MALAGASY MINERALS LIMITED

ACN 121 700 105

NOTICE OF GENERAL MEETING

TIME: 12.00 pm WST

DATE: Wednesday, 3 February 2016

PLACE: William Buck
Level 3, 15 Labouchere Road
South Perth WA 6151

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss any of the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9286 1219.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 12.00pm (WST) on 3 February 2016 at:

William Buck
Level 3, 15 Labouchere Road
South Perth WA 6151

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm (WST) on 1 February 2016.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has two or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
    - the proxy is not recorded as attending the meeting; or
    - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – ACQUISITION OF GREENMOUNT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of ASX Listing Rule 7.1 and section 611 (item 7) of the Corporations Act and for all other purposes, approval is given for the Company to issue:*
>
> (a) *171,636,476 Shares to the Greenmount Shareholders (**Consideration Shares**); and*
>
> (b) *the acquisition of a relevant interest in the issued voting shares of the Company by Nedlands Nominees Pty Ltd (and its associates) otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of Consideration Shares to Nedlands Nominees Pty Ltd,*
>
> *on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Nedlands Nominees Pty Ltd and any of its associates and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed. However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company.

2. RESOLUTION 2 – ELECTION OF DIRECTOR – MR HEATH HELLEWELL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to the completion of the acquisition of 100% of the issued shares in Greenmount Resources Pty Ltd, for the purpose of clause 6.2(c) of the Constitution and for all other purposes, Mr Heath Hellewell, being eligible and having consented to act, be elected as a director of the Company on and from the date of completion by the Company of the acquisition of shares in Greenmount Resources Pty Ltd"*

3. RESOLUTION 3 – ELECTION OF DIRECTOR – MR PETER THOMPSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to the completion of the acquisition of 100% of the issued shares in Greenmount Resources Pty Ltd, for the purpose of clause 6.2(c)*

of the Constitution and for all other purposes, Mr Peter Thompson, being eligible and having consented to act, be elected as a director of the Company on and from the date of completion by the Company of the acquisition of shares in Greenmount Resources Pty Ltd"

4. RESOLUTION 4 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

> *"That, subject to the completion of the acquisition of 100% of the issued shares in Greenmount Resources Pty Ltd, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to 'Capricorn Metals Ltd'.*

Short Explanation: The Company proposes to change its name to more accurately reflect the proposed future activities of the Company, subject to the Acquisition completing.

5. RESOLUTION 5 – APPROVAL FOR SHARE PLACEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 45,454,536 Shares on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – PARTICIPATION OF RELATED PARTY IN PLACEMENT – PETER WOODS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 516,576 Shares to Peter Woods (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Peter Woods (and his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – PARTICIPATION OF RELATED PARTY IN PLACEMENT – PETER THOMPSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 757,576 Shares to Peter Thompson (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Peter Thompson (and his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 30 December 2015

By order of the Board

Graeme Boden
Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. ACQUISITION OF SHARES IN GREENMOUNT RESOURCES PTY LTD

1.1 Background on Acquisition

On 26 October 2015, the Company announced to ASX that it had entered into a binding heads of agreement pursuant to which the Company agreed to purchase 100% of the shares in Greenmount Resources Pty Ltd (**Greenmount**) from its shareholders (**Greenmount Shareholders**) in consideration for the issue of 171,636,476 Shares to the Greenmount Shareholders (in aggregate) (the **Acquisition**).

On 3 December 2015, the Company signed the formal share sale agreements with the Greenmount Shareholders to give effect to the Acquisition (the **Share Sale Agreements**).

1.2 Greenmount

Greenmount is a private company incorporated in Australia.

Greenmount has the right to acquire the Karlawinda Gold Project in Western Australia (**Project**) from the existing holder of the tenements comprising the Project, Independence Karlawinda Pty Ltd, pursuant to a tenement sale agreement signed in August 2015 (**Tenement Sale Agreement**). The consideration for the acquisition of the Project consists entirely of cash, with the final instalment of $1,500,000 payable by Greenmount in August 2016.

Further details of the Tenement Sale Agreement are set out in Section 1.5.

1.3 The Project

The Project is located approximately 65km south of Newman in the Pilbara region of Western Australia and is comprised of four granted exploration licences which cover an area of approximately 290km^2 and are considered by the Company to be prospective for gold.

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.

Historical Drilling

Gold mineralisation at the Francopan Prospect located within the Project 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 mineralised system. The resource is hosted within a package of deformed meta-sediments that has developed on at least two parallel, shallow dipping structures; oxide mineralisation has developed over the structures from surface to a depth of approximately 60m. The primary mineralisation 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. There is a substantial amount of gold mineralisation drilled in close proximity to the existing resource which 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.

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**

Note: Refer to the Company's announcement on 6 November 2015 and the information provided therein in accordance with the requirements of the JORC Code 2012. The Company is not aware of any new information or data that materially affects the information included in that announcement and all material assumptions and technical parameters underpinning the estimate of inferred resources continue to apply and have not materially changed.

Francopan Gold Prospect

The Francopan Gold Prospect is located approximately 5km south east of the Bibra Gold Deposit and demonstrates the potential size of the gold mineralising system at the Project. The mineralisation is covered by the northern margin of the Bangemall Basin.

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

Regional Exploration Potential

The 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.

Further Information

Shareholders are advised to refer to the Independent Expert's Report for further information in respect of the Project.

1.4 Share Sale Agreements

The Company has entered into agreements with the Greenmount Shareholders pursuant to which it has agreed to acquire 100% of the issued capital of Greenmount. The key terms of the Share Sale Agreements are as follows:

(a) **Acquisition**: Each of the Greenmount Shareholders has agreed to sell to the Company their shares in Greenmount in consideration for the issue of the Consideration Shares to the Greenmount Shareholders (in aggregate). Completion of the Acquisition is conditional on completion of each of the Share Sale Agreements.

(b) **Consideration**: In consideration for the acquisition of Greenmount, the Company will issue to the Greenmount Shareholders 171,636,476 Shares (in aggregate) pro rata in proportion to their shareholding in Greenmount.

(c) **Conditions Precedent**: The Acquisition is subject to satisfaction of certain conditions precedent, including:

  (i) the Company obtaining all necessary shareholder approvals required by the Corporations Act and the Listing Rules in relation to the Acquisition, including, without limitation, approval for the issue of the Consideration Shares to the Greenmount Shareholders for the purposes of section 611 (item 7) of the Corporations Act and Listing Rule 7.1; and

  (ii) the Company complying with any and all requirements of ASX under Chapter 11 of the Listing Rules in relation to the Acquisition,

  (together the **Conditions Precedent**).

(d) **Settlement**: Settlement of the Acquisition will take place 10 Business Days after satisfaction of the Conditions Precedent (or such later date as is agreed by the parties).

(e) **Other terms**: The Share Sale Agreements contains other terms considered standard for agreements of this nature, including representations, warranties, pre-completion obligations and confidentiality.

1.5 Tenement Sale Agreement

Greenmount is party to an agreement with Independence Karlawinda Pty Ltd pursuant to which it has acquired the rights to the Project (the **Tenement Sale Agreement**).

The key terms of the Tenement Sale Agreement are as follows:

(a) **Project**: the Project comprises five exploration licences. Information in respect of the Project is set out in Section 1.3 of this Explanatory Statement.

(b) **Holder**: The tenements comprising the Project are currently held in the name of Independence Karlawinda Pty Ltd. The tenements will be transferred to Greenmount subject to payment of the applicable stamp duty by Greenmount.

(c) **Purchase price**: As at the date of this Notice of Meeting, Greenmount has paid to Independence Karlawinda Pty Ltd the sum of $1,000,000 in consideration for the purchase of the Project. A further amount of $1,500,000 is payable by Greenmount on or around 15 August 2016. In the event Greenmount fails to make this payment (which the Company intends to make on its behalf following completion of the Acquisition), it will forfeit its interest in the Project and title to the tenements comprising the Project will return to Independence Karlawinda Pty Ltd.

(d) **Possession:** title to, risk in, and effective possession of, the Project passed to Greenmount upon the completion of the Tenement Sale Agreement on 18 August 2015.

(e) **Other terms:** the Tenement Sale Agreement contains other terms considered standard for an agreement of this nature, including warranties, confidentiality, and obligations on Greenmount to pay rent and maintain the tenements, and the right of Greenmount to lodge caveats to protect its interest in the tenements.

In connection with the Tenement Sale Agreement, Greenmount became party to a memorandum of agreement (Memorandum of Agreement) with BHP Royalty Investments Pty Ltd (BHP Royalty Investments). The material terms of the Memorandum of Agreement are:

(a) Clawback: BHP Royalty Investments holds the right to 'clawback' a 70% participating interest in the Tenements within a period of 90 business days commencing on the date that Greenmount delineates within the Tenement area a JORC Code compliant resource of 5,000,000 ounces of gold or 120,000 tonnes of contained nickel by payment to Greenmount of the amount in cash equal to 300% of the expenditure incurred on the Tenements to delineate such a resource.

(a) Royalty: pending exercise of the clawback option described above, Greenmount is required to pay to BHP Royalty Investments a 2% net smelter return royalty from any minerals produced from the Tenement area.

1.6 Director Biographies

Continuing Directors:

<u>*Mr Guy Francois Marie LeClezio, BA*</u>

Mr Le Clezio holds a Bachelor of Arts from the University of Western Australia. He has had 20 years' experience in the mining and exploration industry and was an Executive Director of Eyres Reed Ltd and Canadian Imperial Bank of Commerce who were leading Western Australian stockbrokers specialising in the mining industry. He was a founding director of World Titanium Resources Ltd and a former director of ASX listed Windy Knob Resources Ltd.

Mr Peter Langworthy, BSc(Hons), MAusIMM

Mr Langworthy is a geologist with a career spanning 26 years in mineral exploration and project development in Australia and Indonesia. He has specific expertise in building successful teams that have been responsible for significant mineral discoveries and in integrating technically sound exploration and resource development strategies into corporate planning. His industry experience includes 12 years in senior management roles with WMC Resources, four years with PacMin Mining as Exploration Manager, five years with Jubilee Mines where he built the team responsible for numerous discoveries at the Cosmos Nickel Mine and the Sinclair nickel project, and three years with Talisman Mining as Technical Director. At Jubilee he was part of the corporate team responsible for the growth of the company until it was taken over by Xstrata for $23/share. Mr Langworthy is a non-executive chairman of Syndicated Metals Limited (March 2012 to present).

Directors considered for election by Resolutions 2 and 3:

Heath Hellewell [BSc(Hons) MAIG]

Mr Hellewell is an exploration geologist with over 22 years of experience in gold, base metals and diamond exploration predominantly in Australia and West Africa. Mr Hellewell graduated from Curtin University with an Honours Degree in Geology and is a member of the Australian Institute of Geoscientists. He has previously held senior exploration positions with a number of successful mining and exploration groups including DeBeers Australia Pty Ltd and Resolute Mining Limited. He joined Independence Group NL in 2000 prior to the Company's IPO and was part of the team that identified and acquired the Tropicana project area, eventually leading to the discovery of the Tropicana and Havana gold deposits which are now subject to a production joint venture with Anglo Ashanti Australia Ltd. Heath ultimately rose to the position of Exploration Manager at Independence Group.

Most recently he was the co-founding Executive Director of Doray Minerals Limited, where he was responsible for the Company's exploration and new business activities. Following the discovery of the Andy Well gold deposits in 2010, Doray Minerals was named "Gold Explorer of the Year" in 2011 by The Gold Mining Journal and in 2014 Heath was the co-winner of the prestigious "Prospector of the Year" award, presented by the Association of Mining and Exploration Companies.

Mr Peter Thompson BSc, MSc, MAusIMM

Trained as a geologist in Trinity College Dublin and Leicester University, Mr Thompson came to Australia in 1988 and has had a continuous career in exploration and mining for gold, nickel and copper.

Employed by WMC, Anaconda Nickel, Jubilee Mines, St Barbara Ltd, Beaconsfield Gold and Central Asia Resources in a range of roles, he has overseen several discoveries, project developments, feasibility studies, acquisitions, divestments and company start-ups.

Recent responsibilities as CEO of Beaconsfield Resources and Central Asia Resources have been for operating deep underground gold and heap leach start-up operations. Currently a director of Central Asia Resources Ltd and Marmota Energy Ltd.

1.7 Pro-forma balance sheet

An unaudited pro-forma balance sheet of the Company following completion of the change of activities, the Acquisition and other matters contemplated by this Notice of Meeting is set out at Schedule 1 to this Notice of Meeting.

1.8 Pro-forma capital structure

The pro-forma capital structure of the Company following completion of the change of activities, the Acquisition and the Placement (the subject of Resolution 5) is set out below:

	Shares	Options[1]
Current issued capital	171,636,476	8,250,000
Issue of Consideration Shares	171,636,476	-
Issue of Placement Shares	45,454,536	
Total[2]	388,727,488	8,250,000

Notes:

1. Terms of options:
   350,000 unlisted options exercisable at $0.40 on or before 31 December 2015.
   350,000 unlisted options exercisable at $0.50 on or before 31 March 2016.
   8,000,000 unlisted options exercisable at $0.15 on or before 30 November 2016.
2. This assumes no additional securities are issued upon the exercise of Options or otherwise.

1.9 Indicative Timetable

Event	Indicative Date
Notice of meeting for Acquisition despatched to shareholders	4 January 2016
General meeting convened	3 February 2016
Satisfaction of conditions to Acquisition	3 February 2016
Completion of Acquisition	3 February 2016

* The Directors reserve the right to change the above indicative timetable without requiring any disclosure to Security Holders.

1.10 Advantages and disadvantages to the Acquisition

(a) **Advantages**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

(i) The Acquisition provides the Company with:

(A) an established gold resource base at Bibra with potential to be increased quickly and at relatively low cost;

(B) potential for near term commencement of gold production from open cut mining starting at, or very near, the surface;

(C) identified higher grade, but deeper, exploration project which hasn't been adequately explored;

(D) regional exploration potential and prospective geology is largely untested;

(E) local infrastructure is advantageous to supporting exploration and development;

(F) Australian political and regulatory regime is more favourable than Madagascar is now perceived to be; and

(G) market conditions are difficult for many mineral commodities and gold is considered by the Directors to provide a more robust opportunity in the near term than other commodities;

(ii) The Acquisition brings to the Company a seasoned and well-credentialed executive team with significant experience in the field of gold exploration in Western Australia.

(iii) The issue of the Consideration Shares will result in an increased market capitalisation which combined with the completion of the Acquisition may assist the Company to raise funds in the future to further its operation.

(b) **Disadvantages**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

(i) The Acquisition will result in the issue of a significant number of Shares which will have a dilutionary effect on the current holdings of Shareholders.

(ii) There are many risk factors associated with the Acquisition and the Company's proposed activities upon completion of the Acquisition. A non-exhaustive list of these risks is set out in Section 1.11 below.

(iii) The Project is sensitive to a downward move in the gold price.

(iv) The Acquisition involves the introduction into the Company of a project targeting a resource in a geographical location which is distinct from the target resource and location of the Company's existing assets and interests, and therefore may not be consistent with all Shareholders investment objectives when they elected to invest in the Company.

(v) There is no guarantee that the Shares will not fall in value on completion of the Acquisition.

Shareholders you also refer to the Independent Expert's Report for a discussion of other key advantages and disadvantages of the Acquisition.

1.11 Risk factors

Key risks

There are a number of risks involved for the Company – and consequently its Security Holders – in connection with the acquisition of shares in Greenmount, including risks specific to the business, assets and prospects of Greenmount.

The Board will aim to manage risk by carefully planning its activities and implementing risk control measures.

Set out as follows are the principal risks that the Company will be exposed to upon completion of the Acquisition (in its capacity as the sole shareholders of Greenmount) and the matters contemplated by this Notice.

(i) **Exploration risks**

Exploration is a high risk activity that requires large amounts of expenditure over extended periods of time. The Company's exploration activities are subject to all the hazards and risks normally encountered in the exploration of minerals, including climatic conditions, hazards of operating vehicles and plant, risks associated with operating in remote areas and other similar considerations. Conclusions drawn during mineral exploration are subject to the uncertainties associated with all sampling techniques and to the risk of incorrect interpretation of geological, geochemical, geophysical, drilling and other data.

Further, the costs of the Company's exploration activities may materially differ from its estimates and assumptions. No assurance can be given that the cost Company's cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(ii) **Reliance on key personnel**

The Company's success depends to a significant extent upon its key management personnel, as well as other management and technical personnel including sub-contractors.

The Company has a small team and the loss of the services of any such personnel could have an adverse effect on the Company at this stage of its development.

(iii) **Gold Price**

The success of the Project will be primarily dependent on the price of gold. Gold prices are volatile and may fluctuate as a result of numerous factors, which are beyond the control of the Company.

(iv) **Development**

The Company's future profitability will depend on the economic returns and the costs of developing the Project, which may differ significantly from its current estimates.

Capital cost and pre-production operating costs are estimates. These estimates are based on assumptions regarding the cost of plant refurbishment, mining of waste and ore and the timeframe to achieve commercial and economic production. In addition future gold and other metal prices, anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed, anticipated recover rates of gold from the ore, anticipated capital expenditure and cash operating costs; and the required return on investment. Actual cash operating costs, production and economic returns may differ significantly from those anticipated by such studies and estimates. Operating costs and capital expenditure are determined particularly by the costs of the commodity inputs, including the cost of fuel, chemical reagents, explosives, tires and other consumables in mining activities. There are a number of uncertainties inherent in the development and construction of any new mine and the refurbishment / construction of a mineral processing facility. In addition to those discussed above these uncertainties include the:

(A) timing and cost of the construction or refurbishment of mining and processing facilities;

(B) availability and cost of skilled labour, power, water and transportation facilities.

The Project is located in a remote location, which may increase the costs, timing and complicities of mine development and construction. Mining operations at the Project could experience unexpected problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production could occur. Finally, operating costs and capital expenditure estimates could fluctuate considerably as a result of changes in the prices of commodities consumed in the construction and operation of mining projects. Accordingly, the Company's development of the Project may be less profitable than currently anticipated or may not be profitable at all.

(v) **Exchange rates**

The Company's revenue from gold sales will be received in Australian dollars which is an exchange rate function of the gold price in United States dollars while its operating expenses will be incurred in Australian dollars. Because the Company's financial statements are in Australian dollars, appreciation of the Australian dollar against the US dollar, without offsetting improvement in US dollar denominated gold prices, could adversely affect the Company's reported profitability and financial position.

(vi) **Operational and technical risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(vii) **Environmental risks**

The operations and proposed activities of the Company are subject to local laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's proposed activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Such impact can give rise to substantial costs for environmental rehabilitation, damage, control and losses. Further, if there are environmental rehabilitation conditions attaching to the tenements of the Company, failure to meet such conditions could lead to forfeiture of these tenements.

(viii) **Future Capital Requirements**

The Company's activities will require substantial expenditures. The funds presently available to the Company will not be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of its present resources there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Shareholders and any debt financing if available may involve restrictive covenants, which limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(ix) **Tenement Sale Agreement**

In order to complete the purchase of the Project, the Company will be required to pay to Independence Karlawinda Pty Ltd the sum of $1,500,000 in August 2016 in accordance with the terms of the Tenement Sale Agreement.

The Company does not presently have sufficient cash resources to meet this payment and the Company expects that it will therefore be required to raise additional capital – either debt or equity – in order to comply with the obligations of Greenmount under the Tenement Sale Agreement.

If the Company is unable to raise sufficient funds from the sale of assets, from borrowing against the income stream from those assets, or from capital raisings to meet the payment obligation of Greenmount under the Tenement Sale Agreement, Greenmount may be in default under that agreement and may lose its interest in the Project.

(x) **Legislative changes and Government policy risk**

Changes in government regulations and policies may adversely affect the financial performance of the Company. The Company's capacity to explore and mine may be affected by changes in government policy, which are beyond the control of the Company

(xi) **Resource Estimations**

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

(xii) **Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

1.12 Madagascan Assets

In connection with the Acquisition, the Company intends to undertake a restructure of its existing assets to divest to existing Shareholders the value of the Company's interest in its graphite exploration projects in Madagascar.

The Company intends to transfer its interest in the Madagascan assets to Malagasy Graphite Holdings Ltd (**MGH**), an Australian wholly owned subsidiary of the Company, and to undertake an in-specie distribution of the shares in MGH or otherwise distribute to existing Shareholders the net proceeds from the disposal of the assets of MGH (the **Distribution**).

It is the Company's present intention to undertake the proposed Distribution as a selective reduction of capital as soon as practicable in 2016, which will be subject to further Shareholder approval and compliance with all applicable requirements under the Corporations Act and the Listing Rules.

Schedule 2 shows the corporate structure of Malagasy following the reorganisation of existing activities and the acquisition of Greenmount.

The principal assets of MGH are graphite exploration projects in Madagascar, of which Maniry is the most advanced.

The graphite prospectivity of the region covered by the Company's tenements has been established by the discovery of the large, high-quality Molo Graphite Deposit by Energizer Resources Inc.

The Company has been working to a strategy to define the potential of its 100% held ground in the vicinity of Molo 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. The Company 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.

Exploration at Maniry has identified a series of large, high-grade outcrops of graphite mineralisation within a broader graphite trend covering an area of approximately 8km x 4km. A program of diamond drilling in late 2014 was the culmination of exploration that achieved the outcomes detailed in the ASX announcement dated 12 February 2015.

The other assets which MGH will hold are:

- Subject to Energizer approval of the transfer, the right to receive CAD 1.0 million upon the commencement of commercial production from Molo and subsequently, a production royalty of 1.5% of Net Smelter Return, as that is defined in the agreement with Energizer. Any value inherent in these receivables is dependent upon the establishment of production from Molo and the continuation of a profitable operation.

- The tenements which MGH will hold through its subsidiaries have also demonstrated exploration potential for copper, nickel and platinum group metals. Any activity in relation to these metals will require improved market sentiment for them and adequate funding, as the next phase of exploration is expected to be expensive.

1.13 What if the Acquisition does not succeed?

If the conditions to the Acquisition are not satisfied or waived, including if Resolution 1 to this Notice is not passed, the Acquisition will not proceed and the Company will continue in its current form as a resources exploration company.

The principal asset of the company will be the land and buildings in Antananarivo and the principal exploration asset will be the graphite projects in Madagascar.

1.14 Directors' Recommendation

No current Director has any interest in shares in Greenmount other than Mr Peter Langworthy.

Mr Langworthy will hold a beneficial interest or control of a total of 4,207,625 Consideration Shares through two related parties.

The Directors, other than Mr Langworthy, recommend that Shareholders vote in favour of Resolution 1 and consider the Acquisition to be beneficial to Shareholders because of the advantages set out in Section 1.10. Mr Langworthy expresses no opinion on Resolution 1 given his interest in the outcome of that Resolution.

1.15 Competent Persons Statement

The information in this Explanatory Statement that relates to Exploration Results or Mineral Resources is based on information compiled or reviewed by Mr Peter Langworthy, Director, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Peter Langworthy is a full time Director of the Company 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 Explanatory Statement of the matters based on the information in the form and context in which it appears.

2. RESOLUTION 1 – ACQUISITION OF GREENMOUNT

2.1 Background

As set out in Section 1, the Company has entered into formal share sale agreements with the Greenmount Shareholders (the **Share Sale Agreements**) pursuant to which it has agreed to acquire 100% of the shares in Greenmount in consideration for the issue of 171,636,476 Shares (the **Consideration Shares**) in aggregate to the Greenmount Shareholders.

A summary of the terms of the Share Sale Agreements is set out in Section 1.4 of this Explanatory Statement.

ASX has determined that all of the Consideration Shares will be subject to restriction agreements for 12 months from the date of issue.

2.2 General

Resolution 1 seeks Shareholder approval:

(a) to allow the Company to issue the Consideration Shares pursuant to ASX Listing Rule 7.1 to the Greenmount Shareholders in consideration for the Transaction; and

(b) to approve the acquisition of a relevant interest in the issued voting shares of the Company by Nedlands Nominees Pty Ltd (**Nedlands Nominees**) and its associates pursuant to item 7 of section 611 of the Corporations Act.

Nedlands Nominees together with its associate Centrepeak Resources Group Pty Ltd (**Centrepeak**) hold a combined shareholding in Greenmount of approximately 59.9%. The issue of the Consideration Shares to the Greenmount Shareholders will result in the voting power of Nedlands Nominees and its associates increasing from 0% to 29.9% upon completion of the Acquisition. Shareholder approval is sought pursuant to item 7 of section 611 of the Corporations Act to enable the Company to issue the Consideration Shares to Nedlands Nominees and its associates.

The Corporations Act and ASIC Regulatory Guide 74 set out a number of regulatory requirements which must be satisfied in order to obtain shareholder approval under item 7 of section 611 of the Corporations Act. The requirements are set out in Section 2.5 below.

2.3 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than the amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Company to issue the Consideration Shares to the Greenmount Shareholders during the period of three months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

2.4 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Consideration Shares:

(a) the maximum number of Shares to be issued under Resolution 1 is 171,636,476;

(b) the Consideration Shares will be issued no later than three months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Consideration Shares will occur on the same date;

(c) the issue price will be nil as the Consideration Shares are being issued to the Greenmount Shareholders in consideration for the acquisition of their shares in Greenmount. Accordingly, no funds will be raised by the issue of the Consideration Shares;

(d) the Consideration Shares are proposed to be issued to the Greenmount Shareholders. None of the Greenmount Shareholders are related parties of the Company; and

(e) the Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares on issue.

2.5 Item 7 of section 611 of the Corporations Act

(a) **Section 606 of the Corporations Act – Statutory Prohibition**

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(i) from 20% or below to more than 20%; or

(ii) from a starting point that is above 20% and below 90%,

(**Prohibition**).

(b) **Voting Power**

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(c) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

(i) (pursuant to section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:

(A) a body corporate the first person controls;

(B) a body corporate that controls the first person; or

(C) a body corporate that is controlled by an entity that controls the person;

(ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

An entity controls another entity if it has the capacity to determine the outcome of decisions about that other entity's financial and operating policies.

(d) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

(i) are the holder of the securities;

(ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

(i) a body corporate in which the person's voting power is above 20%; and

(ii) a body corporate that the person controls.

Nedlands Nominees holds voting power in Centrepeak of greater than 20%. Accordingly, Nedlands Nominees will be deemed to have a relevant interest in the Consideration Shares held in its own right and all of the Consideration Shares issued to Centrepeak.

(e) **Current voting power of Nedlands Nominees in the Company**

As at the date of this Notice, Nedlands Nominees and its associates do not hold any voting power in the Company.

(f) **Acquisition**

In consideration for the acquisition by the Company of the shares in Greenmount from the Greenmount Shareholders, the Company will issue to the Greenmount Shareholders 171,636,476 Shares in aggregate, of which 28,536,277 Shares will be issued to Nedlands Nominees and 74,221,378 Shares will be issued to Centrepeak, in which Nedlands Nominees will hold a relevant interest.

The effect of the issue of the Consideration Shares is that Nedlands Nominees will hold a relevant interest in 102,757,655 Shares representing 29.9% of the voting power in the Company.

2.6 Reason section 611 approval is required

Item 7 of section 611 of the Corporations Act provides an exception to the Prohibition described in Section 2.5(a), whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Resolution 1 seeks Shareholder approval for the purpose of item 7 of section 611 of the Corporations Act and for all other purposes to enable the Company to issue the Consideration Shares to Nedlands Nominees and Centrepeak.

2.7 Specific information required by section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by HLB Mann Judd Corporate (WA) Pty Ltd annexed to this Explanatory Statement.

(a) **Identity of the Acquirer and its Associates**

It is proposed that the Consideration Shares will be issued to the Greenmount Shareholders in accordance with the terms of the Share Sale Agreements as summarised in Section 1.4 of this Explanatory Statement.

Nedlands Nominees and Centrepeak are Greenmount Shareholders.

No associates of Nedlands Nominees hold a relevant interest in the Company.

(b) **Relevant Interest and Voting Power**

The relevant interest of Nedlands Nominees in voting shares in the capital of the Company is as follows:

Event	Number of Shares	Relevant Interest	Cumulative Total Shares on issue	Voting Power
Current holding	Nil	Nil	171,636,476	Nil
Issue of Consideration Shares to Nedlands Nominees	28,536,277	100.00%	343,272,952	8.31%
Issue of Consideration Shares to Centrepeak	74,221,378	38.45%	343,272,952	21.62%
Total	102,757,655	55.54%	343,272,952	29.93%

(i) **Summary of increases**

The maximum relevant interest that Nedlands Nominees will hold in the Company upon the issue of the Consideration Shares (in its own right and indirectly through Centrepeak, in which it holds greater than 20% of the voting power), and the maximum voting power that Nedlands Nominees will hold is 29.9%. This represents a maximum increase in voting power of 29.9%.

Shareholders should note that the maximum relevant interest of Nedlands Nominees represented in the above table does not include, and is therefore not diluted by, the issue of Shares under the Placement (the subject of Resolution 5). In the event Shareholders approve Resolution 5 and the Company completes the Placement, the maximum relevant interest of Nedlands Nominees in the Company will be approximately 26.4%.

(ii) **Assumptions**

Note that the following assumptions have been made in calculating the above:

(A) the Company has 171,636,476 Shares on issue as at the date of this Notice of Meeting;

(B) the Company does not issue any additional Shares other than the Consideration Shares; and

(C) Nedlands Nominees, Centrepeak and their associates do not acquire any additional Shares.

(c) **Reasons for the proposed issue of securities**

As set out in Section 1 of this Explanatory Statement, the reason for the issue of Consideration Shares to the Greenmount Shareholders is in consideration for the Acquisition.

(d) **Date of proposed issue of securities**

The Consideration Shares the subject of Resolution 1 are intended to be issued in accordance with the timetable set out in Section 1.9.

(e) **Material terms of proposed issue of securities**

The Consideration Shares are fully paid ordinary shares in the Company to be issued on the same terms as the Company's existing Shares on issue.

(f) **Nedlands Nominees' Intentions**

The Company understands that, upon completion of the Acquisition and issue of the Consideration Shares and apart from:

- the proposed restructure of the Company's existing operations, which will continue irrespective of whether or not the Acquisition proceeds; and
- the change in focus which the acquisition of an Australian gold project will bring,

Nedlands Nominees:

(i) has no present intention of making any significant changes to the business of the Company;

(ii) has no present intention to inject further capital into the Company;

(iii) has no present intention regarding the future employment of the present employees of the Company;

(iv) does not intend to redeploy any fixed assets of the Company;

(v) does not intend to transfer any property between the Company and any other entity; and

(vi) has no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to Nedlands Nominees as at the date of this Notice.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(g) **Interests and Recommendations of Directors**

None of the current Board members have a material personal interest in the outcome of this Resolution, other than Mr Peter Langworthy who will have a beneficial or control interest in 4,207,625 Consideration Shares if the Resolution is passed

All of the Directors, other than Mr Langworthy, are of the opinion that the Acquisition is in the best interests of Shareholders and, accordingly, the Directors, other than Mr Langworthy, recommend that Shareholders vote in favour of Resolution 1. Mr Langworthy expresses no opinion on the Acquisition given his interest in the outcome of Resolution 1.

The Directors' recommendations are based on the reasons outlined in Section 1.10.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 1.

(h) **Exception to Listing Rules**

Pursuant to ASX Listing Rule 7.2 (Exception 16), ASX Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of Item 7 of section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of the Consideration Shares pursuant to Resolution 1, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

2.8 Advantages and Disadvantages of the Acquisition

Non-exhaustive lists of the advantages and disadvantages of the Acquisition are set out in Section 1.10 of the Explanatory Statement.

2.9 Pro forma balance sheet

A pro forma balance sheet of the Company post completion of the Acquisition is set out in Schedule 1.

2.10 Independent Expert's Report

The Independent Expert's Report prepared by HLB Mann Judd Corporate (WA) Pty Ltd (a copy of which is enclosed with this Notice of Meeting and Explanatory Statement) assesses whether the Acquisition is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the Acquisition is not fair but reasonable to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

3. RESOLUTIONS 2 AND 3 – ELECTION OF DIRECTORS – MR HEATH HELLEWELL AND MR PETER THOMPSON

Resolutions 2 and 3 seek approval for the election of Mr Heath Hellewell and Mr Peter Thompson as Directors, with effect from completion of the Acquisition, in accordance to clause 6.2(c) of the Constitution and section 201E of the Corporations Act.

Clause 6.2(c) of the Constitution allows the Company to elect a person as a Director by resolution passed in general meeting. Any Director so elected at a general meeting will take office with immediate effect after the end of that general meeting unless a different time is specified by the resolution, in this case being the completion of the Acquisition.

As such, if Resolutions 2 and 3 are approved by Shareholders, each of Mr Heath Hellewell and Mr Peter Thompson will be appointed as a Director upon the completion of the Acquisition.

Relevant background and information relating to Mr Heath Hellewell and Mr Peter Thompson is set out in Section 1.5 of this Explanatory Statement.

4. RESOLUTION 4 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 4 seeks the approval of Shareholders for the Company to change its name to "Capricorn Metals Ltd". The Board proposes this change of name on the basis that it more accurately reflects the proposed operations of the Company upon the completion of the Acquisition.

If Resolution 4 is passed the change of name will take effect after the completion of the Acquisition and when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 4 is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the Acquisition in order to effect the change.

5. RESOLUTION 5 – PLACEMENT OF SHARES

5.1 General

Resolution 5 seeks Shareholder approval for the issue of up to 45,454,536 Shares at an issue price of 3.3 cents per Share to raise up to $1,500,000 (**Placement**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 5 will be to allow the Company to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Placement includes the proposed participation by Peter Woods and Peter Thompson, with their participation being subject to Shareholder approval under Resolutions 6 and 7.

5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

(a) the maximum number of Shares to be issued is 45,454,536;

(b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

(c) the issue price will be 3.3 cents per Share;

(d) the Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company, save for the related parties of the Company for whom Shareholder approval is sought under Resolutions 6 and 7;

(e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) the Company intends to use the funds raised from the Placement of up to $1,500,000 towards exploration of the Bibra gold deposit, in particular, drilling programs to increase the quantity and quality of the resource base.

6. RESOLUTIONS 6 AND 7 – ISSUE OF SHARES TO RELATED PARTIES

6.1 General

Pursuant to Resolution 5 the Company is seeking Shareholder approval for the issue of up to 45,454,536 Shares at an issue price of 3.3 cents per Share to raise up to $1,500,000 (**Placement**).

Peter Woods and Peter Thompson wish to participate in the Placement as follows:

(a) Resolution 6 seeks Shareholder approval for the in the issue of up to 516,576 Shares to Peter Woods (or his nominee);

(b) Resolution 7 seeks Shareholder approval for the in the issue of up to 757,576 Shares to Peter Thompson (or his nominee),

arising from their respective participation in the Placement (**Participation**).

6.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Participation will result in the issue of Shares which constitutes giving a financial benefit. Peter Woods is a related party of the Company by virtue of being a Director, and Peter Thompson is a related party of the Company by virtue of being a director when the Placement will be undertaken (subject to completion of the Acquisition and the passing of Resolution 3).

The Directors (other than Peter Woods who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to Peter Woods and Peter Thompson (or their nominees) on the same terms as Shares issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

6.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Participation involves the issue of Shares to a replated party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

6.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

(a) the Shares will be issued to Peter Woods (Resolution 6) and Peter Thompson (Resolution 7), or their respective nominees;

(b) the maximum number of Shares to be issued is:

  (i) 516,576 Shares to Peter Woods (Resolution 6); and

  (ii) 757,576 Shares to Peter Thompson (Resolution 7);

(c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);

(d) the issue price will be 3.3 cents per Share, being the same as all other Shares to be issued under the Placement;

(e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) the funds raised will be used for the same purposes as all other funds raised under the Placement as set out in section 5.2 of this Explanatory Statement.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Peter Woods and Peter Thompson (or their nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

$ means Australian dollars.

Acquisition means the acquisition of 100% of the shares in Greenmount by the Company.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company means Malagasy Minerals Limited (ACN 121 700 105).

Consideration Shares means the Shares to be issued as consideration for the Acquisition as described in Section 1.4.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Greenmount means Greenmount Resources Pty Ltd (ACN 607 613 650).

Greenmount Shareholders means the shareholders of Greenmount who have agreed to sell their shares in Greenmount to the Company under the Share Sale Agreements.

Independent Expert's Report means the report prepared by HLB Man Judd Corporate (WA) Pty Ltd for the purposes of Resolution 1 and which accompanies this Notice of Meeting.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Placement means the proposed placement of Shares by the Company which is the subject of Resolution 5.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of this Explanatory Statement.

Security means a Share and/or Option in the Company.

Security Holder means a holder of a Security.

Share means a fully paid ordinary share in the capital of the Company.

Share Sale Agreements means the share sale agreements between the Company and each of the Greenmount Shareholders dated 3 December 2015 pursuant to which the Company agrees to acquire the shares in Greenmount held by the Greenmount Shareholders.

Shareholder means a registered holder of a Share.

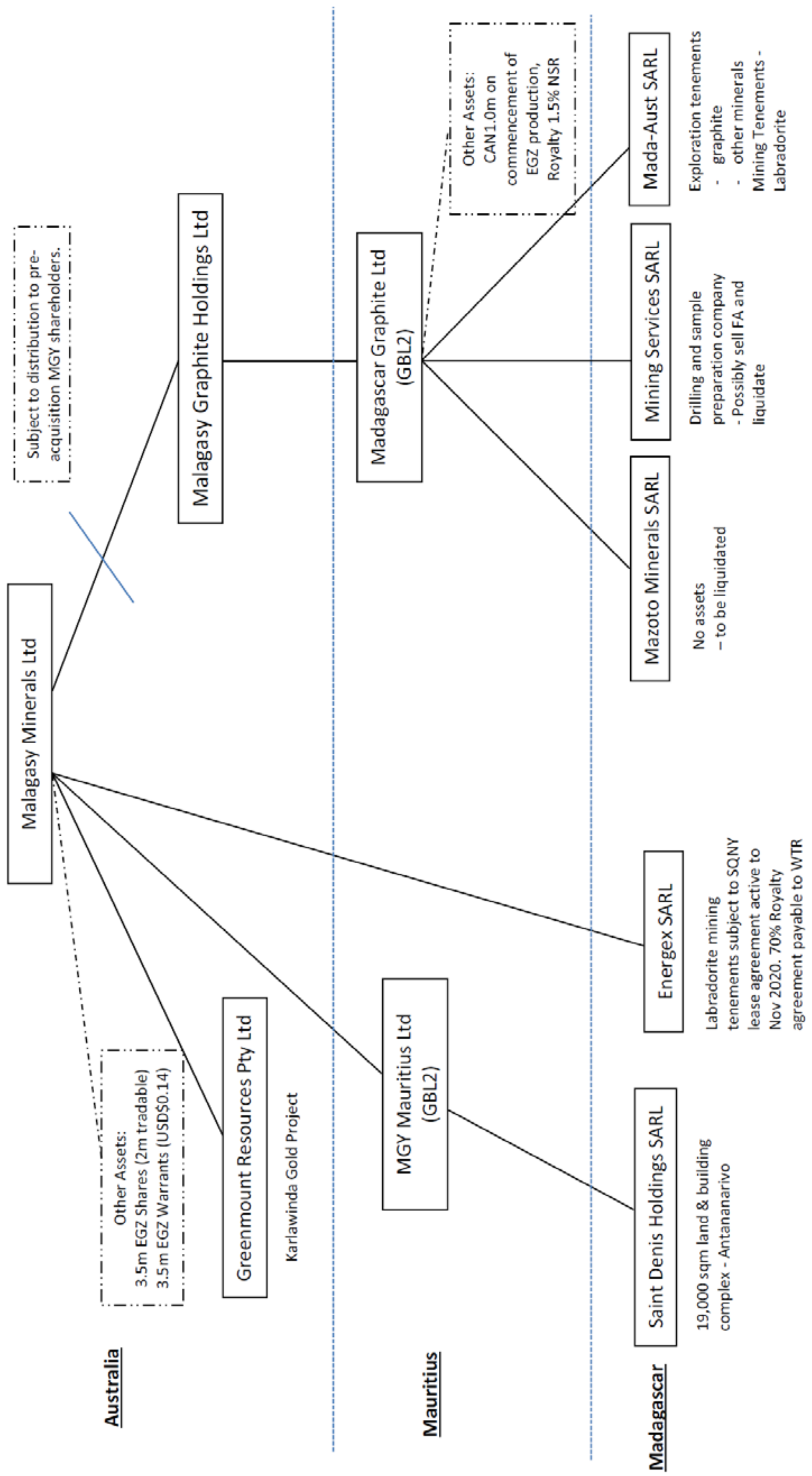
Tenement Sale Agreement means the agreement between Greenmount and Independence Karlawinda Pty Ltd pursuant to which Greenmount has acquired the rights to the Karlawinda Gold Project.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – PRO FORMA BALANCE SHEET

MALAGASY MINERALS LIMTIED BALANCE SHEET 30 SEPTEMBER 2015	PRE ACQUISITION PRO-FORMA	POST ACQUISITION PRO-FORMA	POST ACQUISITION & PLACEMENT PRO FORMA	POST ACQUISITION, PLACEMENT & POTENTIAL DISTRIBUTION PRO FORMA
ASSETS				
CURRENT ASSETS				
CASH & CASH EQUIVALENTS	618,031	675,599	2,175,599	2,174,403
TRADE & OTHER RECEIVABLES	57,775	160,017	160,017	101,732
PREPAYMENTS	68,761	68,761	68,761	299
INVENTORIES	4,286	4,286	4,286	1,459
OTHER FINANCIAL ASSETS	644,822	644,822	644,822	644,822
TOTAL CURRENT ASSETS	**1,393,675**	**1,553,485**	**3,053,485**	**2,992,715**
NON-CURRENT ASSETS				
EXPLORATION EXPENDITURE	3,289,216	3,289,216	3,289,216	-
KARLAWINDA GOLD PROJECT	-	3,535,368	3,535,368	3,535,368
PROPERTY, PLANT & EQUIPMENT	5,096,151	5,096,151	5,096,151	4,913,281
TOTAL NON-CURRENT ASSETS	**8,385,367**	**11,920,735**	**11,920,735**	**8,448,648**
TOTAL ASSETS	**9,779,042**	**13,474,220**	**14,974,220**	**11,371,363**
CURRENT LIABILITIES				
TRADE & OTHER PAYABLES	115,945	1,751,485	1,751,485	1,711,685
PROVISIONS	15,527	15,527	15,527	-
WTR ACCRUED PAYABLE	41,496	41,496	41,496	41,496
TOTAL CURRENT LIABILITIES	**172,968**	**1,808,508**	**1,808,508**	**1,753,181**
NON-CURRENT LIABILITIES				
WTR ACCRUED PAYABLE	422,574	422,574	422,574	422,574
TOTAL NON-CURRENT LIABILITIES	**422,574**	**422,574**	**422,574**	**422,574**
TOTAL LIABILITIES	**727,017**	**2,231,082**	**2,231,082**	**2,175,755**
NET ASSETS	**9,183,500**	**11,243,138**	**12,743,138**	**9,195,608**
EQUITY				
ISSUED CAPITAL	14,865,013	16,924,651	18,424,651	18,424,651
RESERVES	1,894,794	1,894,794	1,894,794	1,795,246
ACCUMULATED LOSSES	(7,576,307)	(7,576,307)	(7,576,307)	(11,024,289)
NET EQUITY	**9,183,500**	**11,243,138**	**12,743,138**	**9,195,608**

SCHEDULE 2 – GROUP STRUCTURE



PROXY FORM

MALAGASY MINERALS LIMITED ACN 121 700 105
GENERAL MEETING

I/We ______________________________

of: ______________________________

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name: ______________________________

OR: ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 12:00pm AWST, on 3rd February 2016 at William Buck, Level 3, 15 Labouchere Road, South Perth WA 6151, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		**FOR**	**AGAINST**	**ABSTAIN**
Resolution 1	Acquisition of Greenmount Resources Pty Ltd	☐	☐	☐
Resolution 2	Election of a Director – Mr H Hellewell	☐	☐	☐
Resolution 3	Election of Director – Mr P Thompson	☐	☐	☐
Resolution 4	Change of Company Name	☐	☐	☐
Resolution 5	Share Placement	☐	☐	☐
Resolution 6	Placement of Shares to Related Party – Dr P Woods	☐	☐	☐
Resolution 7	Placement of Shares to Related Party – Mr P Thompson	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Signature of Shareholder(s):

Individual or Shareholder 1	**Shareholder 2**	**Shareholder 3**
Sole Director/Company Secretary	Director	Director/Company Secretary

Date: ______________________________

Contact name: ______________________________ **Contact ph (daytime):** ______________________________

E-mail address: ______________________________ **Consent for contact by e-mail in relation to this Proxy Form:** **YES** ☐ **NO** ☐

Instructions for completing Proxy Form

1. (**Appointing a proxy**): A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

2. (**Direction to vote**): A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.

3. (**Signing instructions**):

   - (**Individual**): Where the holding is in one name, the Shareholder must sign.
   - (**Joint holding**): Where the holding is in more than one name, all of the Shareholders should sign.
   - (**Power of attorney**): If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
   - (**Companies**): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.

4. (**Attending the Meeting**): Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

5. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

   a) post to Malagasy Minerals Limited, 15 Lovegrove Close, Mount Claremont WA 6010; or

   b) facsimile to the Company on facsimile number +61 8 9284 3801; or

   c) email to the Company at anzel.dutoit@bigpond.com,

   so that it is received not less than 48 hours prior to commencement of the Meeting.

   Proxy Forms received later than this time will be invalid.

HLB Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555
Licensed Investment Adviser

Malagasy Minerals Limited

Independent Expert's Report

Opinion: Not Fair but Reasonable

FINANCIAL SERVICES GUIDE

Dated 1 July 2015

1. HLB Mann Judd Corporate (WA) Pty Ltd

HLB Mann Judd Corporate (WA) Pty Ltd ABN 69 008 878 555 ("HLB Mann Judd Corporate" or **"we"** or **"us"** or **"ours"** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 250903**;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- securities;
- interests in managed investment schemes excluding investor directed portfolio services;
- superannuation; and
- debentures, stocks or bonds issued or proposed to be issued by a government.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product and there is no statutory exemption relating to the matter, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither HLB Mann Judd Corporate, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by us

HLB Mann Judd Corporate has no employees. All personnel who complete reports for HLB Mann Judd Corporate are partners of HLB Mann Judd (WA Partnership). None of those partners are eligible for bonuses directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

HLB Mann Judd Corporate is wholly owned by HLB Mann Judd (WA Partnership). Also, our directors are partners in HLB Mann Judd (WA Partnership). Ultimately the partners of HLB Mann Judd (WA Partnership) own and control HLB Mann Judd Corporate.

From time to time HLB Mann Judd Corporate or HLB Mann Judd (WA Partnership) may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1. Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints must be in writing, addressed to The Complaints Officer, HLB Mann Judd Corporate (WA) Pty Ltd, Level 4, 130 Stirling Street, Perth WA 6000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within **7 days** and investigate the issues raised. As soon as practical, and not more than **one month** after receiving the written complaint, we will advise the complainant in writing of the determination.

9.2 *Referral to external disputes resolution scheme*

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (**"FOS"**). FOS independently and impartially resolves disputes between consumers, including some small business, and participating financial services providers.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details at the foot of page 1 of this FSG.

HLB Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555
Licensed Investment Adviser

23 December 2015

The Directors
Malagasy Minerals Limited
15 Lovegrove Close
MOUNT CLAREMONT WA 6010

Dear Sirs

INDEPENDENT EXPERT'S REPORT

INTRODUCTION

On 26 October 2015 ("Announcement Date"), Malagasy Minerals Limited ("Malagasy" or the "Company") announced that it had executed a binding Heads of Agreement ("HOA") with the shareholders of Greenmount Resources Pty Ltd ("Greenmount") to acquire all of the issued capital of Greenmount. On 4 December 2015, the Company announcement that it had signed the formal agreement with the shareholders of Greenmount ("Agreement") to give effect to this acquisition. Under the terms of the Agreement, the current shareholders of Greenmount ("the Vendors") will be issued with shares that will result in the Vendors collectively controlling approximately 50.0% of the issued capital of Malagasy. This will be achieved by the approval of Resolution 2 of Meeting of shareholders of the Company proposed to be held on or about 28 January 2016 ("General Meeting"), namely the issue to the Vendors of 171,636,476 ordinary shares on the terms and conditions set out in the Explanatory Statement forming part of the Notice of Meeting ("the Proposed Transaction"). A summary of the key components of the HOA are set out in Section 3 of this Report. For the purposes of this Report we have defined the combined Malagasy and Greenmount after the Proposed Transaction as the "Proposed Merged Entity".

STRUCTURE OF REPORT

This Report has been divided into the following sections:

1. Summary and opinion
2. Purpose of the Report
3. Key components of the Heads of Agreement
4. Economic analysis
5. Industry analysis
6. Adopted basis of evaluation
7. Profile of Malagasy
8. Valuation of Malagasy prior to the Proposed Transaction
9. Valuation of Malagasy subsequent to the Proposed Transaction
10. Assessment of whether the Proposed Transaction is fair
11. Assessment of whether the Proposed Transaction is reasonable
12. Sources of information
13. Qualifications, Declarations and Consents

Appendices

1. SUMMARY AND OPINION

In order to assess whether the Proposed Transaction is fair and reasonable we have:

- assessed whether the Proposed Transaction is fair by comparing the value of a Malagasy share before the Proposed Transaction to the value of a share in Malagasy after the Proposed Transaction; and
- assessed whether the Proposed Transaction as reasonable if it is fair, or despite not being fair the advantages to Malagasy's shareholders outweigh the disadvantages.

Further details of the basis of evaluation are provided in Sections 10 and 11 of our Report.

1.1 Fairness

Set out in the table below is a comparison of our assessment of the fair market value of a Malagasy share prior to the Proposed Transaction on a control basis with the value of a Malagasy share subsequent to the Proposed Transaction on a minority basis.

	Report Reference	Low cents	Preferred cents	High cents
Value of a Malagasy share pre-transaction	8.3.1	3.26	3.26	3.26
Value of a Malagasy share post-transaction	9	1.70	2.37	3.12

As the preferred value of a Malagasy share on a pre-transaction basis is greater than the preferred value post transaction on a minority basis, it is our opinion that the Proposed Transaction is **not fair.**

1.2 Reasonableness

We have considered the analysis in Section 11 of this Report, in terms of both the advantages and disadvantages of the Proposed Transaction and the position of the non-associated shareholders of Malagasy if the Proposed Transaction was to proceed.

In our opinion the position of the non-associated shareholders of Malagasy if the Proposed Transaction was to proceed is <u>more advantageous</u> than if the Proposed Transaction was not approved by the shareholders.

1.3 Opinion

We are of the opinion that the Proposed Transaction is not fair but reasonable to the non-associated shareholders of Malagasy.

2. PURPOSE OF THE REPORT

2.1 General

The Directors of Malagasy have requested that HLB Mann Judd Corporate (WA) Pty Ltd ("HLB") provide an independent expert's report ("Report") advising whether, in our opinion, the Proposed Transaction is fair and reasonable to holders of the Company's ordinary shares whose votes are not to be regarded ("non-associated shareholders").

This Report has been prepared to assist shareholders in their decision whether to vote for or against the resolution giving effect to the Proposed Transaction. Malagasy is seeking the approval of its shareholders, under Item 7 of section 611 of the Corporations Act 2001, for the Proposed Transaction, as it involves the Vendors acquiring greater than 20% of the issued capital of Malagasy. At the date of this Report, certain of the Vendors collectively hold an indirect interest in Malagasy, Peter Langworthy is a shareholder of OMNI Geox Pty Ltd, which holds 5,104,903 shares in Malagasy (2.97%). The issue of shares to the Vendors pursuant to the Proposed Transaction will result in the Vendors collectively acquiring a relevant interest in Malagasy greater than 20%.

2.2 Regulatory Guidance

This Report is to be included in the Notice of General Meeting and Explanatory Statement ("Notice of General Meeting") for the meeting to be held on on or about 28 January 2016 to consider the resolution giving effect to the Proposed Transaction, for the purpose of assisting shareholders in their consideration of that resolution. This Report should not be used for any other purpose.

We have prepared this Report having regard to the relevant Australian Securities and Investments Commission ("ASIC") releases. ASIC Regulatory Guide 74 "*Acquisitions approved by members*" suggests that the obligation to supply shareholders with all information that is material to the decision on how to vote on the resolution giving effect to the Proposed Transaction can be satisfied by the directors of Malagasy, by either:

(a) undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise; or

(b) by commissioning an independent expert's report.

The directors of Malagasy have commissioned this Report to satisfy this obligation.

In determining the fairness and reasonableness of the Proposed Transaction, we have had regard to ASIC Regulatory Guide 111 "*Content of expert reports*" ("RG 111"), which states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price (in this case, the proposed price at which the convertible notes will be converted into fully paid shares in Malagasy) and the value that may be attributed to the securities under offer (in this case, the value of the Malagasy shares) (***fairness***) and an examination to determine whether there are sufficient reasons for security holders to accept the offer despite an offer not being fair (***reasonableness***).

The concept of ***fairness*** is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in this offer (in this case, the value of the Malagasy shares). Furthermore, this comparison should be made assuming

100% ownership of the "target" (in this case, 100% of Malagasy) and irrespective of whether the consideration is scrip or cash.

RG 111 states that an offer is reasonable if it is fair. An offer may also be reasonable, if despite it not being fair, there are significant factors which in the expert's opinion shareholders should consider in accepting the offer.

RG 111 also suggests that where the Proposed Transaction is a control transaction the expert should focus on the substance of the control transaction, rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction it should be analysed on a basis that is consistent with a takeover bid.

In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction to consider whether, in our opinion, it is fair and reasonable to the non-associated shareholders of Malagasy.

We have also had regard to ASIC Regulatory Guide 112 "*Independence of experts*".

2.3 Compliance with APES 225 *Valuation Services*

This Report has been prepared in accordance with the requirements of the professional standard APES 225 *Valuation Services* ("APES 225") as issued by the Accounting Professional & Ethical Standards Board.

In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

> *"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."*

3. KEY COMPONENTS OF THE HEADS OF AGREEMENT

On 26 October 2015, Malagasy announced that it had entered into a binding Heads of Agreement ("HOA") with the shareholders of Greenmount Resources Pty Ltd under which Malagasy has agreed 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.

On 4 December 2015, the Company announced that it had signed the formal agreement with the shareholders of Greenmount ("Agreement") to give effect to this acquisition. Under the terms of the Agreement, the current shareholders of Greenmount ("the Vendors") will be issued with shares that will result in the Vendors collectively controlling approximately 50.0% of the issued capital of Malagasy.

In accordance with the HOA and Agreement, Malagasy will issue 171,636,476 ordinary fully paid shares as consideration; which will represent 50% of the expanded capital of Malagasy after the issue for the acquisition.

The Proposed Transaction is subject to a number of conditions being satisfied as follows:

i) Malagasy obtaining all shareholder approvals required by the Corporations Act 2001 and the ASX Listing Rules; including approval for the issue of the shares to the Vendors;

ii) Malagasy complying with any and all requirements of the ASX under Chapter 11 of the Listing Rules in respect of the Proposed Transaction;

iii) Malagasy, on or before 10 January 2016, providing Greenmount with full and complete documentation evidencing land held by St Denis Holdings SARL, a subsidiary of Malagasy, and

iv) All shareholders executing agreements to sell their Greenmount Shares to Malagasy on terms satisfactory to Malagasy.

At completion of the Proposed 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.

4. ECONOMIC ANALYSIS

At its meeting on 1 December 2015, the Reserve Bank of Australia Board ("Board") decided to leave the cash rate unchanged at 2.0 per cent. In support of this decision, the Board provided the following commentary:

The global economy is expanding at a moderate pace, with some softening in conditions in the Asian region, continuing US growth and a recovery in Europe. Key commodity prices are much lower than a year ago, reflecting increased supply, including from Australia, as well as weaker demand. Australia's terms of trade are falling.

The Federal Reserve is expected to start increasing its policy rate over the period ahead, but some other major central banks are continuing to ease monetary policy. Volatility in financial markets has abated somewhat for the moment. While credit costs for some emerging market countries remain higher than a year ago, global financial conditions overall remain very accommodative.

In Australia, the available information suggests that moderate expansion in the economy continues in the face of a large decline in capital spending in the mining sector. While GDP growth has been somewhat below longer-term averages for some time, business surveys suggest a gradual improvement in conditions in non-mining sectors over the past year. This has been accompanied by stronger growth in employment and a steady rate of unemployment.

Inflation is low and should remain so, with the economy likely to have a degree of spare capacity for some time yet. Inflation is forecast to be consistent with the target over the next one to two years.

In such circumstances, monetary policy needs to be accommodative. Low interest rates are acting to support borrowing and spending. While the recent changes to some lending rates for housing will reduce this support slightly, overall conditions are still quite accommodative. Credit growth has increased a little over recent months, with credit provided by intermediaries to businesses picking up. Growth in lending to investors in the housing market has eased. Supervisory measures are helping to contain risks that may arise from the housing market.

The pace of growth in dwelling prices has moderated in Melbourne and Sydney over recent months and has remained mostly subdued in other cities. In other asset markets, prices for commercial property have been supported by lower long-term interest rates, while equity prices have moved in parallel with developments in global markets. The Australian dollar is adjusting to the significant declines in key commodity prices.

At today's meeting the Board again judged that the prospects for an improvement in economic conditions had firmed a little over recent months and that leaving the cash rate unchanged was appropriate. Members also observed that the outlook for inflation may afford scope for further easing of policy, should that be appropriate to lend support to demand. The Board will continue to assess the outlook, and hence whether the current stance of policy will most effectively foster sustainable growth and inflation consistent with the target.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 1 December 2015

5. INDUSTRY ANALYSIS

The following analysis is provided in respect of the major industry in which the Proposed Merged Entity is planning to operate in the future, namely gold exploration and mining in Western Australia.

5.1 Gold Mining in Australia

Executive Summary

Gold ore mining is a well-established industry in Australia, and has undergone a period of growth over much of the past decade. In addition to price increases, this growth has stemmed from gold's status as a counter-cyclical commodity, meaning that it is viewed as a safe haven asset during times of national and global economic uncertainty. As a result, the onset of the global financial crisis and the recessionary environment that ensued provided a boost for the industry. Although world gold prices declined significantly in 2012-13 and 2013-14, the weak Australian dollar limited the declines for the industry. As gold is traded in US dollars, the low dollar also benefited the industry in 2014-15 and will contribute to price increases in Australian dollars in 2015-16. Overall, in the five years through 2015-16, industry revenue is expected to increase at an annualised 1.2%.

As the value of global financial assets and currencies plummeted in the wake of the global financial crisis, investors across the world turned to gold as a safe monetary asset. This sudden increase in demand caused global gold prices to surge, pushing industry revenue and profit significantly higher in the five years through 2010-11. These conditions also prompted gold producers in Australia to expand production, as higher prices more than offset the higher cost of developing lower grade ores. However, the gold boom ended with declines in the world gold price in 2012-13 and 2013-14, as the global economy strengthened and inflationary fears eased. With gold prices again rising in 2015-16 as the Australian dollar weakens, industry revenue is expected to increase by 3.3% to $13.2 billion for the year.

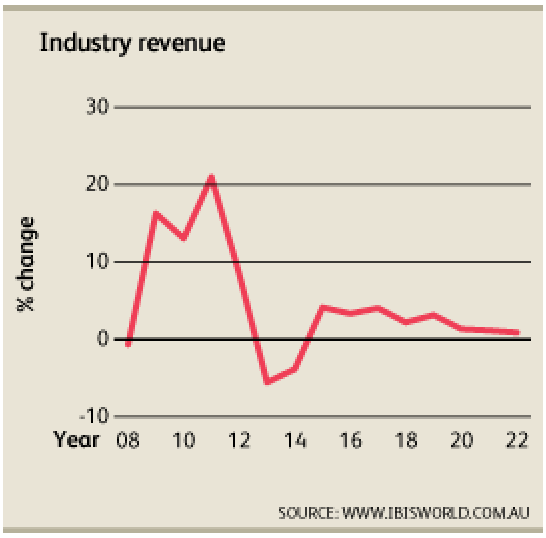
The industry will continue to be heavily influenced by changes in world gold prices and the value of the Australian dollar over the five years through 2020-21. Gold prices are expected to increase over the next five years, due to moderate supply growth, a weaker local currency and growing global demand. As a result, the expected increase in gold production and rising prices will largely drive industry performance. Overall, industry revenue is projected to increase at an annualised 2.4% over the five years through 2020-

21, to $14.8 billion. However, rising production costs due to lower ore quality and higher transportation costs are expected to contribute to profit declines in the next five years.

Current Performance
<u>Revenue and Profit</u>

The performance of the Gold Ore Mining industry follows broad trends in gold production and Australian dollar prices for gold. Industry revenue is projected to increase at an annualised 1.2% over the five years through 2015-16, despite gold price declines pushing revenue lower in 2012-13 and 2013-14. As gold mining volumes increase in 2015-16 and the Australian dollar remains weak, IBISWorld expects industry revenue to increase by 3.3% for the year to reach $13.2 billion. The overall industry gains reflect the industry's tendency to run counter-cyclical to general economic conditions, and gold's appeal as a safe haven asset during uncertain economic times. These trends have generally increased gold demand, prices and production in both Australia and the rest of the world over the past five years.

Profit is expected to account for 8.4% of industry revenue in 2015-16. This is down from 12.7% in 2010-11 due to higher industry wage and processing costs, and falling gold prices in some years. Industry exports have been strong, growing at an estimated 7.6% annualised over the five years through 2015-16, due to increases in the number of overseas companies that can refine gold dore bars, which has pushed smelted gold exports higher. Competing gold imports are negligible.



Despite the steady industry performance, there have been several factors detracting from growth, including increasing royalty rates in some states and high production costs. Pricing and currency volatility contributes to industry uncertainty, limiting gold exploration levels and industry growth. As a result of this uncertainty, enterprise numbers have increased only marginally over the past five years, as unprofitable firms have exited the industry. However, with output and revenue generally increasing, establishment numbers are expected to increase at an annualised 0.7% in the five years through 2015-16, with employment decreasing slightly as companies look to trim costs.

Counter-cyclical asset
The performance of Australia's Gold Ore Mining industry depends heavily on the movements and interaction of global gold prices, exchange rates and demand from central banks across the world. The industry's connections to world economic conditions and global financial assets make gold ore mining a volatile business. As a monetary asset, gold is considered a safe haven investment during periods of economic uncertainty, especially in financial markets. This is because gold is considered to be more resilient and less risky than world currencies. However, when global economic conditions are healthy, demand for gold generally declines as investors move towards riskier assets that offer higher returns. Post-crisis gold prices have decreased in US dollars but strengthened in Australian dollars, with the local currency depreciating

since 2012-13. Gold prices are expected to increase steadily in 2015-16, while the global economy improves and inflationary pressures ease, as interest rates in the United States and Europe are set to increase.

Industry Outlook
The performance of the Gold Ore Mining industry will continue to follow broad trends in gold pricing, production volumes and the value of the Australian dollar over the next five years. Gold prices are likely to increase over the next five years, particularly in Australian dollar terms, as the currency remains weak. The industry's performance reflects some global economic uncertainty and the continued reliance on gold as a store of value. Central banks in particular will remain substantial purchasers and holders of gold.

Gold exploration expenditure, Australia

Year	Exploration value ($ million)	(% change)	Proportion of total mineral exploration (%)
2010-11	652.2	N/C	22.1
2011-12	768.0	17.8	19.4
2012-13	661.8	-13.8	21.7
2013-14	434.3	-34.4	20.6
2014-15*	402.7	-7.3	22.8
2015-16*	429.8	6.7	22.5

*Estimate

SOURCE: ABS AND IBISWORLD

Revenue and profit
Over the next five years, industry revenue and profit will reflect trends in production, US dollar gold prices and the prevailing exchange rate. The US dollar gold price is expected to rise slightly over the next five years which, combined with a weak Australian dollar, will push up gold prices in the local currency. Once inflation is taken into account, the projected price increase will be relatively modest. The higher price of gold in Australian dollars and increased industry output are expected to result in moderate revenue gains over the period. Overall, industry revenue is projected to grow at an annualised 2.4% over the five years through 2020-21, to total $14.8 billion. Export growth is anticipated to slow as global gold production increases. IBISWorld expects that industry exports will account for 9.6% of revenue in 2020-21, with annualised growth of 2.3% over the five-year period. Import levels are expected to remain very low.

Profit is projected to decrease to 8.0% of industry revenue in 2020-21 despite stable volume, price and demand growth, as industry wages remain high. Industry risks include the higher costs associated with deeper mines and more complex geological formations, and higher royalty rates. The industry is expected to achieve 4.0% growth in 2016-17, on the back of higher gold production and prices. Revenue growth is projected to continue each year through 2020-21.

Rising output and more complex operations are expected to boost industry employment, leading to 1.2% annualised growth over the five years through 2020-21. More new firms are expected to enter the industry due to its potential for high returns, and establishment numbers are anticipated to grow by 1.0% annualised over the period.

However, most new firms will be small in scale and produce relatively low volumes of gold.

Source:IBIS*World – November 2015*

6. ADOPTED BASIS OF EVALUATION

6.1 Fairness

We have assessed whether the Proposed Transaction is fair by comparing our assessment of the fair market value of a Malagasy share on a control basis prior to incorporating the effects of the Proposed Transaction with our assessment of the fair market value of a Malagasy share on a minority basis subsequent to incorporating the effects of the Proposed Transaction.

The Malagasy shares have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to gain control, to reduce or eliminate competition, to secure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. As the Proposed Transaction is a control transaction (as defined in RG 111), we have considered this factor in forming our opinion.

6.2 Reasonableness

We have assessed the reasonableness of the Proposed Transaction by considering other advantages and disadvantages of the Proposed Transaction to the non-associated shareholders of Malagasy.

6.3 Individual circumstances

We have evaluated the Proposed Transaction for Malagasy shareholders as a whole. We have not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders. Due to their particular circumstances, individual shareholders may place a different emphasis on various aspects of the Proposed Transaction from those adopted in this Report. Accordingly, individual shareholders may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable. If in doubt, shareholders should consult an independent adviser.

6.4 Limitations and Reliance on Information

HLB's opinion is based on economic, share market, business trading and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time. If these conditions did change materially the valuations and opinions could be different in these changed circumstances.

This Report is also based upon financial information and other information provided by Malagasy. HLB has considered and relied upon this information. HLB has no reason to believe that any material facts have been withheld. The information provided to HLB has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Proposed Transaction is fair and reasonable. However, in preparing reports such as this, time is limited and HLB does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to fairness and reasonableness is more in the nature of an overall review rather than a detailed audit or investigation.

An important part of the information used in forming an opinion of the kind expressed in this Report is comprised of the opinions and judgment of management. This type of information was also evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or valuation.

Preparation of this Report does not imply that HLB has audited in any way the records of Malagasy for the purposes of this Report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years except as otherwise noted.

The information provided to HLB included historical financial information for Malagasy. Malagasy is responsible for this information. HLB has used and relied on this information for the purpose of analysis.

7. PROFILE OF MALAGASY

7.1 Company History

Malagasy has established a large exploration project in Southern Madagascar that is highly prospective for both high-grade, high quality graphite deposits and mafic-ultramafic intrusive related magmatic nickel-cooper-platinum group metals ("PGM") deposits.

Source: Review of Operations in the Company's 2015 Annual Report

In connection with the Proposed Transaction, the Company also intends to restructure its Madagascan interests upon completion of the Greenmount acquisition.

Mada Aust SARL, Mozoto Minerals SARL, and Mining Services SARL will be transferred to Madagascar Graphite Limited and shares in Madagascar Graphite Limited will be distributed in specie to Malagasy shareholders who held shares as at the completion date.

Additionally, any 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. Assets

The remaining Company's assets (other than those held in Madagascar Graphite Limited will comprise predominantly of Cash and Property, Plant & Equipment. Extracts of the Company's audited financial report for the years ended 30 June 2014 and 30 June 2015 are shown at Sections 7.7 and 7.8 of this Report.

7.3 Legal Structure

Malagasy is a public company incorporated and domiciled in Australia. Malagasy has the following subsidiaries:

Name of subsidiary	Country of incorporation	Principal Activity	% interest held by Malagasy
Energex SARL	Madagascar	Dormant	100
MGY Mauritius Limited	Mauritius	Dormant(3)	100
St Dennis Holdings SARL	Madagascar	Commercial Property	100
Malagasy Graphite Holdings Limited	Australia	Dormant(2)	100
Madagascar Graphite Limited	Mauritius	Dormant(2)	100
Mozoto Minerals SARL (1)	Madagascar	Exploration	100
Mining Services SARL	Madagascar	Exploration Services	100
Mada Aust SARL	Madagascar	Exploration	100

(1) A 10% interest is held in trust for Malagasy Minerals Limited;
(2) These entites will be used to restructure the operations of Mada Aust SARL, Mozoto Minerals SARL, and Mining Services SARL; and
(3) The ownership of St Denis Holdings SARL is in the process of being transferred to MGY Mauritius from Malagasy Minerals Limited.

7.4 Management and Personnel

The Company's current directors are:

Guy LeClezio	Non-Executive Chairman
Peter Woods	Non-Executive Director
Graeme Boden	Non-Executive Director
Peter Langworthy	Non-Executive Director

The Company's senior executive team members are:

Jean Luc Marquetoux	In country Manager (Madagascar)
Graeme Boden	Company Secretary
Natasha Forde	Company Secretary

7.5 Capital Structure and Shareholders

At the date of this Report, Malagasy had the following securities on issue:

Shares:

	Number
Fully paid ordinary shares	171,636,476

Options:
At the date of this Report, the following options were on issue:

Expiry date	Exercise Price	Number
31 December 2015	$0.40	375,000
31 March 2016	$0.50	375,000
30 November 2016	$0.15	7,500,000
		8,250,000

At the date of this Report, no shares are held in escrow.

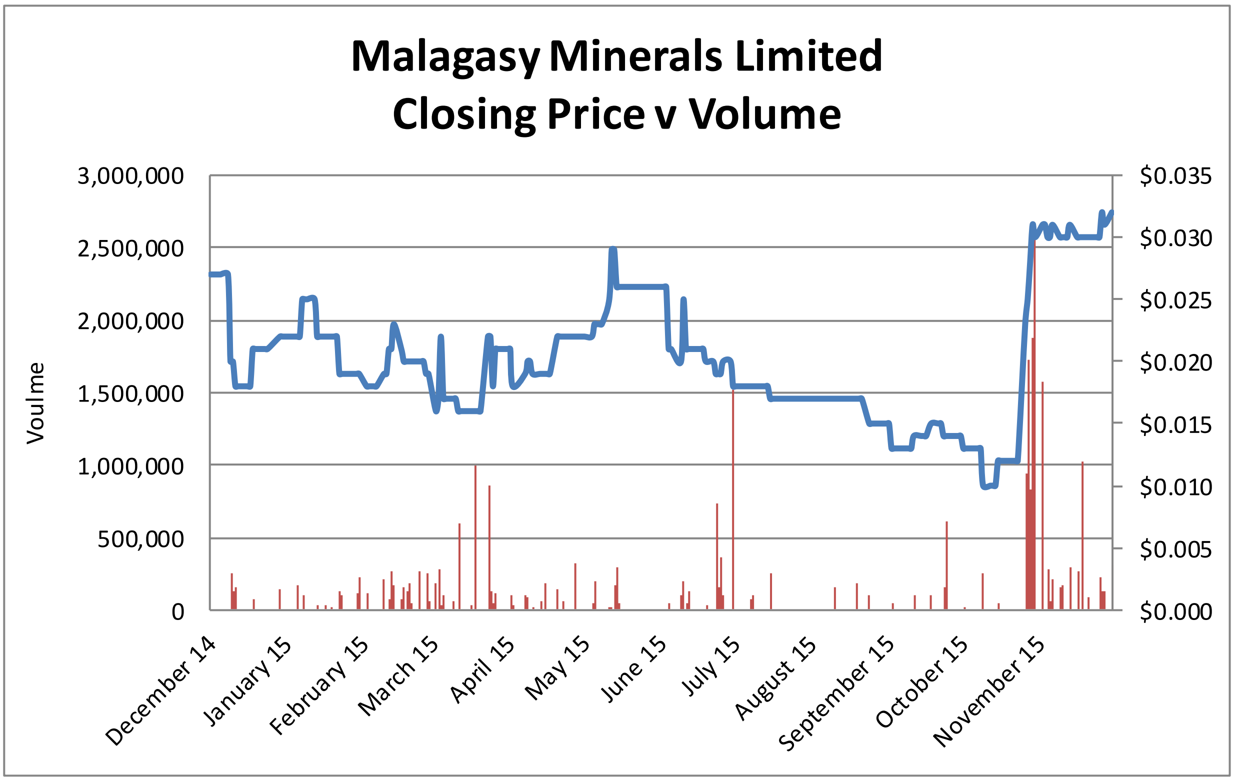
Top 20 shareholders

The top 20 shareholders as at 8 December 2015 are set out below.

Shareholder	Number of Shares	% of total shares on issue
Running Water Ltd & Associates	16,444,276	9.58
Harmanis Holdings Pty Ltd	12,000,000	6.99
Nefco Nominees Pty Ltd	8,000,000	4.66
Midas Consulting Ltd & Associates	7,929,001	4.62
Quantum Holdings Pty Ltd	5,603,763	3.26
Magaurite PL (Peter Nelson)	5,305,440	3.09
OMNI Geox Pty Ltd	5,104,903	2.97
JP Morgan	4,149,286	2.42
Timmid PL	4,050,000	2.36
Rene Legoll	3,850,000	2.24
Z Wange Harvey & L Q Chen	3,753,480	2.19
Robert Hastings Smythe	2,900,000	1.69
W Ho Yung & K K L	2,533,674	1.48
HSBC Custody Nom Aust Ltd	2,384,447	1.39
Neptune Design Ltd	2,280,000	1.33
T A Watterson & C E Cross	2,265,000	1.32
BBY Nominees Ltd	2,000,000	1.17
Firefox Ltd	2,000,000	1.17
Talex Inv PL	1,778,000	1.04
Alban Horst Hasslinger	1,725,000	1.01
Total top 20	**96,056,270**	**55.96%**

7.6 Share Price Performance

Malagasy's share price movements in the 12 months to the date of preparation of this Report, together with volumes traded are presented in the graph below:



The Malagasy closing share price has steadily decreased since May 2015 before increasing sharply in late October 2015, which corresponded to the announcement of the HOA with Greenmount.

The following key announcements were made by the Company to the market during the above period up to and including the announcement of the Proposed Transaction with Greenmount:

Date	Announcement	Closing share price after announcement $ (movement)		Closing share price three days after announcement $ (movement)	
26/10/15	Malagasy acquires Karlawinda Gold Project	0.023	92%	0.031	35%
30/09/15	Annual Report to shareholders	0.014	0%	0.013	-7%
31/07/15	Quarterly Activities and Cashflow Report June 2015	0.017	0%	0.017	0%
27/05/15	Operations Update	0.026	0%	0.026	0%
18/05/15	Response to ASX Appendix 5B query	0.026	0%	0.026	0%
29/04/15	Quarterly Activities and Cashflow Report	0.022	0%	0.022	0%
10/03/15	Half Year Accounts	0.017	0%	0.016	-6%
12/02/15	Graphite Drilling Results	0.021	0%	0.02	-5%
30/01/15	Quarterly Activities and Cashflow Report	0.019	0%	0.018	-5%
14/11/14	Drilling Commenced at Graphite Province	0.026	13%	0.027	4%

Source: ASX company announcements

7.7 Financial Performance

Extracts of the Company's audited financial results for the years ended 30 June 2014 and 30 June 2015 are set out below:

	Audited Year to 30 June 2015 $	Audited Year to 30 June 2014 $
Revenue	**1,431,541**	1,831,271
Fair value gain/(loss) on financial assets	**(177,757)**	20,287
Employee benefits expense	**(563,517)**	(586,635)
Depreciation expense	**(61,706)**	(81,954)
Administration costs	**(462,101)**	(537,088)
Exploration expenditure	**(447,244)**	(383,590)
Foreign exchange movements	**22,361**	2,711
Provision for impairment of receivable	**(338,650)**	-
Share-based payments	**-**	(29,060)
Loss before income tax	**(597,073)**	235,942
Income tax benefit	**(5,459)**	(6,190)
(Loss)/Profit for the period	**(602,532)**	229,752

7.8 Financial Position

Extracts of the Company's audited financial position as at 30 June 2014 and 30 June 2015 are set out below:

	Audited 30 June 2015 $	Audited 30 June 2014 $
Current Assets		
Cash and cash equivalents	**778,206**	1,125,108
Other receivables	**63,835**	158,894
Other current assets	**125,922**	88,745
Other financial assets	**644,822**	837,702
Total Current Assets	**1,612,785**	2,210,449
Non Current Assets		
Other receivables	**-**	313,630
Property, plant & equipment	**2,665,519**	2,715,925
Investment in Joint Venture	**1**	1
Deferred exploration expenditure	**3,289,216**	3,289,216
Total Non Current Assets	**5,954,736**	**6,318,772**
Total Assets	**7,567,521**	**8,529,221**
Liabilities		
Current Liabilities		
Trade and other payables	**296,026**	670,278
Short-term provisions	**16,893**	16,771
Total Current Liabilities	**312,919**	**687,049**
Non-Current Liabilities		
Trade and other payables	**422,574**	467,052
Total Non-Current Liabilities	**422,574**	**467,052**
Total Liabilities	**735,493**	**1,154,101**
Net Assets	**6,832,028**	**7,375,120**

7.9 Tax Losses

At 30 June 2015, the Company had a net unrecognised deferred tax asset of $641,810. This asset is not included in the statement of financial position in Section 7.8 of this Report as there is no certainty that these losses will be available to the Proposed Merged Entity post transaction and there is not currently taxable income to utilise these losses.

8. VALUATION OF MALAGASY PRIOR TO THE PROPOSED TRANSACTION

8.1 Valuation Summary

HLB has assessed (at Section 8.3) the fair market value of Malagasy to be 3.26 cents per share. This is based on our assessment of the fair market value on a control basis prior to incorporating the effects of the Proposed Transaction.

For the purpose of our opinion, fair market value is defined as the amount at which the shares would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. We have considered the aspect of a premium for control in forming our opinion.

In determining this amount, we assessed the fair market value of Malagasy after considering the various valuation methods, which are discussed in further detail at Section 8.2 of this Report.

8.2 Valuation Methodology

Methodologies commonly used for valuing assets and businesses are as follows:

8.2.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on a business by estimating the likely future maintainable earnings, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

This method is not appropriate for use in mining exploration companies.

8.2.2 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present values at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

The DCF methodology is not considered appropriate to use in the valuation of Malagasy as the Company is in the exploration phase and does not have reliable cash flow forecast information based on JORC reserves.

8.2.3 Net asset value

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The *orderly realisation of assets method* estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The *liquidation method* is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Where wind up or liquidation of the entity is not being contemplated, these methods in their strictest form are generally not appropriate. The *net assets on a going concern method* estimates the market values of the net assets of an entity but does not take into account any realisation costs.

The *net assets on a going concern method* is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall net assets on a going concern basis.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

8.2.4 Quoted Market Price Basis

Another valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

8.2.5 Methodology Adopted

We consider that the most appropriate methods for the valuation of Malagasy shares are the net assets on a going concern method and the quoted market price basis.

8.3 Valuation

8.3.1 Net assets on a going concern method of valuation of Malagasy (prior to incorporating the effects of the Proposed Transaction)

Our valuation of Malagasy on a going concern method of valuation is set out in our valuation calculations below. We have considered the valuation of Malagasy prior to incorporating the effects of the Proposed Transaction:

We have made the following adjustments to the net assets of Malagasy as at 30 June 2015 in determining our valuation. These adjustments relate to matters which have effect prior to the effects of the Proposed Transaction.

1. The cash balances have been adjusted for the movement in the 3 months to September 2015.

2. These balances have been adjusted to reflect the assets and liabilities that would leave the Group following the divestment of Madagascar Graphite Limited.

3. The Property, Plant and Equipment has been revalued based on the directors' view of the likely value of the property in Madagascar. The directors have formed their view based on an independent market value review of the property.

4. The value of payables has been reduced via the issue of shares to the value of $131,475 as approved at the 2015 Annual general meeting as well as liabilities that leave the group following the divestment of Madagascar Graphite Limited.

5. The number of shares has been increased as a result of the issue of shares noted at 4) above, as approved at the 2015 annual general meeting.

Statement of Financial Position	Note	Audited 30 June 2015 $	Assets transferred $	Proforma $	Valuation Low $	Valuation Preferred $	Valuation High $
Current Assets							
Cash and cash equivalents	1,2	778,206	(4,719)	773,487	614,055	614,055	614,055
Other receivables	2	63,835	(60,562)	3,273	3,273	3,273	3,273
Other current assets	2	125,922	(124,505)	1,417	1,417	1,417	1,417
Other financial assets		644,822	-	644,822	644,822	644,822	644,822
Total Current Assets		1,612,785	(189,786)	1,442,999	1,263,567	1,263,567	1,263,567
Non Current Assets							
Property, plant and equipment	3	2,665,519	-	2,665,519	4,885,840	4,885,840	4,885,840
Exploration and evaluation expenditure	2	3,289,216	(3,289,216)	-	-	-	-
Investment in Joint Venture		1	-	1	1	1	1
Total Non Current Assets		5,954,736	(3,289,216)	2,665,520	4,885,841	4,885,841	4,885,841
Total Assets		7,567,521	(3,664,889)	3,902,632	6,149,408	6,149,408	6,149,408
Liabilities							
Current Liabilities							
Trade and other payables	4	296,026	(58,105)	139,315	139,315	139,315	139,315
Short-term provisions	2	16,893	(16,893)	-	-	-	-
Total Current Liabilities		312,919	(74,998)	139,315	139,315	139,315	139,315
Non-Current Liabilities							
Trade and other payables		422,574	-	422,574	422,574	422,574	422,574
Total Non-Current Liabilities		422,574	-	422,574	422,574	422,574	422,574
Total Liabilities		735,493	(74,998)	561,889	561,889	561,889	561,889
Net Assets		6,832,028	(3,589,891)	3,340,743	5,587,519	5,587,519	5,587,519

		Number		Number	Number	Number	Number
Shares on issue	5	165,346,421		171,636,476	171,636,476	171,636,476	171,636,476
					3.26	3.26	3.26
Value per share (cents)		4.13		1.95			

8.3.2 Quoted Market Price Basis - Shares

To provide a comparison to our assessed valuation of Malagasy in Section 8.3.1, we have also assessed the value of Malagasy on the quoted market price basis.

The quoted market value of a company's shares is reflective of its value on a minority interest basis. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.25 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of section 611 of the Corporations Act 2001, the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain control of another company. These advantages include the following:

- control over policy, decision making and strategic direction;
- access to cash flows;
- control over dividend policies; and
- potentially, access to tax losses.

Whilst the Vendors will not be obtaining 100% of Malagasy, RG 111 states that the expert should calculate the value of a "target's" (ie Malagasy) shares as if 100% control was being obtained. RG 111.3 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. We have considered reasonableness in Section 11 of this Report.

Our valuation calculation has been prepared in two parts. First, we have calculated the quoted market price on a minority interest basis. Secondly, we have added a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

A chart of the share price movement of Malagasy over the 12 month period prior to the date of preparation of this Report is included in Section 7.6 of this Report.

To provide further analysis of the market prices for a Malagasy share, we have also calculated the volume weighted average market price for 10, 30, 60 and 90 day periods of recent trading prior to the announcement, as follows:

	31 October 2015 cents	10 Days cents	30 Days cents	60 Days cents	90 Days cents
Closing price	3.0				
Volume weighted average		2.81	2.63	2.56	2.43

For the quoted market price basis to be reliable there needs to be an adequately liquid and active market for the securities. We consider the following characteristics to be representative of a liquid and active or "deep" market:

- Regular trading in a company's securities;

- At least 50% of a company's securities are traded on an annual basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant and unexplained movements in the company's share price.

A company's shares should meet all of the above criteria to be considered as trading in a "deep" market, however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares determined on this basis cannot be considered relevant.

An analysis of the volume of trading in Malagasy shares for the twelve months to the date of the announcement (26 October 2015) is set out below:

	Low cents	High cents	Cumulative Volume Traded No	As a % of issued capital as at 26 October 2015
10 days	1.2	3.1	7,944,950	4.8%
30 days	1.0	3.1	9,008,950	5.4%
60 days	1.0	3.1	9,688,950	5.9%
90 days	1.0	3.1	11,730,630	7.1%
180 days	1.0	3.1	19,937,328	12.1%
365 days	1.0	3.1	23,640,898	14.3%

This table indicates that the Company's shares do not display a reasonable level of liquidity, with only 14.3% of the Company's issued capital at 26 October 2015 being traded in the 12 month period to the date of this report and only 7.1% over the last 3 months. We do not consider the level of trading in the Company's shares to be sufficiently adequate and to otherwise meet the criteria in order for the trading in the Company's shares to be considered as "deep", but do consider it to be indicative.

Notwithstanding our opinion that the quoted market price basis is not a reliable valuation basis for our assessment, for the purpose of comparison, in our opinion a range of values for Malagasy shares based on market pricing, after disregarding post-announcement pricing, is between 1.0 cents and 3.10 cents per share, with a preferred pricing of 2.63 cents.

Control Premium

Share prices from share market trading do not reflect the market value for control of a company as they are in respect of minority interest holdings. Traditionally, the premiums required to obtain control of companies range between 15% and 25% of the minority interest values.

Quoted market price including control premium

Applying these control premiums to Malagasy's quoted market share price results in the following quoted market price values including a premium for control:

	Low cents	Preferred cents	High cents
Quoted market price value	1.0	2.63	3.10
Control premium	15%	20%	25%
Quoted market price value inclusive of a control premium	1.15	3.15	3.87

Therefore, our valuation of a Malagasy share based on the quoted market price method and including a premium for control is between 1.15 cents and 3.87 cents with a preferred value of 3.15 cents.

8.4 Assessment on the Fair Market Value of a Malagasy Share

The results of the net asset and quoted market price valuations performed are summarised in the table below:

	Low cents	Preferred cents	High cents
Net assets (Section 8.3.1)	3.26	3.26	3.26
Quoted market price (Section 8.3.2)	1.15	3.15	3.87

As it is our opinion that the trading in Malagasy shares is illiquid, we believe the most appropriate method of valuation of Malagasy shares in accordance with RG 111 is the net assets method.

Based on the results above we consider the value of a Malagasy share to be 3.26 cents per share.

9. VALUATION OF MALAGASY SUBSEQUENT TO THE PROPOSED TRANSACTION

Following is our assessment of the fair market value of a Malagasy share on a minority basis subsequent to incorporating the effects of the Proposed Transaction.

	Report Reference	Valuation Low	Valuation Preferred	Valuation High
Value of Malagasy - pre-transaction	8.3	5,587,519	5,587,519	5,587,519
Assessed value of the assets to be acquired under the Proposed Transaction **(Note 1)**		1,724,270	4,224,270	6,724,270
Net assets ($)		7,311,789	9,811,789	12,311,789

Shares on issue – pre-transaction	171,636,476	171,636,476	171,636,476
Issue of shares under the Proposed Transaction **(Note 2)**	171,636,476	171,636,476	171,636,476
Total shares on issue (Number)	343,272,952	343,272,952	343,272,952
Net assets per share (cents)	2.13	2.86	3.59
Minority interest discount **(Note 3)**	20%	17%	13%
Value post transaction (cents)	1.70	2.37	3.12

1. We instructed Optiro Pty Ltd ("Optiro") to provide an independent market valuation of the mineral assets currently held by Greenmount, namely the Karlawinda Gold Project. Optiro considered a number of different valuation methods when valuing these mineral assets. A copy of the report prepared by Optiro is attached to this Report as Appendix 2.

   The range of values for the Karlawinda Gold Project as assessed by Optiro is set out below:

	Low Value $'000	Preferred Value $'000	High Value $'000
Company mineral assets (as valued by Optiro Pty Ltd):			
Karlawinda Gold Project	3,200	5,700	8,200

   We have incorporated these valuation amounts in the table below as the "Valuation Low", "Valuation High" and "Valuation Preferred" amounts in our assessment of the net assets of Greenmount.

   The following net assets have been extracted from the unaudited management accounts of Greenmount as at 30 June 2015, adjusted for the valuation above:

	$	$	$
Current Assets			
Cash and cash equivalents	57,5568	57,5568	57,5568
Other receivables	252,142	252,142	252,142
Total Current Assets	309,810	309,810	309,810
Non Current Assets			
Exploration assets (at valuation above)	3,200,000	5,700,000	8,200,000
Total Non Current Assets	3,200,000	5,700,000	8,200,000
Total Assets	3,509,810	6,009,810	8,509,810
Liabilities			
Current Liabilities			
Trade and other payables	1,785,540	1,785,540	1,785,540
Total Liabilities	1,785,540	1,785,540	1,785,540
Net Assets	1,724,270	4,224,270	6,724,270

2. Under the Proposed Transaction, a total of 171,636,476 ordinary fully paid shares will be issued to the Vendors for the acquisition.

3. The above net assets per share of a Malagasy share have been determined on a controlling interest basis. If the Proposed Transaction is approved, the Vendors collectively have the potential to gain control of the Company and conversely the

non-associated shareholders would potentially become minority interest shareholders.

We have therefore adjusted our valuation of a Malagasy share to reflect a minority interest holding. As noted in Section 8.3.2 of this Report, we assessed an appropriate premium for control to range from 15% to 25%. We have therefore assessed a range for an appropriate minority interest discount (which is the inverse of a premium for control) of 13% to 20%.

	Valuation Low	Valuation Preferred	Valuation High
Net assets per share (cents)	2.56	3.29	4.02
Minority interest discount	20%	17%	13%
Value post transaction (cents)	2.05	2.73	3.49

10. Assessment of whether the Proposed Transaction is fair

RG 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities being the subject of the offer.

Set out in the table below is a comparison of our assessment of the fair market value of a Malagasy share prior to the Proposed Transaction on a control basis with the value of a Malagasy share subsequent to the Proposed Transaction on a minority basis.

	Report Reference	Low cents	Preferred cents	High cents
Value of a Malagasy share pre-transaction	8.3.1	3.26	3.26	3.26
Value of a Malagasy share post-transaction:	9	1.70	2.37	3.12

As the preferred value of a Malagasy share on a pre-transaction basis is greater than the preferred value post transaction on a minority basis, it is our opinion that the Proposed Transaction is **not fair.**

11. Assessment of whether the Proposed Transaction is reasonable

Advantages

The following are considered to be the significant advantages for the Proposed Transaction:

- Access to an established gold resource base with potential for this resource to be increased;

- Potential for near term commencement of gold production from open cut mining;

- Regional exploration potential with prospective geology largely untested as well as an identified higher grade exploration project which is yet to be fully explored;

- An Australian political and regulatory regime which is considered to be more favourable than Madagascar is now perceived to be; and

- Given the difficult current market conditions, the directors consider gold to provide a more robust opportunity in the near term than other commodities.

Disadvantages

The following are considered to be the significant disadvantages for the proposed transaction:

- The transaction is not considered to be fair;

- The Greenmount tenements, for all the advantages perceived by Directors, still carry exploration and development risks, which might mean in hindsight that the pricing of the transaction is shown to be unduly dilutionary to existing Malagasy shareholders; and

- The Greenmount project is sensitive to downward movement in gold price.

We have considered the above factors. We note that the assessed fair market value of a Malagasy share post the Proposed Transaction is lower than the assessed current fair market value. Additionally, the Company's graphite project is considered to have the potential to be a significant and quality project, but is not considered to be a short term project, which requires significant expenditure. Due to the intended in specie distribution of this class of shares, the value of the Company's graphite portfolio has been retained for the pre-transaction Malagasy shareholders.

However, we consider that, on balance the position of the non-associated shareholders of Malagasy if the Proposed Transaction was to proceed is more advantageous than if the Proposed Transaction was not approved by the shareholders.

Accordingly, we are of the opinion that the Proposed Transaction is **reasonable** to the non-associated shareholders of Malagasy.

12. SOURCES OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- Draft Notice of General Meeting and Explanatory Statement concerning the Proposed Transaction;
- Malagasy's Annual audited financial report for the years for the years ended 30 June 2014 and 30 June 2015;
- Discussions with officers of Malagasy;
- Management accounts for Greenmount Resources Pty Ltd as at 30 September 2015;
- Publicly available information;
- Share registry information;
- ASX Announcements (including those concerning the Proposed Transaction);
- Valuation report of Greenmount's current mineral assets, namely the Karlawinda Gold Project prepared by Optiro Pty Ltd.

13. QUALIFICATIONS, DECLARATIONS AND CONSENTS

HLB, which is a wholly owned entity of HLB Mann Judd Chartered Accountants, is a Licensed Investment Adviser and holder of an Australian Financial Services Licence under the Act and its authorised representatives are qualified to provide this Report. The authorised representative of HLB responsible for this Report has not provided financial advice to Malagasy.

The author of this Report is Norman Neill. He is a member of Chartered Accountants Australia and New Zealand, holds a Bachelor of Business, and has considerable experience in the preparation of independent expert reports and valuations of business entities in a wide range of industry sectors.

Prior to accepting this engagement, HLB considered its independence with respect to Malagasy with reference to ASIC Regulatory Guide 112 and APES 225. In HLB's opinion, it is independent of Malagasy.

This Report has been prepared specifically for the shareholders of Malagasy. It is not intended that this Report be used for any other purpose other than to accompany the Notice of Meeting to be sent to the Malagasy shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of the opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of Malagasy. HLB disclaims any assumption of responsibility for any reliance on this Report to any person other than those for whom it was intended, or for any purpose other than that for which it was prepared.

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report, HLB has relied on and considered information believed, after due inquiry, to be reliable and accurate. HLB has no reason to believe that any information supplied to it was false or that any material information has been withheld.

HLB has evaluated the information provided to it by Malagasy and other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially misstated or would not provide a reasonable basis for this Report. HLB has not, nor does it imply that it has, audited or in any way verified any of the information provided to it for the purposes of the preparation of this Report.

In accordance with the Act, HLB provides the following information and disclosures:

- HLB will be paid its usual professional fee based on time involvement at normal professional rates, for the preparation of this Report. This fee, estimated to be in the range of $15,000 to $20,000 excluding GST, is not contingent on the conclusion, content or future use of the Report.

- Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.

- HLB and its directors and associates do not have any interest in Malagasy.

  HLB and its directors and associates do not have any relationship with Malagasy or any associate of Malagasy.

Yours faithfully
HLB MANN JUDD CORPORATE (WA) PTY LTD
Licensed Investment Advisor (AFSL Licence number 250903)

N G NEILL
Authorised Representative

APPENDIX 1

Appendix 1 – Glossary of Terms

TERM	DEFINITION
Agreement	Heads of Agreement between Malagasy and Greenmount dated 23 October 2015
Announcement Date	Date the event giving rise to the Proposed Transaction was announced to ASX being 26 October 2015
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
Consideration Shares	the Shares to be issued as consideration for the Acquisition as described in Section 1.6 of the Notice of Meeting
DCF	Discounted cash flows
Directors	Directors of Malagasy
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
FME	Future maintainable earnings
HLB	HLB Mann Judd Corporate (WA) Pty Ltd
JORC Code	Code of the Joint Ore Reserves Committee of the AIMM, AIG and MCA
Malagasy or the Company	Malagasy Minerals Limited
Minor Shareholders	Minority shareholders of Greenmount
Notice of General Meeting	The Notice of General Meeting and Explanatory Statement for the meeting to be held on or about 28 January 2016
Optiro	Optiro Pty Ltd
Proposed Transaction	The acquisition of all of the issued capital of Greenmount the terms and conditions set out in the Explanatory Statement
Purchaser Shares	the Shares to be issued as consideration for the Acquisition as described in Section 1.6 of the Notice of Meeting
Report	Independent expert's report prepared by HLB
Non-associated shareholders	Existing shareholders in Malagasy who are not associated with Greenmount

APPENDIX 2

Appendix 2 – Independent valuation of mineral assets prepared by Optiro Associates Pty Ltd.

Malagasy Minerals Limited
Valuation of the Karlawinda Gold Project

J_1917

Principal Author:
Jason Froud *BSc Hons, MAusIMM*

Principal Reviewer:
Ian Glacken *MSc, FAusIMM(CP), CEng*

September 2015

Doc Ref: 20150929_J1901_BMN Valuation.docx Number of copies: Optiro: 1 Malagasy Minerals Limited: 1	**Perth Office** Level 1, 16 Ord Street West Perth WA 6005 PO Box 1646 West Perth WA 6872 Australia Tel: +61 8 9215 0000 Fax: +61 8 9215 0011 Optiro Pty Limited ABN: 63 131 922 739 www.optiro.com

Principal Author:	Jason Froud *BSc Hons, MAusIMM*	Signature:	
		Date:	9 November 2015
Principal Reviewer:	Ian Glacken *MSc, FAusIMM(CP), MIMMM, CEng*	Signature:	
		Date:	9 November 2015

Important Information

This Report is provided in accordance with the proposal by Optiro Pty Ltd ("Optiro") to Malagasy Minerals Limited and the terms of Optiro's Consulting Services Agreement ("the Agreement"). Optiro has consented to the use and publication of this Report by Malagasy Minerals Limited for the purposes set out in Optiro's proposal and in accordance with the Agreement. Malagasy Minerals Limited may reproduce copies of this entire Report only for those purposes but may not and must not allow any other person to publish, copy or reproduce this Report in whole or in part without Optiro's prior written consent.

Optiro has used its reasonable endeavours to verify the accuracy and completeness of information provided to it by Malagasy Minerals Limited which it has relied in compiling the Report. We have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld. It is not the role of Optiro acting as an independent valuer to perform any due diligence procedures on behalf of the Company. The Directors of the Malagasy Minerals Limited are responsible for conducting appropriate due diligence in relation to mineral projects. Optiro provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of Optiro is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete. The terms of engagement are such that Optiro has no obligation to update this report for events occurring subsequent to the date of this report.

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1. EXECUTIVE SUMMARY

At the request of HLB Mann Judd Corporate (WA) Pty Ltd (HLB Mann Judd), on behalf of Malagasy Minerals Limited (Malagasy or the Company), Optiro Pty Ltd (Optiro) has prepared an independent opinion on the market value of the Karlawinda gold project. Optiro understands that this report will be used as a public document to support an Independent Expert Report to be prepared by HLB Mann Judd for inclusion with a Notice of Meeting. This report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005) and Optiro confirms that it is in compliance with ASIC Regulatory Guide 112 in relation to independence of experts.

The Karlawinda gold project is located approximately 65 km south of Newman in the Pilbara Province of Western Australia and comprises four granted exploration licences that cover an area of approximately 290 km^2. The project hosts an Inferred Mineral Resource at the Bibra gold deposit (Table 1.1) and further known gold mineralisation at the Francopan prospect, along with regional exploration targets.

Table 1.1 Karlawinda gold project Mineral Resources reported above a 0.5 g/t gold cut-off (source: Malagasy)

Classification	Tonnes (Mt)	Gold grade (g/t)	Contained gold (koz)
Inferred	18	1.1	650

Optiro has determined the fair market value of the Karlawinda gold project at an effective valuation date of 12 November 2015. Optiro has selected the value derived from the Geoscientific rating method as the preferred valuation for the exploration potential of the mineralisation within these properties, and has used comparable transactions to value the Mineral Resource. Optiro's opinion of the fair market value of the Karlawinda Mineral Resource and exploration potential, on a 100% basis, is that it lies within a range between A$3.2 M and A$8.2 M, with a preferred value of A$5.7 M (Table 1.2). The values assigned to these mineral assets are in Australian dollars (A$) and were prepared at the effective valuation date.

Table 1.2 Karlawinda gold project valuation summary (100% equity basis)

Mineral asset	Value (A$M)		
	Low	High	Preferred
Mineral Resources	2.0	4.6	3.3
Exploration Potential	1.2	3.6	2.4
Total	**3.2**	**8.2**	**5.7**

The opinions expressed and conclusions drawn with respect to this valuation of the gold mineral assets are appropriate at the valuation date of 12 November 2015. The valuation is only valid for this date and may change with time in response to variations in economic, market, legal or political conditions, in addition to future exploration results.

2. INTRODUCTION AND TERMS OF REFERENCE

2.1. TERMS OF REFERENCE AND PURPOSE OF REPORT

At the request of HLB Mann Judd Corporate (WA) Pty Ltd (HLB Mann Judd), on behalf of Malagasy Minerals Limited (Malagasy or the Company), Optiro Pty Ltd (Optiro) has prepared an independent opinion on the market value of the Karlawinda gold project. Optiro understands that this report will be used as a public document to support an Independent Expert Report to be prepared by HLB Mann Judd for inclusion with a Notice of Meeting. This report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005) and Optiro confirms it is in compliance with ASIC Regulatory Guide 112 in relation to independence of experts.

On 26 October 2015, Malagasy announced it had entered into a Heads of Agreement (HoA) with Greenmount Resources Pty Ltd (Greenmount) to acquire the Karlawinda gold project, including the Bibra gold deposit and the Francopan gold prospect. The Karlawinda gold project is currently 100% held by Greenmount, a privately owned and unlisted company.

Under the HoA, Malagasy will acquire all of the issued capital of Greenmount by the issue of 171,636,476 fully paid ordinary shares in Malagasy. Optiro understands that this will represent 50% of the expanded capital of Malagasy after the issue.

The HOA is subject to the following conditions:

- Malagasy completing 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 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 20 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.

Optiro understands that this valuation report will be appended to HLB Mann Judd's Independent Expert's Report, and as such it will be a public document. Accordingly, this report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005), the Australasian Code for Reporting Of Exploration Results, Mineral Resources and Ore Reserves (2004) (the JORC Code) and the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112.

2.2. RESPONSIBILITY FOR THE REPORT AND DATA SOURCES

This report was prepared by Mr Jason Froud (Principal) and was reviewed by Mr Ian Glacken (Principal) of Optiro. The report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005). The author and reviewer of this report are a Member and a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) respectively, and as such are obliged to prepare mineral asset valuations in accordance with the Australian reporting guidelines as set out in the VALMIN Code. All values have been compiled in Australian dollar (A$) terms.

In developing its technical assumptions for valuation, Optiro has relied upon information provided by Malagasy and Greenmount and their consultants, as well as information obtained from other public sources. Furthermore, Optiro has relied upon information and reports compiled by Independence Group NL (now known as IGO), the owners of the Karlawinda gold project prior to transfer of the licences. Optiro has confirmed and verified the content of these reports and is satisfied that the reports are sound and that there are reasonable grounds for the contents and conclusions drawn in the reports unless otherwise stated. The material on which this report is based includes internal and open-file project documentation, technical reports, the project's drillhole databases and resource models.

Optiro has reviewed all relevant technical and corporate information made available by the management of Malagasy, Greenmount and HLB Mann Judd, which was accepted in good faith as being true, accurate and complete, having made due enquiry of Malagasy, Greenmount and HLB Mann Judd. Optiro has sourced publically available information on recent transactions involving gold properties and has had discussions with key staff of Malagasy and Greenmount.

Optiro has not visited the Karlawinda project area as it considered it unlikely to reveal information or data that is material to this valuation. Optiro is satisfied that sufficient current information is available to allow an informed appraisal to be made without a site inspection.

2.3. LIMITATIONS AND EXCLUSIONS

This report is based mainly on information provided by Malagasy and Greenmount, either directly from discussions and data provided, or from reports and correspondence with other organisations whose work is the property of Malagasy or Greenmount.

This report is based on information made available to Optiro up to the valuation date. Malagasy and Greenmount have not advised Optiro of any material change, or event likely to cause material change, to the technical assessment of the mineral assets contained within the Karlawinda project. This report specifically excludes any aspects relating to legal issues, commercial and financing matters, land titles and agreements, excepting such aspects as may directly influence the technical assessment of the asset.

The conclusions expressed in this report are appropriate as at 12 November 2015. The valuation is only appropriate for this date and may change in time and response to variations to economic, market, legal or political factors, in addition to ongoing exploration results.

All values are in Australian dollars unless otherwise indicated.

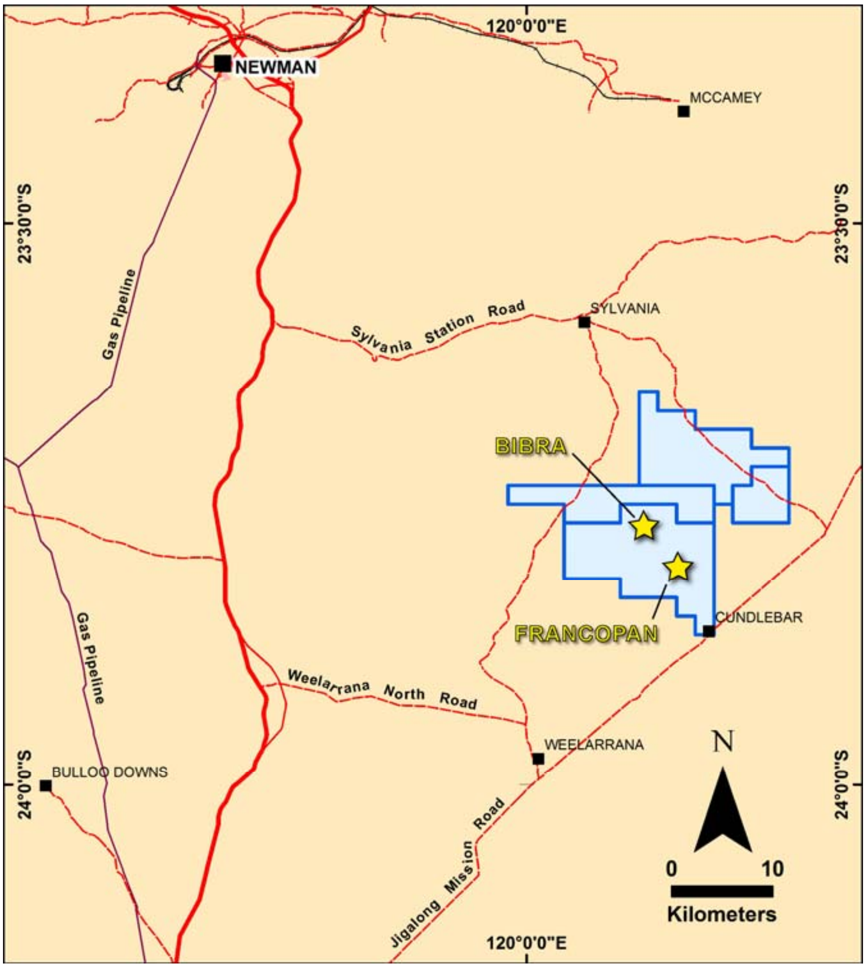
3. KARLAWINDA GOLD PROJECT

3.1. LOCATION AND ACCESS

The Karlawinda gold project is located approximately 65 km to the southeast of Newman in Western Australia (Figure 3.1). The project area is comprised of four exploration licences and is accessed from Newman by the sealed Great Northern Highway and then by well-established and maintained station tracks. The project is located across both Sylvania Station in the north and Weelarrana Station in the south, both of which are active in grazing cattle.

Newman is a main resources hub that provides a full suite of services and acts as a major local transport centre. The Goldfields Gas Transmission pipeline is located approximately 60 km to the west of the project.

Figure 3.1 Karlawinda project location and exploration permits (source: Malagasy)



3.2. TENURE, OWNERSHIP AND AGREEMENTS

The Karlawinda project comprises four contiguous exploration licences that cover an area of approximate 289 km^2 (Table 3.1). The registered holder of the licences is currently Independence

Karlawinda Pty Ltd (Independence Karlawinda), a subsidiary of IGO. The licences are to be transferred to Greenmount Resources Pty Ltd upon payment of stamp duty to the Western Australian Office of State Revenue (approximately $132,000 to be paid by the 15 September 2016). The tenements are part of a larger reporting group (113/2004).

Table 3.1 Karlawinda project tenement schedule

Licence number	Licence holder	Area (km^2)	Grant date	Expiry date	Ownership
E52/1711	Independence Karlawinda Pty Ltd	120	5/08/04	4/08/2016	100%
E52/2247	Independence Karlawinda Pty Ltd	55.1	21/07/09	20/07/2019	100%
E52/2398	Independence Karlawinda Pty Ltd	86.1	28/04/10	27/04/2020	100%
E52/2409	Independence Karlawinda Pty Ltd	27.5	15/06/10	14/06/2020	100%

The Karlawinda licences in their current form have a minimum expenditure of $255,000 per annum and annual rent of $30,253.05. Expenditure history across the package is sound; however, it is noted that for the 2015 anniversary year, all four exploration licences required and were given an exemption from expenditure by the Western Australian Department of Minerals and Petroleum (DMP).

Based on DMP Operations Report (Form 5) expenditure, the project has had total expenditure of $14.53 M versus a minimum expenditure requirement of $1.65 M. For the 12 months to August 2016, Optiro understands that forecast expenditure of between $750,000 and $1,250,000 will be spent on the licences. These outgoings will ensure that all minimum expenditure conditions are satisfied.

Licence E51/1711 has the most near term expiry date being 4 August 2016. This event will be handled by the standard application for an extension of term and will also be subject to conversion in part to a Mining Lease covering the Bibra Deposit. Furthermore, a retention license (R52/1) covering the Bibra Deposit is currently in application.

Optiro is not qualified to provide legal opinion on the status of the Karlawinda licences but has reviewed the DMP's Mining Tenement Register and copies of all relevant and signed tenement transfer documents (Form 23). Optiro is satisfied that Independence Karlawinda (and following the licence transfer, Greenmount) has good and valid title to the described exploration licences required to explore the project in the manner proposed and the licences are in good standing.

3.2.1. AGREEMENTS AND ROYALTIES

Optiro understands that Billiton Royalty Investments Pty Ltd (a subsidiary of BHP Billiton Ltd (BHP Billiton)) retains rights over the Karlawinda project, which include a 2% net smelter return royalty as well as a clawback option for a participating interest in the project licences should a Mineral Resource of greater than five million ounces of gold or 120,000 tonnes of contained nickel be delineated on the tenements. Optiro understands that should BHP Billiton exercise the clawback option, it may acquire a 70% participating interest in the project for consideration of an amount in cash equal to 300% of the expenditure incurred from the date IGO acquired the project (6 January 2008). Furthermore, BHP Billiton Royalty Investments Pty Ltd holds an exclusive right to purchase any nickel-bearing ore or nickel product produced from the licences.

The Native Title Claimant Group over the project area are the Nyiyaparli People. The Nyiyaparli People have lodged an application for the determination of native title (WC05/06) which has been registered with the National Native Title Tribunal pursuant to the Native Title Act 1993 (Cth). A Heritage Agreement was entered into on the 18 October 2011 covering E52/2247, E52/2398 and E52/2409.

The signed agreement is between Karlawinda Pty Ltd, being the licence holder prior to Independence Karlawinda (The Proponent), the Karika Nyiyaparli Aboriginal Corporation (The Heritage Body) as Heritage Provider for the Nyiyaparli Claim Group, and the Nyiyaparli People (The Claimant Group). Subsequent to the transaction the agreement will need to be transferred into Malagasy Minerals Limited's name.

In regard to E52/1711, this licence was granted with no objection in 2004 and, as such, a Heritage Agreement was not entered into. Rather, compliance with the Aboriginal Heritage Act 1972 was required. To this end, WMC Resources Ltd (WMC), the original holder of the project, and representatives of the Nyiyaparli People carried out a comprehensive Heritage Survey (ethnographic and archaeological) and reporting in 2005. A single location was identified (Savoury Creek on the southern margin of the project) with requirements that there can be no disturbance to, or modification of, the banks or bed of Savoury Creek. However, the existing pastoral creek crossing could be used. WMC concluded that no further Aboriginal heritage assessment with the Nyiyaparli People over the licence area was required.

It is noted that whilst compliance with the Aboriginal Heritage Act 1972 is satisfactory, any new application, particularly for a mining licence, will activate the process for an agreement to be put in place with the Claimant Group.

No community issues have been identified across the project area. Standard consultation processes are required and are ongoing with Pastoral Lease holders.

3.3. GEOLOGY AND MINERALISATION

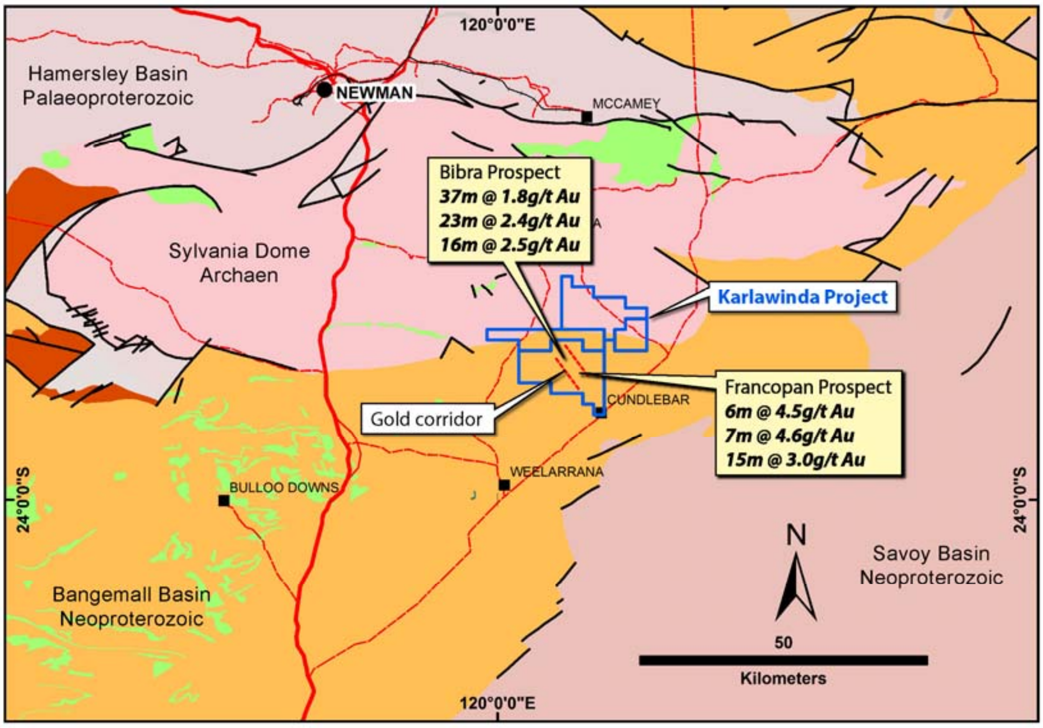
3.3.1. REGIONAL GEOLOGY

The Karlawinda gold project is located on the southern exposed margin of the Archaean-aged Sylvania Inlier (Figure 3.2). The Archaean granite-greenstone terrane is unconformably overlain by the Fortescue Group (~2,750 Ma) and Bresnahan Basin (~1,600 Ma) to the north and the by the Bangemall Basin (1,500 to 1,100 Ma) to the south.

Relatively small areas of greenstone belt are scattered throughout the Sylvania Inlier. Typically, the rocks are low to medium-grade metamorphosed and deformed mafic and ultramafic rocks, clastic metasedimentary rocks, cherts and banded iron formation (BIF), together with mafic to ultramafic intrusions. All these lithologies show evidence of at least two, and probably three phases of deformation.

Known gold mineralisation is present at the Bibra gold deposit and at the Francopan prospect.

Figure 3.2 Geology of the Karlawinda regional area (source: Malagasy)



3.3.2. LOCAL GEOLOGY

BIBRA DEPOSIT

The Bibra gold deposit is potentially part of a larger Archaean-aged gold mineralised system. The deposit is hosted within a package of deformed meta-sediments and amphibolites 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 60 m. The primary mineralisation is stratabound, with lineations likely to be controlling higher-grade shoots.

The area surrounding the Bibra gold deposit has been mapped at 1:250,000 scale by the Geological Survey of Western Australia (GSWA). The mapped surface geology for the areas of mineralisation is transported sheetwash and varied alluvial deposits. The typical thickness of the cover is 1 to 10 m. The gold mineralisation is typically hosted in meta-arenite and amphibolite lithologies in fresh rock and oxide mineralisation, within saprolitic clays and laterite. The gold oxide mineralisation at Bibra is found near the surface immediately below the transported cover as a supergene gold blanket surrounding where the primary mineralisation approached the surface (Figure 3.3 and Figure 3.4).

Figure 3.3 Bibra area local geology and drillhole locations (source: Malagasy)

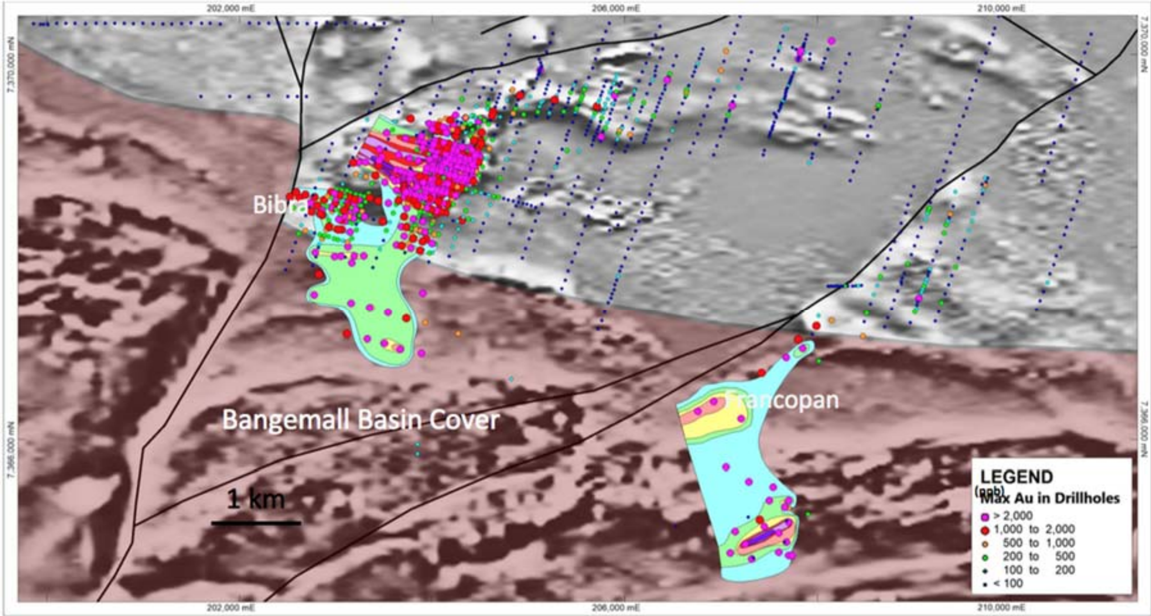
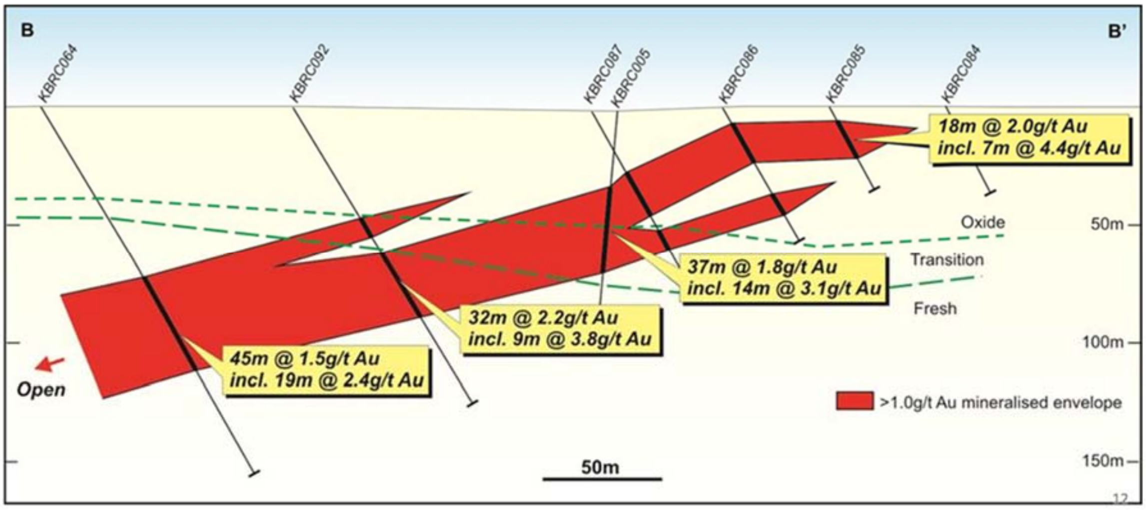


Figure 3.4 Bibra gold deposit interpreted cross section



The near surface or oxide mineralisation within the weathered regolith has different characteristics from the mineralisation in the fresh rock. The primary mineralisation in fresh rock is marked by 3 to 10% sulphides, subhedral magnetite grains, quartz veins/veinlets and fine-grained gold. The oxide mineralisation consists of the weathered or oxidised portion of the primary mineralisation, and laterally extensive supergene horizon that is hosted within a laterite.

Gold mineralisation has been intersected over a wide area at Bibra, with up to four sub-parallel lodes identified in the fresh rock, typically with a supergene horizon at the top of these lodes as they come to the surface. The primary mineralisation generally strikes northeast-southwest and dips shallowly to the west-northwest. The lodes are typically wide low-grade intercepts, but high grade shoots have developed parallel to the metamorphic fabric (mineral lineations) plunging to the west-northwest in a rod like geometry.

The main primary mineralisation has been intersected from surface to approximately 270 m vertical depth with a dip length of more than 900 m, and remains open down dip. Down plunge the grades and thicknesses remain consistent, whilst along strike they are highly variable, consistent with the geometry of the high grade shoots.

The overall footprint of the mineralisation covers an area of approximately 1,400 m by 900 m and remains open in all directions. RC drill spacing is typically 100 m by 50 m across the oxide mineralisation, defining an Inferred Mineral Resource. The remainder of the deposit is drilled typically to 200 m by 200 m. In areas of interest, particularly where high-grade shoots have been interpreted, the drill spacing has been reduced to 150 m to 100 m. The modelled mineralisation is continuous as four relatively planar lodes both along strike and in down dip directions in the fresh rock across the Bibra area.

An important factor to the economics of the mineralisation is the depth of the onlapping Bangemall Basin immediately to the south of Bibra deposit. Whilst this does not impact on the oxide material, fresh mineralisation further to the south progressively becomes deeply buried by the Bangemall Basin.

The gold in fresh rock is observed as free grains ranging in size from <1 µm to 12 µm, and is found distributed throughout the host rocks and in the quartz veins. Gold grains have been identified primarily in or along grain boundaries of silicate minerals such as biotite, chlorite, hornblende and plagioclase and rarely in sulphides. Elongate gold grains have been observed parallel to the cleavage in the biotite grains, indicating that the gold pre-dated metamorphism. This indicates that the gold mineralisation at Bibra has undergone metamorphism and deformation, altering the original characteristics of the mineralisation.

Primary mineralisation both in fresh rock and in the upper oxidised portion, has a highly anomalous geochemical signature of tungsten, tellurium and arsenic associated with the gold. These elements are partially reflected in the sulphide mineralogy identified to date. The sulphide species identified in petrological studies are dominated by pyrite but other species observed are pyrrhotite and arsenopyrite. In fresh rock the mineralisation is hosted within arenite and amphibolite units that have been metamorphosed to lower amphibolite facies.

Where the mineralisation has been modified by weathering near the surface, a supergene horizon is developed at the interface of the transported cover and in situ laterite as well as oxidised primary mineralisation within the saprolite. The oxide mineralisation covers an area approximately 900 m by 200 m down to a maximum depth of 70 m. This oxide mineralisation is considered to be potentially amenable to heap leach extraction.

Although the gold mineralisation is modified near the surface, it appears the structural controls on the distribution of gold are still strong. The high grade shoots identified in fresh rock continue into the oxide portion.

The oxide gold mineralisation hosted within the regolith and is divided into 3 domains:

1) A shallow supergene horizon hosted within laterite beneath the thin transported cover. The supergene horizon is a flat lying zone of secondary gold that is laterally extensive over an area of 900 m by 200 m above where the primary mineralisation comes near to surface.
2) A lower supergene horizon, hosted within the lower saprolite and which is only locally developed immediately adjacent to the oxidised primary mineralisation.
3) Oxidised primary mineralisation, which represents the weathered portion of the mineralisation found in fresh rock and, as such, they share many of the same characteristics. The primary mineralisation both in fresh rock and the oxidised portion is plunging shallowly towards the northwest and gold is typically associated with anomalous tungsten, tellurium and arsenic.

Spectral analysis of oxide mineralisation has been conducted to identify the clay minerals present within the regolith and how this assemblage might affect the recovery of gold in a heap leach operation. The analysis indicates that the upper saprolitic clays are kaolinite rich and also that the lower saprolite is marked by an increase in smectite and a corresponding decrease in kaolinite. The smectite clays will typically swell with the addition of water; therefore, the oxide mineralisation would likely need to be agglomerated to increase the permeability and recovery within any heap leach operation.

Transition mineralisation is included together with the oxide mineralisation in the Mineral Resource estimate. The transition mineralisation is slightly weathered primary mineralisation, and commonly has sulphide minerals and magnetite present. The initial focus of the Mineral Resource estimate was to identify material that is amenable to a heap leach operation. The recoveries in initial metallurgical test work (vat leaching) showed the gold in the transition mineralisation to be readily leachable by cyanide solution.

FRANCOPAN PROSPECT

The Francopan Prospect is located approximately 5 km to the southeast of the Bibra Deposit. Francopan was the discovered by WMC in March 2005 whilst they were exploring for intrusive related nickel sulphide deposits.

The Proterozoic Bangemall Basin covers the mineralised basement and averages 180 m in vertical thickness above the Francopan mineralisation. This sequence consists of shales (both sulphidic black shales and non-reduced shales), arenites and abundant stromatolitic dolostones. These are intruded by a gabbronorite sill with doleritic margins which is typically 80 m thick over the prospect area.

Near the contact between the Bangemall Basin sediments and the basement a brecciated zone is typically present which can be pyrite and glauconite bearing. The basement, where not significantly hydrothermally altered and mineralised, consists of a monotonous sequence of foliated and veined meta-basalts/sediments with prominent garnet porphyroblasts and is interpreted to be part of the Fortescue Group. The textures are consistent with amphibolite facies metamorphism. Relict pillow structures have been noted, suggesting a subaqueous eruptive environment. Minor (0.5 to 10 cm) quartz veins present outside of the mineralised zones are commonly deformed and locally ptygmatically-folded.

The gold mineralised zones are texturally distinctive, and have a laminated appearance defined by strongly foliated biotite, pyrite and sub-parallel quartz veins/veinlets. Visible gold is relatively common. Locally laminated quartz veins up to 60 cm thick are present and are gold-bearing with laminations defined by biotite and pyrite. In the drill holes where such mineralisation has been intersected, the foliation and vein orientation appear to be within 30 degree of horizontal and dipping west to west-northwest. No steeper gold-bearing structures have been observed. It is postulated that the mineralisation intersected so far represents flatter structures between more substantial vertical or near vertical structures. Attempts to use detailed magnetics in order to delineate the structural controls on the gold mineralisation have failed due to interference.

3.4. EXPLORATION HISTORY

In March 2005, WMC initiated a diamond drill programme to test several electromagnetic (EM) geophysical anomalies under Bangemall Basin cover to the southeast of the Sylvania Dome. The dome features a prominent outcropping ultramafic dyke and the target of the EM survey was buried nickel sulphide bodies genetically related to the ultramafic intrusion and any co-magmatic mafic lithologies. The first vertical diamond hole, KBD1, on Weelarrana Station, targeted the strongest EM conductor. The EM response was found to be due to sulphidic black shale horizons interbedded with dolostones in the Bangemall Basin sequence. The diamond hole was continued and intersected basement metabasalt at 179 m down hole. At approximately 182 m, visible gold was observed in the core associated with quartz veining and potassic alteration of the mafic host. The hole continued in the metabasalt and was stopped at 242.6 m. Significant assays from the first hole included:

- 1 m at 14.2 g/t Au from 182 m
- 7 m at 4.6 g/t Au from 202 m (including 1 m at 21.8 g/t)

On the basis of these results the target commodity for the area switched to gold and additional drilling was designed. A total of nine diamond holes were drilled (all with RC pre- collars) before the drilling program stopped in late April 2005.

Following the takeover of WMC by BHP Billiton in 2008, IGO acquired the Karlawinda project for $4 M. The Bibra gold deposit was subsequently discovered by IGO in 2009 following a surface geochemical sampling programme. Exploration and resource drilling between 2009 and 2012 outlined an Inferred Mineral Resource of 650,800 ounces.

Activities completed to date by or on behalf of IGO or WMC has included:

- Mineral resource calculation
- heritage/ethnographic surveys
- baseline environmental (flora and Fauna) study and desktop subterranean fauna study
- hydrology study
- detailed geological mapping, including regolith and structural interpretation
- detailed airborne magnetic survey
- detailed limited ground magnetic survey
- Induced Polarisation (IP) geophysical survey
- aircore, RC and diamond drilling programmes

- lag and soil geochemical sampling programmes
- petrological examination of Bibra host rocks and mineralisation
- spectral analysis of minerals associated with gold mineralisation
- an honours project to examine the structural control on gold mineralisation at Bibra
- geotechnical logging
- metallurgical test work .

3.5. MINERAL RESOURCES

IGO initially intersected gold mineralisation at the Bibra deposit in 2009. The Bibra deposit was outlined by 136 RC holes for 21,586 m, and 5 diamond drill holes totalling 826.2m. A total of approximately 25,000m of aircore drilling has also been completed across the Bibra deposit. Aircore drilling was used to delineate the extent of the oxide mineralisation and to effectively target RC drilling at Bibra. The drilling has successfully delineated near surface oxide mineralisation and primary mineralisation at depth.

The Mineral Resource estimate was generated within a conceptual A$1,600/oz gold pit shell completed in 2012 by IGO, and for the area of drill coverage at 100 m by 50 m spacing or less (Table 3.2). Contained gold (oz) figures have been rounded to the nearest one hundred ounces.

Table 3.2 Karlawinda gold project Mineral Resources reported above a 0.5 g/t gold cut-off (source: Malagasy)

Classification	Tonnes (Mt)	Gold grade (g/t)	Contained gold (oz)
Inferred	18	1.1	650,800

The Mineral Resource is predominantly informed by RC drilling, with 1m cone split samples analysed by 50g fire assay. Mineralisation was wireframed at a cut-off grade of 0.3 g/t gold and Mineral Resources were reported above a cut-off grade of 0.5 g/t gold. Block modelling used ordinary kriging grade interpolation methods for composites that were top-cut to 10 g/t gold in the supergene zone, and to 16 g/t gold for the remaining mineralisation.

Optiro has reviewed the Mineral Resource estimate and considers that generally the resource estimation process was carried out to a high standard. The levels of documentation are excellent, and the information was well organised and presented. Optiro was able to replicate the reported resource figures and did not find any errors that could be classified as fatal flaws with the methodology or interpretations. Optiro considers the Bibra Mineral Resource report to be compatible with the JORC (2012) reporting guidelines for public reports. IGO most recently released Mineral Resource details for the Karlawinda deposit in the ASX release of 28 August 2014, including JORC Table 1 details.

3.6. PROJECT STUDIES

IGO initiated a scoping study in 2012 based on the Mineral Resource defined at Bibra. The study covered the following areas:

- open pit optimisation
- process plant design

- metallurgy
- geotechnical
- mining
- resource estimation review
- hydrology
- gas power generation
- waste characterisation
- archaeological and ethnographic
- environmental.

3.6.1. MINING METHODS

The mining study included open pit optimisation based on the resource models, process costs and geotechnical parameters; detailed pit designs including staging; a mine production and mill feed schedule and indicative infrastructure design. Furthermore, a high level mining equipment and manning schedule for the mining operation was prepared to assist with cost and infrastructure requirements.

Pit designs were completed to accommodate a three stage development of the deposit, which allowed for efficient extraction of the resource at acceptable stripping ratios.

An annualised pit production schedule was produced, with the primary aim of supplying ore grade material to the processing facility at a rate of 2 Mtpa. This feed rate was achieved with a plant feed schedule and associated run of mine stockpile to facilitate a constant ore feed supply over seven years at an average grade of 1.19 g/t gold.

3.6.2. METALLURGICAL TESTWORK

Metallurgical testwork results from the scoping study indicate average cyanide leach recoveries of 92.3% and 74.3% for heap leach methods. The testwork was based on 6 composite samples from typical domains across the deposit. The domains tested were Laterite, Transition, Lower Saprolite, Upper Saprolite, Fresh 1 and Fresh 2. These average recoveries are based on bottle roll cyanidation tests (grind size P_{80} 75 µm). Furthermore, the testwork indicates that higher recoveries are achieved at finer grind sizes.

SGS Lakefield Oretest Pty Ltd (SGS) performed comminution and leaching testwork on a number of gold ore samples from the Karlawinda gold project. The testwork program included the following operations:

- JK Tech SAG Mill Comminution (SMC) testwork
- abrasion index (Ai) testwork
- Bond rod mill work index (BRWi) testwork
- Bond ball mill work index (BBWi) testwork
- bottle roll (BR) cyanidation tests on six composite samples
- sequential cyanidation/carbon-in-pulp (CIP) tests on six composite samples
- direct and CIL cyanidation tests on the Lower Saprolite sample
- coarse intermittent bottle roll (IBR) cyanidation tests on four composite samples

- agglomeration and percolation tests on four composite samples
- column leaches on four composite samples

3.6.3. PROCESSING

Preliminary processing studies were undertaken by GR Engineering Services Ltd in 2013 and then updated in April 2015. The scope of work for the study involved formulation of process flow options and design of a 2 Mtpa processing facility and associated infrastructure in sufficient detail to estimate the capital and operating costs of the project to a level of accuracy of ±30%.

3.6.4. Capital and operating costs

Capital and operating costs were estimated as part of the scoping study, but have not updated for current market conditions.

3.6.5. ENVIRONMENTAL APPROVALS

Given that the Karlawinda gold project remains an exploration and resource evaluation project, environmental management has been driven by the terms and conditions of the exploration licences, and, in particular, the application of DMP Programmes of Work for each phase of ground disturbing exploration work.

As part of the scoping study activities IGO carried out the following studies:

- Baseline environmental studies were carried out to assess botanical and vertebrate fauna values across the project area. The study was completed in March 2010. Key outcomes from this preliminary study include results of a search of the Department of Environment and Conservation's (DEC) threatened ecological communities (TEC) and priority ecological communities (PEC) database and found that, at the time of this survey, there were no currently known vegetation TECs or PECs within a 50 km radius of the survey area. The study recommended that additional work will be required as part of any future mining approvals process.
- Hydrogeological assessment, considering hydrogeological units that are likely to be intersected by a potential open pit, potential groundwater resources that may be accessed for the project water supply and recommendations for investigations in the next phase of project assessment. No major issues were highlighted, and recommendations were made for the installation of test production bores to provide information on any future dewatering requirements and the need for groundwater exploration.
- Subterranean fauna desktop assessment to identify any prospective subterranean fauna habitats within the project area, review existing regional data to establish the regional biogeographic context of subterranean fauna in reference to the Project area, evaluate the likelihood of prospective habitat to support subterranean fauna and identify any requirement for field sampling to verify the desktop assessment. Thestudy concluded that the presence or absence of subterranean habitats and/or subterranean fauna in the project area could not be ascertained on current limited desktop information, and as such the collection of additional geological and hydrogeological information would further inform the desktop assessment.

3.7. EXPLORATION POTENTIAL

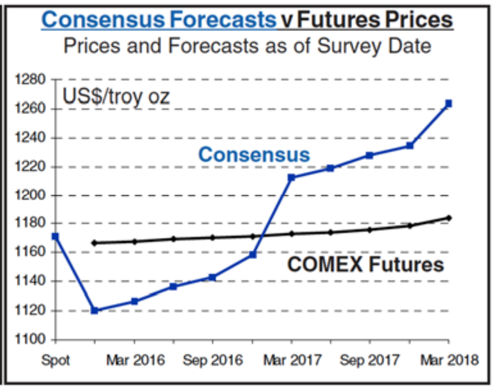
The Karlawinda gold project is considered to have significant resource expansion and exploration potential based on the existing data sets. The opportunities include:

- infill drilling on the existing resource to increase resource confidence levels and allow estimation of resources
- targeting extensions of mineralisation along strike from the Bibra Deposit
- targeting the gold lodes down-dip of the Bibra Deposit, with a particular focus on the high grade shoots
- targeting additional sub-parallel shoots at depth, and potentially locating a steeper connecting structure
- follow-up aircore and RC drilling, with highly anomalous gold results identified in previous drilling campaigns
- exploring beneath the Bangemall Basin sediments, and in particular trying to establish any litho-structural connection between the Bibra gold deposit mineralising system and the Francopan mineralisation
- systematic programmes of exploration targeting across the broader Karlawinda project area.

4. GOLD PRICING

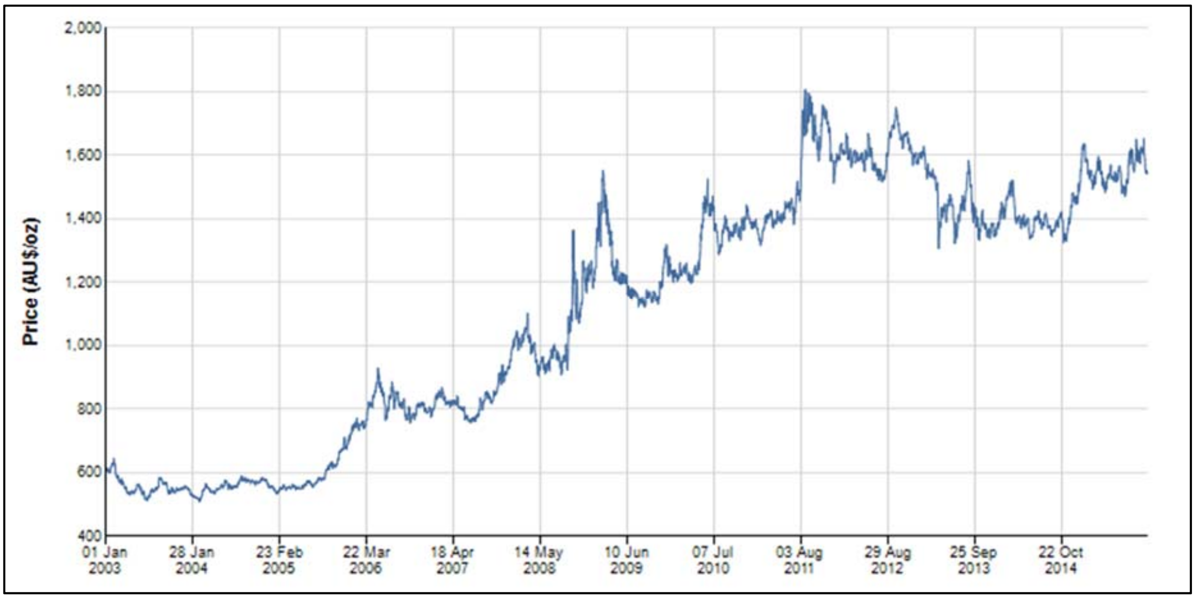
The US$ gold spot price fell sharply from the start of 2013 largely as a consequence of the improving strength of the US dollar and improvements in the US economy. The US dollar gold spot price has held relatively steady since the middle of 2013, remaining above US$1,200/oz for most of that time but falling below to around US$1,100/oz from July 2015 (Figure 4.1). The gold spot price as at 12 November 2015 is around US$1,090/oz. Forecasts for the gold spot price remain mixed within the investment market (Figure 4.1).

Figure 4.1 Spot gold price (US$/oz) and consensus forecasts vs futures prices (source: Consensus Economics)



In A$ terms, the spot gold price has appreciated from around A$1,300/oz in early 2013 peaking above $1,600/oz ain September and October 2015 (). As at 12 November 2015, gold was around A$1,520/oz. In recent times gold has benefitted somewhat from 'safe-haven' demand caused by devaluation of the Chinese renminbi and Asian stock market concerns. Uncertainties surrounding the Chinese and Indian economies though, along with a potential US interest rate increase and strong US dollar have had a dampening effect on the gold price.

Figure 4.2 Spot gold price in Australian dollar terms (source: SNL)



Optiro is not qualified to provide economic advice or forecasts, but rather has reviewed current gold prices and third party forecasts in order to gauge the current market sentiment and has taken this into consideration in its valuations, only using comparable transactions that have occurred in the last three years.

5. VALUATION CONSIDERATIONS

There are a number of recognised methods used in valuing mineral assets. The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the extent and reliability of information available in relation to the asset. The VALMIN Code classifies mineral assets according to the maturity of the asset:

- **Exploration areas** - properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been declared.
- **Advanced exploration areas** - properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some form of detailed geological sampling. A Mineral Resource may or may not have been estimated, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more prospects to the resource category.
- **Pre-development projects** - properties where Mineral Resources have been identified and their extent estimated, but where a decision to proceed with development has not been made. This includes projects at an early assessment stage, on care and maintenance or where a decision has been made not to proceed with immediate development.
- **Development projects** - properties for which a decision has been made to proceed with development, but which are not commissioned or are not operating at design levels.

- **Operating mines** - mineral properties that have been fully commissioned and are in production.

The VALMIN Code defines value as the fair market value of a mineral asset. The fair market value is the amount of money (or the cash equivalent of some other consideration) for which the mineral asset should change hands on the valuation date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion. In times of high commodity prices and/or buoyant share market conditions, the fair market value ascribed to mineral assets may be higher than their technical value. The fair market value of the mineral asset comprises:

- The underlying or technical value, which is an assessment of a mineral asset's future economic benefit under a set of assumptions, excluding any premium or discount for market, strategic or other considerations.
- The market component, which is a premium or discount relating to market, strategic or other considerations.

In assessing the value of the Karlawinda mineral assets, Optiro has considered both the technical value and the fair market value of the assets.

6. VALUATION APPROACH AND METHODOLOGY

In determining the appropriate valuation method(s) to be used for the Karlawinda project, Optiro has taken into consideration the classification of these assets according to the categories defined in the VALMIN Code and the different methodologies that are generally accepted as industry practice for each classification. Generally there are three broad methods of valuation that are used for valuing mineral assets: these are the market approach, cost approach and income approach. The market and cost approaches are used for the grass-roots through to advanced exploration stages and the income approach is used for advanced projects with defined reserves to operating mines.

In relation to the gold Mineral Resources within the Karlawinda project, the project is considered to be at an advanced exploration stage. As there are no Ore Reserves or capital and operating cost estimates in place along with production estimates, a DCF-style valuation cannot be used to determine fair market value. As such, the valuation approaches that Optiro has elected to use are defined as inferential methods and rely on comparative or subjective inputs, such as the "rule of thumb" or appraised value method. Such methods value the property in dollars per unit area or dollars per resource tonne.

The methodologies considered by Optiro to determine a value for the gold Mineral Resources and the exploration potential are summarised below.

6.1. GEOSCIENTIFIC RATING METHOD

The most well-known method of the Geoscientific ratings type is the modified Kilburn Geological Engineering/Geoscientific method, which was developed by a Canadian geologist who wished to introduce a more systematic and objective way of valuing exploration properties. The Kilburn and similar rating approaches are acknowledged as industry-standard valuation tools. This method is Optiro's preferred valuation tool for early stage exploration projects.

The Kilburn method uses a Geoscientific rating which has as its fundamental value a base acquisition cost (BAC) of the tenement. The BAC is the average cost to acquire a unit of exploration tenement (generally a graticular block, square kilometre or hectare) and maintain it for one year, including statutory fees and minimum expenditure commitments.

The determination of the BAC for exploration licences in Western Australia considered the application and retention costs as set by the Government of Western Australia, Department of Mines and Petroleum and the average identification, administration and expenditure costs. Based on Optiro's assessment, the BAC applied to exploration licences is A$1,114 per graticular block, or generally A$343/km^2.

Four technical factors are then applied sequentially to the BAC of each tenement, each of which can enhance, downgrade or have no impact on the value of the property and which allow a value per tenement to be determined. The four technical factors are:

- **Off-property factor** – relates to physical indications of favourable evidence for mineralisation, such as workings and mining on the nearby properties, which may or may not be owned by the company being valued. Such indications are mineralised outcrops, old workings through to world-class mines.
- **On-property factor** – this is similar to the off property factor but relates to favourable indications on the property itself, such as mines with significant production.
- **Anomaly factor** – the anomaly factor relates to the degree of exploration which has been carried out and the level and/or number of the targets which have been generated as a consequence of that exploration. Properties which have been subject to extensive exploration without the generation of sufficient or quality anomalies are marked down under the Kilburn approach.
- **Geological factor** – this refers to the amount and exposure of favourable lithology and/or structure (if this is related to the mineralisation being valued) on the property. Thus properties which have a high coverage of favourable lithology and through-going structures will score most highly.

The ratings applied by Optiro are listed in Table 6.1.

This methodology is used to determine the technical value, and a fifth factor, reflecting the current state of the market, is applied to determine the market value. This market value determined from the Geoscientific rating method has been verified by consideration of the current market for gold properties.

Table 6.1 Geoscientific rating criteria (modified by Optiro)

<table>
<tr><th>Rating</th><th>Off-property factor</th><th>On-property factor</th><th>Anomaly factor</th><th>Geological factor</th></tr>
<tr><td>0.1</td><td rowspan="3"></td><td rowspan="3"></td><td></td><td>Generally unfavourable geological setting</td></tr>
<tr><td>0.5</td><td>Extensive previous exploration with poor results</td><td>Poor geological setting</td></tr>
<tr><td>0.9</td><td>Poor results to date</td><td>Generally favourable geological setting, under cover</td></tr>
<tr><td>1.0</td><td>No known mineralisation in district</td><td>No known mineralisation within tenement</td><td>No targets defined</td><td rowspan="2">Generally favourable geological setting</td></tr>
<tr><td>1.5</td><td>Mineralisation identified</td><td>Mineralisation identified</td><td rowspan="2">Target identified, initial indications positive</td></tr>
<tr><td>2.0</td><td rowspan="2">Resource targets identified</td><td rowspan="2">Exploration targets identified</td><td rowspan="2">Favourable geological setting</td></tr>
<tr><td>2.5</td><td rowspan="2">Significant intersections - not correlated on section</td></tr>
<tr><td>3.0</td><td rowspan="2">Along strike or adjacent to known mineralisation</td><td rowspan="2">Mine or abundant workings with significant previous production</td><td rowspan="2">Mineralised zones exposed in prospective host rocks</td></tr>
<tr><td>3.5</td><td rowspan="3">Several significant ore grade intersections that can be correlated</td></tr>
<tr><td>4.0</td><td>Along strike from a major mine(s)</td><td rowspan="2">Major mine with significant historical production</td><td rowspan="2"></td></tr>
<tr><td>5.0</td><td>Along strike from world class mine</td></tr>
</table>

6.2. COMPARABLE TRANSACTION METHOD

The comparable market value approach is a market based approach and is an adaptation of the common real estate approach to valuation. For the purposes of mineral asset valuation, a valuer compiles and analyses transactions, converted to a 100% equity basis, of projects of similar nature, time and circumstance, with a view to establishing a range of values that the market is likely to pay for a project. The comparable market approach:

- is intuitive, easily understood and readily applied
- implies a market premium/discount for the prevailing sovereign risk
- captures market sentiment for specific commodities or locations
- accounts for intangible aspects of a transaction (i.e. intellectual property).

The transactions deemed to be analogous to the mineral asset being valued are used to determine a unit price (e.g. $/km^2 or $/tonne metal, etc.) for the asset being valued; however, there is an intricate value dynamic between the quantity (size) and quality (grade or prospectivity) that may result in the exclusion of a large number of comparable transactions, which in turn may undermine the accuracy of this method.

The comparable market value approach is widely used throughout the minerals industry; however, the valuer must take into account that this approach is essentially retrospective and cannot take into account anticipated or recent commodity or other market price movements.

6.3. JOINT VENTURE TERMS METHOD

The joint venture terms method is a variation of the comparable market value method. This technique involves transactions where only partial ownership of a project is acquired. The joint venture terms method provides the valuer with a larger acquisitions dataset than the comparable market value method, and consequently these approaches are often used simultaneously in mineral asset valuations.

It is recognised that the market will attribute a sliding-scale premium in accordance with the level of ownership acquired (i.e. a joint venture agreement for a 51% interest in a project may attract a market value significantly above that for an identical project in which a 49% interest is acquired). The valuer therefore needs to account for any potential associated with ownership premiums.

6.4. APPRAISED VALUE METHOD

The cost approach or Appraised Value method is founded on the assumption that the intrinsic value of the exploration tenement is based on the exploration expenditure, and that a highly prospective tenement will generally encourage a higher level of exploration expenditure.

This valuation methodology relies upon the premise that a project is at least worth what the owner has previously spent and/or committed to spending in the future. It considers historical and/or planned future expenditure on the mineral asset and includes the amount of expenditure that has been meaningfully used in the past to define a target or resource and the future costs in advancing the exploration.

The value of the property may be determined from the sum of past effective exploration expenditure (usually limited to the past three years) plus any committed exploration expenditure in the current year and the application of a prospectivity enhancement multiplier (PEM). The PEM is determined by the level of sophistication of the exploration for which positive exploration results have been obtained, and usually ranges from 0.5 to 3.0.

The principal shortcomings of this method are that there is no consistent base from which to derive the valuation and there is no systematic approach taken in determining the PEM. Optiro places less reliance on values determined this method than those determined from the Geoscientific Ratings and comparable transaction methods.

7. VALUATION

7.1. OVERVIEW

Optiro's approach to value the Mineral Resources within the Karlawinda project was to use comparable transactions. Optiro reviewed recent Australian transactions involving gold projects with defined resources (Appendix A). In order to obtain a dataset that is relevant under the current time and circumstances, Optiro has reviewed transactions that occurred within the last 24 months.

Optiro's approach in valuing the exploration potential for mineralisation within the Karlawinda project exploration tenements was to use the following:

- the Geoscientific Rating method
- comparable transactions
- joint venture terms.

In determining the exploration potential, Optiro reviewed recent Australian transactions involving gold projects without defined resources (Appendix B). In order to obtain a dataset that is relevant under the current time and circumstances, Optiro has reviewed transactions that occurred within the last 24 months.

7.2. MINERAL RESOURCES

In terms of valuing the Mineral Resources defined within the Karlawinda project area, Optiro identified 38 transactions that are considered to be of use in assessing the current market value attributed to gold Mineral Resources. In valuing the Mineral Resources, Optiro considered the classification, size and grades of the gold mineralisation of the Mineral Resources. The transactions selected by Optiro are listed in Appendix A.

Optiro has established from its search of publically available information on recent market transactions of gold Mineral Resources that the market has generally been valuing gold projects up to $20 per ounce of gold in the ground (Appendix A). Higher grade Mineral Resources (greater than 2.5 g/t gold) and existing operations typically transact for higher amounts. In considering these transactions Optiro notes the following:

- the Mt Henry transaction (31 July 2015) included defined Ore Reserves and distinct synergies with the existing Higginsville gold operations
- the Georges Reward transaction (10 July 2015) is contiguous with the Cannon project, with strong synergies to exploit both projects under a single open pit operation
- the White Well transaction (13 November 2014) included a small Mineral Resource and material value associated with exploration potential
- the Barambah transaction (22 June 2015) comprises a small mineral Resource with material silver credits and exploration value.

When considering the Mineral Resource grade, and excluding the above mentioned and less comparable projects, as well as the higher grade projects, a cluster of implied value per resource ounce is noted within the 1 to 2.5 g/t gold range (Figure 7.1). Given the Karlawinda Mineral Resource grade of 1.1 g.t gold, Optiro considers that the Mineral Resources would fall within a value range of A$3 to A$7 per resource ounce of gold in the ground (Figure 7.1).

The mean and median implied values of the 1 to 2 g/t gold transactions shown in Figure 7.1 are $5.13 and $5.19 per resource ounce, respectively. When considering only the six data points in the vicinity of the 1.1 g.t gold grade range, the average implied value per resource ounce is A$4.95/

The Mineral Resource valuation is summarised in Table 7.1.

Figure 7.1 Implied transaction value relative to Mineral Resource grade for projects less than 2.5 g/t gold

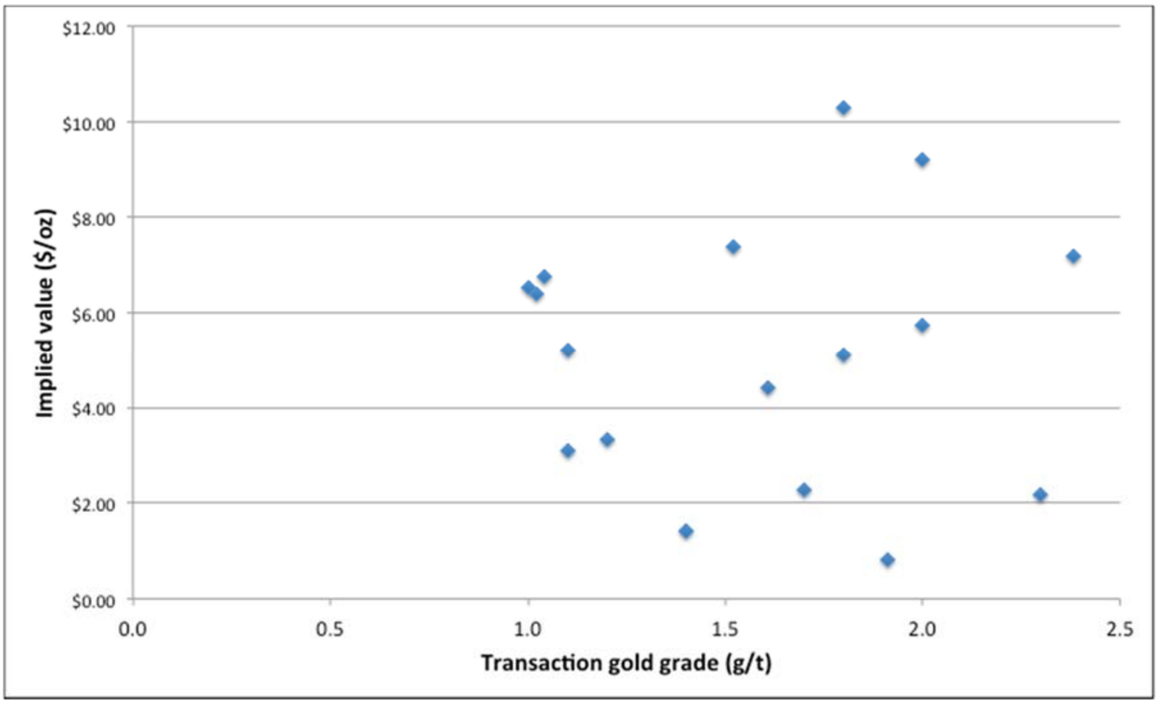


Table 7.1 Karlawinda project Mineral Resource valuation

Mineral asset	Value (A$M)		
	Low	High	Preferred
Mineral Resources	$2.0	$4.6	$3.3

7.3. EXPLORATION POTENTIAL

Optiro has identified 30 transactions that are considered to be of use in assessing the current market value attributed to mineralisation potential similar to that at the Karlawinda gold project. Optiro excluded properties with Mineral Resources and defined exploration target tonnages. The transactions selected by Optiro are listed in Appendix B.

Optiro's analysis of the exploration transactions indicates that exploration projects similar to the Karlawinda exploration tenements may attract market values typically up to A$50,000/km^2 on a 100% equity basis. When considering similar size and prospectivity, the range falls within a narrower band of approximately A$1,000/km^2 to A$35,000/km^2.

Optiro has used the identified exploration transactions as a benchmark for its Geoscientific Ratings valuation below.

Optiro determined Geoscientific Ratings for each project area in reference to the off-property, on-property, anomaly and geology factors for potential gold mineralisation. The ratings for the project area licences are listed in Table 7.2.

Optiro assigned the ratings based on:

- four contiguous granted exploration licences areas covering 289 km^2

- potential for extensions of mineralisation along strike from the Bibra Deposit
- targeting of high-grade gold shoots down-dip of the Bibra Deposit
- targeting additional sub-parallel shoots at depth
- potential for steeper connecting mineralised structures
- follow-up to highly anomalous gold results identified in previous drilling campaigns
- exploration potential beneath the Bangemall Basin sediments and litho-structural connection between the Bibra and Francopan mineralisation

Table 7.2 Karlawinda project - Geoscientific Rating criteria applied to exploration mineralisation potential

Licence	Off property factor		On property factor		Anomaly factor		Geology factor	
	Low	High	Low	High	Low	High	Low	High
E52/1711	1	1.5	2.5	3	3	3.5	1.5	2
E52/2247	1.5	2	1	1.5	1.5	2	1	1.5
E52/2398	1.5	2	1	1.5	1.5	2	1	1.5
E52/2409	1.5	2	1	1.5	1.5	2	1	1.5

Fair market value is the technical value (as determined by the Geoscientific Ratings) plus a premium or discount to account for market, strategic considerations and special purposes. Optiro has examined the past and forecast gold prices, general market sentiment, as well as the development stage, location and geology of the Karlawinda exploration tenements, and has elected not to apply a premium or discount to the licences.

The following assumptions have been used by Optiro in applying the Geoscientific Ratings method to determine a value for the mineralisation potential within the Karlawinda exploration licences:

- BAC for Western Australian exploration licence - A$343/km^2
- no market premium (or discount) factor for the exploration properties.

Based on the Geoscientific Ratings of the mineralisation prospectivity within the Karlawinda exploration tenements and allowing for 100% effective ownership, the mineral assets are expected to have a market value that lies in the range A$1.2 M to A$3.6 M, with a preferred value of A$2.4 M.

Optiro's analysis of comparable transactions suggests that Australian exploration projects similar to the Karlawinda gold project would typically attract market values up to A$15,000/km^2 when considering prospectivity and project size. Based on the Geoscientific Ratings of the gold mineralisation potential of the Karlawinda licences, an average value of A$8,300/km^2 has been determined. This is within the range of values indicated by recent comparable transactions, and given the location of the licences and overall prospectivity of the licences, is considered reasonable.

7.4. SUMMARY OF VALUATION

Optiro has applied a number of recognised valuation methods to derive a value estimate for the Karlawinda mineral assets.

Optiro's opinion of the fair market value of the Mineral Resources and exploration potential, using the methodologies described above, is summarised in Table 7.3. The values presented are based upon the relevant equity ownership of the projects.

Table 7.3 Valuation summary of the Karlawinda project exploration potential and Mineral Resources

Mineral asset	Value (A$M)		
	Low	High	Preferred
Mineral Resources	2.0	4.6	3.3
Exploration potential	1.2	3.6	2.4
Total	**3.2**	**8.2**	**5.7**

Optiro's opinion of the fair market value of the Karlawinda mineral assets is that they lie within the range of A$3.2 M to A$8.2 M, with a preferred value of A$5.7 M. The values assigned to these mineral assets are in nominal Australian dollars (A$) and were prepared with an effective valuation date of 12 November 2015.

8. DECLARATIONS BY OPTIRO

8.1. INDEPENDENCE

Optiro is an independent consulting and advisory organisation which provides a range of services related to the minerals industry including, in this case, independent geological services, but also resource evaluation, corporate advisory, mining engineering, mine design, scheduling, audit, due diligence and risk assessment assistance. The principal office of Optiro is at 16 Ord Street, West Perth, Western Australia, and Optiro's staff work on a variety of projects in a range of commodities worldwide.

This report has been prepared independently and in accordance with the VALMIN and JORC Codes and in compliance with ASIC Regulatory Guide 112. The authors do not hold any interest in Malagasy Minerals Limited, its associated parties, or in any of the mineral properties which are the subject of this report. Fees for the preparation of this report are charged at Optiro's standard rates, whilst expenses are reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report. Optiro will charge Malagasy fees of approximately $15,000 for the preparation of this report.

8.2. QUALIFICATIONS

The principal personnel responsible for the preparation and review of this report are Mr Jason Froud (Principal) and Mr Ian Glacken (Principal) of Optiro.

Mr Jason Froud [BSc (Hons), Grad Dip (Fin Mkts), MAusIMM] is a geologist with over 18 years' experience in mining geology, exploration, resource definition, mining feasibility studies, reconciliation, consulting and corporate roles in gold, iron ore, base metal and uranium deposits principally in Australia and Africa. Jason has previously acted as a Competent Person and Independent Expert across a range of commodities with expertise in mineral exploration, grade control, financial analysis, reconciliation and quality assurance and quality control.

Mr Ian Glacken [BSc (Hons) Geology, MSc (Geology), MSc (Geostatistics), DIC, MIMMM, CEng, FAusIMM(CP)] is a geologist and geostatistician with over 32 years extensive experience in the mining industry worldwide. He has been consulting in resource estimation and contributing to independent experts' reports since 1998, and has skills which include resource evaluation, project due diligence, auditing, training, reconciliation and geostatistical studies. Ian is able to act as a Competent Person for uranium deposits, along with many other commodities. Ian is a Director of Optiro in Perth and is involved in participation, management and review of a large number of technical audits and valuations.

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10. GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

Term	Explanation
Abbreviations	A$ - Australian dollars, BAC - Base Acquisition Cost, DCF - Discounted cashflow, DSO - direct shipping ore, °C - degrees Celsius, EL - Exploration Licence, EIA - Environmental Impact Assessment, EV - Enterprise Value, g/t - grams per tonne, ha - hectare, km - kilometre, km^2 - square kilometre, m - metre, m^3 - cubic metres, MA - million years, mm - millimetre, M - million, MOU - Memorandum of understanding, Mt - million tonnes, Mtpa - million tonnes per annum, NPV - Net Present Value, PEA - Preliminary Economic Assessment, % - percentage, RC - Reverse Circulation drilling, SG - specific gravity, t - metric tonnes, US$ - United States dollars.
Chemical elements	Au - gold, Fe_2O_3 - iron oxide, MgO - magnesium oxide, MnO - manganese oxide, Na_2O - sodium oxide, SiO_2 - silica oxide, TiO_2 - titanium oxide.
aircore drilling	A drilling method used in soft or unconsolidated ground. Drill cuttings are returned to surface using compressed air within an inner tube of the hollow drill rods reducing sample contamination .
basalt	A fine grained igneous rock consisting mostly of plagioclase feldspar and pyroxene.
basement/bedrock	In general terms older, typically crystalline rocks which are often covered by younger rocks.
block model	A model comprised of rectangular blocks, each with attributes such as grades, rock types, codes that represents a

Term	Explanation
	given mineral deposit.
breccia	A detrital sedimentary rock composed of poorly sorted fragments which are all angular to sub-angular in shape, and have a particle size of greater than 2 mm.
bulk density	A property of particulate materials. It is the mass of many particles of the material divided by the volume they occupy. The volume includes the space between particles as well as the space inside the pores of individual particles.
composite	A sample comprised of a number of smaller samples.
concentrate	End product of the flotation process.
core	See diamond drilling.
cut-off grade	The grade that differentiates between mineralised material that is economic to mine and material that is not.
declustering	A mathematical technique for reducing bias in drillhole data.
diamond drilling	Drilling method which produces a cylindrical core of rock by drilling with a diamond tipped bit.
dolerite	Basaltic rocks which are comparatively coarse grained.
domain	A homogenous zone within a mineral deposit consisting of a single grade population, orientation of mineralisation and geological texture.
drillhole data	Data collected from the drilling, sampling and assaying of drill holes.
feasibility study	A mining and or processing study into the economic development of a project for which the inputs have an accuracy of 5% to 10%.
glauconite	An iron-potassium phyllosilicate mineral with a characteristic green colour.
gneiss	A high grade metamorphic rock that display distinct and alternating mineral foliation.
granite	A felsic intrusive rock with a granular texture.
hangingwall	The overlying side of a fault, orebody or mine workings.
igneous	Rock is formed through the cooling and solidification of magma or lava.
Indicated Mineral Resource	'An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.' (JORC 2004)
Inferred Mineral Resource	'An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.'(JORC 2004)
JORC Code	The JORC Code provides minimum standards for public reporting to ensure that investors and their advisers have all the information they would reasonably require for forming a reliable opinion on the results and estimates being reported. The current version is dated 2004.
kriging	In geostatistics, a method of estimating a value(s) at a given point by computing a weighted average of the known values in the neighbourhood of the point.
limestone	A rock composed mainly of calcium carbonate or magnesium carbonate or combinations thereof.
lithology	The study and description of rocks, including their mineral composition and texture.
Measured Mineral Resource	'A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.' JORC 2004.
metallurgy	Study of the physical properties of metals as affected by composition, mechanical working and heat treatment.
Mineral Resource	'A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.' (JORC 2012)
mineralisation	The process by which a mineral or minerals are introduced into a rock, resulting in a valuable deposit.

Term	Explanation
Mining	The percentage of ore material that can be recovered once ore loss is taken into account due to the sampling or mining resolution.
nodules	A mineral mass that has a different composition or is more weathering resistant than its surrounding rock.
Ore Reserve	'An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.' (JORC, 2012)
ore zone	Zone of mineralised material.
orogeny/orogenic	Relating to tectonic forces resulting in large scale deformation of portions of the earth's crust.
Palaeozoic	The earliest of the three geologic eras of the Phanerozic Eon spanning 542 to 251 million years ago.
porphyroblast	A large mineral crystal in a metamorphic rock which has grown within a finer grained matrix.
Probable Ore Reserve	'A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve.' (JORC 21012)
Proved Ore Reserve	'A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors.' (JORC 2012)
ptygmatical fold	Folds with chaotic, random or disconnected character typical of sedimentary slump folding and migmatites.
reverse circulation drilling (RC)	Drilling method that uses compressed air and a hammer bit to produce rock chips.
saprolite	Soft, decomposed/oxidised rock rich in clay and remaining in its original place.
search pass	A process used in grade estimation to find samples from a given point.
sedimentary	Rock forming process where material is derived from pre-existing rocks by weathering and erosion.
sediments	Loose, unconsolidated deposit of debris that accumulates on the Earth's surface.
siltstone	A detrital sedimentary rock composed of clay minerals similar to mudstone but with mostly silt-grade material (1/16 to 1/256) mm.
smectite	A group of phyllosilicate clay minerals including montmorillonite and nontronite.
slurry	Liquid containing suspended solids.
stockpile	Heap of mined ore waiting to be milled.
tenement	A generic term for an exploration or mining licence or lease.
unconformity	A structural break in the geological profile representing unrecorded time.
VALMIN Code	The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets for Independent Expert Reports (2005), sponsored by the AusIMM, the ASX, the AIG and MICA among others.
volcanic	An igneous rock of volcanic origin.

Appendix A Gold Mineral Resource Transactions

Project	Date	Buyer	Seller	Interest	Gold grade (g/t)	Consideration (100% basis) A$	Implied value (A$/oz)
Melrose and Darlot East	11/10/13	Unspecified	Korab Resources Ltd	100%	1.6	$1,500,000	4.41
Sabbath	25/10/13	Unspecified	Dourado Resources Ltd	100%	2.4	$100,000	7.20
Plutonic Dome	19/11/13	Ord River Resources	Dampier Gold Ltd	75%	3.8	$8,000,000	11.72
Norton	11/12/13	Mantle Mining Corporation Ltd	Norton Gold Fields Ltd	100%	7.4	$330,000	3.06
Plutonic	23/12/13	Northern Star Resources	Barrick Gold Corporation	100%	10.8	$25,000,000	14.29
Comet Vale	6/02/14	Private company	Reed Resources Ltd	100%	7.7	$2,000,000	9.50
Wiluna	20/02/14	Blackham Resources Ltd	Apex Minerals NL	100%	5.3	$50,000,000	17.86
Lake Carey	13/03/14	Fortitude Gold Pty Ltd	Midas Resources Ltd	100%	1.9	$330,000	0.81
Bullabulling	17/04/14	Norton Gold Fields Ltd	Bullabulling Gold Limited	100%	1.0	$23,957,414	6.38
Jundee	12/05/14	Northern Star Resources	Newmont Mining Corporation	100%	4.4	$82,500,000	162.72
Meekatharra	13/05/14	Metals X Limited	Reed Resources Limited	100%	1.7	$7,700,000	2.28
Bronzewing	14/05/14	Metaliko Resources Limited	Navigator Resources Limited	100%	1.8	$5,000,000	5.10
Horse Well gold project	23/05/14	Doray Minerals Limited	Alloy Resources Ltd	80%	2.9	$5,000,000	50.66
Kathleen Valley	10/06/14	Ramelius Resources Limited	Glencore plc	100%	2.8	$4,050,000	31.15
Majestic and Imperial	25/07/14	Silver Lake Resources Limited	Newcrest Mining Limited	15%	2.8	$10,180,000	40.67
Camel Creek	29/07/14	RSI (WA Gold) Pty Limited	Northwest Resources Limited	50%	1.2	$4,210,000	3.32
The Mount	5/09/14	Lukah Mining	Focus Minerals Limited	100%	4.7	$750,000	5.51
Wilthorpe	15/09/14	Resourceful Mining Group Pty Ltd	Meteoric Resources NL	90%	1.5	$450,000	7.38
Mount Jewell	7/11/14	Norton Gold Fields Limited	KalNorth Gold Mines Limited	100%	1.0	$1,800,000	6.53
Tunkillia gold	25/11/14	WPG Resources Limited	Helix Resources Limited	30%	1.0	$5,933,333	6.76
Cowarra	6/01/15	Gold Mountain Limited	Capital Mining Limited	50%	2.3	$80,000	2.16
Hermes gold	24/02/15	Northern Star Resources	Alchemy Resources Limited	100%	2.0	$1,950,000	9.20
Bryah Basin	24/02/15	Northern Star Resources	Alchemy Resources Limited	80%	2.0	$500,000	5.75
Central Tanami	25/02/15	Northern Star Resources	Tanami Gold NL	25%	3.0	$80,000,000	30.48
Charters Towers	2/03/15	Kingsford Investment Groups Ltd.	Citigold Corporation Limited	60%	13.3	$120,000,000	9.95

Project	Date	Buyer	Seller	Interest	Gold grade (g/t)	Consideration (100% basis) A$	Implied value (A$/oz)
Kirkalocka gold	25/03/15	Ozchina Enterprises Pty Ltd	Mount Magnet South NL	100%	1.1	$1,700,000	3.10
La Mancha	20/04/15	Evolution Mining Limited	Orascom TMT Investments sarl	100%	2.1	$275,652,544	104.53
Spring Hill gold	30/04/15	Thor Mining plc	Western Desert Resources Limited	49%	1.4	$632,653	1.41
Mount Adrah	13/05/15	Private company	Sovereign Gold Company Limited	50%	1.1	$4,000,000	5.19
Cowal	25/05/15	Evolution Mining Limited	Barrick Gold Corporation	100%	1.1	$694,181,497	204.17
Ulysses	9/06/15	Genesis Minerals Ltd.	Unspecified	100%	2.1	$2,675,000	19.38
Grosvenor	31/07/15	Metals X Limited	RNI NL	100%	1.8	$20,300,000	10.30
Walhalla	11/08/15	A1 Consolidated Gold Ltd	Orion Gold NL	100%	4.9	$850,000	4.94
Morning Star	14/08/15	Mantle Mining Corporation Ltd	Morning Star Gold NL	95%	6.1	$3,750,000	4.34
Blue Spec	17/08/15	Northwest Resources Ltd	Novo Resources Corp	100%	9.5	$650,000	2.63
Redcliffe	18/08/15	Northern Manganese Ltd	Redcliffe Resources Ltd	51%	2.7	$496,111	3.50
Kailis and King of the Hill	20/08/15	Saracen Mineral Holdings Ltd	St Barbara Ltd	100%	4.5	$3,000,000	10.95
Pinnacles	17/09/15	Nexus Minerals Limited	Saracen Mineral Holdings Ltd	25%	2.1	$200,000	28.57

Appendix B Gold Exploration Transactions

Project	Date	Buyer	Seller	Consideration (100% basis) A$	Area (km^2)	Implied value (A$/$km^2$)
Grafters area and Vettersburg area	17/10/13	Excelsior Gold Limited	Fe Limited and Cazaly Resources Limited	$250,000	18	$13,889
Cue Gold	28/11/13	Parker Resources NL	Unspecified	$100,000	40	$2,508
Viking	3/03/14	Genesis Minerals Ltd.	AngloGold Ashanti Limited	$50,000	970	$52
Mystique	22/04/14	Black Fire Minerals Ltd.	Entrée Gold Inc	$75,000	205	$366
7 tenements surrounding Paynes Find	23/04/14	Undisclosed buyer	Paynes Find Gold Ltd.	$350,000	2	$141,700
Highland Rocks, Officer Hills South	27/05/14	Ramelius Resources Limited	Tychean Resources Limited	$764,706	1700	$450
Mt Holland	27/05/14	Convergent Minerals Ltd	Southern Cross Goldfields	$200,000	66	$3,030
McPhees	16/06/14	Asgard Metals Pty Ltd	Ascot Resources Limited	$15,000	6	$2,322
Yerilla Mining Centre	30/06/14	Global Gem Mining Pty Ltd.	Wild Acre Metals Limited	$100,000	3	$30,533
Gnaweeda	4/07/14	Doray Minerals Limited	Transatlantic Mining Corp.	$500,000	164	$3,047
Breakaway Dam and Coolgardie	5/08/14	Undisclosed buyer	Amex Resources Limited	$500,000	204	$2,446
Horse Well	2/09/14	Alloy Resources Limited	Phosphate Australia Limited	$62,500	50	$1,240
Triumph gold	15/10/14	Nexus Minerals Limited	Coxrocks Pty Ltd	$937,500	24	$39,063
Central & Western Gawler Craton	17/11/14	Doray Minerals Limited	Iluka Resources Limited	$8,750,000	21,000	$417
Lyndon	28/11/14	Shine Resources Pty Ltd	Latitude Consolidated Limited	$78,571	27	$2,872
Gold tenements	16/02/15	Beacon Minerals Limited	Black Oak Minerals Limited	$500,000	14	$34,597
Ora Banda South	20/03/15	Siburan Resources Limited	Western Resources Pty Ltd	$218,750	9	$23,855
Binduli	16/04/15	La Mancha Resources Inc	Intermin Resources Limited	$6,571,429	99	$66,512
Zuleika	22/04/15	Torian Resources Limited	Cascade Resources Limited	$10,204,082	169	$60,326
Burbanks	29/04/15	Kidman Resources Limited	Blue Tiger Mines Pty Ltd.	$6,750,000	23	$300,000
Spargos Reward	11/05/15	Corona Minerals Ltd	Mithril Resources Limited	$294,118	34	$8,528
Lyndon	22/05/15	Shine Resources Pty Ltd	Latitude Consolidated Limited	$30,000	27	$1,096
Gooligoomba	17/06/15	Undisclosed buyer	PepinNini Minerals Limited	$40,000	1	$48,193
Four Duketon	14/07/15	Regis Resources Limited	Duketon Mining Limited	$1,466,667	373	$3,932
Gloster	16/07/15	Regis Resources Limited	Private	$1,500,000	10	$153,846
New Year's Gift	16/07/15	GME Resources Limited	Undisclosed seller	$30,000	11	$2,679
Prospect Creek	20/07/15	Cape Clear Minerals Pty Ltd	ActivEX Limited	$400,000	81	$4,926

Project	Date	Buyer	Seller	Consideration (100% basis) A$	Area (km^2)	Implied value (A$/$km^2$)
Deralinya	3/08/15	OMNI GeoX Pty Ltd	Segue Resources Limited	$433,333	760	$570
Spargoville	5/08/15	Maximus Resources Limited	Tychean Resources Limited	$1,333,333	114	$11,655
Red Dragon Mines NL	15/10/15	Thundelarra Limited	Red Dragon Mines NL	$1,380,392	739.5	$1,867

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