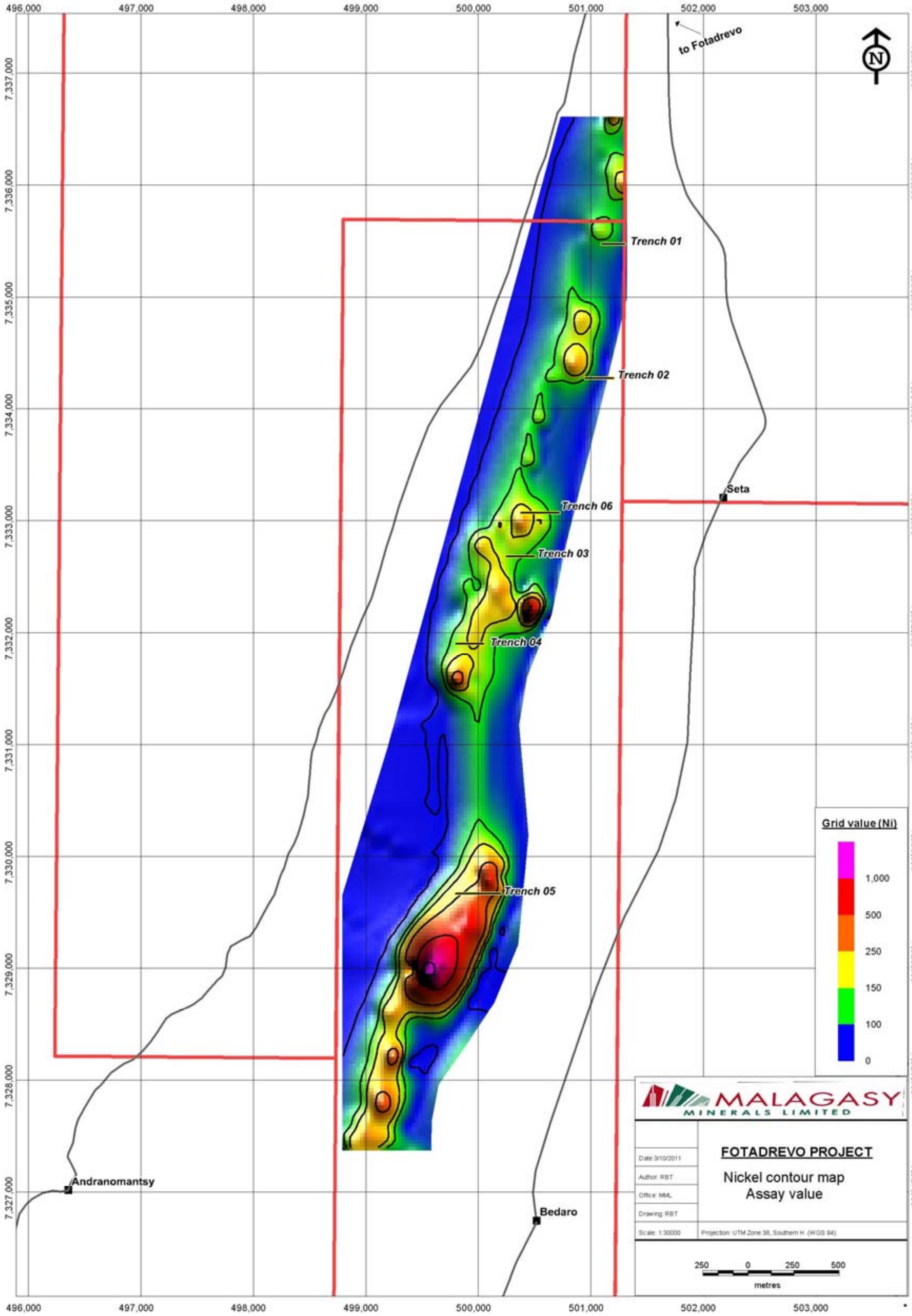

Figure 3*: Plan detailing level of Nickel-in-soil anomalism at the Fotadrevo Project.*

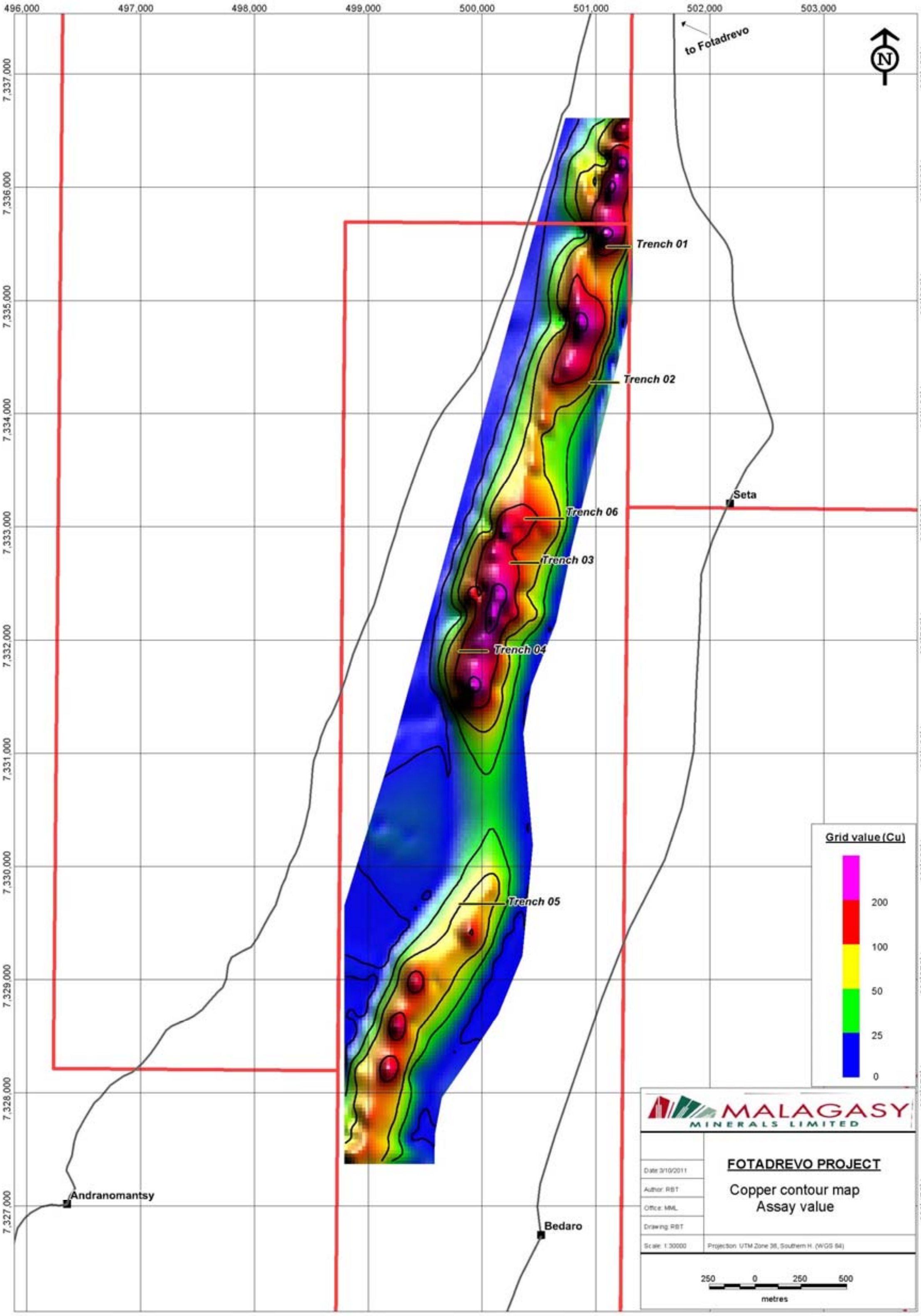

Figure 4*: Plan detailing level of Copper-in-soil anomalism at the Fotadrevo Project.*

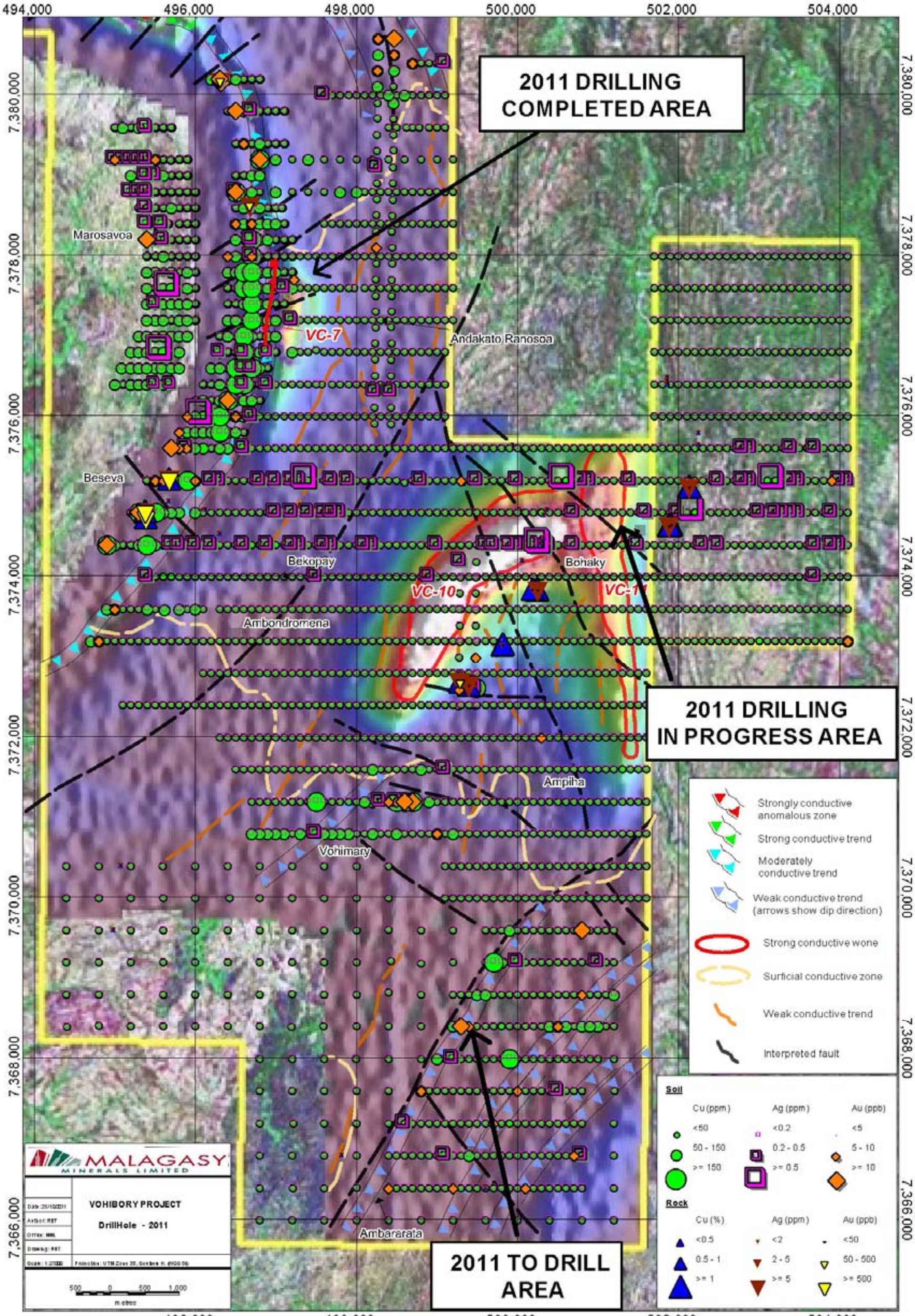

Figure 5: *Plan illustrating the drilling activity at Vohibory Project 2011*

Rule 5.3

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	Quarter ended ("current quarter")
84 121 700 105	30 SEPTEMBER 2011

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 Months) $A'000
1.1	Receipts from product sales and related debtors	129	129
1.2	Payments for (a) exploration & evaluation (net)	(450)	(450)
	(b) development	-	-
	(c) production	-	-
	(d) administration (net)	(93)	(93)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	15	15
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (TVA recoverable)	-	-
	Net Operating Cash Flows	**(399)**	**(399)**
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(2)	(2)
1.9	Proceeds from sale of:		
	(a) prospects	70	70
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Payments to WTRL for Royalties)	(32)	(32)
	Other	-	-
	Net investing cash flows	**36**	**36**
1.13	Total operating and investing cash flows (carried forward)	(363)	(363)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	**(363)**	**(363)**
	Cash flows related to financing activities		
1.14	Net Proceeds from issues of shares, options, etc	-	-
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	**-**	**-**
	Net increase (decrease) in cash held	**(363)**	**(363)**
1.20	Cash at beginning of quarter/year to date	1,445	1,445
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	**1,082**	**1,082**

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	43
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 and Wages 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 (Net)	100
	Total	**400**

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	**232**	145
5.2	Deposits at call	**850**	1,300
5.3	Bank overdraft	**-**	-
5.4	Other (provide details)	**-**	-
	Total: cash at end of quarter (item 1.22)	**1,082**	1,445

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		

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** *Unlisted*	**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** *(totals only)*	Nil	Nil		

+ See chapter 19 for defined terms.

7.12	**Unsecured notes** *(totals only)*	Nil	Nil

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: 27th October 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.