



NOTICE OF ANNUAL GENERAL MEETING 2012

TIME: 4.00 pm WST

DATE: Thursday 15th November 2012

PLACE: Presidents Room, The Celtic Club, 48 Ord Street, West Perth WA 6005

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Graeme Boden, on (+61 8) 9286 1219.

CONTENTS PAGE

Business of the Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	7
Annexure A	17
Glossary	19

IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 4.00pm (WST) Thursday 15th November 2012 at Presidents Room, The Celtic Club, 48 Ord Street, West Perth WA 6005.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 4.00pm (WST) Tuesday 13th November 2012.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - o the proxy is not recorded as attending the meeting;
 - o the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2012 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report, as contained in the Company's annual financial report for the financial year ended 30 June 2012."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement: A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **Voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the Voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

2. RESOLUTION 2 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement"

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR GUY LE CLEZIO

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of article 6.3 (c) of the Constitution and for all other purposes, Mr Guy LeClezio, a Director, retires by rotation and, being eligible, is re-elected as a Director.”

4. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – MR GRAEME BODEN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of article 6.3 (l) of the Constitution and for all other purposes, Mr Graeme Boden, a Director who was appointed on 6 June 2012, and, being eligible, is re-elected as a Director.”

5. RESOLUTION 5 – APPROVE ISSUE OF OPTIONS TO MR MAX COZIYN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is hereby given for the grant of 2,000,000 Options to Mr Max Cozijn (or his nominee), in accordance with the terms described in the Explanatory Statement.”

Voting Exclusion: *The Company will disregard any votes cast on this Resolution by Mr Max Cozijn (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled or to vote in accordance with the directions on the Proxy Form, or, if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

Voting Prohibition Statement: *A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:*

- (a) *the proxy is either:*
 - (i) *a member of the Key Management Personnel; or*
 - (ii) *a Closely Related Party of such a member; and*
- (b) *the appointment does not specify the way the proxy is to vote on this Resolution.*

However, the above prohibition does not apply if:

- (a) *the proxy is the Chair of the Meeting; and*
- (b) *the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.*

6. RESOLUTION 6 – APPROVE ISSUE OF OPTIONS TO MR GUY LE CLEZIO

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is hereby given for the grant of 2,000,000 Options to Mr Guy Le Clezio (or his nominee), in accordance with the terms described in the Explanatory Statement.”

Voting Exclusion: *The Company will disregard any votes cast on this Resolution by Mr Guy Le Clezio (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled or to vote in*

accordance with the directions on the Proxy Form, or, if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. RESOLUTION 7 – APPROVE ISSUE OF OPTIONS TO DR PETER WOODS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is hereby given for the grant of 2,000,000 Options to Dr Peter Woods (or his nominee), in accordance with the terms described in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dr Peter Woods (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled or to vote in accordance with the directions on the Proxy Form, or, if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 8 – APPROVE ISSUE OF OPTIONS TO MR GRAEME BODEN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is hereby given for the grant of 1,000,000 Options to Mr Graeme Boden (or his nominee), in accordance with the terms described in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Graeme Boden (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled or to vote in accordance with the directions on the Proxy Form, or, if it is cast by the person chairing the

meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

DATED: 11th October 2012

BY ORDER OF THE BOARD



Graeme Boden
Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include the receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2012, together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.malagasyminerals.com

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2012.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

2.2 Voting consequences

Under changes to the Corporations Act that came into effect on 1 July 2011, if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the second annual general meeting.

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

At the Company's previous annual general meeting, the votes cast against the remuneration report at that general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

2.3 Proxy Restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

If you appoint a member of the Key Management Personnel as your proxy

If you elect to appoint a member of Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, ***you must direct the proxy how they are to vote***. Undirected proxies granted to these persons will not be included in any vote on Resolution 1.

If you appoint the Chair as your proxy

If you elect to appoint the Chair as your proxy, you ***do not*** need to direct the Chair how you wish them to exercise your vote on Resolution 1, however if you do not direct the Chair how to vote, ***you must tick the acknowledgement on the proxy form to acknowledge that the Chair may exercise their discretion in exercising your proxy even though Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel***.

If you appoint any other person as your proxy

You ***do not*** need to direct your proxy how to vote, and you ***do not*** need to tick any further acknowledgement on the proxy form.

3. RESOLUTION 2 – APPROVAL OF 10% PLACEMENT CAPACITY

3.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may, seek Shareholder approval to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 2, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 3.2 below).

The effect of Resolution 2 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 2 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 2 for it to be passed.

3.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the A&P/ASX 300 Index and has a current market capitalisation of \$10,339,066.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has only one class of Equity Securities on issue, being the Shares.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times B) - C$$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- (a) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
 - (b) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under this rule; and
 - (d) less the number of Shares cancelled in the previous 12 months.
- B** is 10%.
- C** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

3.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 2:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph 3.3(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

or such longer period if allowed by ASX (**10% Placement Capacity Period**).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 2 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Issue Price (per Share)	\$0.033 (50% decrease in current issue price)	\$0.066 (Current issue price)	\$0.099 (50% increase in current issue price)
156,562,504 (Current)	Shares issued	15,656,250 Shares	15,656,250 Shares	15,656,250 Shares
	Funds Raised	\$516,656	\$1,033,313	\$1,549,969
234,843,756 (50% increase)*	Shares issued	23,484,375 Shares	23,484,375 Shares	23,484,375 Shares
	Funds Raised	\$774,984	\$1,549,969	\$2,324,953
313,125,008 (100% increase)*	Shares issued	31,312,500 Shares	31,312,500 Shares	31,312,500 Shares
	Funds Raised	\$1,033,313	\$2,066,625	\$3,099,938

*The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. The current shares on issue are the Shares on issue as at 9th October 2012.
2. The issue price set out above is the closing price of the Shares on the ASX on 4th October 2012.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's Ampanihy, Vohibory and Fotadrevo projects (funds would then be used for exploration activities and ongoing project administration) and for general working capital; or
- (ii) as non-cash consideration for the acquisition of new resources assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) Allocation under the 10% Placement Capacity

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

The Allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders, and/ or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company has not previously obtained approval under ASX Listing Rule 7.1A.

3.4 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 2.

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR GUY LE CLEZIO

Clause 6.3 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded downwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 6.3(c) of the Constitution is eligible for re-election.

The Company currently has 4 Directors and accordingly Mr Guy Le Clezio must retire.

Mr Le Clezio, the Director longest in office since his last election, retires by rotation and seeks re-election.

5. RESOLUTION 4 – ELECTION OF DIRECTOR – MR GRAEME BODEN

Clause 6.2(c) of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors.

Any Director so appointed holds office only until the next following general meeting and is then eligible for re-election.

Mr Graeme Boden was appointed a Director of the Company on 6th June 2012. Accordingly, Mr Graeme Boden will retire in accordance with clause 6.2(c) of the Constitution and being eligible seeks re-election.

Mr Graeme Raymond BODEN, B Ec(Hons) FAICD is an experienced business executive with more than 35 years in senior corporate or financial roles, particularly in the planning and evaluation function of the resources industry and in the finance and administration function of a range of industries. He has 30 years' experience as a Director or Secretary of ASX listed companies. He is the principal of Boden Corporate Services, whose clients include listed companies World Titanium Resources Ltd and TUC Resources Ltd.

Mr Boden consented to his nomination and has provided consent to act in writing.

6. RESOLUTIONS 5 TO 8 – APPROVAL OF GRANT OF OPTIONS TO DIRECTORS

Resolutions 5 to 7 seek shareholder approval to grant 2,000,000 Options to each of the following directors, Mr Max Cozijn, Mr Guy Le Clezio and Dr Peter Woods, and Resolution 8 seeks shareholder approval to grant 1,000,000 Options to Mr Graeme Boden (**Related Parties**). The Options are exercisable on or before 30th November 2016 at an exercise price equal to the higher of 15 cents and 50% above the Volume Weighted Average Price in the five ASX trading days prior to the date of the General Meeting (“VWAP”), and otherwise on the terms and conditions set out in Annexure A to this Explanatory Statement.

6.1 Related Party Transactions – Corporations Act

Section 208 of the Corporations Act provides a public company cannot give a financial benefit to a related party of the public company unless:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the prohibition set out in Sections 210 to 216 of the Corporations Act; or
- (b) prior to the giving of the financial benefit shareholder approval is obtained in the manner set out in Section 217 to 227 of the Corporations Act and the benefit is given within 15 months of obtaining the shareholder approval.

The grant of the Options constitutes giving a financial benefit and Mr Max Cozijn, Mr Guy Le Clezio, Dr Peter Woods and Mr Graeme Boden are related parties of the Company by virtue of being Directors.

Shareholder approval is sought for the grant of Options to the Related Parties.

Shareholder Approval (Chapter 2E of the Corporations Act)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act, the following information is provided in relation to the proposed grant of Options:

(a) The related parties to whom Resolutions 5-8 would permit the financial benefit to be given

The Related Parties to whom a financial benefit will be given are as follows:

- (i) Mr Max Cozijn
- (ii) Mr Guy Le Clezio; and
- (iii) Dr Peter Woods; and
- (iv) Mr Graeme Boden.

Each of the above named parties are each a related party to the Company by virtue of their respective Directorships with the Company.

(b) The nature of the financial benefit

If Resolutions 5 to 8 are passed, the Related Parties noted above will be granted a total of 7,000,000 Options in the manner noted below.

The Options will be granted on the terms and conditions set out in Annexure A to this Explanatory Statement, at an exercise price equal to 50% above the VWAP and an expiry date of 30th November 2016.

One half of the Options will vest on issue and one half will vest on 30th November 2013.

The Related Parties will be granted the Options as follows:

- (i) Mr Max Cozijn will be granted 2,000,000 Options upon approval of Resolution 5;
- (ii) Mr Guy Le Clezio will be granted 2,000,000 Options upon approval of Resolution 6;

- (iii) Dr Peter Woods will be granted 2,000,000 Options upon approval of Resolution 7; and
- (iv) Mr Graeme Boden will be granted 1,000,000 Options upon approval of Resolution 8.

(c) Consideration

The Options will be granted for nil cash consideration. Accordingly no funds will be raised from the issue of the Options to the Related Parties.

(d) Directors' Recommendation

Mr Max Cozijn declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution as set out above.

Mr Max Cozijn, who does not have a material interest in the outcome of Resolutions 6, 7 and 8, recommends that Shareholders vote in favour of Resolutions 6, 7 and 8 for the reasons set out in sub-section (e) immediately below as applicable to Resolutions 6, 7 and 8. Mr Cozijn is not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 6, 7 and 8.

Mr Guy LeClezio declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution as set out above.

Mr Guy LeClezio, who does not have a material interest in the outcome of Resolutions 5, 7 and 8, recommends that Shareholders vote in favour of Resolutions 5, 7 and 8 for the reasons set out in sub-section (e) immediately below as applicable to Resolutions 5, 7 and 8. Mr Le Clezio is not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 5, 7 and 8.

Dr Peter Woods declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution as set out above.

Dr Peter Woods, who does not have a material interest in the outcome of Resolutions 5, 6 and 8, recommends that Shareholders vote in favour of Resolutions 5, 6 and 8 for the reasons set out in sub-section (e) immediately below as applicable to Resolutions 5, 6 and 8. Dr Woods is not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 5, 6 and 8.

Mr Graeme Boden declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution as set out above.

Mr Graeme Boden, who does not have a material interest in the outcome of Resolutions 5, 6 and 7, recommends that Shareholders vote in favour of Resolutions 5, 6 and 7 for the reasons set out in sub-section (e) immediately below as applicable to Resolutions 5, 6 and 7. Mr Boden is not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow him to make a decision whether it is in the best interests of the Company to pass Resolutions 5, 6 and 7.

(e) Any other information that is reasonably required by a member to make a decision and that is known to the Company and any of its Directors.

If the Options granted to the Related Parties are exercised, a total of 7,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 156,562,504 to 163,562,504 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Resolution	Related Party	Issued Shares as at the date of this Notice of Meeting	Options to be granted	Issued Shares upon exercise of these Options*	Dilutionary effect upon exercise of Options
5	M Cozijn	156,562,504	2,000,000	163,562,504	1.28%
6	G Le Clezio	156,562,504	2,000,000	163,562,504	1.28%
7	P Woods	156,562,504	2,000,000	163,562,504	1.28%
8	G Boden	156,562,504	1,000,000	163,562,504	0.64%
TOTAL		156,562,504	7,000,000	163,562,504	4.47%

Note

* all Options subject to Resolutions 5 to 8

The market price for Shares during the term of the Options would normally determine whether or not the Options are exercised. If, at any time any of the Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company.

The existing Security holdings of the Related Parties at the date of this Notice of Meeting are as follows:

Related Party	Shares	Options
Mr Max Cozijn	7,512,501	1,000,000
Mr Guy Le Clezio	11,940,513	500,000
Dr Peter Woods	1,100,000	500,000
Mr Graeme Boden	Nil	Nil
Total	20,553,014	2,000,000

The remuneration and emoluments from the Company to the Related Parties for both the current financial year and previous financial year are set out below:

Related Party	2012 Financial Year	2011 Financial Year
Mr Max Cozijn	\$147,289	\$76,300
Mr Guy Le Clezio	\$43,600	\$21,800
Dr Peter Woods	\$43,600	\$21,800
Mr Graeme Boden	\$2,906	-

The Board acknowledges the grant of Options to each Messrs Guy Le Clezio, Peter Woods and Graeme Boden is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations as they are non-executive directors. However, the Board considers the grant of Options to each Related Party reasonable in the circumstances for the reason set out immediately below.

The primary purpose of the grant of Options to the Related Parties is to provide an incentive to the Related Parties to drive the Company's assets forward and also as a reward for their ongoing commitment and efforts in the future. The Board has determined that the number of Options is reasonable taking into account the Directors' fees payable to the Related Parties. The Options to be granted to the Related Parties pursuant to Resolutions 5-8 have been valued by internal management using the theoretical Black and Scholes option model and based on the assumptions set out below.

Assumptions:	
Valuation date	4 th October 2012
Price of Shares	6.6 cents
Exercise price	15.0 cents
Expiry date	30 th November 2016
Risk free interest rate	2.36%
Volatility rate	100%
Discount for non-negotiability	20%
Indicative value per Option	2.97 cents

It should be noted that this calculation is indicative only, the exercise price will be determined as the higher of 15 cents and a 50% premium above the volume weighted average price in

the five days prior to the Meeting and this may be a higher price than 15 cents. On this theoretical basis, the total value of Options proposed to be granted to each of the Related Parties is therefore as follows:

Related Party	Number of Options	Value of Options (\$)
Mr Max Cozijn	2,000,000	\$59,400
Mr Guy Le Clezio	2,000,000	\$59,400
Dr Peter Woods	2,000,000	\$59,400
Mr Graeme Boden	1,000,000	\$29,700
TOTAL	7,000,000	\$207,900

The trading history of Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	14.5 cents	4 May 2012
Lowest	2.6 cents	6 and 7 October 2011
Last	6.6 cents	4 October 2012

None of the Directors nor the Company are aware of any other information that would reasonably be required by members to make a decision in relation to the financial benefits contemplated by Resolutions 5 to 8, other than as set out in this Explanatory Statement.

6.2 Related Party Transactions – ASX Listing Rules

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies. In relation to the proposed issue of Options to Directors under Resolutions 5 to 8, it is the view of the Board that the exceptions set out in ASX Listing Rule 10.12 do not apply in the circumstances. Accordingly, the grant of Options to Directors pursuant to each of Resolutions 5 to 8 requires shareholder approval under Listing Rule 10.11.

Information required to be given to shareholders under Listing Rule 10.13 for approval being sought in relation to Listing Rule 10.11 is as follows:

- (a) the persons to whom Options will be granted are Directors of the Company, namely Mr Max Cozijn (Resolution 5), Mr Guy Le Clezio (Resolution 6), Dr Peter Woods (Resolution 7) and, Mr Graeme Boden (Resolution 8);
- (b) 2,000,000 Options will, be granted to each Director under each of Resolutions 5, 6 and 7 and 1,000,000 to the Director under Resolution 8, which if all are passed will result in the grant of a total of 7,000,000 Options;
- (c) the Options under each of Resolutions 5 to 8 will be granted on the same day within one month of the date of the Meeting;
- (d) the Options will be granted upon the terms and conditions set out in Annexure A; and
- (e) the Options will be granted for nil cash consideration. Accordingly, no funds will be raised from the issue.

ANNEXURE A – TERMS AND CONDITIONS OF OPTIONS

The Options will entitle the holders to subscribe for Shares on the following terms:

1. Each Option entitles the holder to subscribe for and be allotted one Share.
2. The Options are exercisable at (price to be determined at 50% premium to the volume weighted average price in the five trading days prior to 15th November 2012) cents each, payable in cash (**Exercise Price**).
3. The Options will vest as follows:
 - (a) 50% of the Options granted will vest upon issue; and
 - (b) 50% of the Options granted will vest on 30th November 2013 (**Vesting Date**).
4. The Options shall expire at 5.00pm WST on 30 November 2016 (**Expiry Date**).
5. Options may be exercised at any time after the Vesting Date and on or before the Expiry Date.
6. Options not exercised on or before the Expiry Date will automatically lapse.
7. On an Option lapsing, all rights of the Option holder in respect of the Option cease and no consideration or compensation will be payable for or in relation to that lapse.
8. Following allotment of the Options, a transaction confirmation statement will be issued by the Company for the Options.
9. Subject to these conditions, Options may be exercised on or before the Expiry Date by the Option holder:
 - (a) lodging with the Company a Notice of Exercise signed by the Option holder for a parcel of not less than one thousand (1,000) except that if the Option holder holds less than one thousand (1,000) Options then such Options may be exercised; and
 - (b) paying the Company the Exercise Price in respect of the Options exercised.

An exercise of Options will only be valid and effective once the Company has received, in cleared funds, the full amount of the Exercise Price payable.
10. A Notice of Exercise, once lodged with the Company, is irrevocable and by giving a Notice of Exercise the Option holder:
 - (a) agrees to subscribe for that number of Shares equivalent to the number of Options exercised in the Notice of Exercise;
 - (b) agrees to be bound by the Constitution on the issue of Shares; and
 - (c) without limiting any other clause in these conditions, must pay the Exercise Price in respect of the Options exercised at the time the Notice of Exercise is lodged with the Company.
11. The Options may be exercised in whole or in part.
12. For each Option that is exercised, the Company must issue to the Option holder one Share, credited as fully paid and, within 10 Business Days (or such other period as is required by the Listing Rules) after the date of exercise of the Option, issue (or cause to be issued) to the Option holder a holding statement or other appropriate evidence of title for each Share that is issued.

13. If an Option holder exercises only some of the Options held, the Company must issue (or cause to be issued) a holding statement or other appropriate evidence of title for each remaining Option held by the Option holder.
14. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the rights of the Option holder will be treated in the manner prescribed by the ASX Listing Rules applying to reconstructions at that time.
15. If:
 - (a) a takeover bid within the meaning of the Corporations Act is made for the Shares and the bidder becomes entitled to compulsorily acquire Shares, any Options not exercised by the end of the bid period will lapse; or
 - (b) a court orders a meeting to be held in relation to a proposed scheme of arrangement under Part 5.1 of the Corporations Act in relation to the Company, which, if implemented, would result in a person having a relevant interest in at least 90% of Shares, any Options not exercised during the period that ends seven days after the date of the court order will lapse.
16. The options will not be listed on the ASX.
17. All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then existing Shares. The Company will apply for Official Quotation by the ASX of all Shares issued upon exercise of the Options.
18. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, if from time to time on or prior to the Expiry Date the Company makes an issue of new Shares to Shareholders, the Company will announce the issue to ASX prior to the record date in accordance with the requirements of the ASX Listing Rules. This will give holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
19. There is no right to a change in the Exercise Price of the Options or to the number of Shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
20. Options are not transferrable.
21. These conditions will be interpreted and applied in a manner that is consistent with the Listing Rules. If any of these conditions are inconsistent with the requirements of the Listing Rules, they may be amended by the Company to comply with the Listing Rules. The Company will advise Option Holders of any such amendments.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in section 3.1 of this Notice.

Annual General Meeting or **Meeting** means the meeting convened by this Notice.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

Company means Malagasy Minerals Limited (ACN 121 700 105).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the A&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of Annual general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2012.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Variable A means "A" as set out in the calculation in section 3.2 of this Notice.

VWAP has the meaning given to that term in section 6 of this Notice.

WST means Western Standard Time as observed in Perth, Western Australia.