

MALAGASY MINERALS LIMITED
Activities Report for the December Quarter 2012

MOLO GRAPHITE DEPOSIT
EMERGING WORLD-CLASS DEVELOPMENT OPPORTUNITY

Maiden JORC (NI43-101) Compliant Resource announced during December 2012 Quarter

- Maiden resource estimation completed by Joint Venture partner Energizer Minerals Inc confirms the Molo Graphite Deposit as one of the largest “jumbo” flake graphite resources in the world. Resources currently stand at (see Table (1) for details):

Indicated and Inferred Resource: 124 million tonnes grading 6.3%C
(2% cut-off grade)

- Two **high-grade zones** have been identified within the broader Molo resource. Reported at a 4% cut-off grade the high grade resource currently stands at:

High grade Zones
Indicated and Inferred Resource: 60 million tonnes grading 8.1%C
(4% cut-off grade)

- Molo Graphite Project now being fast tracked through a Preliminary Economic Assessment (PEA) by Joint Venture partner Energizer Minerals Inc.
- Following a period of strategic review and planning in the latter stages of 2012 Malagasy has developed a comprehensive exploration strategy targeting:
 - High-grade (+15%C) deposits of quality flake graphite on prospective ground held 100% by Malagasy Minerals. Sampling to date has returned exceptionally high grade results including 50.8%C, 20.5%C, 24.9%C, 14.7%C, 12.9%C, 28.1%C and 23.1%C (see Figure X for details);
 - Large-scale, high-value nickel-copper platinum group element (Ni-Cu-PGE) deposits across the Ampanihy Project; and
 - Advanced volcanic hosted massive sulphide (VHMS) targets at the Vohibory Project.
- A comprehensive Operations Update was released in an announcement to the ASX on the 29th January 2013.

Malagasy Minerals Limited (ASX: MGY) is an Australian exploration company that has developed a significant portfolio of high quality exploration assets and a strategic low-cost operational base in southern Madagascar (Figure 1).

Madagascar is a developing country with a strong mineral endowment that provides access to world-class exploration opportunities across a number of commodities. Recent major resource development projects including the Ambatovy Nickel Laterite Project (Sherritt Int.) and the QIT Madagascar minerals (QMM -RIO) Anosy Minerals Sands Project, demonstrate key support for the resource sector by both the Madagascar Government and the Malagasy People

Malagasy's current focus in southern Madagascar is to identify high value exploration and development opportunities within its existing project portfolio for world-class nickel-copper-PGE deposits, graphite deposits and volcanic hosted massive sulphide deposits ("VHMS"). This is being undertaken both on a 100% basis and through joint venture.

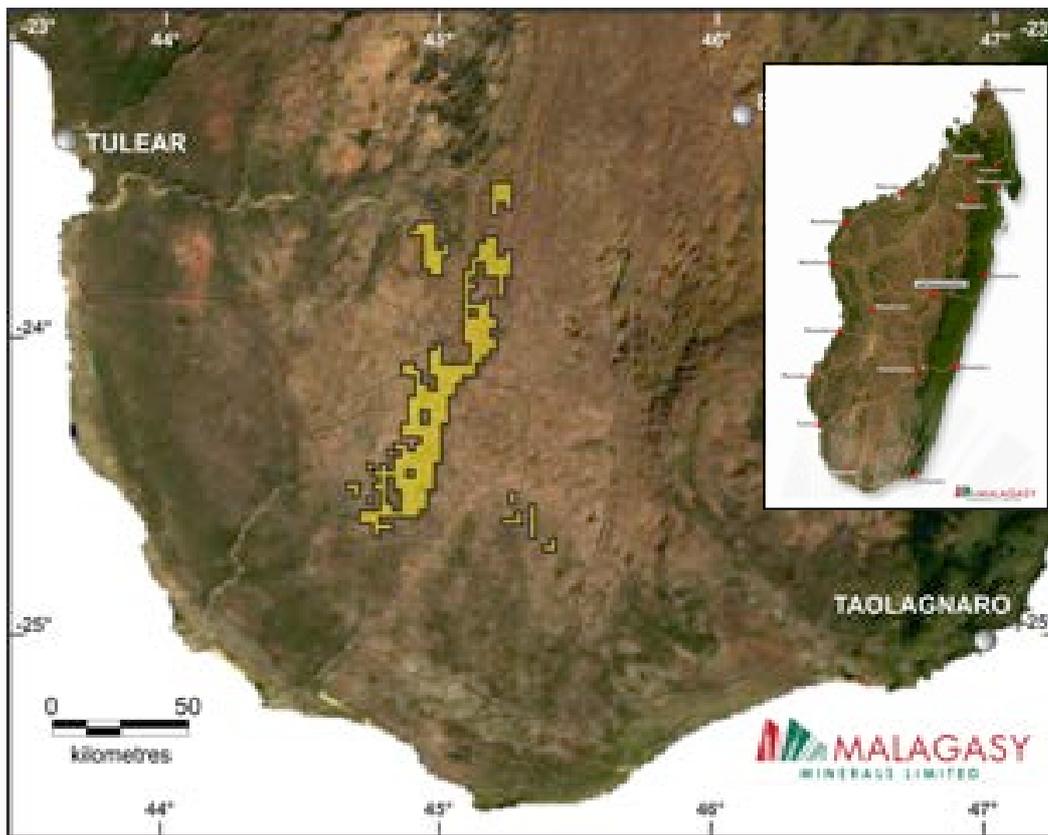


Figure (1) – Southern Madagascar Exploration Project Location Plan

MOLO GRAPHITE DEPOSIT (EGZ 75%/ MGY 25%)

Emerging World-Class Development Opportunity

The maiden resource announced by joint venture partner Energizer Resources Inc. in December 2012 (see ASX Announcement – 5th December 2012) ranks the Molo Graphite Deposit as one of the largest known contained graphite deposits in the world. The JORC and NI 43-101 compliant resource reported at a 2% C cut-off grade currently stands at (see Table (1) for details):

- **Indicated and Inferred Resource: 124 million tonnes grading 6.3% C**

Significantly two high-grade zones identified within the broader resource reported at a 4% cut-off grade currently stands at (see Table 1 for details):

- **Indicated and Inferred Resource: 60 million tonnes grading 8.1% C**

Key points:

- The Molo Graphite Deposit is owned in joint venture with Energizer Resources Inc. (TSX: EGZ). Energizer are managers and hold a 75% interest and Malagasy retains a 25% free-carried interest

in a defined set of industrial minerals (including graphite and vanadium) through to completion of a Bankable Feasibility Study. Malagasy retains 100% interest for all other minerals.

- The mineralized zones in the resource estimation start from surface and continue to a maximum depth of 385 metres. The mineralisation also remains open along strike and at depth with potential for near-surface high-grade extensions.
- All assays were done by Genalysis-Intertek, Perth and are reported as total carbon values.
- Preliminary small-scale tests of selected samples have indicated that “Jumbo Flake” graphite (i.e.+50 mesh) to a purity of 93%C can be easily liberated through a simple crushing process.
- A preliminary economic assessment (“PEA”) is currently being prepared and is scheduled for completion in early 2013.

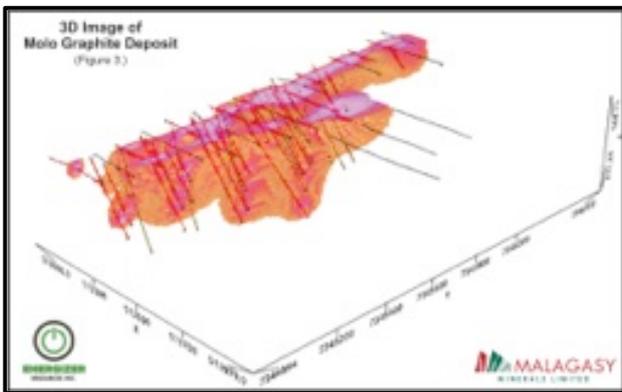


Figure (2) – Molo Graphite Deposit 3D Image

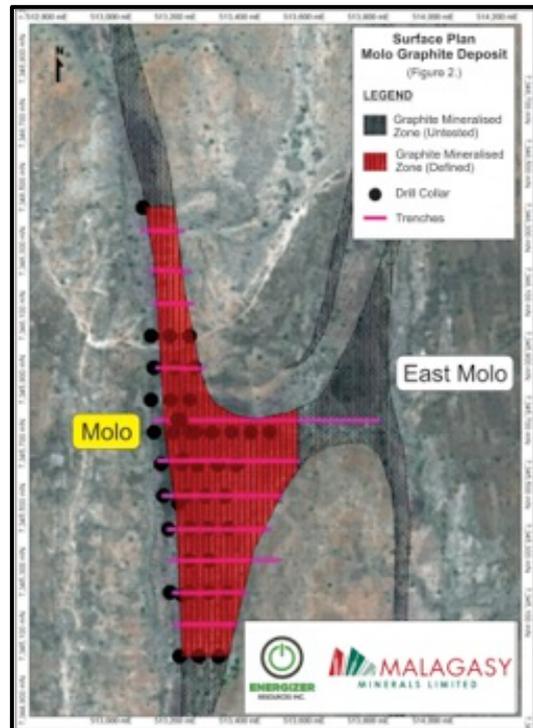


Figure (3) -Molo Graphite Deposit Plan

Table (1)

MOLO GRAPHITE DEPOSIT RESOURCE ESTIMATION SUMMARY ((NI) 43-101)

| Classification | Tonnes (mt) | Grade (C%)* | Cut-off grade (C%) |
|--------------------------------------|--------------|-------------|--------------------|
| Indicated | 84.0 | 6.3 | 2% |
| Inferred | 40.3 | 6.3 | 2% |
| TOTAL | 124.4 | 6.3 | 2% |
| “High-grade” Indicated & Inferred | 60.1 | 8.1 | 4% |

*Note – Reported Carbon % = Total Carbon

For additional detail see MGY ASX announcement released 5th December 2012

MALAGASY REGIONAL GRAPHITE EXPLORATION (MGY 100%)

Potential for High-Grade, High-Quality Graphite Deposits

Malagasy Minerals retains 100% of rights to graphite on its tenements outside of the Molo Graphite JV. This represents approximately 60% of the company's entire project area and presents an excellent opportunity to discover additional high-grade, high-quality graphite deposits that would have the potential to either enhance, or be enhanced by, the development of the Molo Deposit.

Malagasy has commenced the assessment and exploration of the 110km strike of prospective stratigraphy that has been identified through the Company's project area. The target deposit criteria is >5,000,000 tonnes at a graphite grade of +15%C.

Exploration to date is comprised of reconnaissance mapping and rock chip sampling to identify prospective areas that warrant more detailed follow-up programs of exploration based on the stated target criteria. The 2 priority areas identified to be prospective for this high grade graphite are (see Figure 5).

- **Magrama Camp Prospect**

This prospect is located on the southeast margin of the Ianapera Anorthosite intrusion and is located in the same graphite schist that hosts the Molo Deposit along strike to the south. Initial rock chip sampling identified outcrops with extremely high graphite grades up to **44.5%C**.

Subsequent exploration including mapping and systematic rock chip sampling has now identified 10 targets that have the potential to meet the tonnage criteria. Assay results for the sampling of these locations are expected by the end of March 2013. Dependent on assay results the next phase of exploration may include trenching and drilling.

- **Maniry Prospect**

The Maniry Prospect covers the southern margin of the Maniry Anorthosite intrusion in the southern part of Malagasy's project area. To date only reconnaissance exploration has been undertaken. The result of this work was the collection of a series of very high-grade graphite rock chip samples. Previously reported grades include **50.8%C**, **20.5%C**, **24.9%C**, **14.7%C**, **12.9%C**, **28.1%C** and **23.1%C**.

The next phase of exploration will involve a program of detailed outcrop mapping, estimation of potential tonnages and the collection of systematic rock chip channel samples to establish grade criteria. This work is anticipated to be completed as soon as the current wet season concludes and access is re-established.

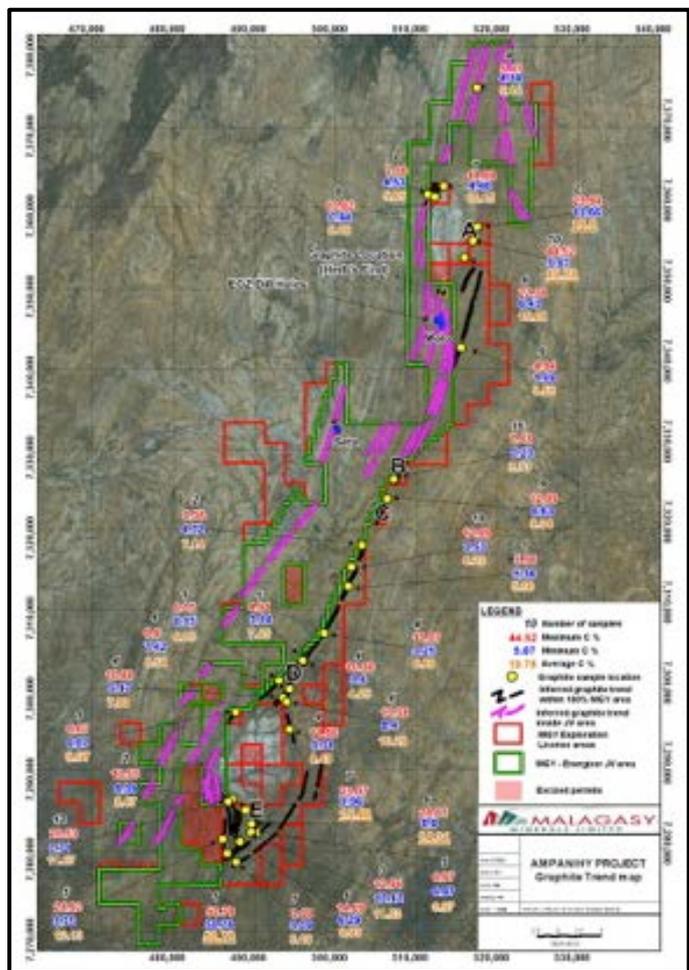


Figure (4) – Malagasy Graphite Targets

AMPANIHY PROJECT - NICKEL-COPPER-PGE EXPLORATION (MGY 100%)

Targeting a Major Nickel Discovery

A key objective for Malagasy Minerals in 2013 is the rapid advancement of exploration for large-scale mafic-ultramafic intrusion related nickel-copper-PGE deposits across the Ampanihy Project. A detailed review of the company's projects during 2012 has confirmed the potential for the region to host a large nickel-copper-PGE mineralising system.

The established criteria include:

- The presence of a crustal scale suture-structural zone with evidence of mantle derived intrusive activity;
- A widespread intrusive suite of mafic and ultramafic dykes and sills;
- The critical presence of nickel-copper sulphides located at a number of locations has demonstrated critical levels of sulphur saturation have been reached.

The initial phase of exploration in 2013 will involve detailed field evaluation of at least 10 defined targets comprising mapping, rock chip sampling and detailed surface geochemical sampling. This phase of work will form the basis for programs of follow-up exploration that may include airborne magnetic and electromagnetic surveys (VTEM), more specifically targeted ground electromagnetic surveys (MLEM), gravity surveys and drilling.

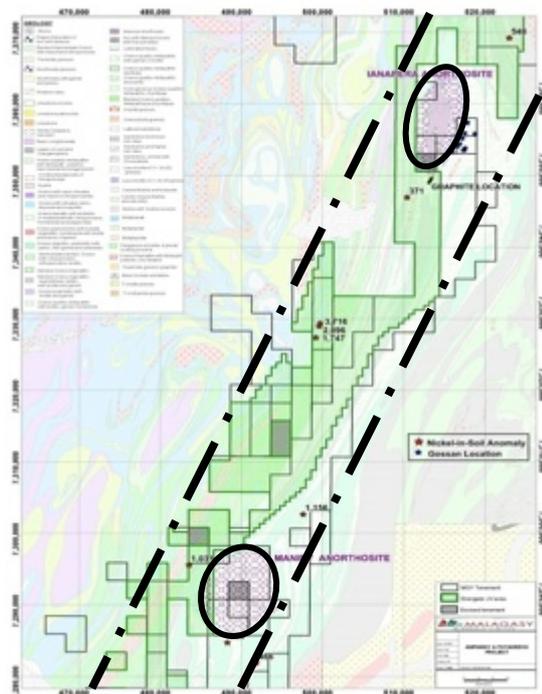


Figure (5) – Ampanihy Project Ni-Cu Corridor

VOHIBORY PROJECT - VHMS EXPLORATION (MGY 100%)

High-Grade, High-Value Copper-Gold Exploration Target

The Vohibory Project is located within the Vohibory Geological Domain to the north west of the company's main Ampanihy Project (Figure 2). The domain is characterised by bi-model volcanism that is characteristic of a back-arc basin and island arc environment. This setting is considered highly prospective for the formation of VMS deposits.

Malagasy is targeting high-value copper-gold (zinc-lead) volcanic hosted massive sulphide deposits across an area with demonstrated prospectivity.

Prospectivity is demonstrated by:

Widespread surface mineralisation (up to 29% Cu, 8.33g/t Au and 206g/t Ag) has been identified at a number of priority targets and limited previous drilling has returned wide zones of anomalous copper, gold and silver. It is also worth noting that Sunridge Gold Corp Besakoa Project lies to the immediate south in the same stratigraphic position.

Exploration at Vohibory will commence in 2013 as soon as access is possible at the end of the wet season. Programs will initially consist of detailed collection of geochemical samples, mapping and gossan sampling. This work will identify key targets that will then potentially be targeted with detailed ground electromagnetic surveys (MLEM), gravity surveys and drilling.

The Vohibory Project will also be assessed for its potential to host nickel and copper deposits as significant areas of Ni-Cu geochemical anomalism in proximity to a series of VTEM conductors have been delineated.

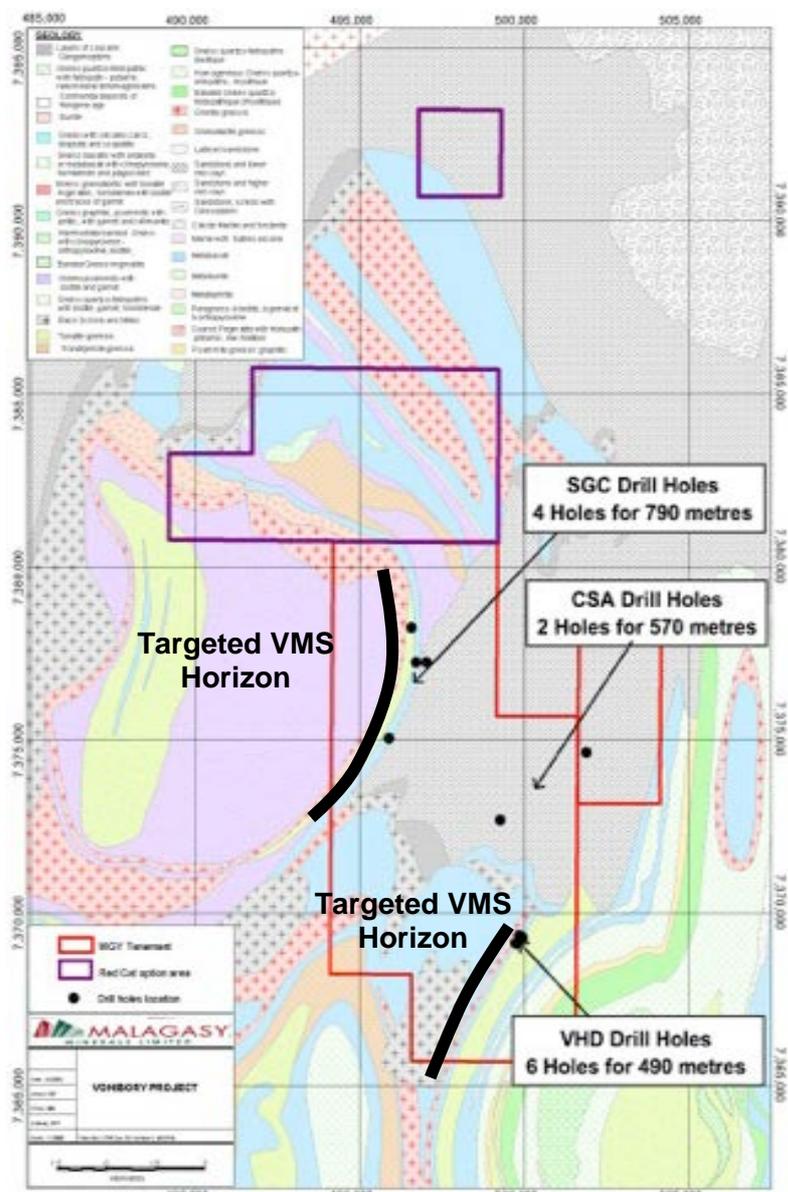


Figure (6) – Vohibory VHMS Project

CORPORATE

As at 31 December 2012, the company retained A\$1.2 million in cash resources, plus approximately A\$2.4 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 had further extended this agreement to 31 December 2012, having received additional consideration by way of non-refundable cash deposits for the agreement which covers the proposed sale of a northern portion of the Vohibory Project. In December, Red Cat advised that it will not be proceeding with an IPO in the near future, but may be interested in a purchase arrangement for the tenements, which would not be conditional upon achieving a listing.

Management

Malagasy Minerals Ltd has appointed exploration management consultants OMNI GeoX Pty Ltd (“OMNI GeoX”) to provide exploration management services for the company. The principal consultants for OMNI GeoX include Peter Langworthy, Stephen Vallance and Donald Huntly. OMNI GeoX are highly experienced explorers and corporate managers.

OMNI GeoX will be primarily responsible for, and actively engaged in providing overall management of the Malagasy’s exploration activities in Madagascar, including working closely with the existing Malagasy Exploration team.

Legal

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 the Company’s continuing operations, including attempts to unlawfully impede operations. During December, the Malagasy court ruled that it did not have jurisdiction over the resignation dispute, which is subject to Australian law. The Company has commenced legal action for damages and defamation arising from these actions.

Political Situation

The political situation in Madagascar remains uncertain, with international mediation continuing to assist in the negotiation of an orderly resolution. This is aimed at achieving free elections and the establishment of normalised 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, and the registration of additional minerals on permits. 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.

Elections are planned for May 2013, and it is anticipated that a new democratically elected government will be established. Both the incumbent president, installed after the coup in 2010, and the president ousted by the coup have announced that they will not be candidates at the elections. This has been reported as being seen by the international community as a positive development for the transparency of the elections but has not resolved uncertainty in the period leading up to the elections.

For and on behalf of the Board

Max Cozjin
Chairman

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, Consulting Geologist, who is a Member of the Australian Institute of Mining and Metallurgy. Mr. Peter Langworthy has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to activities undertaken, to qualify as a Competent Person as defined in the 2004 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.

ENDS

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|--|--|
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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 DECEMBER 2012 |
|------------------|

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (6 Months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | 158 | 310 |
| 1.2 Payments for (a) exploration & evaluation (net) | (164) | (682) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration (net) | (259) | (413) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 21 | 33 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (TVA recoverable) | - | - |
| Net Operating Cash Flows | (244) | (752) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | (2) | (16) |
| 1.9 Proceeds from sale of: | | |
| (a) prospects | - | 30 |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other – Loan payments to WTR | (25) | (54) |
| Net investing cash flows | (27) | (40) |
| 1.13 Total operating and investing cash flows (carried forward) | (271) | (792) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|--------------|--------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (271) | (792) |
| | 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 | (271) | (792) |
| 1.20 | Cash at beginning of quarter/year to date | 1,429 | 1,950 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | Cash at end of quarter | 1,158 | 1,158 |

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 | 62 |
| 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 \$2,275,752, being market value at 31 December 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 | 200 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration (Net) | 100 |
| Total | 300 |

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 | 58 | 129 |
| 5.2 Deposits at call | 1,100 | 1,300 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 1,158 | 1,429 |

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 | 157,312,504 | 157,312,504 | Various | Fully Paid |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 750,000 | 750,000 | Nil | Nil |
| 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: 27/06/2013 Expiry: 01/12/2013 Expiry: 03/07/2013 Expiry: 07/07/2013 |
| 7.8 Issued during quarter | 7,000,000 375,000 | - - | 15c Options 30c Options | Expiry: 30/11/2016 Expiry: 30/09/2015 |
| 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 |
|------|---|-----|-----|

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: (Company Secretary)
Print name: Graeme R Boden

Date: 31 January 2013

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.