



25<sup>th</sup> October 2013 – ASX Announcement

## **MALAGASY CRYSTALLISES VALUE OF MOLO PROJECT INTEREST**

### ***Memorandum of Understanding to sell 25% interest in the Molo Graphite Deposit***

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The Board of Malagasy Minerals Limited (“Malagasy”) is pleased to announce it has signed a Memorandum of Understanding (“MOU”) to sell the company’s 25% interest in the Molo Graphite Project to joint venture partner Energizer Resources Inc. (“Energizer” or “EGZ”).

A decision has been made to crystallise significant value from the transaction and to focus on maintaining exposure to high quality graphite deposits on the company’s highly prospective 100% owned tenements at the Maniry Project. In addition to this graphite exposure, Malagasy will continue to advance its core focus of exploring for world-class nickel-copper-PGM deposits across the wider project area.

The core components of the MOU that will lead to a full Sale and Purchase Agreement (“SAP”) between the companies are:

- On execution of the Sale and Purchase Agreement Energizer will:
  - § Pay Malagasy the sum of C\$400,000 cash;
  - § Issue 2,500,000 EGZ shares (held in escrow for 12 months); and
  - § Issue 3,500,000 EGZ warrants (based on a 5 day VWAP prior to date of signing).
- On completion of a Bankable Feasibility Study (“BFS”) Energizer will:
  - § Pay Malagasy the sum of C\$700,000 cash; and
  - § Issue 1,000,000 EGZ shares.
- On the commencement of commercial production Energizer will:
  - § Pay Malagasy the sum of C\$1,000,000 cash; and
  - § Commence payment of a 1.5% Net Smelter Return (“NSR”) on all production.
- Malagasy will include an additional tenement previously not part of the Molo Joint Venture.
- The transaction is limited to industrial mineral rights only, which include graphite.
- The Sale and Purchase Agreement will be negotiated in good faith within 45 days of signing the MOU.

The Board of Malagasy believes this transaction delivers a low-risk immediate return to Malagasy in the form of the initial cash payment and the issue of shares. In the medium to long term it provides no-risk exposure to the future development of the project through a combination of additional shares, warrants and a significant royalty. In addition this agreement enhances the potential funding and

development pathway of the project with Energizer now being able to seek funding support on a 100% basis.

Importantly, the development of the Molo Graphite Project would also see a substantial injection of key infrastructure into this area of southern Madagascar that would significantly enhance Malagasy's exploration and any future development activities across the region.

In a parallel but separate transaction Energizer has agreed to:

- Transfer to Malagasy a 75% interest in the non-industrial mineral rights of the adjacent Green Giant Project (Figure 1) for nil consideration;
- The formation of the joint venture is conditional on the companies completing the Molo Project SPA; and
- Energizers' 25% interest will be free-carried to a decision to mine.

Gaining access to the Green Giant Project consolidates Malagasy's position over the major nickel-copper-PGM trend identified through the Ampanihy Project.

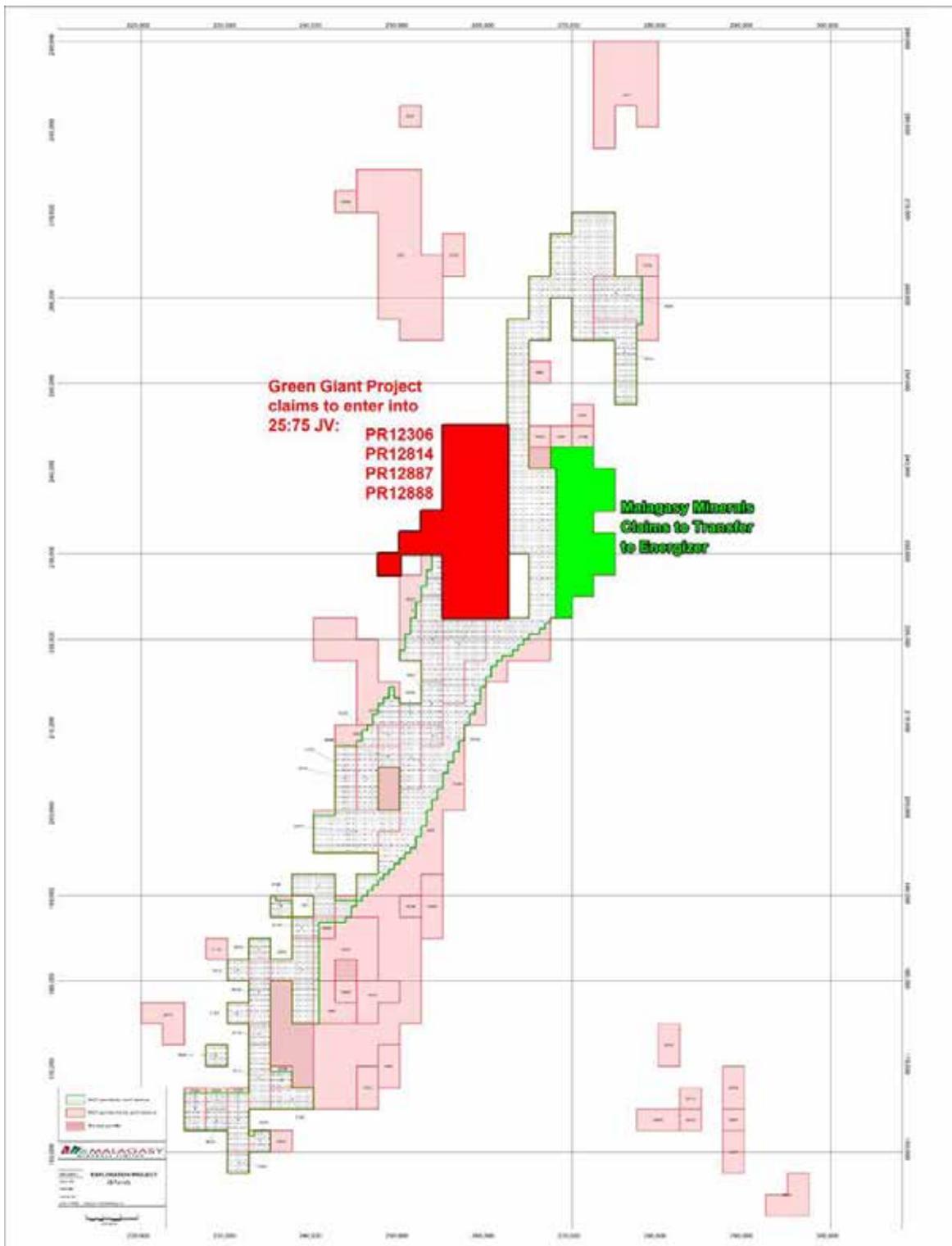
Chairman Guy LeClezio commented on the agreed terms of the Memorandum of Understanding: "This transaction provides many benefits to Malagasy. It provides us with a short term, low-risk return on the project, whilst at the same time continuing to give us exposure to any future development through a series of benchmark payments. Our partners Energizer have done an outstanding job to advance the project to a point that it makes sense for them to take the next step on a 100% basis and which will better allow them to seek funding and supply partners for the project. In terms of the next step for the company we have now consolidated some additional key tenements at no cost that we believe are critical for our exploration efforts for world-class nickel-copper deposits and we will continue to assess our 100% owned properties for large, high-quality graphite deposits".

Signed 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.*



**Figure (1) – Project Location Plan**

**Explanation:**

- Pink tenements – Malagasy 100% all commodities.
- Green outline with sub-blocks tenements
  - § Malagasy 100% of base and precious metals rights.
  - § Energyzer 100% of industrial minerals.
- Red tenements – Green Giant Project;
  - § Base and precious metals rights - Malagasy 75% / Energyzer 25% free carried to a decision to mine.
  - § Energyzer 100% of industrial minerals.
- Green tenements – New tenements;
  - § Malagasy 100% of base and precious metals rights
  - § Energyzer 100% of industrial minerals.