

**MALAGASY MINERALS LIMITED**  
**Activities Report for the March Quarter 2013**

**HIGHLIGHTS**

- Joint Venture partner and project manager Energizer Resources Inc. has released a positive Preliminary Economic Assessment (“PEA”) Study for the Molo Graphite Deposit, Madagascar, with 10% NPV of US\$342M (MGY 25% = US\$85M approx. 54 cents per MGY share)
- Exploration for 2013 field season has commenced with a primary focus on:
  - Discovery of significant Nickel-Copper-Platinum Group Metals resources, associated with mafic-ultramafic intrusive rocks;
  - Confirming the potential for the project areas to host significant high value Copper-Gold Deposits; and
  - Quantify the potential for high-grade (+15%C) graphite deposits on Malagasy’s 100% owned tenements.
- The Companies commercial properties in Antananarivo continue to generate income to support exploration activities in Madagascar.

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.

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 significant 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.

**MOLO GRAPHITE DEPOSIT (EGZ 75%/ MGY 25%)**  
***Emerging World-Class Development Opportunity***

As previously reported to the ASX (27 February 2013) Joint Venture partner and project manager Energizer Resources Inc. released a positive Preliminary Economic Assessment (“PEA”) Study for the Molo Graphite Deposit, Madagascar.

Malagasy Minerals Limited is well positioned and maintains its 25% free-carried interest through to completion of a bankable feasibility study in the Molo Graphite Deposit.

The key outcomes of this study include:

- Identifying the potential for the Molo Graphite Deposit to be fast tracked into production with a defined “early-mover” opportunity within the emerging graphite industry.
- Results of the study indicate that the project has attractive financial returns based on a 20-year mine life producing 84,000 tonnes of graphite concentrate per year with an average specification of 92%C.
- Preliminary test work undertaken by South Africa’s national research organization, Mintek, demonstrates the graphite concentrate can be upgraded to purities between 98% and 98.6% graphitic carbon.
- Flake distribution test work by Mintek and North Carolina State University (“NCSU”) indicates that +50 mesh graphite can be obtained through simple crushing.
- Energizer Minerals Inc. will now move to a full Feasibility Study that will focus on enhanced beneficiation to obtain battery grade material with a target purity level of >99%C

A summary of the key findings of the PEA study are provided below in Table (1) and a full copy of the detailed announcement prepared by Energizer and released on the Toronto Stock Exchange is attached and should be referenced in full (Economic parameters refer to real numbers with the exception of the post-tax NPV and post-tax IRR; All currency = \$USD).

The currently announced Molo resource is summarized in Table (2).

**Table (1) – Summary of Key Outcomes**

FINANCIALS		PHYSICALS	
Pre-tax NPV (10% discounted, real)	\$421,464,000	Mine Life	20 years
Pre-tax IRR (Real)	48%	Average head grade	8.5%C
Post-tax NPV (10% discounted, real)	\$341,803,000	Average annual ore mined	1,169,749 tonnes
Post-tax IRR (real)	41%	Average stripping ratio	1.65
Payback	3.0 years	Average mill recovery	89%
Graphite sale price	\$1,564 per tonne	Average annual production	84,000 tonnes (concentrate)
Capital Cost	\$162 million	Indicated & Inferred resource	60mt @ 8.1%C (4%C cut off grade)
Mining Cost	\$4.76 /t mined		
Process Cost	\$22.29/t milled		
Transportation cost (FOB Port)	\$105/t concentrate		

**Table (2) -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%
<b>TOTAL</b>	<b>124.4</b>	<b>6.3</b>	<b>2%</b>
“High-grade” Indicated & Inferred	60.1	8.1	4%
*Note – Reported Carbon % = Total Carbon			
For additional detail see MGY ASX announcement released 5 <sup>th</sup> December 2012			

Energizer Minerals have reported that on the basis of the PEA results they are now in a position to commence a Bankable Feasibility Study. This work will include pilot scale testing of the graphite material and ongoing trials to ensure high product specifications for the graphite product can be achieved.

**Malagasy’s 25% interest in the Molo Graphite Deposit represents an after Tax NPV (10%discount) of US\$85 million , representing approximately 54 cents per MGY share.**

## **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 the 2013 exploration program has recently commenced and will involve detailed field evaluation of at least 10 defined targets. Exploration activities during May and June will include initial programs of:

- Geological mapping;
- Rock chip sampling; and
- Detailed surface geochemical sampling

Dependent on results from this initial program of work, follow-up programs of airborne magnetic and electromagnetic surveys (VTEM), more targeted ground electromagnetic surveys (MLEM), gravity surveys and potentially drilling will be planned for July through September.

## **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. This area 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. This prospectivity is demonstrated by widespread surface mineralisation (up to 29% Cu, 8.33g/t Au and 206g/t Ag) that has been identified at a number of priority targets. In addition 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.

The 2013 exploration program at Vohibory has commenced and will comprise programs of detailed geochemical sampling, 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.

## **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 Energizer Resources Inc 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 Graphite JV 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 has been 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. Two priority areas have been identified:

### ***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 has now commenced and is expected to be completed in the June quarter.

## **CORPORATE**

As at 31 March 2013, the company retained A\$0.7 million in cash resources, plus 7,500,000 EGZ shares with a value of approximately A\$1.52 million at the end March price of CAN\$0.215.

### ***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.

### ***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 normal 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.

The first round of the presidential election appears likely to proceed on 24<sup>th</sup> July 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.*

# 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
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ABN

84 121 700 105
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Quarter ended ("current quarter")

31 MARCH 2013
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### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 Months) \$A'000
1.1 Receipts from product sales and related debtors	75	385
1.2 Payments for (a) exploration & evaluation (net)	(370)	(1,052)
(b) development	-	-
(c) production	-	-
(d) administration (net)	(158)	(601)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	40
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (TVA recoverable)	-	-
<b>Net Operating Cash Flows</b>	<b>(446)</b>	<b>(1,228)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments (deferred)	(16)	(70)
(c) other fixed assets	-	(16)
1.9 Proceeds from sale of:		
(a) prospects	-	60
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(16)</b>	<b>(26)</b>
1.13 Total operating and investing cash flows (carried forward)	(462)	(1,254)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	<b>(462)</b>	<b>(1,254)</b>
	<b>Cash flows related to financing activities</b>		
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)	-	-
	<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
	<b>Net increase (decrease) in cash held</b>	<b>(462)</b>	<b>(1,254)</b>
1.20	Cash at beginning of quarter/year to date	1,158	1,950
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>696</b>	<b>696</b>

**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	41
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

Nil

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
<b>Total</b>	<b>300</b>

### 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	<b>110</b>	<b>58</b>
5.2 Deposits at call	<b>586</b>	<b>1,100</b>
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>696</b>	<b>1,158</b>

### 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 <b>Preference + securities</b>	Nil	Nil	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	<b>157,312,504</b>	<b>157,312,504</b>	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil	Nil	Nil	Nil
7.5 <b>+Convertible debt securities</b>	Nil	Nil	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <i>Unlisted</i>	<b>1,000,000</b> <b>2,000,000</b> <b>2,000,000</b> <b>4,003,600</b>	- - - -	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	<b>7,000,000</b> <b>375,000</b>	- -	15c Options 30c Options	Expiry: 30/11/2016 Expiry: 30/09/2015
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>	Nil	Nil		

+ See chapter 19 for defined terms.



7.12	<b>Unsecured notes</b> ( <i>totals only</i> )	Nil	Nil
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: (Company Secretary)  
Print name: Graeme R Boden

Date: 29<sup>th</sup> April 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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