

MALAGASY ACQUIRES KARLAWINDA GOLD PROJECT

HIGHLIGHTS

- **650,800 ounces inferred resource (JORC 2012)**
- **Location 65km south of Newman WA, is excellent for project infrastructure**
- **Potential near term open pit production**
- **Significant potential for additional resources, both adjoining inferred resource and regionally.**

PERTH 23 October 2015: MALAGASY MINERALS LIMITED (ASX:MGY) (“Malagasy”) is pleased to announce that it has executed a Heads of Agreement (HOA) with Greenmount Resources Pty Ltd (“Greenmount”) to acquire all of the issued capital of Greenmount.

Greenmount is an unlisted private company which has contracted to acquire the Karlawinda Gold Project encompassing the Bibra Gold Deposit and the highly endowed Francopan Gold Prospect. These advanced positions are located in a large exploration holding that is considered to have excellent regional gold potential. Greenmount has paid the first instalment to acquire Karlawinda and is required to pay a further instalment in August 2016.

KARLAWINDA PROJECT DETAILS

Summary

- Bibra Deposit - JORC 2012 Inferred resource at: **18mt @ 1.1g/t Au for 650,800oz Au (COG 0.5g/t)**
- Potential for near term open pit production: considerable accumulated expenditure on resource evaluation and pre-feasibility study activities.
- Thick, flat lying gold mineralized structure amenable to low cost open pit mining with mineralization starting close to surface. No previous mining.
- Located close to key infrastructure and mining support services.
- Large scale potential within an unexplored Archean greenstone belt to significantly add to the resource base in the near term:
 - **Bibra Gold Deposit:** gold mineralization remains open in down plunge positions and potential exists for strike extensions and stacked mineralized gold lodes. Large areas of defined mineralization are not included in the JORC resource.
 - **Francopan Prospect:** drilling intersections up to 5km away from the Bibra Deposit include 81m @ 1.2g/t Au (includes 15m @ 3g/t Au) and 37m @ 1.9g/t Au (Table 1).
 - **Regional Exploration:** largely limited to reconnaissance aircore drilling. Number of defined high priority targets for immediate testing. Potential for a large-scale mineralized system.

Location

The Karlawinda Gold Project is located approximately 65 km south of Newman in the Pilbara Province of Western Australia (Figure 1). The main access route is via the Great Northern Highway and the Weelarrana Station (unsealed) access road and station tracks within Weelarrana Station. The Pilbara-Goldfields Gas Pipeline is located 50km to the west of the main project area.

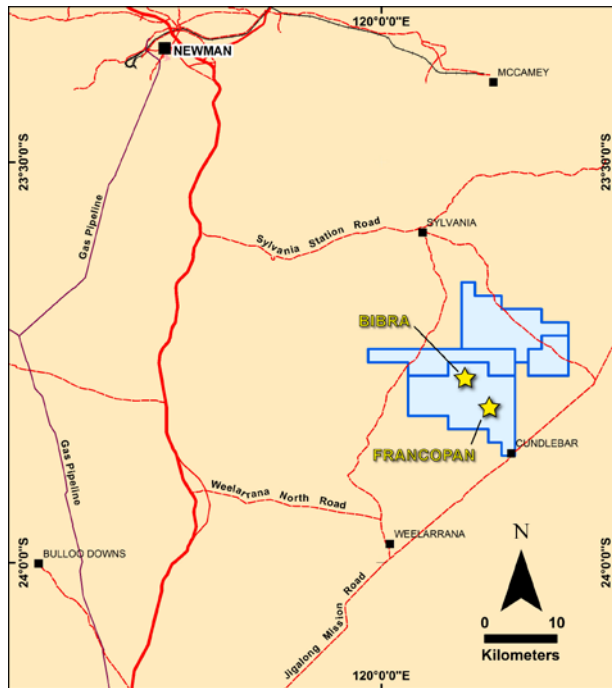


Figure (1) – Karlawinda Gold Project Location Plan

Tenements

The main project area is made up of four granted exploration licences that cover an area of approximately 290km sq. (Figure 2). The tenements cover a large area of the Sylvania Dome, an under-explored Archaean aged outlier on the margin of the Pilbara Craton. The southern part of the project is covered by the Proterozoic Bangemall Basin.

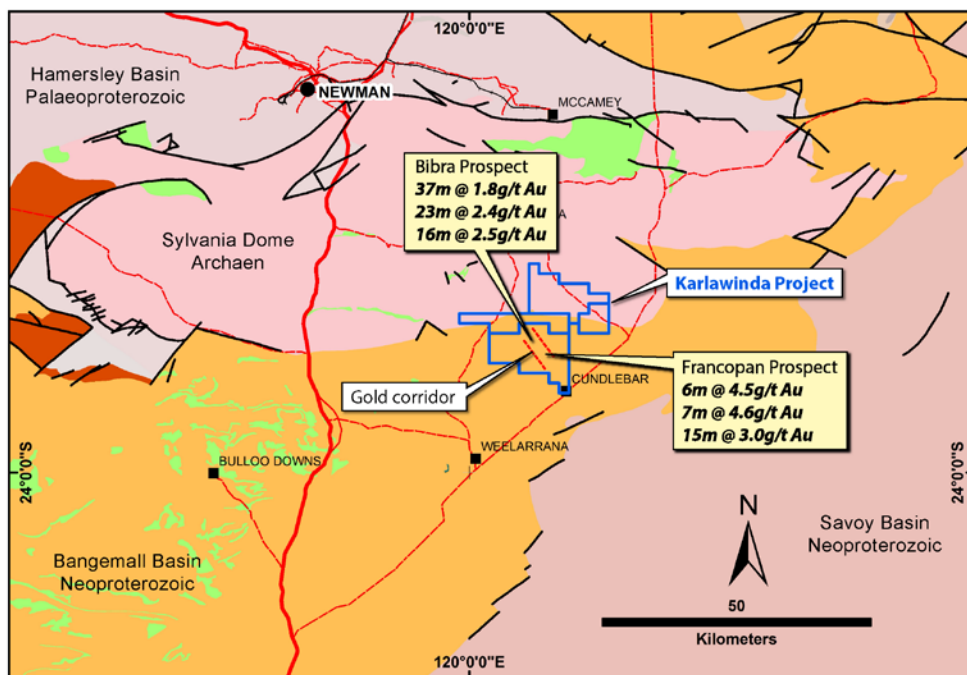


Figure (2) – Karlawinda Gold Project Tenement and Geology Plan

Previous Work

Gold mineralization at the Francopan Prospect was originally discovered by WMC Resources Ltd in 2005. The project was subsequently acquired by Independence Group (IGO) in 2008 resulting in the discovery of the significant Bibra Gold Deposit in 2009.

Since the discovery of the Bibra Gold Deposit by IGO approximately \$12 million has been spent on resource evaluation activities (RC and diamond drilling, assays, geotechnical assessments and resource modelling), scoping study activities (Including: metallurgical test work, conceptual mining designs, hydrology, baseline environmental studies, CIL process plant design and power supply), and initial programs of regional exploration (aircore drilling, geochemical surveys and geophysical survey).

In addition, the project area has been the subject of Heritage Surveys with a number of Heritage Agreements in place.

Bibra Gold Deposit

The Bibra Gold Deposit is part of a large-scale Archaean aged gold mineralized system. The resource is hosted within a package of deformed meta-sediments that has developed on at least two parallel, shallow dipping structures; oxide mineralization has developed over the structures from surface to a depth of approximately 60m. The primary mineralization is strata-bound with lineations likely controlling higher-grade shoots.

A JORC 2012 inferred resource of **18 million tonnes @ 1.1g/t Au for 650,800oz Au** was estimated by IGO and subsequently reviewed by independent consultants (see Appendix 1). There is a substantial amount of gold mineralization drilled in close proximity to the existing resource that has the potential to be upgraded with a limited amount of infill drilling. Scope exists for major expansions of the resource down plunge and to a lesser extent along strike with additional drilling (Figure 3a, 3b and 3c).

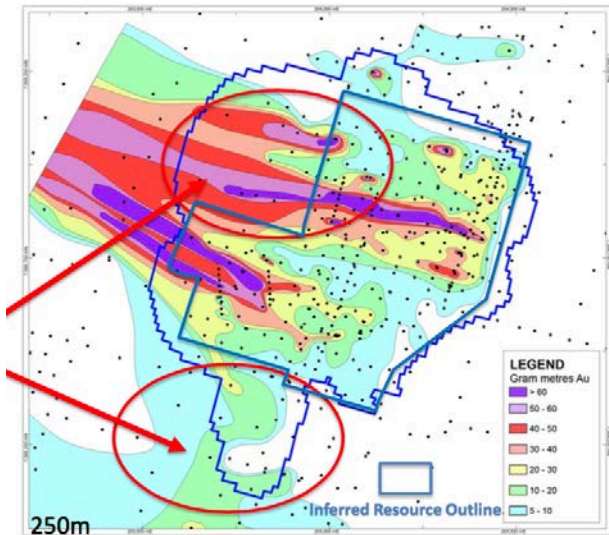


Figure (3a) – Bibra Gold Deposit

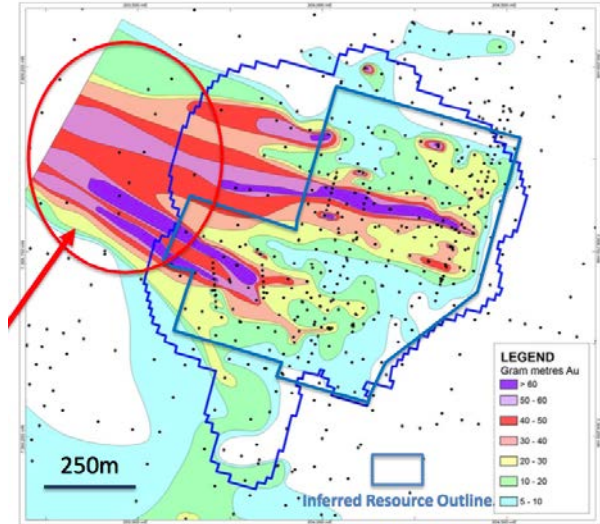


Figure (3b) – Bibra Gold Deposit

This diagram shows drill locations and calculated gram X metre thickness contours. Areas highlighted have potential in the near term to provide significant additions to the resource.

This diagram highlights the potential to significantly increase the Bibra Resource in the down-plunge position. The focus will be on defining high-grade shoots within the broader mineralized envelope.

The resource drilling is a combination of RC and lesser diamond with a nominal spacing of 100m X 50m.

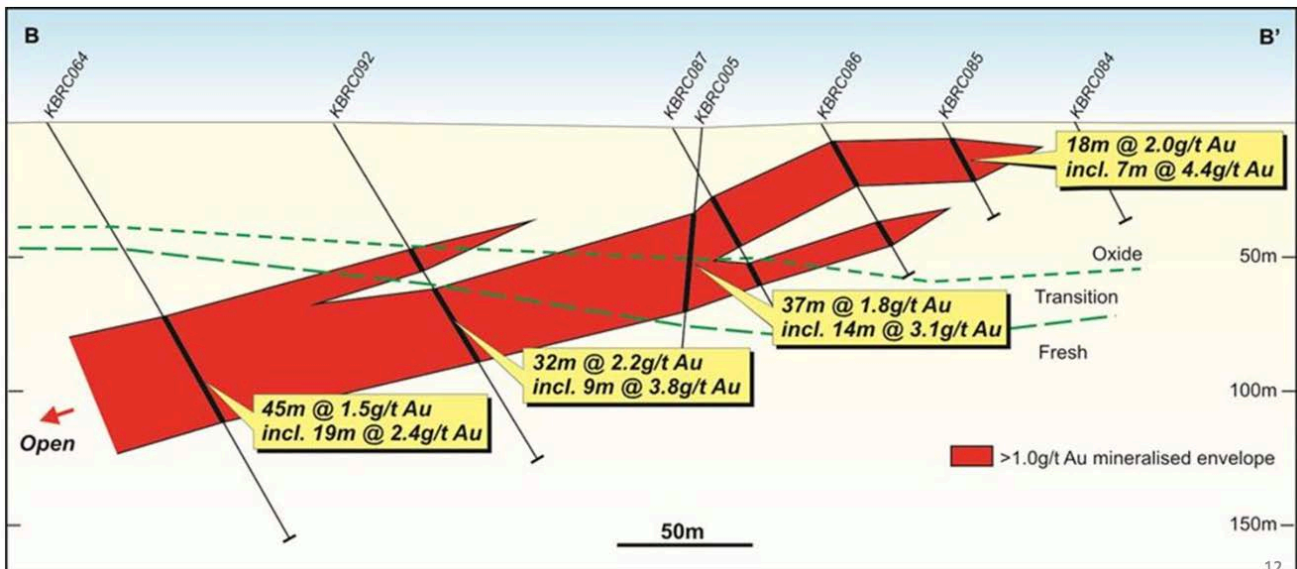


Figure (3c) – Bibra Gold Deposit Interpreted Cross Section
(Diagram from IGO 2011 Diggers and Dealers Presentation)

Francopan Gold Prospect

The Francopan Gold Prospect is located approximately 5km south east of the Bibra Gold Deposit (Figure 4) and demonstrates the potential size of the gold mineralizing system at Karlawinda. The mineralization is covered by the northern margin of the Bangemall Basin.

Limited broad spaced drilling beneath the cover sequence has intersected broad zones of mineralization containing narrower higher-grade intervals (Figure 5). Francopan will be targeted to define the size of the mineralized system, determine whether there is a connection with the Bibra Deposit and identify high-grade areas that can be assessed for underground mining opportunities.

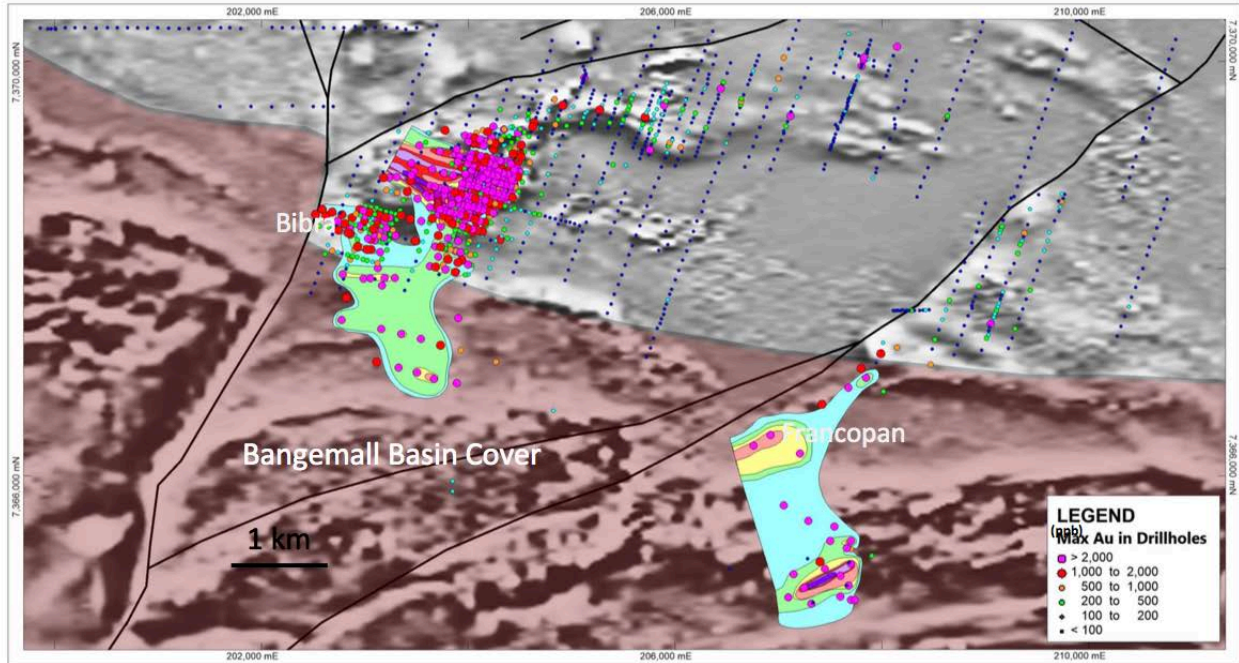


Figure (4) – Karlawinda Gold Project Prospect Location Plan

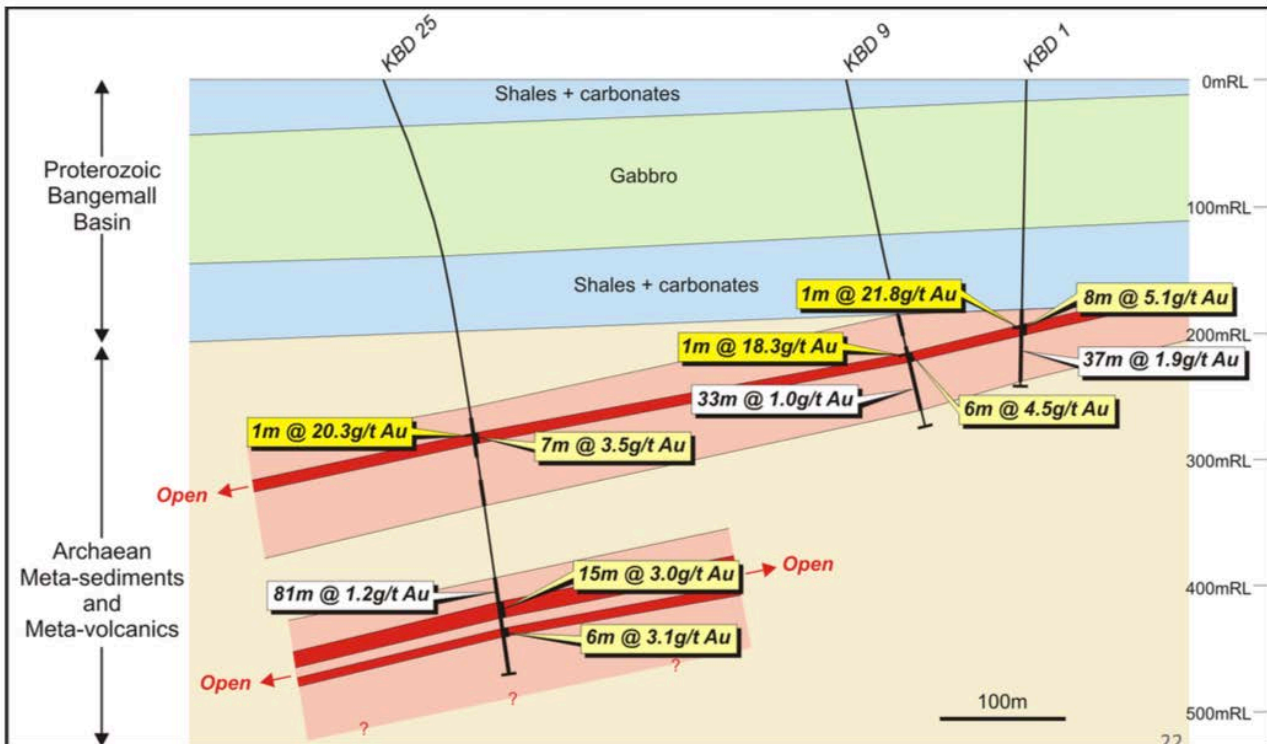


Figure (5) – Francopan Prospect Interpreted Geological Cross Section
(Diagram from IGO 2011 Diggers and Dealers Presentation)

Regional Exploration Potential

The Karlawinda Project remains largely unexplored. Since the discovery of the Bibra Deposit the focus has largely been on detailed assessment of that resource. Regional exploration remains at an early stage and is limited to wide spaced aircore drilling, surface geochemistry and programs of geophysics.

Despite the limited nature of the regional exploration a series of priority targets have been identified for immediate follow-up work. Results of over 2g/t Au have been returned from shallow aircore drilling (Figure 4).

TRANSACTION DETAILS

Under the HOA Malagasy will acquire all of the issued capital of Greenmount by the issue of 171,636,476 fully paid ordinary shares, which will represent 50% of the expanded capital of Malagasy after the issue.

HOA CONDITIONS PRECEDENT

The HOA is subject to the following conditions:

- Malagasy completing its due diligence investigations with respect to Greenmount and issuing a notice to Greenmount by 13 November 2015, or such later date as agreed by the Parties, advising that Malagasy is satisfied with its due diligence in its sole and absolute discretion.
- Greenmount completing its due diligence investigations with respect to Malagasy and issuing a notice to Malagasy by 13 November 2015, or such later date as agreed by the Parties, advising that Greenmount is satisfied with its due diligence in its sole and absolute discretion.
- Malagasy entering into a Share Sale Agreement with each of the Greenmount shareholders by 20th November 2015, or such later date as agreed by the Parties.
- Malagasy obtaining all shareholder approvals required by the ASX Listing Rules and the Corporations Act (2001) for the allotment of the consideration shares to Greenmount shareholders.

CAPITAL STRUCTURE

The capital structure following completion of the transaction would be as follows (assuming all resolutions at the annual general meeting which relate to the issue of shares are passed.):

	Shares	%	Options
Existing securities	165,346,421	48.2	8,250,000
Issued after AGM approval	6,290,055	1.8	-
Issued for Greenmount acquisition	171,636,476	50.0	-
	<u>343,272,952</u>	<u>100.0</u>	<u>8,250,000</u>

BOARD AND MANANGEMENT

At completion of the transaction, existing Malagasy directors Dr. Peter Woods and Mr. Graeme Boden will resign and two Greenmount directors Mr. Heath Hellewell and Mr. Peter Thompson will join the board.

Mr. Thompson will become the Managing Director of Malagasy and existing company secretaries Mr. Graeme Boden and Ms. Natasha Forde will be retained.

RESTRUCTURING OF EXISTING MALAGASY ACTIVITIES

Existing Malagasy assets which are excluded from the transaction are the subsidiaries (both in Madagascar):

- Mada-Aust SARL, which holds the tenements containing the Maniry graphite project in particular, but also other graphite and mineral prospects, together with labradorite mining leases.
- Mining Services SARL, which is a drilling and sample preparation company.

These companies will be folded into a newly incorporated Mauritian company, to be named Madagascar Graphite Limited.

Subject to the payer's consent, a milestone payment upon commencement of commercial production at the Molo graphite project and a 1.5% net smelter return royalty from the project, will also be transferred to Madagascar Graphite Limited.

Upon completion of the Greenmount acquisition, shares in Madagascar Graphite Limited will be distributed in specie to Malagasy shareholders of record on the completion date and will be funded independently of Malagasy.

The objective is that pre-transaction Malagasy shareholders will hold 100% of Madagascar Graphite Limited, and 50% of the merged Malagasy/ Greenmount entity, which will be renamed at completion.

At completion of the restructuring the principal ongoing assets of the continuing Malagasy/ Greenmount merged entity would be:

- Karlawinda gold project
- Madagascar subsidiary, St Denis Holdings SARL

The sole asset of St Denis is 19,000 square metres of land in prime hillside location in Antananarivo, the capital of Madagascar. Present buildings include two houses, canteen, several office buildings and warehouse space, presently used for vehicle fleet and petroleum and mineral sample preparation.

The potential of the land lies in development for a range of residential, commercial or industrial possibilities.

TIMETABLE

The anticipated timetable to completion of the transaction is as follows:

Activity	Date
Execution of Heads of Agreement	Friday 23 October 2015
ASX announcement	Pre-open Monday 26 October 2015
Completion of Malagasy DD on Greenmount and Greenmount DD on Malagasy	Friday 13 November 2015
Execution of share sale agreements	Friday 20 November 2015
Malagasy Notice of Meeting to ASX	Friday 20 November 2015
Malagasy Notice of Meeting to ASIC	Friday 27 November 2015
Despatch of Notice of Meeting	Tuesday 15 December 2015
Shareholder meeting and allotment of MGY shares	Friday 15 January 2016

For Further information, please contact:

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Corporate Matters: Graeme Boden or Natasha Forde (08) 9286 1219

Email: contact@malagasyminerals.com

COMPETENT PERSONS STATEMENT.

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. Peter Langworthy, Technical Director, who is a Member of the Australian Institute of Mining and Metallurgy. Mr. Peter Langworthy is a full time Director of Malagasy Minerals Limited and has sufficient experience, which is relevant to the style of mineralisation and types of deposit under consideration and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Peter Langworthy consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

TABLE (1) – KARLAWINDA GOLD PROJECT SUMMARY OF REPORTED DRILLING RESULTS									
HOLE No	EASTING	NORTHING	AZIMUTH	DIP	EOH	FROM	TO	INTERVAL	GRADE (g/t Au)
KBD025	207,248	7,364,917	65	-65	712.12	290	297	7	3.5
						(Includes)		1	20.3
						402	483	81	1.2
						(Includes)		15	3.0
						(Includes)		6	3.1
KBD009	207,600	7,365,035	65	-70	291.5	231.4	264	33	1.0
						(Includes)		6	4.5
						(Includes)		1	18.3
KBD001	207,700	7,365,150	0	-90	242.6	180	217	37	1.9
						(Includes)		8	5.1
						(Includes)		1	21.8
KBRC064	204,088	7,368,909	105	-60	180	87	132	45	1.5
						(Includes)		19	2.4
KBRC092	204,184	7,368,864	105	-60	148	32	109	32	2.2
						(Includes)		9	3.8
KBRC005	204,326	7,368,833	205	-60	128	38	75	37	1.8
						(Includes)		14	3.1
KBRC085	204,409	7,368,799	105	-60	40	6	24	18	2.0
						(Includes)		7	4.4

(Note: See IGO's ASX Release of 28 August 2014 for JORC Code (2012) Table 1 Parameters.)

Appendix (I) – Karlawinda Gold Project – Bibra Prospect – June 2014 Resources

Mineral Resource 30 June 2014* - Reported at a 0.5g/t Au cut off grade			
Classification	Tonnes (Mt)	Au g/t	Contained Au (Oz)
Measured	--	--	--
Indicated	--	--	--
Inferred	18	1.1	650,800
GRAND TOTAL	18	1.1	650,800

(As reported by Independence Group NL in their 2014 Annual Report)

Notes:

1. The Mineral Resource estimate was estimated within a conceptual A\$1,600/oz Au pit shell completed in 2012 and for the area of drill coverage at 100m x 50m spacing or less. Contained gold (oz) figures have been rounded to the nearest one hundred ounces.
2. The Mineral Resource has been unchanged since 2013.
3. Mostly RC drilling with 1m cone split samples analysed by 50g fire assay.
4. Mineralisation was wireframed at a cut-off grade of 0.3g/t Au and Mineral Resources were reported above a cut-off grade of 0.5g/t Au.
5. Block modeling used ordinary kriging grade interpolation methods for composites that were top-cut to 10g/t Au in the supergene zone and 16g/t Au for the remaining mineralization. Top cuts are not severe, trimming no greater than 0.5% of the samples.
6. There are no Ore Reserves for Karlawinda.
7. See IGO's ASX Release of 28 August 2014 for JORC Code (2012) Table 1 Parameters.