

MALAGASY MINERALS LIMITED Activities Report for the December Quarter 2015

HIGHLIGHTS

During the quarter Malagasy Minerals Limited (ASX:MGY) announced:

- That it had executed a Heads of Agreement (HOA) with Greenmount Resources Pty Ltd ("Greenmount") to acquire all of the issued capital of Greenmount (ASX announcement dated 26th October 2015).
- That notice was provided by both MGY and Greenmount of the completion of the formal due diligence process and that formal agreements with the Shareholders of Greenmount have been entered into (ASX announcement dated 4th December 2015).
- A Notice of General meeting to approve the acquisition of Greenmount was distributed to shareholders. The Notice included an Independent Experts Report for shareholders to consider prior to voting. The meeting will be held at 12.00pm WST on Wednesday 3rd February.
- The Company name will change to Capricorn Metals Ltd following the completion of the acquisition of Greenmount, with the ASX ticker code to change to 'CMM'.
- That it had received binding commitments from Corporate and Sophisticated investors to subscribe for 45,454,546 shares at an issue price of 3.3 cents per share to raise \$1.5m. (ASX announcement dated 8th December 2015).

No brokerage or other fees were required for the placement. The pricing of 3.3c represents a premium of 7.7% to the 30 business day VWAP (ASX announcement dated 8th December 2015).

The placement was oversubscribed and includes a significant new shareholder in Regis Resources Ltd (ASX:RRL), who have been allocated 38,484,002 shares, representing 10% of the post-Greenmount Acquisition shares of the Company. The Company looks forward to welcoming Regis and all other new shareholders to the share register, and regards this investment as a strong endorsement of the potential of the Karlawinda project.

The placement is contingent upon the completion of the acquisition of Greenmount Resources Pty Ltd and its Karlawinda Gold Project. Funds raised from the placement will be used in gold exploration at Karlawinda, and for working capital

The placement will be completed within 3 business days of the approval by shareholders of the acquisition of Greenmount Resources to be held on 3 February 2016.

KARLAWINDA PROJECT DETAILS

Summary (See ASX announcement dated 26th October 2016)

- 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: approximately \$12 million already spent on resource evaluation and pre-feasibility 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.

- Subject to completion of the acquisition of Greenmount Resource Pty Ltd and finalization of the capital raising a program of resource expansion drilling will commence.
- 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 at Newman, W.A. (Figure 1).
- Large scale potential within an unexplored Archaean 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.

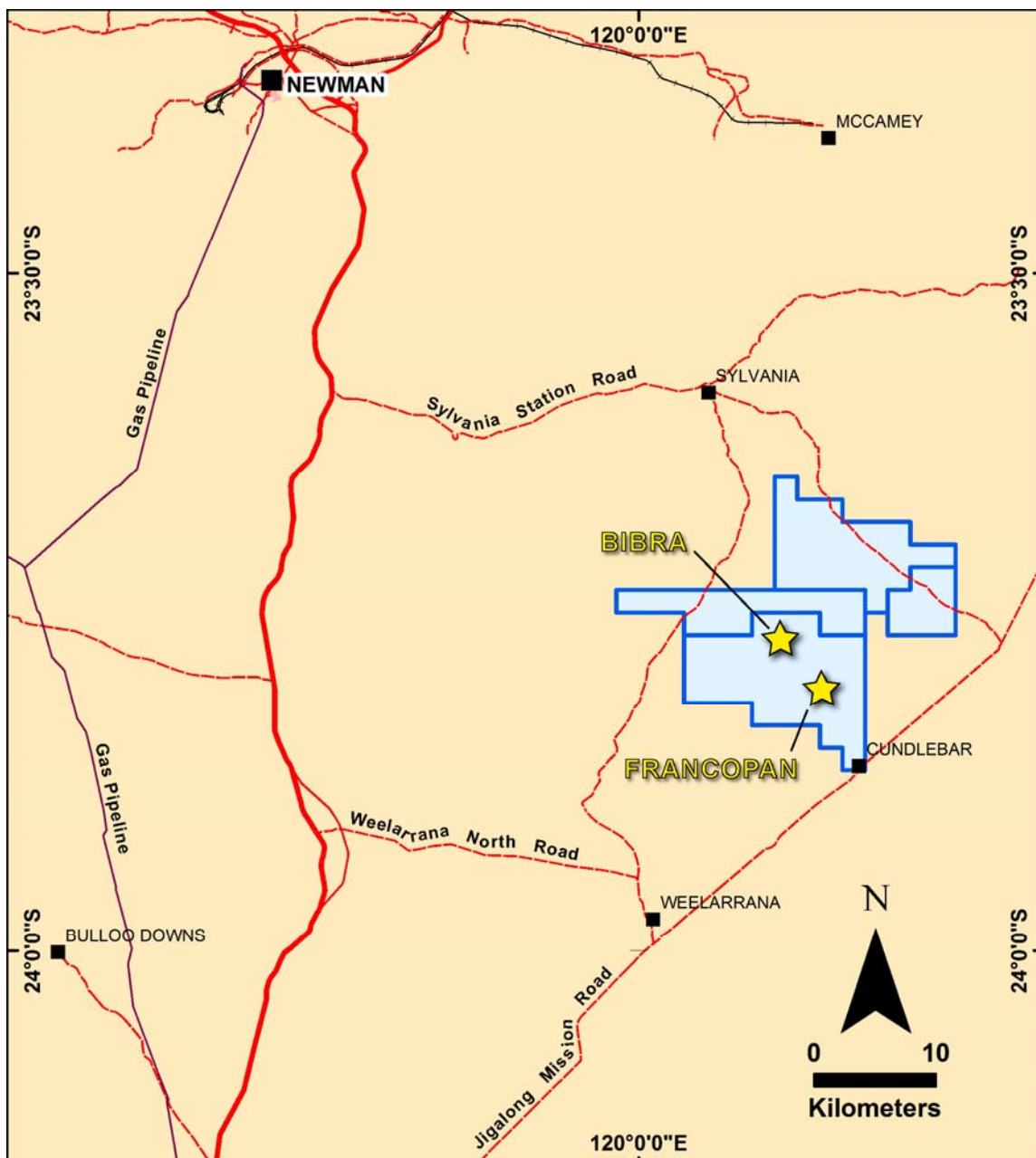


Figure (1) – Karlawinda Gold Project Location Plan

TRANSACTION STATUS

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.

All conditions precedent have been met, other than Malagasy shareholder approval for the issue of shares for the acquisition.

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.):

	<u>Shares</u>	<u>%</u>	<u>Options</u>
Existing securities	171,636,476	44.15	8,250,000
To be issued for Greenmount acquisition	171,636,476	44.15	-
To be issued for placement	45,454,546	11.70	-
	<u>388,727,498</u>	<u>100.00</u>	<u>8,250,000</u>

BOARD AND MANAGEMENT

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. Thomson 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

As announced in a release to the market earlier today the internal restructuring of Malagasy activities will continue, to provide the capacity to facilitate capital injections to the Company, but the distribution of the graphite exploration assets to pre-transaction Malagasy shareholders will not proceed.

MADAGASCAR GRAPHITE PROJECT

Malagasy has been focused on a large exploration project in southern Madagascar exploring for high-grade, high-quality graphite deposits and mafic-ultramafic intrusive related nickel-copper deposits.

The graphite prospectivity of the region has been established by the discovery of the large, high-quality Molo Graphite Deposit by Energizer Resources Inc. ("Energizer"). Malagasy announced (27th March 2014) that it had finalized the sale of the company's 25% interest in the project in order to crystallise significant value and to increase its focus on the company's highly prospective 100% owned ground. The transaction has delivered a low-risk immediate return to Malagasy in the form of initial cash and share payments, whilst maintaining leveraged exposure through future benchmark cash and share payments.

Malagasy has been working to a strategy to define the potential of the 100% held ground to host additional high-grade graphite deposits that would have the potential to either enhance, or be enhanced by, the development of the Molo Graphite Deposit by Energizer. Malagasy has been targeting a high-grade resource base with a particular focus on identifying near surface, low mining cost deposits that can be assessed quickly and at modest cost, potentially working off the benefits of the Molo development.

Activities during the December quarter were:

- Completion of 1400 metres of trenching and sampling at the Razafy (10 trenches for 800m) and Haja (3 trenches for 600m) graphite targets. The information will provide critical data as to the continuity of the high-grade mineralisation intersected in the drilling.
- Mapping of the trenches.
- Dispatch of 980 composite samples to ACME Laboratory in Canada for Total Carbon analysis. Delays in receiving final assays from the laboratory has delayed the reporting of these results and any resource estimation work till early February 2016.
- Tenement rationalization. Lower priority areas have been identified and the statutory process of relinquishment is now in progress.

Previously reported drilling results from Razafy and Haja are:

Razafy Target

MNDD001	26 metres @ 7.3%C from 2 metres (Includes 10 metres @ 10.2%C)
MNDD002	32 metres @ 7.0%C from 18 metres (Includes 8 metres @ 9.7%C)
MNDD003	26 metres @ 6.8%C from 0 metres (Includes 8 metres @ 8.8%C)
MNDD004	34 metres @ 8.5%C from 14 metres (Includes 12 metres @ 11.6%C)
MNDD010	34 metres @ 6.4%C from 0 metres (Includes 10 metres @ 8.1%C)
MNDD011	44 metres @ 6.4%C from 10 metres (Includes 10 metres @ 9.2%C)
MNDD012	24 metres @ 7.0%C from 0 metres (Includes 10 metres @ 8.4%C)
MNDD013	50 metres @ 6.9%C from 2 metres (Includes 26 metres @ 9.1%C)
MNDD017	38 metres @ 8.3%C from 34 metres (Includes 14 metres @ 11.3%C)

Haja Target

MNDD008	50 metres @ 6.0%C from 0 metres (Includes 8 metres @ 7.8%C)
MNDD009	70 metres @ 5.3%C from 2 metres (Includes 6 metres @ 9.2%C)
MNDD016	18 metres @ 6.0%C from 0 metres

CORPORATE

FINANCIAL POSITION

The Company's cash position at 31 December was \$651,000, an increase of \$33,000 for the quarter.

During the quarter the Company sold 1,500,000 shares in TSX listed Energizer Resources Inc to raise \$230,000 for working capital. At 31 December the Company held a balance of 1,000,000 Energizer shares which are available for sale.

TENEMENTS

A full listing of the company's tenements in Madagascar is included as Appendix 1, reduced from 1351.3km² in the previous year to 237.7km² for 2016. The following tables provide details of the changes which became effective at the end of the quarter.

Full Title Relinquishments:

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	Total Carres (New - 0.391km ²)
13063	PR	04-Feb-05	03-Feb-15	10	Vohibory	336
13508	PR	04-Feb-05	03-Feb-15	10	Vohibory	16
13811	PR	14-Mar-05	13-Mar-15	10	Ampanihy - Maniry	48
13829	PR	14-Mar-05	13-Mar-15	10	Vohibory	32
14619	PR	26-Jan-05	25-Jan-15	10	Ampanihy - Maniry	16
14623	PR	26-Jan-05	25-Jan-15	10	Ampanihy - lanapera	112
16746	PR	09-Sep-05	08-Sep-15	10	Ampanihy - lanapera	16
16747	PR	09-Sep-05	08-Sep-15	10	Ampanihy - Maniry	48
16753	PR	09-Sep-05	08-Sep-15	10	Ampanihy - Maniry	48
19003	PR	23-Feb-06	22-Feb-16	10	Ampanihy - Maniry	16
21059	PR	14-Sep-07	13-Sep-12	5	Ampanihy - Maniry	16
21060	PR	30-Oct-06	29-Oct-11	5	Ampanihy - Maniry	16
21061	PR	30-Oct-06	29-Oct-11	5	Ampanihy - Maniry	16
21062	PR	03-Oct-07	02-Oct-12	5	Ampanihy-Maniry	32
21063	PR	30-Oct-06	29-Oct-11	5	Ampanihy - Maniry	32
21064	PR	30-Oct-06	29-Oct-11	5	Ampanihy - Maniry	16

24864	PR	08-May-07	07-May-12	5	Fotadrevo	48
28346	PR	08-Jan-08	07-Jan-13	5	Ampanihy-Maniry	16
31734	PR	11-Feb-09	10-Feb-14	5	Ampanihy-Maniry	16
31735	PR	11-Feb-09	10-Feb-14	5	Ampanihy-Maniry	16

Title Reductions:

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	(Previous) Total Carres (New - 0.391km ²)	(Current) Total Carres (New - 0.391km ²)
3432 ⁽¹⁾	PR	21-sep-15	20-sep-18	3	Ampanihy - Central (Big 'S')	1488	1,014
28340	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	48	23
28347	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	112	108
28353	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	96	49
29020	PR	12-Sep-08	25-Oct-12	5	Fotadrevo	32	12

⁽¹⁾ Subsequent to the partial reduction made in Title 3234, the Title area of 1,014 Carres was split into 3 Titles, as follows:

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	(Current) Total Carres (New - 0.391km ²)
39750	PR	21-sep-15	20-sep-18	3	Ampanihy - Central (Big 'S')	16
39751	PR	21-sep-15	20-sep-18	3	Ampanihy - Central (Big 'S')	160
3432	PR	21-sep-15	20-sep-18	3	Ampanihy - Central (Big 'S')	838

Transfer of Titles to Energizer Resources

During the quarter the decision was made to relinquish our interest in the 100% Non-Industrial Mineral Rights on the titles on which Energizer holds 100% of the Industrial Mineral Rights. The following table sets out the titles where Malagasy no longer holds any interest:

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	Total Carres (New - 0.391km ²)
3432 ⁽²⁾	PR	21-sep-15	20-sep-18	3	Ampanihy - Central (Big 'S')	790
13064	PR	04-Feb-05	03-Feb-15	10	Fotadrevo	48
14618	PR	26-Jan-05	25-Jan-15	10	Ampanihy - Ianapera	32
14620	PR	26-Jan-05	25-Jan-15	10	Fotadrevo	48
14622	PR	26-Jan-05	25-Jan-15	10	Fotadrevo	64
19851	PR	04-Feb-05	03-Feb-15	10	Fotadrevo	32
19934	PR	26-Jan-05	25-Jan-15	10	Fotadrevo	16
19935	PR	26-Jan-05	25-Jan-15	10	Fotadrevo	16
28340	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	23
28347	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	108
28348	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	16
28349	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	16
28352	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	96
28353	PR	08-Jan-08	07-Jan-13	5	Fotadrevo	49
29020	PR	12-Sep-08	25-Oct-12	5	Fotadrevo	12

⁽²⁾ Title 3432 contains 838 Carres, of which 790 are being transferred to Energizer with 48 Carres remaining in the ownership of Malagasy. It is expected that the BCMM will issue a new title number for the 48 Carres remaining in Malagasy ownership

For Further information, please contact:

Technical matters: Peter Langworthy

0418 958 660
(08) 6420 0619

Corporate Matters: Graeme Boden or Natasha Forde

(08) 9286 1219

Email: contact@malagasyminerals.com

For and on behalf of the Board

Peter Langworthy
Technical Director

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.

APPENDIX 1

Tenement Schedule

Title Number	Permit Type	Grant Date	Expiry Date	Term	Project Name	Total Carres (New - 0.391km2)	Interest %	Notes
						608		
3432	PR	21-Sep-15	20-Sep-18	3	Ampanihy - Central (Big 'S')	48	100%	
5391	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	
5392	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	
5393	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Ianapera	16	100%	4
5394	PE	20-Nov-02	19-Nov-42	40	Ampanihy - Maniry	48	100%	3
19932	PE	10-Mar-06	09-Mar-46	40	Ampanihy - Maniry	112	100%	
25093	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Ianapera	16	100%	2
25094	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Ianapera	16	100%	2
25095	PE	18-Jan-07	17-Jan-47	40	Ampanihy - Maniry	48	100%	2
25605	PR	18-Jun-01	17-Jun-11	10	Ampanihy - Maniry	80	100%	1
25606	PR	18-Jun-01	17-Jun-11	10	Ampanihy - Maniry	16	100%	1
39750	PR	21-Sep-15	20-Sep-18	03	Ampanihy - Central (Big 'S')	16	100%	
39751	PR	21-Sep-15	20-Sep-18	03	Ampanihy - Central (Big 'S')	160	100%	

NOTES

- 1) Renewal awaiting confirmation from BCMM. All annual fees have been paid up to 31 December 2015.
- 2) Leased to SQNY – Royalty and partial tenement fees payable to MDA.
- 3) Leased to Jupiter Mines and Minerals – Royalty and annual tenement fees payable to MDA.
- 4) Leased to Hery Lala Alain Raharinavio – Royalty on small blocks

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 2015

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 Months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	10	78
1.2 Payments for (a) exploration & evaluation	(119)	(189)
(b) development	-	-
(c) production	-	-
(d) administration (net)	(215)	(355)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (TVA recoverable)	-	-
Net Operating Cash Flows	(319)	(460)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments (deferred)	(9)	(28)
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	131	131
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	122	103
1.13 Total operating and investing cash flows (carried forward)	(197)	(357)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (6 Months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(197)	(357)
Cash flows related to financing activities		
1.14 Net Proceeds from issues of shares, options, etc	230	230
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	230	230
Net increase (decrease) in cash held		
1.20 Cash at beginning of quarter/year to date	618	778
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	651	651

Note:

The net proceeds from shares during the quarter of \$230,027, relates to the advance receipt of funds, for a placement of \$1,500,000 which is contingent upon of the acquisition of Greenmount Resources Pty Ltd at the general meeting to be held on 3 February 2016.

Item 4, estimated cash outflows for next quarter, assumes the completion of the acquisition and the placement.

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	109
1.24 Aggregate amount of loans to the parties included in item 1.10	-
1.25 Explanation necessary for an understanding of the transactions	
	<u>\$A'000</u>
Directors Fees and superannuation	-
Exploration management services	59
Company secretarial, accounting & administration services	50
	109

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	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(800)
4.2 Development	-
4.3 Production	-
4.4 Administration (Net)	(150)
Total	(950)

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	396	118
5.2 Term Deposit	255	500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	651	618

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		

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	171,636,476	171,636,476	Various	Fully Paid

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.4	Changes during quarter	1,097,499	1,097,499	\$0.030	\$0.030
	(a) Increases through issues	1,493,181	1,493,181	\$0.022	\$0.022
	(b) Decreases through returns of capital, buy-backs	1,646,250	1,646,250	\$0.020	\$0.020
		2,053,125	2,053,125	\$0.016	\$0.016
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	8,000,000	-	15c Options	Expiry: 30/11/2016
		375,000	-	50c Options	Expiry: 31/03/2016
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	375,000	-	40c Options	Expiry: 12/12/2015
7.11	Debentures (totals only)	Nil	Nil		
7.12	Unsecured notes (totals only)	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: 29 January 2016

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.

+ See chapter 19 for defined terms.