

MARCH 2012 – QUARTERLY REPORT: OPERATIONS REVIEW

MALAGASY SET TO COMMENCE 2012 FIELD SEASON: NEW EXPLORATION PUSH TARGETING GRAPHITE POTENTIAL

HIGHLIGHTS

- *Potential for graphite deposits within the recently established joint venture with Energizer Resources Inc (TSX: EGZ) supported by recent encouraging results from drilling and metallurgical testwork.*
- *Exploration planned to commence during the June 2012 Quarter targeting potential graphite deposits on Malagasy's 100%-owned tenements, following a review of VTEM and aeromagnetic data.*
- *Assays now received for almost all of the surface and core samples collected during the 2011 field season – 1,884 samples returned out of a total of 2,361.*
- *At least three new areas identified for follow-up geochemical sampling at the Ampanihy Project following a complete review of all soil sampling to date, with strongly anomalous nickel-in-soil assays received in both the northern area (Ilanapera Zone) and the southern area (Maniry Zone).*
- *Work programme including mapping and sampling proposed for Malagasy's Mahajanga Mineral Sands Project, with activities set to commence in the June 2012 Quarter.*
- *MGY retains A\$2.289M in cash reserves and ~A\$2.1M in listed securities as at 31st March 2012.*

International minerals exploration company Malagasy Minerals Ltd (ASX: MGY) is pleased to advise that planning is underway for the 2012 exploration field season, which is expected to commence in May, following receipt of most of the assay results from its 2011 field exploration programs. Immediate activities will include:

- **graphite exploration** on Malagasy's 100%-owned tenements at **Ampanihy**, initially utilising existing VTEM data;
- **soil and stream sediment sampling** at **Ampanihy** targeting nickel-copper mineralisation;
- **first pass assessment** of the Company's minerals sands project at **Mahajanga**; and
- **further exploration work** will be planned for **Vohibory** and **Fotadrevo** once all assays from the 2011 exploration programme are received and analysed.

EGZ-Joint Venture – Graphite and Vanadium

On 15 December 2012, Malagasy Minerals formed a joint venture (JV) company with Canadian-based Energizer Resources Incorporated (TSX: EGZ) owned 25% by Malagasy and 75% by Energizer, which has the right to explore for a group of defined industrial minerals including vanadium and graphite within specifically defined permits covering approximately 40% of Malagasy's prospective tenement holding in southern Madagascar.

Malagasy's interest in the JV will be free-carried until Energizer delivers a Bankable Feasibility Study (BFS). If Energizer or the JV company deliver 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 below 10%, then Malagasy's interest will convert to a 2% net smelter royalty (NSR). On completing the JV agreement, Malagasy received US\$2.25 million in cash plus 7.5 million Energizer shares, currently worth approx A\$2.1 million.

Since completing the joint venture, Energizer has announced significant results from its graphite exploration activities.

Of particular significance to Malagasy is the announcement by Energizer that it is beginning to define a new graphite camp in southern Madagascar. This includes significant results from the **Molo Zone**, which is within the JV area. According to Energizer, graphite mineralisation has been confirmed at surface and to a depth of 108 metres at a grade of 8.80% carbon (C).

Energizer has said that the Molo Zone can be characterized as follows:

- *a multi-folded graphite zone with a surface-exposed strike length of over two kilometres;*
- *characterized by resistant ridges of graphite-rich rock, and abundant graphite-rich float;*
- *individual graphite ridges between 20 and 150 metres in width;*
- *EM31 geophysical surveys indicate the graphite mineralisation is pervasive in the area;*
- *wide-spaced drilling of six diamond drill holes completed over a strike length of 1.2 kilometres, intersected graphitic mineralisation to a vertical depth of 75 metres, with a down-hole thickness between 60 and 150 metres; and*
- *mineralisation is open-ended along strike and down-dip.*

The Molo Zone is one of many graphite zones and potential graphite zones identified by Energizer both within the JV ground and on its own ground (see *Figure 1*).

It is anticipated that Energizer will undertake additional drilling of the graphite zones within the JV area during the 2012 field season.

Graphite Exploration – 100% controlled Malagasy tenements

Based on the success achieved by Energizer Resources in locating potentially good quality graphite resources, the Company has established an exploration team whose focus is to explore specifically for graphite resources within Malagasy's 100%-controlled tenements. Initially, targeting will be based on follow-up of VTEM anomalism along zones of interest inferred from mapping and previous exploration.

Preliminary interpretation of VTEM data has already outlined approximately 110 kilometres of potential strike of graphitic schist within the Ampanihy Project area. This is in addition to the 320 kilometres strike of potential graphite mineralisation outlined by Energizer on the JV area and its permits. Figure 1 shows the areas inferred to contain potential graphitic mineralization both within Malagasy' 100% controlled tenements and the JV area.

Field work is planned to commence in May, initially exploring and mapping the areas defined by Malagasy personnel based on the VTEM data. Any areas of interest identified in the field will be followed up with trenching and/or drilling.

Ampanihy Project

In addition to the graphite exploration outlined above, and as previously reported in the September and December 2011 Quarterly Reports, 216 stream sediment samples were collected from what is referred to the Suture Zone, which is essentially the area covering a dominant regional shear between the Ianapera and Maniry anorthosite bodies. The assays were received during the December 2011 Quarter and anomalism in Cu, Ni Pt, U and Zn was located at various locations along the Suture Zone.

Follow-up soil sampling was planned during the 2012 March Quarter and it is expected that this will be completed during the June Quarter.

During the March Quarter, a review was undertaken of all the soil sampling completed at the Ampanihy Project. This included samples only assayed by XRF and samples that had been sent to Intertek. Areas of significant anomalism were identified at both the Ianapera and Maniry zones that require follow up.

In summary:

- *at Ianapera (northern area), a small batch of anomalous XRF samples were re-assayed and identified an area in the north east where soil samples re-assayed up to 548ppm Ni and 177ppm Cu. A second area to the south west of Ianapera re-assayed up to 371ppm Ni. To the north east of Maniry, re-assaying of XRF samples from 2011 revealed an open-ended Ni-in-soil anomaly approximately 1.2 kilometres long assaying greater than 150ppm Ni and up to 1,156ppm Ni.*
- *the areas of nickel-in-soil anomalism are summarized in Figure 2 and follow-up closer spaced soil sampling is to be completed during the June 2012 Quarter.*

Fotadrevo Project

In the December Quarter, 13 rock chip samples were collected from the Fotadrevo Project, following up on significant nickel-in-soil anomalism (up to 3,716ppm Ni – refer Figure 2). Mapping showed the source of the soil anomalism to be Ni-Co anomalous ultramafic schist and will be followed up with trenching during the 2012 field season.

As part of due diligence procedures, Energizer drilled three diamond drill holes on the Fotadrevo leases in December 2011. As Energizer's primary interest is in the graphite and vanadium potential, Malagasy intends to log and sample the drilling to ascertain the potential for other metals, e.g., Ni, Cu, Au and Ag. It is anticipated that this work will be carried out at the start of the 2012 field season (May).

Vohibory Project

Most of the assays have been returned from the diamond drilling completed in 2011 at Vohibory. In drill holes CSA001 and CSA004 minor copper anomalism (up to 3,000ppm Cu) was intersected over one metre; and in drill hole VHD012 anomalous copper (up to 2,900ppm Cu) was intersected.

Figure 3 shows where the location of these drill holes within the Vohibory Project area.

Mahajanga Project

The Mahajanga Project is a mineral sands project located on the north-western side of Madagascar (see Figure 4), for which no field work has been undertaken to date. Mapping and initial broad-spaced sampling has been planned. It is expected that this work will be completed during the June 2012 Quarter.

Corporate

As at 31 March 2012, the Company retained A\$2.289 million in cash resources, plus approximately A\$2.1 million in EGZ shares.

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 presently agreed to extend this agreement to 30 June 2012, 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, and is dependent on Red Cat arranging an IPO Listing by 30 June 2012.

Management: The Company's exploration activities continue to be managed Fergus Jockel as Exploration Manager, assisted by local geological staff and the Company's Country Manager (Gerant) and CFO, Jean Luc Marquetoux.

The Company is still 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 and various attempts by him to affect our continuing operations.

Strategic Review: 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.

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. As previously advised, 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 in a timely manner, or on satisfactory terms.

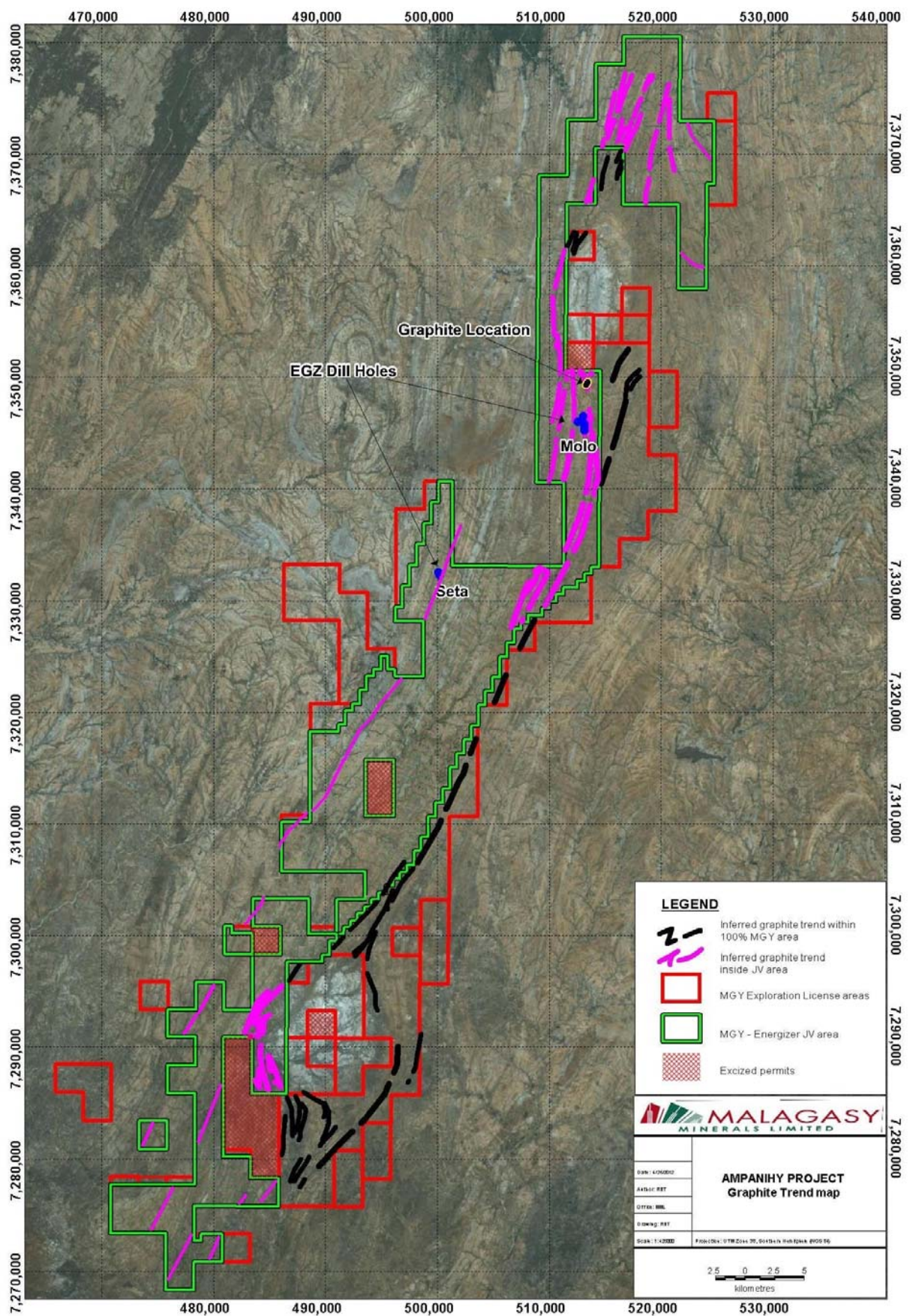
For and on behalf of the Board



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: Graphite trends inferred from VTEM and Magnetic data.
Black lines are 100% Malagasy controlled and Magenta lines are JV controlled.**

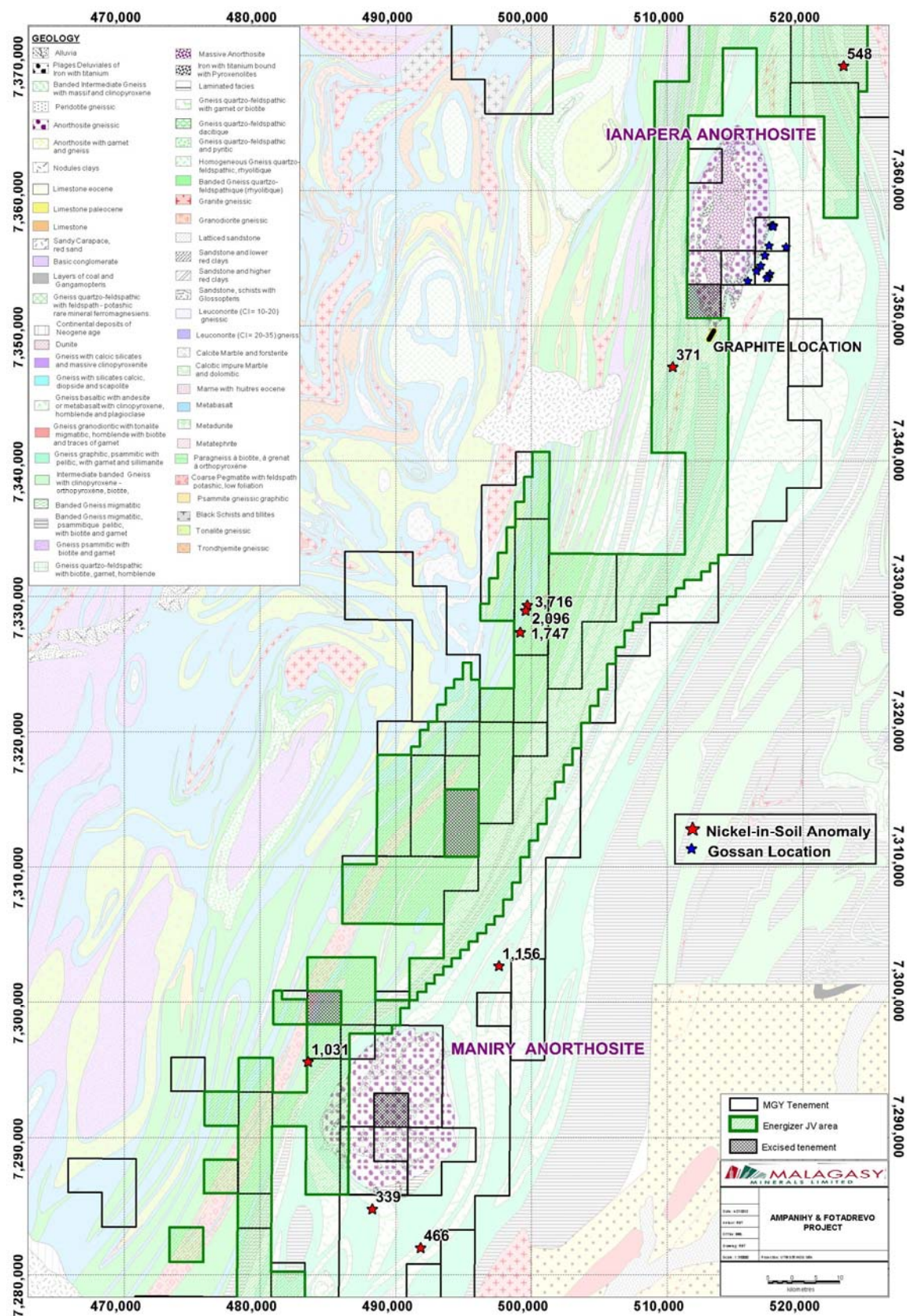


Figure 2: Nickel-in-Soil anomalism areas (>300ppm Ni) and up to 1,156ppm Ni at Ampanihy and 3,716ppm Ni at Fotadrevo.

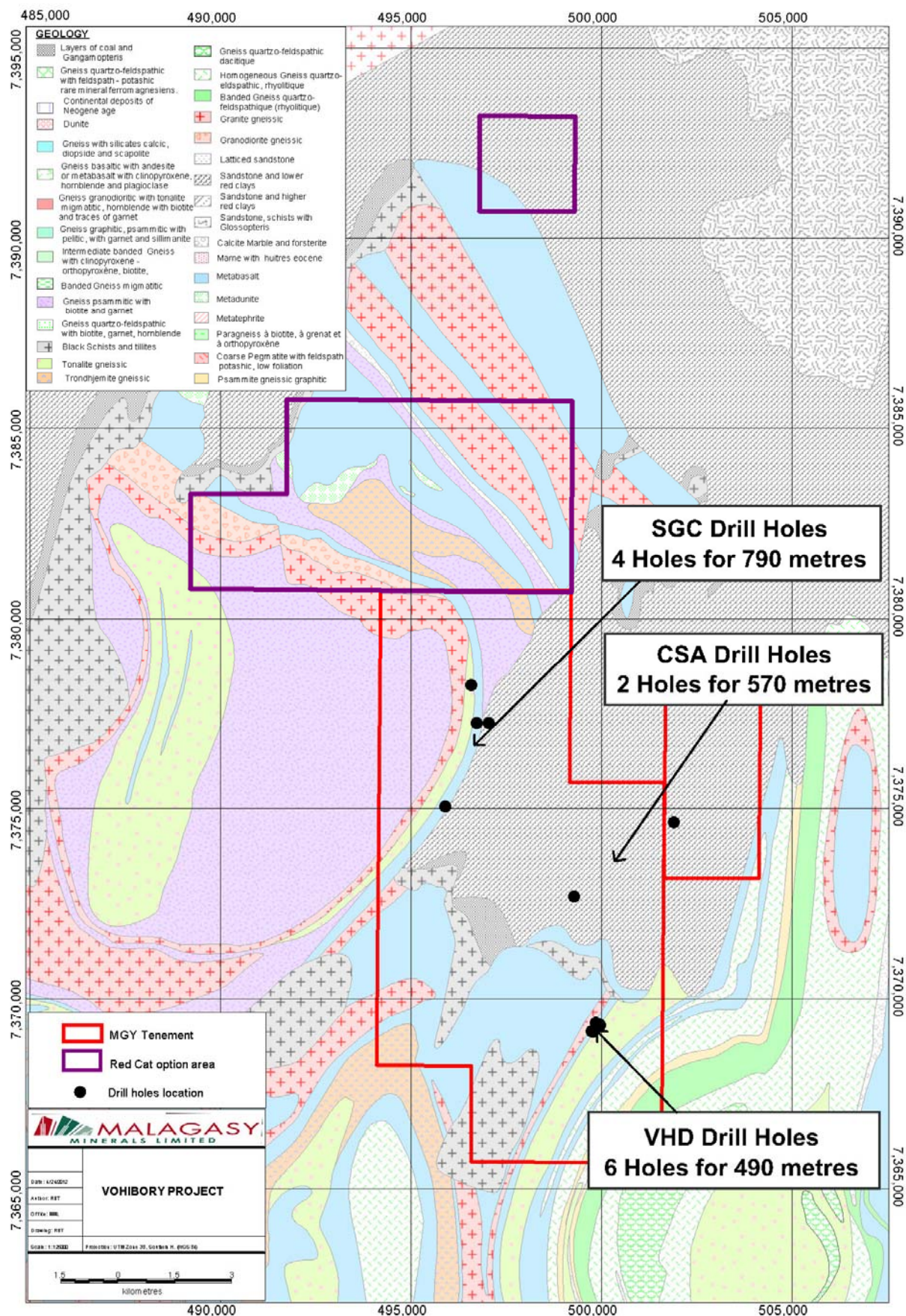


Figure 3: Diamond drilling completed at Vohibory in 2011.

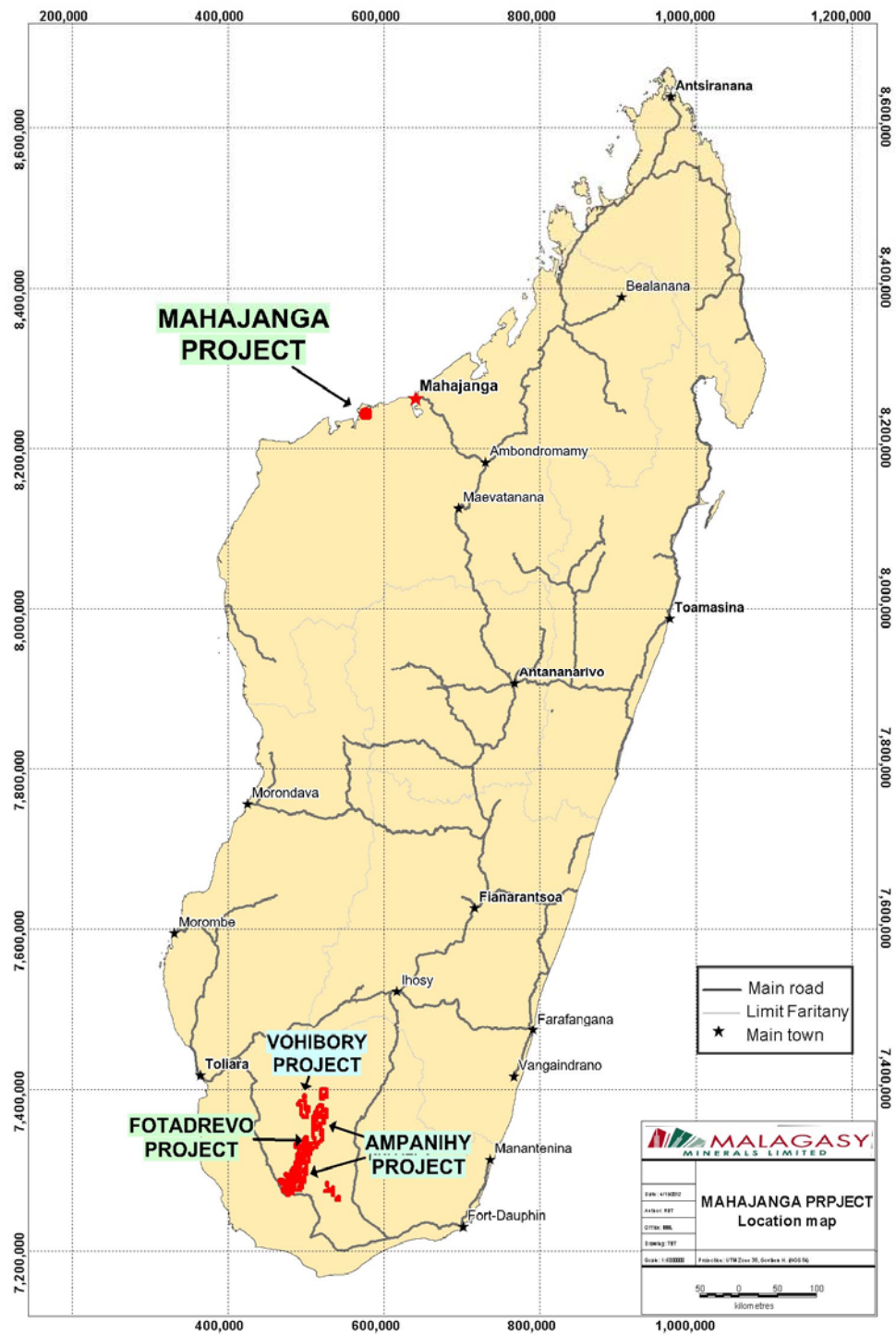


Figure 4: Location of Malagasy's Mahajanga Mineral Sands Project in Madagascar.

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")

31 MARCH 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 Months) \$A'000
1.1	Receipts from product sales and related debtors	131	390
1.2	Payments for (a) exploration & evaluation (net)	(558)	(1,494)
	(b) development	-	-
	(c) production	-	-
	(d) administration (net)	(141)	(360)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	41
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (TVA recoverable)	-	-
Net Operating Cash Flows		(557)	(1,423)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(16)	(23)
1.9	Proceeds from sale of:		
	(a) prospects	30	2,396
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	(46)	(106)
Net investing cash flows		(32)	2,267
1.13	Total operating and investing cash flows (carried forward)	(589)	844

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(589)	844
	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	(589)	844
1.20	Cash at beginning of quarter/year to date	2,878	1,445
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,289	2,289

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	107
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 to Directors and associated compulsory superannuation.	

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

None in the current quarter

- 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	500
4.2 Development	-
4.3 Production	-
4.4 Administration (Net)	100
Total	600

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	189	178
5.2 Deposits at call	2,100	2,700
5.3 Bank overdraft		-
5.4 Other (provide details)		-
Total: cash at end of quarter (item 1.22)	2,289	2,878

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: 30th April 2012

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.

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+ See chapter 19 for defined terms.