MALAGASY MINERALS LIMITED
ABN 84 121 700 105

30th July 2012 **ASX Announcement** **ASX: MGY**

JUNE 2012 – QUARTERLY REPORT: OPERATIONS REVIEW

OUTSTANDING EXPLORATION RESULTS HIGHLIGHT STRONG GRAPHITE POTENTIAL

Assays from graphite exploration on Malagasy's 100% owned tenements due within weeks

KEY POINTS

- ***Drilling returns 421.3m of graphite at 6.12 per cent Carbon at the Molo JV between Malagasy and Canada's Energizer Resources.***
- ***JV drilling continuing as part of a 7,500m diamond drilling program to establish a NI43-101 Resource by the end of 2012. Resource Target stands at + > 100MT of Graphite at +6% Carbon.***
- ***On Malagasy's neighbouring 100 per cent-owned ground, reconnaissance sampling and mapping has identified significant areas for follow up along the suture zone at Ampanihy.***
- ***At the nickel-copper prospects, additional infill geochemical sampling is underway following up on three new areas with strongly anomalous nickel-in-soil assays received in the northern area (Ianapera Zone), central area (Fotadrevo Area) and the southern area (Maniry Zone).***
- ***MGY retains A$1.95M in cash reserves and ~A$2.1M in listed securities as at 30 June 2012.***

Malagasy Minerals Ltd (**ASX: MGY**) is pleased to advise that exploration at its graphite projects in Madagascar in the June Quarter has produced highly promising results. The exploration activity involved:

- *drilling at the Green Giant graphite JV with Canada's Energizer Resources- Molo Project*
- ***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 program are analysed*

EGZ MALAGASY JOINT VENTURE – MOLO PROJECT

Malagasy Minerals formed a joint venture (JV) company with Canadian-based Energizer Resources Incorporated (TSX: EGZ). The JV is owned 25 per cent by Malagasy and 75 per cent 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 40per cent of Malagasy's prospective

tenement holding in southern Madagascar. Malagasy is free carried for 25 per cent until completion of a Bankable Feasibility Study on any project.

During the Quarter, Energizer announced outstanding first stage exploration results from a 7,500m diamond drilling program on the Molo Graphite Deposit within the JV area.

Energizer said assays showed wide intercepts of graphite mineralization including 421.3m of graphite grading 6.12 per cent Carbon.

Energizer has completed 22 diamond drill holes (over 4,600 metres) at the Molo deposit as part of its 2012 resource drill program of 7,500 metres. All drill holes will be used to produce a NI 43-101 compliant graphite resource, which will be released in December quarter.

The results, confirm that the Molo deposit is exposed at surface, and extends to a vertical depth of over 300 metres. The confirmation of graphite mineralization at surface is believed by the Company to be a key benefit of the Molo deposit because it should allow for cost-effective open pit mining.

Additional drill core samples have been sent for assay, and Energizer anticipates receipt of the assay results on an ongoing basis over the next 8-10 weeks.

Drill Results

The first 3 holes were emplaced to help determine the outer boundaries of the Molo deposit. Diamond drill hole MOLO-12-01 was drilled to test both the western and eastern edge of the Molo deposit. MOLO-12-02 was drilled in order to define the western-most edge of the Molo deposit, while MOLO-12-03 was drilled to define the eastern-most edge of the Molo deposit. The table below summarizes the drill intersections.

Drill Hole	UTMX	UTMY	Azimuth	Dip	Graphite Intersection (m)	Carbon %	Depth From (m)	Depth To (m)
MOLO-12-01	513120	7345600	90	-45	421.3	6.12%	31.3	452.65
MOLO-12-02	513180	7345600	270	-45	37.5	6.11%	19	56.5
MOLO-12-03	513240	7345600	90	-45	290.1	6.08%	1.2	291.3

Energizer Intends to Fast-Track Mine Development

Drill core and trench assays are wider than originally anticipated. As such, the Company believes a resource target of >100 million tonnes (MT) grading over 6% C is obtainable for the Molo deposit. This resource will be available by Q4 of this year. A 100 MT deposit grading at 6% C would be capable of producing 100,000 tonnes (T) per year of graphite concentrate for over 50 years.

To expedite the development of the project, geologic and geotechnical data is being supplied on a continual basis to the Company's technical partner, DRA Mineral Projects (DRA), which will be providing full Engineering, Procurement and Construction Management (EPCM) services to construct a modular graphite mine at Molo. Additionally, DRA has provided an independent onsite geologist to help facilitate information transfer, as well as to expedite the establishment of a NI 43-101.

The Company believes that existing infrastructure in southern Madagascar can be suitably upgraded with minimal expenditure to handle the output of a modular graphite mine at Molo producing up to 100,000 T of graphite concentrate per annum. Consequently, the Company and DRA believe that given the deposit characteristics and metallurgy determined to date, in conjunction with minimal improvements to existing infrastructure, that a cost-effective open pit mine can be easily fast tracked. The exact build-out timing will be established in a PEA analysis due in December Quarter by DRA.

MALAGASY'S 100 PER CENT-OWNED TENEMENTS - RECONNAISSANCE OVER POTENTIALLY GRAPHITE-BEARING CONDUCTORS

Preliminary interpretation of VTEM data outlined approximately 110 km of potential strike of graphitic schist within the Ampanihy Project area. Figure 1 shows the areas inferred to contain potential graphitic mineralization both within Malagasy's 100% controlled tenements and the JV area.

The plan identified over 80 such conductors over a length of 110 km. Thirty-five of these occur on the ground held by MGY.

Graphite was identified in many of these, and a pattern of potentially graphite-bearing and non-graphite-bearing conductors was recognised. In all cases, the rock hosting the graphite was a quartz-feldspar-sillimanite schist.

The graphitic schist was not systematically mapped, so it is not possible to assign dimensions to the bodies of graphitic schist. Dimensions, quoted below, are estimates only.

Where warranted, the graphitic material was sampled. However, because of the tenacious nature of the schists, systematic channel sampling was not possible, and most samples are random chips over a specified width of schist. One hundred and seventy one samples were collected, and forwarded to Australia for chemical analysis. Results are not yet available.

In addition, specimens from a selection of graphite occurrences have been brought to Australia for determination of the all-important graphite flake size.

Three types of graphite were recognised: -.

1. massive graphite, some of which, near surface, may have a significant iron and silica content
2. heavily disseminated graphite, which appears to have a coarse flake size
3. lightly disseminated graphite, which appears to have a finer flake size.

The field-work identified five high-priority targets which warrant further work by way of mapping, costeaning and drilling. These are summarised in the table below, and are also shown on Figure 1.

DESIGNATION	DIMENSIONS	OBSERVATIONS	REMARKS
A	2500 X 50	MASSIVE AND HEAVILY DISSEMINATED GRAPHITE	
B	3000 X >30	COARSE GRAINED DISSEMINATED GRAPHITE	PROBABLY CONTINUES TO C
C	3000 X >87	COARSE GRAINED DISSEMINATED GRAPHITE	PROBABLY CONTINUATION OF B
D	1500 X 70	COARSE GRAINED DISSEMINATED GRAPHTE	JUNCTION OF TWO CONDUCTORS
E	400. X 200	NUMEROUS SMALL OUTCROPS OF FERRUGINISED, SILICICFIED MASSIVE GRAPHITE	AREA APPEARS TO BE COMPLEXLY FOLDED

Each of these targets is easily accessible, is on relatively flat ground, and free of competing land use.

These require mapping and costeaning to determine their dimensions, followed by diamond drilling to establish depth extent and graphite grade. Anomaly C (Figure 2) is depicted on the attached Photo illustrating the vertical extensive shear zone of Graphite outcrop.

In addition, another five medium-priority targets were identified. These are assigned a lower priority for reasons of poor exposure of the graphitic schist or competing land use. Again, these require mapping and costeaning to determine their dimensions, and probably drilling.

A re-interpretation of the VTEM data by geophysical consultants has outlined other conductors. These will be investigated in the next field program.

Ampanihy Project

Stream sampling assays were received which showed anomalism in Cu, Ni Pt, U and Zn are located at various locations along the Suture Zone. Refer Figure 2.

Follow-up soil sampling was started in the June quarter and is currently being completed.

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 3 . Closer spaced soil sampling is currently being completed.*

Fotadrevo Project

At the Fotadrevo Project, following up on significant nickel-in-soil anomalism (up to 3,716ppm Ni – refer Figure 3) , mapping showed the source of the soil anomalism to be Ni-Co anomalous ultramafic schist and will be invrestigated with trenching during the 2012 field season.

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. No follow up work was undertaken in the quarter.

Mahajanga Project

The Mahajanga Project is a mineral sands prospect located on the north-western side of Madagascar. A reconnaissance trip was abandoned due to issues with access. Further investigations of this prospect are to be undertaken.

CORPORATE

As at 30 June 2012, the Company retained A$1.95 million in cash resources, plus approximately A$2.1 million in EGZ shares.

On 6 June 2012 Mr Graeme Boden was appointed a non-executive Director of the Company.

***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 31 August 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 31 August 2012.

Management: The Company's exploration activities continue to be managed with the assistance of local geological staff and Consultant Geologists, aided by the Company's Country Manager (Gerant) and CFO, Jean Luc Marquetoux.

The Company remains 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, including attempts to unlawfully impede operations. The Company has commenced legal action for damages arising from these actions.

Strategic Review: The Company is awaiting receipt of an independent geological review on the base metals prospectivity of its leases, following which a review of our management needs, strategy and structure will be completed.

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

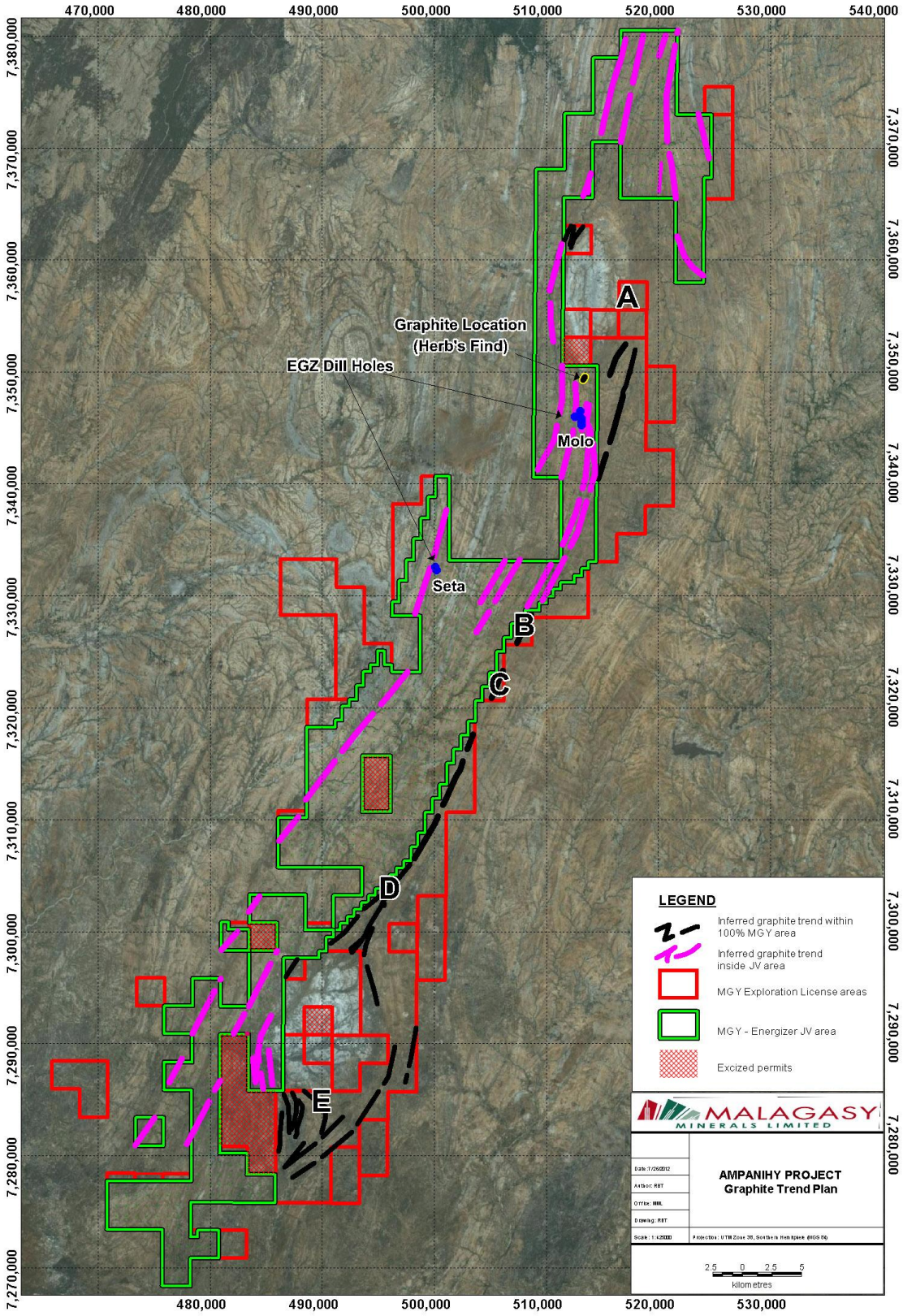

Figure 1: Graphite trends inferred from VTEM and Magnetic data.
Black lines are 100% Malagasy controlled and Magenta lines are JV controlled.

Figure 2: Anomaly C Outcrop of graphitic Schist, estimated to be over 3,000 metres long and 87 metres wide at this point.

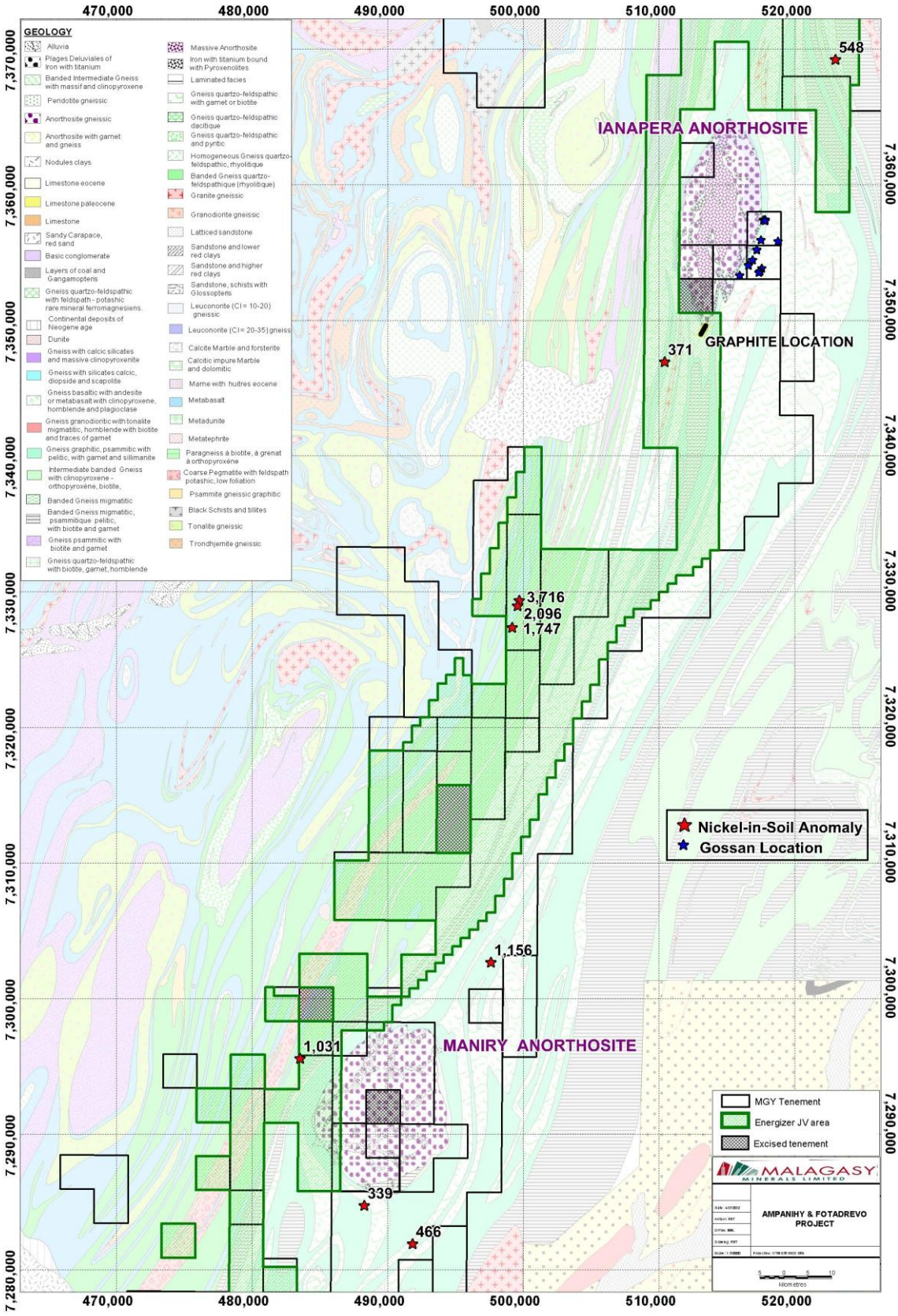

Figure 3: Nickel-in-Soil anomalism areas (>300ppm Ni) and up to 1,156ppm Ni at Ampanihy and 3,716ppm Ni at Fotadrevo.

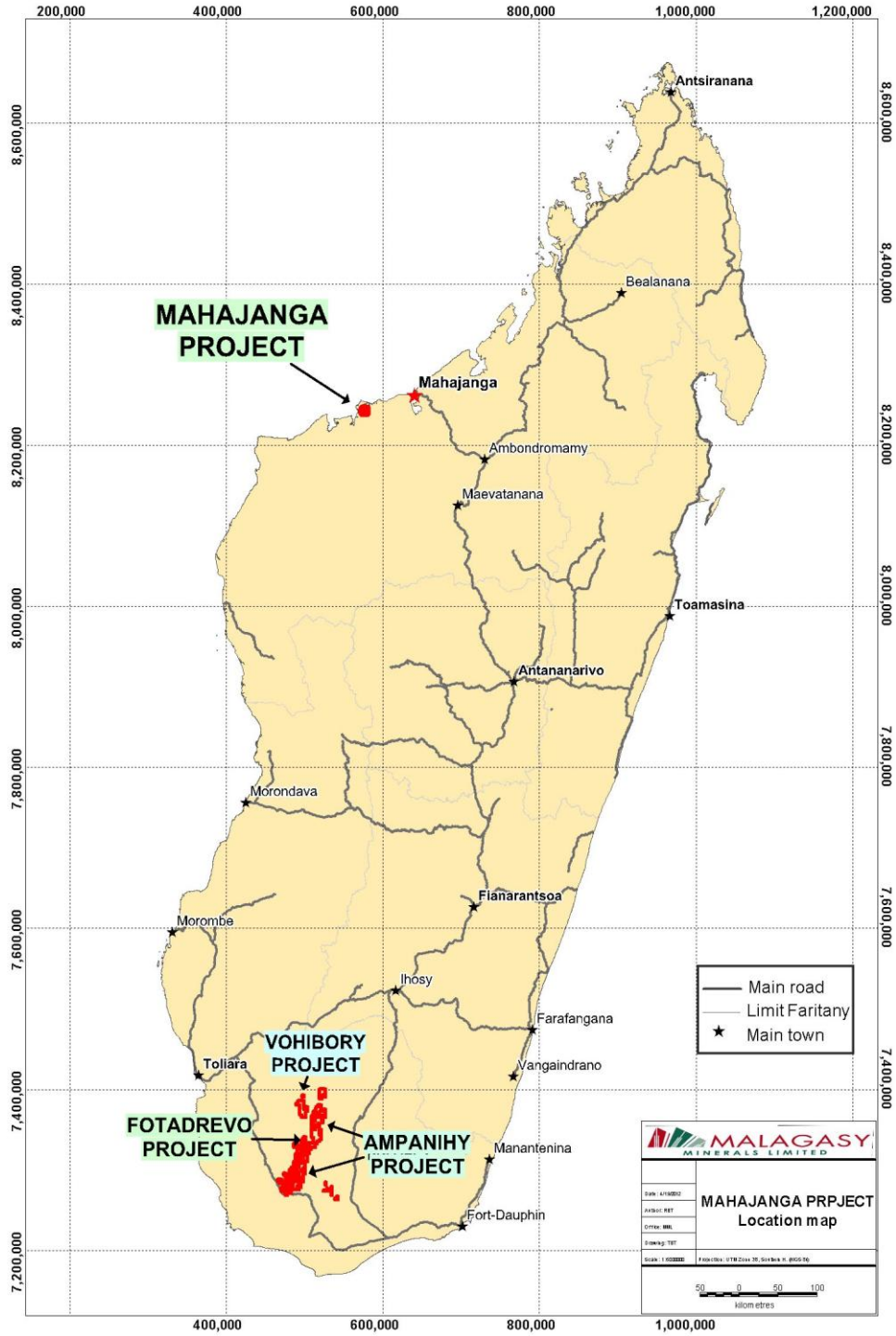

Figure 4: Location of Malagasy's Projects in Madagascar.

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 JUNE 2012

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (12 Months) $A'000
	Cash flows related to operating activities		
1.1	Receipts from product sales and related debtors	186	576
1.2	Payments for (a) exploration & evaluation (net)	(490)	(1,984)
	(b) development	-	-
	(c) production	-	-
	(d) administration (net)	(74)	(434)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	32	73
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (TVA recoverable)	-	-
	Net Operating Cash Flows	**(345)**	**(1,768)**
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(1)	(24)
1.9	Proceeds from sale of:		
	(a) prospects	30	2,426
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	(23)	(129)
	Net investing cash flows	**6**	**2,273**
1.13	Total operating and investing cash flows (carried forward)	(339)	505

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	**(339)**	**505**
	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	**(339)**	**505**
1.20	Cash at beginning of quarter/year to date	2,289	1,445
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	**1,950**	**1,950**

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	57
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

7,500,000 Shares in Energizer Resources Inc were revalued to $2,376,120, being market value at 30 June 2012.

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	**150**	**189**
5.2	Deposits at call	**1,800**	**2,100**
5.3	Bank overdraft	**-**	**-**
5.4	Other (provide details)	**-**	**-**
	Total: cash at end of quarter (item 1.22)	**1,950**	**2,289**

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.

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

+ See chapter 19 for defined terms.

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:  Date: 30th July 2012

(Director/Company secretary)

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.