

**MALAGASY MINERALS LIMITED**  
**Activities Report for the June Quarter 2012**

**HIGHLIGHTS**

- Confirmation that the Ampanihy Project is host to a major suite of mafic-ultramafic intrusive rocks that are considered highly prospective to host magmatic nickel-copper-platinum group metal deposits;
- Recognition of a large-scale (5km x 5km) coincident Mo-Se anomaly at the Maniry Project in the southern part of the project area;
- Confirmation of the potential for significant deposits of high-grade graphite on Malagasy's 100% owned tenements at the Ampanihy Project, Southern Madagascar.
- Joint Venture Partners Energizer Minerals Inc. continue to advance technical and commercial outcomes for the Molo Graphite Deposit.

**BACKGROUND**

Malagasy Minerals Ltd (ASX Code: MGY / "Malagasy") has established a large exploration project in Southern Madagascar (figure 1) that is prospective for both mafic-ultramafic intrusive related magmatic nickel-copper-platinum group metals (PGM) deposits and high-grade high-quality graphite deposits. This is being undertaken both on a 100% basis and through joint venture.

Exploration activities during the June 2013 Quarter has resulted in significant advances to understanding and demonstrating the prospectivity of the Ampanihy Project.

**AMPANIHY PROJECT - NICKEL-COPPER-PGM EXPLORATION (MGY 100%)**

Following completion of the most recent program of field exploration at the 100% owned Ampanihy Project, Southern Madagascar, Malagasy Minerals Limited reported the following (ASX Announcement – 17<sup>th</sup> July 2013):

- Confirmation that the Ampanihy Project is host to a major suite of mafic-ultramafic intrusive rocks that are considered highly prospective to host magmatic nickel-copper-platinum group metal deposits;
- Identification of a suite of interpreted sills and/or dykes consisting of gabbro (troctolite), pyroxenite and peridotite rock that have been mapped along multiple horizons over at least 110km of strike within Malagasy's tenement holdings;
- Confirmation of the presence of magmatic sulphides (low-tenor Fe-Ni-Cu) associated with intrusive mafic-ultramafic rocks at a number of locations. The presence of these sulphides indicates that the critical process of sulphur saturation has occurred and that potential exists for the formation of magmatic nickel-copper-PGM deposits; and
- Recent completion of a program of high-quality pXRF geochemical analysis that can be demonstrated to be an effective tool to identify the prospective mafic-ultramafic stratigraphy and to highlight areas for immediate follow-up.

The recent aim of exploration has been to assess the entire Ampanihy Project for its potential to host significant suites of mafic-ultramafic rocks that have the potential to host a nickel-copper-PGM deposit. The program was based around regional geochemical sampling, reconnaissance mapping and rock chip sampling.

The results of this work are considered very important and form the basis for the next phase of exploration. The key findings include:

- Identification of four distinct tectono-stratigraphic domains each of which host prospective mafic-ultramafic intrusive bodies that form a distinct “magmatic province” (Figure 2);
- Identification that the “Suture Domain” is host to the greatest number of mafic-ultramafic intrusive bodies;
- Both the “Suture Domain” and the “Graphite Domain” have demonstrated potential for nickel-copper-PGM sulphide formation by the identification of magmatic sulphides;
- A strike extent of the mafic-ultramafic intrusive bodies within the Ampanihy Project of approximately 110km. Individual intrusive bodies have been mapped and/or interpreted to extend along strike for up to 80km;
- The intrusive rock suite ranges from gabbro (troctolite), through pyroxenite to peridotite. The units are interpreted as a combination of sills and dykes within a high-grade metamorphic terrain dominated by felsic gneiss and schist. Primary intrusive relationships are at this point difficult to define due to the strong overprinting structural fabric.

An important component of the recent exploration initiative has been the re-evaluation of the geochemical dataset using high quality, multi-element pXRF sampling. This work has demonstrated that regional geochemical sampling is a low-cost and highly effective exploration technique that clearly maps the targeted intrusive stratigraphy and identifies key areas for programs of follow-up exploration (Figure 3 & 4).

The next phase of nickel-copper-PGM exploration has commenced at the Ampanihy Project. Initial exploration will comprise collection of regional geochemical samples (approximately 8,000 samples), mapping of key areas and systematic rock chip sampling focused on identifying outcropping gossan samples.

Malagasy Minerals believes these results support the view that the 100% owned Ampanihy Project can be demonstrated to be a newly discovered mafic-ultramafic intrusive province. The definition of magmatic sulphides at a number of locations across the project supports the interpretation that the critical sulphide forming process has taken place and that potential exists for the development of accumulations of nickel-copper-PGM sulphide bodies.

The next phase of exploration will provide both a broad assessment of the entire project and commence more detailed programs in specific areas that warrant immediate follow-up.

#### **MANIRY PROJECT – MOLYBDENUM & RARE EARTH ELEMENTS EXPLORATION (MGY 100%)**

A key part of the recent exploration initiative has been the re-assaying of the regional geochemical database using quality XRF sampling processes. The result of this work was an expanded element suite that could be reviewed and interpreted and applied to the broader project to generate new exploration opportunities.

A result of this work has been the generation of a significant molybdenum-selenium-REE anomaly at the Maniry Project in the southern part of the 100% owned Ampanihy Project, Southern Madagascar (Figure 1) (See ASX Announcement – 23 July 2013).

The key results from this work include:

- Recognition of a large-scale (5km x 5km) coincident Mo-Se anomaly in the southern part of the Maniry Project (Figure 4 and 5);
- Follow-up assessment of the Mo-Se anomaly for Rare Earth Elements (REE) by preliminary XRF analysis has identified a coherent set of anomalous values for Cerium (Ce), Lanthanum (La), Neodymium (Nd), Praseodymium (Pr) and Yttrium (Y);
- 9 samples out of 124 (~9%) have combined REE values of >1400ppm. Peak values for each REE are;

- **Ce**     **496ppm**
- **La**     **337ppm**
- **Nd**     **942ppm**
- **Pr**     **506ppm**
- **Y**      **228ppm**

- The REE's appear to lie outboard and zone the Mo-Se-U-Pb anomaly;
- Mapping of the area has defined a suite of granitic intrusive rocks that appear to be spatially associated with the anomalous geochemistry. Additional evaluation of the geology is required to determine the potential source and the association of these results; and
- More definitive sampling and assaying will be required to fully understand the potential of these results.

These results demonstrate that the greater Ampanihy Project has the potential to host a range of deposit styles in an easily accessible, under-explored and low-cost geological province. Whilst the key focus remains on exploring for mafic-ultramafic intrusive related nickel-copper-PGM deposits and evaluating the potential of the project to host world-class graphite deposits the potential for other commodities and styles of deposits cannot be ignored. The application of fundamental, but high quality exploration techniques will continue to be utilized in Malagasy Minerals approach to exploration.

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

As previously reported Joint Venture partner and project manager Energizer Minerals Inc. released a positive Preliminary Economic Assessment (“PEA”) Study for the Molo Graphite Deposit, Madagascar. Malagasy is well positioned and maintains its 25% free-carried interest through to completion of a bankable feasibility study in the Project. The key features of the Molo Project include:

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

**Table (2) -Molo graphite deposit resource estimation summary ((NI) 43-101)**

<b>Classification</b>	<b>Tonnes (Mt)</b>	<b>Grade (C%)*</b>	<b>Cut-off grade (C%)</b>
Indicated	84.0	6.3	2%
Inferred	40.3	6.3	2%
<b>TOTAL</b>	<b>124.4</b>	<b>6.3</b>	<b>2%</b>
“High-grade” Indicated & Inferred	60.1	8.1	4%
*Note – Reported Carbon % = Total Carbon			
For additional detail see MGY ASX announcement released 5 <sup>th</sup> December 2012			

## **MALAGASY REGIONAL GRAPHITE EXPLORATION (MGY 100%)**

### ***Potential for High-Grade, High-Quality Graphite Deposits***

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

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

Exploration for these high grade deposits consists of low-cost reconnaissance mapping and rock chip sampling to identify prospective areas that warrant more detailed follow-up programs of exploration based on the stated target criteria.

### **CORPORATE**

The Appendix 5B quarterly statement of cash flows is attached to this report. As at 30 June 2013, the company retained A\$0.4 million in cash resources, plus 7,500,000 EGZ shares with a value of approximately A\$2.1 million at the 29 July closing price of CAN\$0.265 .

The Company is working on alternative means to bolster cash through sale of assets, introducing joint venture partners to fund exploration or a small capital raising.

### ***Commercial Revenue in Madagascar***

The Company has long had the strategy of funding its Malagasy standing costs from revenues generated within Madagascar. Labradorite royalties and rental income have reduced recently as a consequence of the economy globally.. The Company's drilling subsidiary has recently commenced a contract which will also make a cash contribution.

### ***Political Situation***

The political situation in Madagascar remains uncertain, with international mediation continuing to assist in the negotiation of an orderly resolution. This is aimed at achieving free elections and the establishment of normal relations with the international community and donor countries.

As previously advised, the current situation in Madagascar has the potential to result in difficulties in obtaining effective legal redress. Meanwhile, continuing delays are being encountered in the processing of tenement applications and renewals, and the registration of additional minerals on permits. If the political situation does not improve there is a risk that the Company may not be able to secure the grant or renewal of tenements in a timely manner, or on satisfactory terms.

The first round of the presidential election did not proceed as planned during July 2013 and the international monitoring group has said that unless three candidates withdraw the results of any election held will not be recognized and international sanctions will be reinstated.

### ***For and on behalf of the Board***

***Peter Langworthy***  
***Technical Director***

### ***Competent Persons Statement***

*The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled or reviewed by Mr. Peter Langworthy, Consulting Geologist, who is a Member of the Australian Institute of Mining and Metallurgy. Mr. Peter Langworthy has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to activities undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Peter Langworthy consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.*

**Portable XRF Analyser – Sampling Technique Commentary**

Routine analysis was completed using an Olympus-Innov-X Delta Premium portable XRF analyser with a 40Kv Rh tube. Analysis was conducted in soil mode for a total of 90 seconds elapse time per sample with a certified reference material analysed every 33 samples. Analysis was conducted through the paper sample bag for seventeen elements that passed QAQC protocols and considered "Fit for Purposes" including As, Cr, Cu, Fe, K, Mn, Mo, Ni, Pb, Rb, Se, Th, Ti, U, V, Zn and Zr.

Rare Earth Element (REE) analysis was conducted on a Thermo-Niton XL3t GOLDD++ portable XRF analyser with a 50Kv Ag tube calibrated for REE analysis. Analysis was conducted in mining mode for a total of 120 seconds live time per sample with a certified reference material analysed every 33 samples. Analysis was conducted through the paper sample bag for twenty elements that passed QAQC protocols and considered "Fit for Purposes" including Ce, La, Nd, Pr, Y, Ba, Cu, Fe, K, Mo, Nb, Pb, Rb, Si, Sr, Th, Ti, U, Zn and Zr.

The sampling process, QA/QC protocols and interpretation of the data were undertaken under the supervision of a Geochemist.

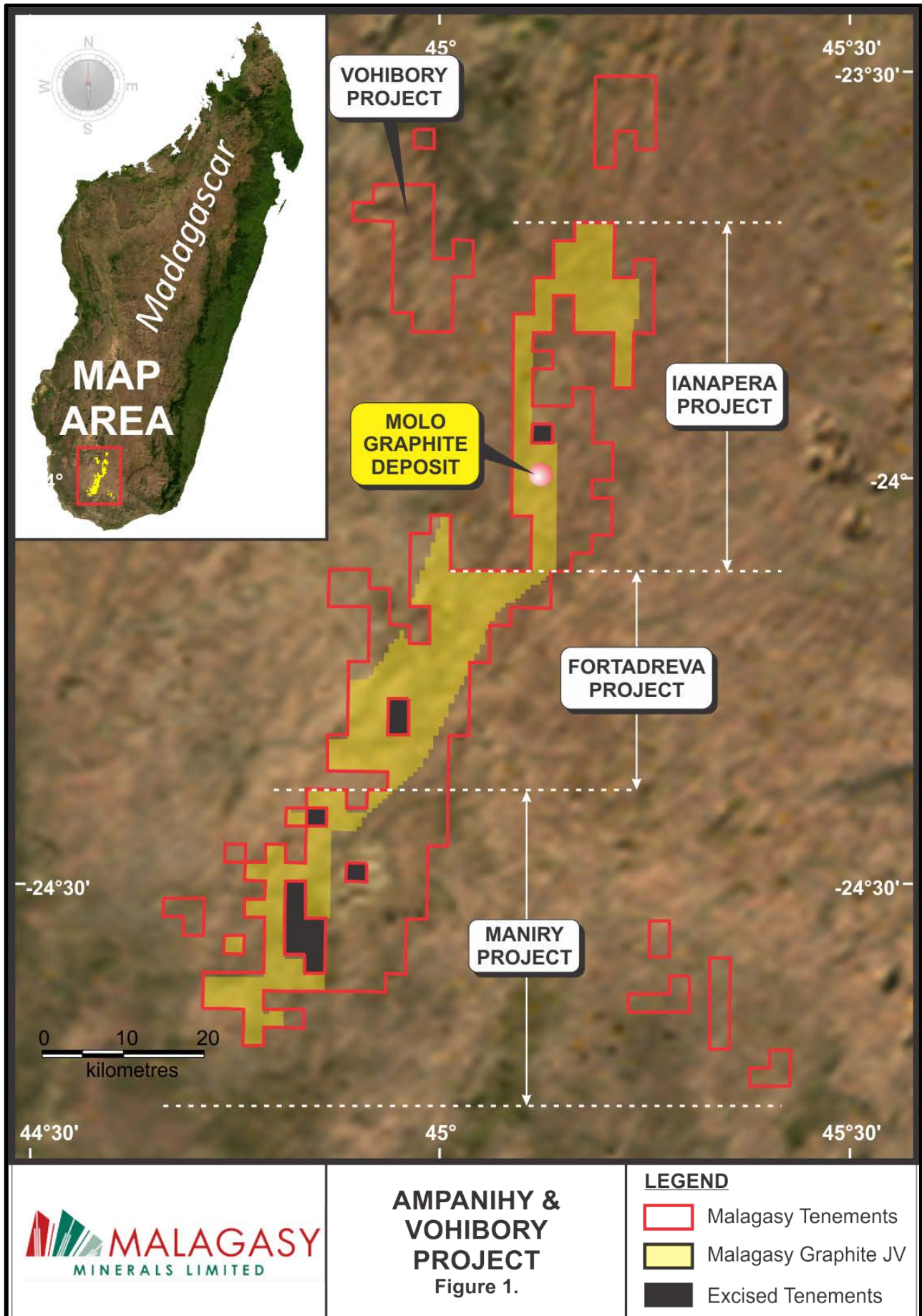


Figure 1 – Ampanihy Project Location Plan

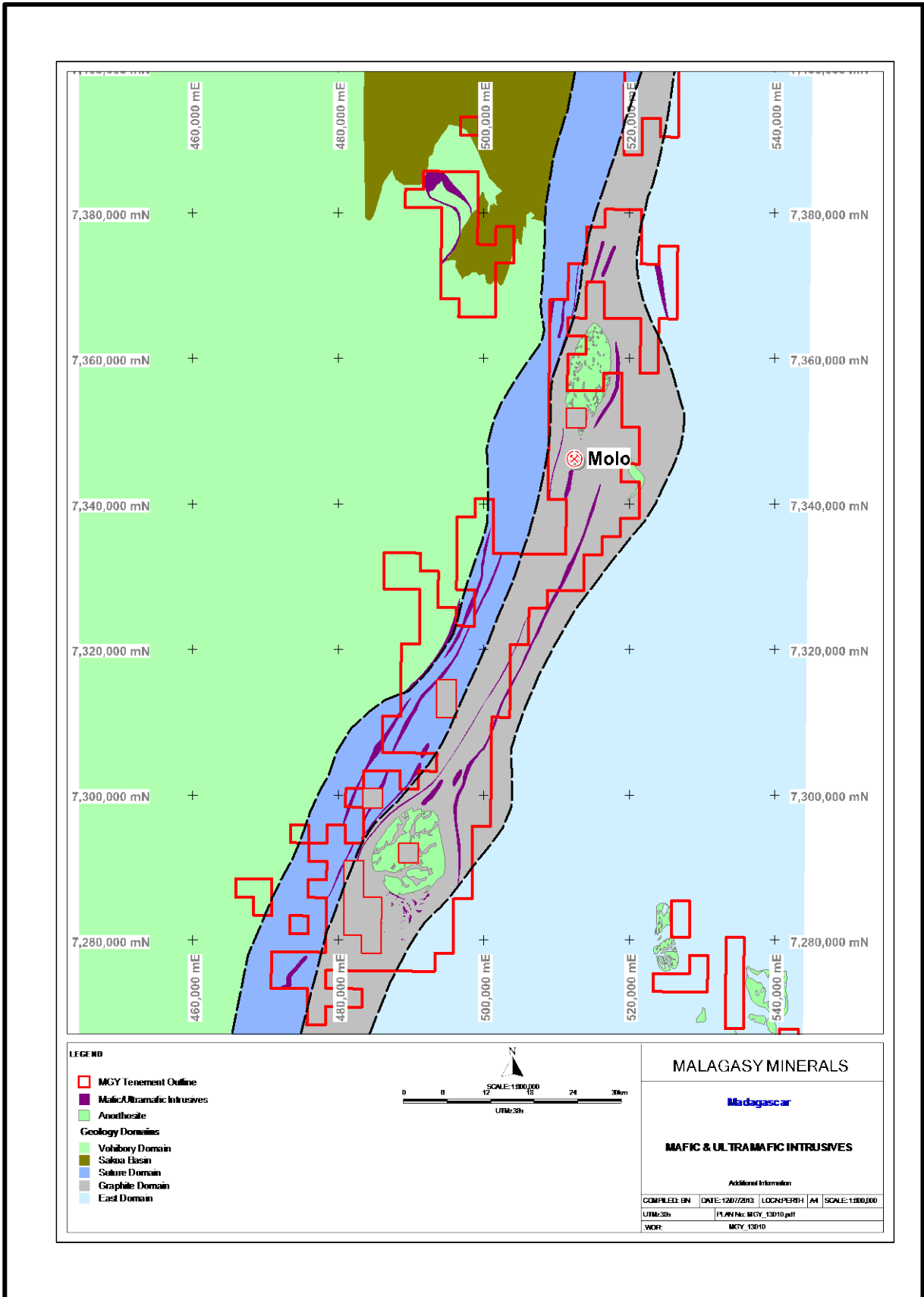


Figure 2 – Ampanihy Project Geological Domain and Mafic-Ultramafic Rock Distribution Summary Map

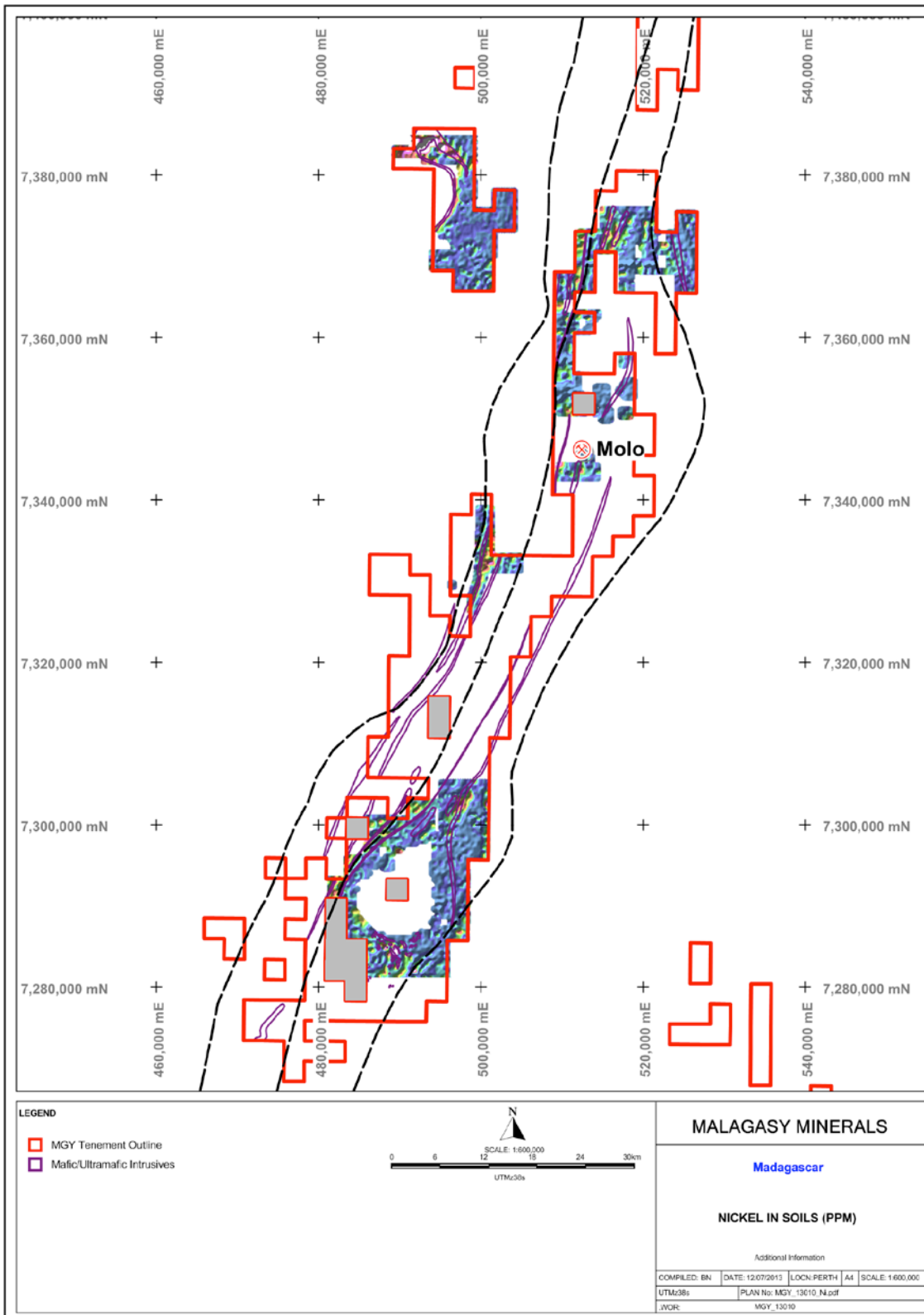
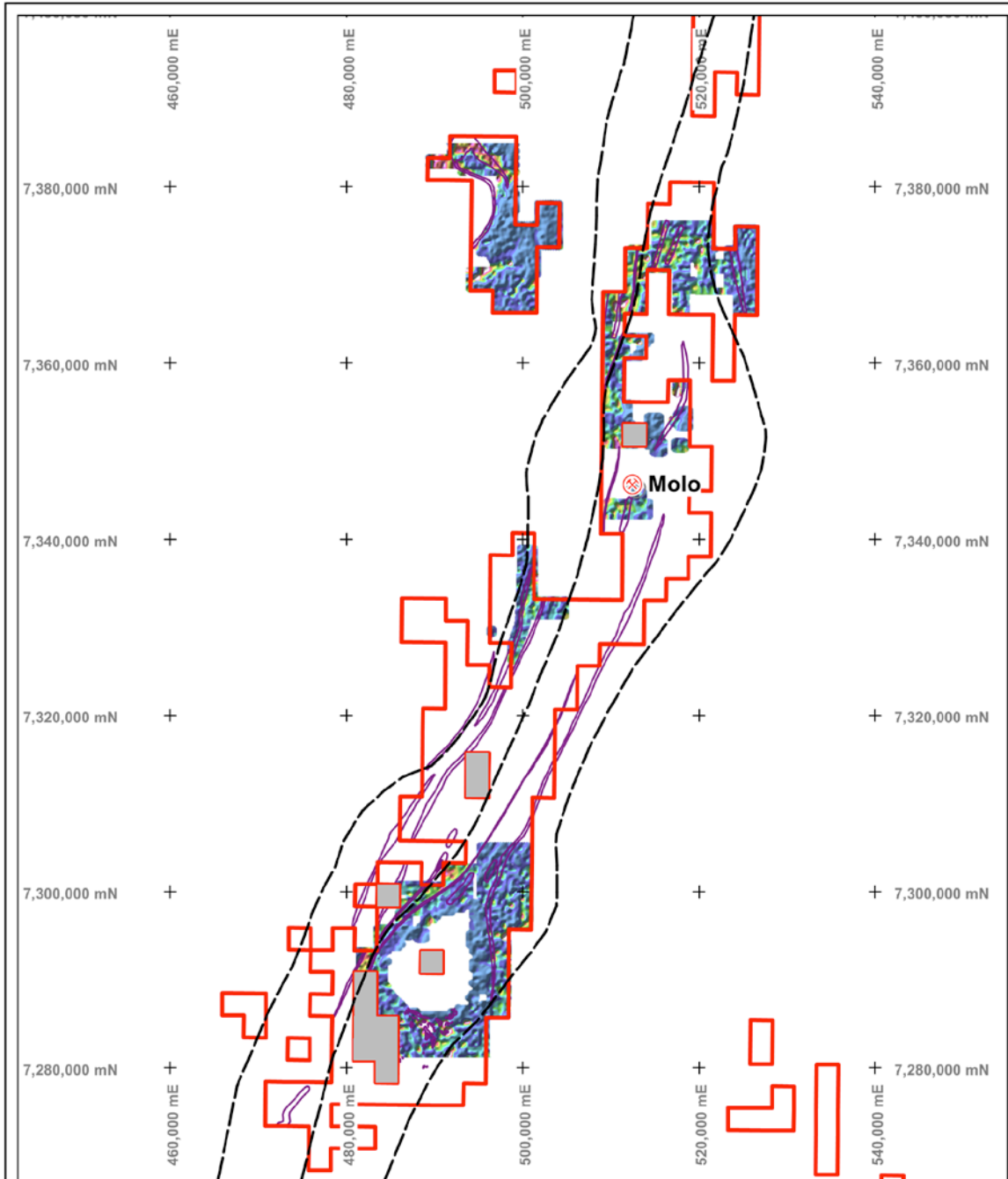


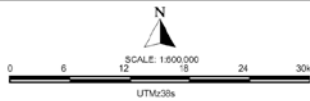
Figure 3 – Ampanihy Project Nickel Geochemical Sampling Results





**LEGEND**

- MGY Tenement Outline
- Mafic/Ultramafic Intrusives



**MALAGASY MINERALS**

**Madagascar**

**COPPER IN SOILS (PPM)**

Additional Information

COMPILED: BN	DATE: 12/07/2013	LOCN: PERTH	A4	SCALE: 1:600,000
UTM:38s	PLAN No: MGY_13010_Cu.pdf			
WOR:	MGY_13010			

**Figure 4 – Ampanihy Project Copper Geochemical Sampling Results**

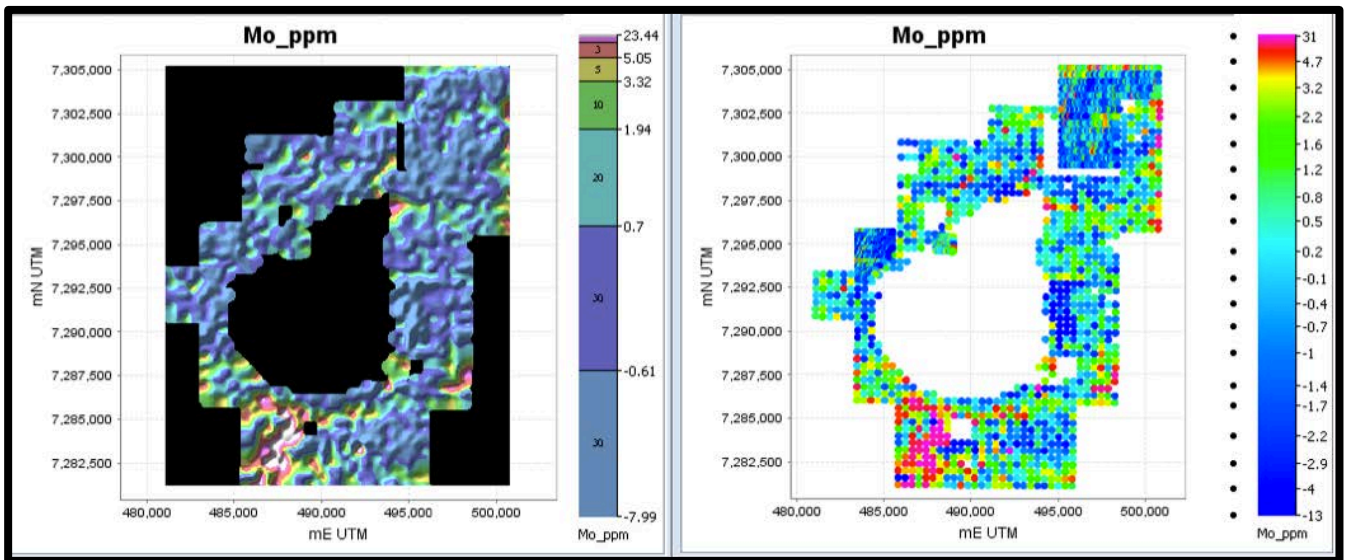


Figure 5 – Maniry Project Molybdenum Geochemical Image

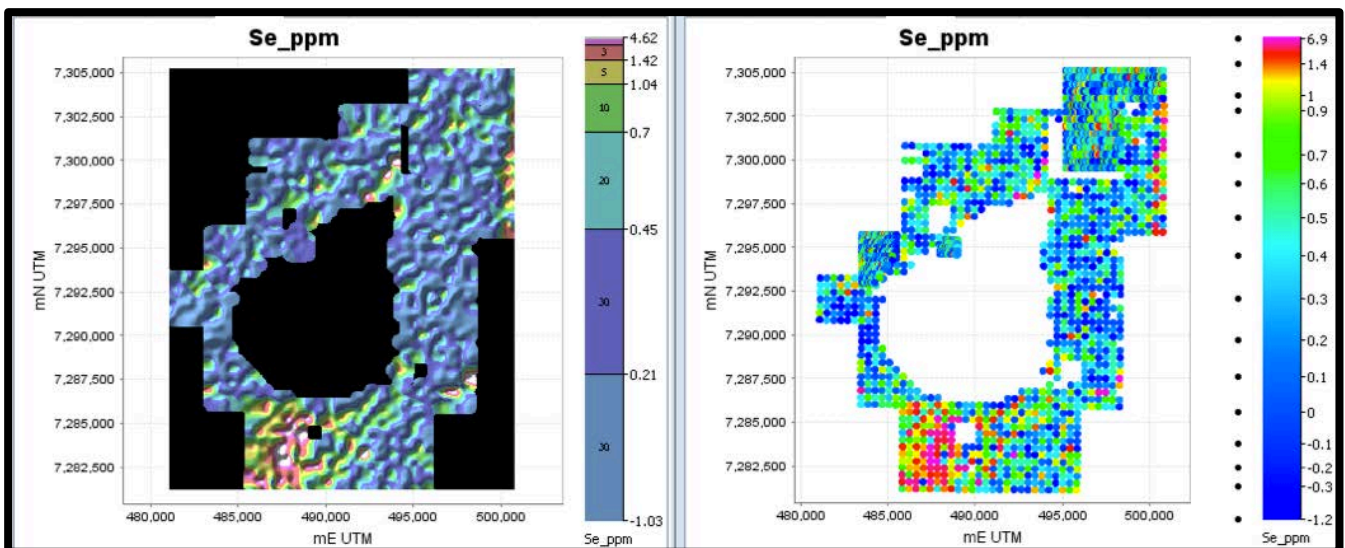


Figure 6 – Maniry Project Selenium Geochemical Image

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

MALAGASY MINERALS LIMITED
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ABN

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

30 JUNE 2013
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### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 Months) \$A'000
1.1 Receipts from product sales and related debtors	79	464
1.2 Payments for (a) exploration & evaluation (net)	(259)	(1,311)
(b) development	-	-
(c) production	-	-
(d) administration (net)	(99)	(700)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	45
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (TVA recoverable)	-	-
<b>Net Operating Cash Flows</b>	<b>(274)</b>	<b>(1,502)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments (deferred)	(12)	(82)
(c) other fixed assets	-	(16)
1.9 Proceeds from sale of:		
(a) prospects	-	60
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(12)</b>	<b>(38)</b>
1.13 Total operating and investing cash flows (carried forward)	(286)	(1,540)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	<b>(286)</b>	<b>(1,540)</b>
	<b>Cash flows related to financing activities</b>		
1.14	Net Proceeds from issues of shares, options, etc	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
	<b>Net increase (decrease) in cash held</b>	<b>(286)</b>	<b>(1,540)</b>
1.20	Cash at beginning of quarter/year to date	696	1,950
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>410</b>	<b>410</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	13
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment of Directors Fees, Wages to Directors and associated compulsory superannuation.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	10	10

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
4.3 Production	-
4.4 Administration (Net)	100
<b>Total</b>	<b>300</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	<b>70</b>	110
5.2 Deposits at call	<b>340</b>	586
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>410</b>	696

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Refer to Covering Quarterly Activity Report attached hereto		
6.2	Interests in mining tenements acquired or increased	Refer to Covering Quarterly Activity Report attached hereto		

+ See chapter 19 for defined terms.

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

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference + securities</b>	Nil	Nil	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	<b>158,812,504</b>	<b>158,812,504</b>	Various	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,500,000	1,500,000	Nil	Nil
7.5 <b>+Convertible debt securities</b>	Nil	Nil	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <i>Unlisted</i>	2,000,000 2,000,000 4,003,600 7,000,000 375,000	- - - - -	20c Options 20c Options 20c Options 15c Options 30c Options	Expiry: 01/12/2013 Expiry: 03/07/2013 Expiry: 07/07/2013 Expiry: 30/11/2016 Expiry: 30/09/2015
7.8 Issued during quarter	375,000 375,000	- -	40c Options 50c Options	Expiry: 31/12/2015 Expiry: 31/03/2016
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	1,000,000	-	20c Options	Expiry: 27/06/2013
7.11 <b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		

+ See chapter 19 for defined terms.

## Compliance statement

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



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

Date: 30<sup>th</sup> July 2013

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities. The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.