

MALAGASY MINERALS LIMITED
Activities Report for the September Quarter 2012

Outstanding exploration results at Molo Graphite Project pave way for resource estimate in current Quarter

- Molo Graphite Project (Malagasy 25%) confirmed as large-scale, potentially world-class Graphite Deposit. Recent drilling and trenching results include:

▪ Drill hole MOLO 12-07	292 metres @ 6.48%C	from 1.0 metres
▪ Drill hole MOLO 12-08	212 metres @ 6.45%C	from 1.0 metres
▪ Drill hole MOLO 12-09	136 metres @ 6.83%C	from 0.0 metres
▪ Trench MOLO-TH 12-03	413 metres @ 7.20%C	surface
▪ Trench MOLO-TH 12-07	101 metres @ 6.45%C	surface
▪ Trench MOLO-TH 12-08	110 metres @ 6.70%C	surface
- Joint venture partner Energizer Resources Inc. (TSX: EGZ) set to complete a resource estimate and preliminary economic assessment (NI43-101 compliant) at the Molo Graphite Project during the December 2012 quarter.
- Identification of the Molo East Target highlights strong potential to increase the size and grade of the Molo Deposit.
- Malagasy has identified a series of significant graphite zones, with grab samples grading up to 50%C, on its 100%-owned tenements that will be the subject of further evaluation.
- A strategic review of the Ampanihy Nickel Project has commenced with the appointment of experienced exploration management consultants OMNI GeoX Pty Ltd.
- Malagasy Director Mr. Graeme Boden was appointed CFO & dual Company Secretary.

Malagasy Minerals Ltd (ASX: MGY) is an Australian exploration company that has developed a significant portfolio of high quality exploration assets and a strategic low-cost operational base in southern Madagascar (Figure 1).

Madagascar is a developing country with a strong mineral endowment that provides access to world-class exploration opportunities across a number of commodities.

Malagasy's current focus in southern Madagascar is on identifying high value exploration and development opportunities within its existing project portfolio for nickel-copper-PGE deposits, graphite deposits and VHMS deposits. This is being undertaken both on a 100% basis and through its Malagasy Graphite joint venture with TSX-listed Energizer Resources..

To ensure that all parts of the exploration process are being undertaken in an efficient and effective manner Malagasy has instigated a strategic review to examine all areas of its operations including

strategy, technical skill, and management capability. The results of this ongoing review will be delivered as they become available.

GRAPHITE RESOURCE ASSESSMENT AND EXPLORATION MALAGASY GRAPHITE JOINT VENTURE PROJECT (EGZ 75% / MGY 25%)

Background

The Malagasy Graphite Joint Venture Project covers approximately 40% of MGY's project holdings in southern Madagascar. Under the agreement Energizer Resources Inc. own a 75% interest and Malagasy Minerals Limited retains a 25% free-carried interest in a defined set of industrial minerals (including graphite and vanadium) through to a bankable feasibility study. Malagasy Minerals Limited retains 100% interest to all other minerals.

Molo Graphite Project

During the September 2012 Quarter Energizer Resources Inc. ("Energizer") continued to report a series of significant drill hole and trench results from the large-scale, potentially world-class Molo Graphite Deposit.

This exploration was part of the joint venture's plan to accelerate the Project's resource evaluation and economic assessment program. Assays from the recently completed drilling and trenching program have been received for 24 (of 47) drill holes and 10 (of 19) trenches.

These results were reported in previous ASX announcements on the 30 August 2012 and 20 September 2012. Further detail can be accessed on Energizer's webpage (www.energizerresources.com).

Results from both drilling and trenching are provided in Tables (1 and 2):

TABLE (1) – Molo Project Drilling Results

Drill Hole No	Northing	Easting	From (m)	To (m)	Length (m)	C%
MOLO-12-04	7,345,598	513,299	1	221	220	5.42
MOLO-12-05	7,345,598	513,356	10	163	153	6.01
MOLO-12-06	7,345,396	513,146	0	362	362	5.60
MOLO-12-07	7,345,400	513,207	1	293	292	6.48
MOLO-12-08	7,345,402	513,274	1	212	211	6.45
MOLO-12-09	7,345,402	513,331	0	137	137	6.83
MOLO-12-10	7,345,199	513,151	70	277	207	6.55
MOLO-12-11	7,345,197	513,210	1	98	97	6.90
MOLO-12-11	7,345,197	513,210	129	221	92	5.68
MOLO-12-12	7,345,200	513,271	0	24	24	5.18
MOLO-12-12	7,345,200	513,271	80	137	57	6.56
MOLO-12-13	7,345,202	513,322	1	70	70	6.30
MOLO-12-14	7,344,998	513,177	35	128	93	5.44
MOLO-12-14	7,344,998	513,177	166	250	84	5.43
MOLO-12-15	7,345,001	513,238	1	159	158	5.10
MOLO-12-17	7,345,801	513,092	96	170	74	6.49
MOLO-12-18	7,345,799	513,151	7	118	111	6.39
MOLO-12-20	7,346,000	513,089	58	188	130	7.08

TABLE (2) – Molo Project Trench Results

Trench No	From	To	Length (m)	C%
MOLO-TH-12-03	5	418	413	7.20
MOLO-TH-12-04	2	119	117	6.64
MOLO-TH-12-05	22	90	68	6.73
MOLO-TH-12-06	52	118	66	7.49
MOLO-TH-12-07	37	138	101	6.45
MOLO-TH-12-08	86	140	54	7.45
MOLO-TH-12-08	186	296	110	6.70
MOLO-TH-12-09	22	130	108	6.02
MOLO-TH-12-09	166	220	54	8.79

The key points relating to these results are:

- The Molo Graphite Deposit is an outcropping large-scale mineralized system with an overall simple geometry controlled by an antiformal fold hinge (figure 2);
- The deposit has currently been delineated over a strike length of 2 kilometres, a width of 500 metres at its widest point and has been drilled to a depth in excess of 300 metres (figure 3);
- The graphite mineralisation is generally very consistent with no major zones of internal dilution and is considered to be relatively high grade;
- Preliminary small-scale tests of selected samples have indicated that “Jumbo Flake” graphite (i.e. +50 mesh) to a purity of 93%C can be easily liberated through a simple crushing process;
- The deposit remains open along strike to the north and south, and more importantly remains open to the east where the Molo East area shows significant potential for large-scale additions to the mineralized system.

Results from the remaining drill holes and trenches will be reported as they come to hand from Energizer.

Energizer has reported that with the conclusion of this recent program of work it now has sufficient data to complete a National Instrument (NI) 43-101 graphite resource which will then become part of the Preliminary Economic Assessment Report (PEA). Importantly, highly regarded South Africa engineering group DRA Mineral Projects has been retained to complete the PEA.

The study will incorporate the development of mining plans, establishment of key metallurgical characteristics, a processing model flowchart, final permitting and government approvals and supply, logistics and marketing options.

MALAGASY REGIONAL GRAPHITE EXPLORATION (MGY 100%)

In addition to the joint venture with Energizer, Malagasy retains access to 60% of its entire project area for all minerals including graphite (Figure 1). Following an assessment of the project area for its greater graphite potential an reconnaissance exploration program was instigated with a focus to identify targets that have the potential to host higher-grade (>8%C) graphite deposits.

Ampanihy Graphite Project

The Ampanihy Graphite Project covers 110 strike kilometres of prospective stratigraphy including substantial amounts of the targeted Graphite Schist Rock Unit. Initial targeting focused on identifying areas of structural thickening that were delineated in geological and geophysical data. Reconnaissance target evaluation was then undertaken to assess each target.

At each target location the area of the graphite was noted to determine size characteristics and grab specimens selected from outcrops were taken for analysis to determine grade. A total of 171 samples were taken and assayed.

This initial phase of reconnaissance exploration resulted in the identification of at least seven significant zones of high-grade graphite that require additional evaluation. The mineralised zones vary from 10 metres up to 150 metres wide, though in many cases the full extent of the zone was obscured by soil cover or vegetation and returned consistently high-grade sample results. A suite of samples has been submitted for mineralogical evaluation and a critical assessment of the graphite flake size and inclusions.

The key results are summarized below in Table (3) and the locations provided in Figure (4):

Target No	Northing	Easting	No of Samples	Min %C	Max %C
1	7,357,561	517,461	1	---	23.94
2	7,358,206	517,553	1	---	13.66
3	7,355,995	516,950	10	5.07	44.52
31	7,283,464	489,603	6	8.80	28.11
37	7,282,419	489,535	3	10.12	12.94
38	7,285,220	488,842	7	9.96	23.07
39	7,279,776	486,627	1	---	50.76

Malagasy considers the Ampanihy Graphite Project to be highly prospective for high-grade graphite deposits. This initial phase of work has confirmed the potential of a number of areas and provides the encouragement to continue with additional regional evaluation programs and more detailed follow-up on selected targets.

NICKEL-COPPER-PLATINUM GROUP ELEMENT EXPLORATION AMPANIHY PROJECT (MGY 100%)

Background

Malagasy Minerals Ltd originally commenced exploration in Southern Madagascar targeting large-scale, world-class mafic-ultramafic intrusive related magmatic nickel-copper-PGE deposits. The Ampanihy Project covers 110 strike kilometres of a crustal scale suture zone that has been demonstrated to host magmatic sulphides associated with a suite of prospective mafic and ultramafic intrusive rocks.

Exploration to date has been focused on the collection of regional datasets including geochemistry, VTEM and magnetic data, and limited reconnaissance diamond drilling.

The overall project is made up of the Ianapera Project in the North, the Fotadrevo Project covers the central area and the south is identified as the Maniry Project (figure 5).

Ianapera Project

Exploration during the quarter consisted of ongoing collection of surface geochemical data, re-assaying of original XRF samples and re-modelling of VTEM data. The main focus moving forward is to create a quality geochemical data set by infill sampling and multi-element analysis. This dataset can then be integrated with the high quality geophysical and geological data that is currently available.

Fortadrevo Project

The high priority focus at the Fortadrevo Project is a significant nickel-in-soil anomaly (peak value 3,716ppm Ni). Field reconnaissance and mapping of this target has indicated that farming activities largely obscure this anomaly and further investigation will require trenching or drilling.

Maniry Project

No nickel-copper-PGE exploration was undertaken at the Maniry Project during the quarter. As with the Ianapera Project the focus at Maniry moving forward will be to create a consolidated and high quality geochemical data set that can be integrated with the currently available geological and geophysical data.

VOLCANIC HOSTED MASSIVE SULPHIDE EXPLORATION VOHIBORY PROJECT (MGY 100%)

Background

Malagasy Minerals Ltd is targeting the Vohibory Project for high-grade copper-gold (zinc-lead) volcanic hosted massive sulphide deposits. The area has demonstrated prospectivity with widespread surface mineralisation (up to 29% Cu, 8.33g/t Au and 206g/t Ag) and drilling results returning wide zones of anomalous copper, gold and silver.

The area is host to prospective mafic-felsic stratigraphy that is typically the host to VHMS Deposits. To date MGY has to date completed eight diamond drill holes (1,058 metres) across two targets with follow-up exploration now required.

No field work was undertaken on the Vohibory Project during the quarter. Future work will focus on the re-assessment of the previous drilling and incorporation of this information into a typical VHMS framework.

CORPORATE

As at 30 September 2012, the company retained A\$1.4 million in cash resources, plus approximately A\$2.6 million in EGZ shares.

Labradorite Royalties

The Company continues to receive Labradorite Royalties from three groups, generating revenues to assist in supporting local operating costs.

Commercial Property Rental

The Company continues to receive rental income from commercial leases at its base in Antananarivo.

Red Cat Minerals Agreement

The Company has further agreed to extend this agreement to 31 October 2012, having received additional consideration by way of non-refundable cash deposits. This agreement covers the proposed sale of a northern portion of the Vohibory Project, and is dependent on Red Cat arranging an IPO Listing by 31 October 2012.

Management

Malagasy Minerals Ltd announced the appointment of experienced exploration management consultants OMNI GeoX Pty Ltd ("OMNI GeoX") to provide Exploration Management Service for the company.

The principal consultants for OMNI GeoX include Peter Langworthy, Stephen Vallance and Donald Huntly. OMNI GeoX are highly experienced explorers and corporate managers, having extensive exploration experience in delineating and developing significant nickel mines. and They were members of the senior management group of the highly successful nickel mining company, Jubilee Mines Limited.

OMNI GeoX will be primarily responsible for, and actively engaged in providing overall management of the Malagasy's exploration activities in Madagascar, including working closely with the existing Malagasy Exploration team.

Legal

The Company remains in dispute with its former Managing Director in respect of the terms of his resignation, his conduct and his repudiation of the terms of his resignation and various attempts by him to affect our continuing operations, including attempts to unlawfully impede operations. The Company has commenced legal action for damages arising from these actions.

Political Situation

The political situation is unchanged in Madagascar, 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. Presently UN-supervised elections are planned for May 2013, and it is anticipated that a new democratically elected government will be established.

For and behalf of the Board

Max Cozjin
Chairman

Competent Persons Statement

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

FIGURE (1) – MALAGASY MINERALS LTD PROJECT LOCATION PLAN

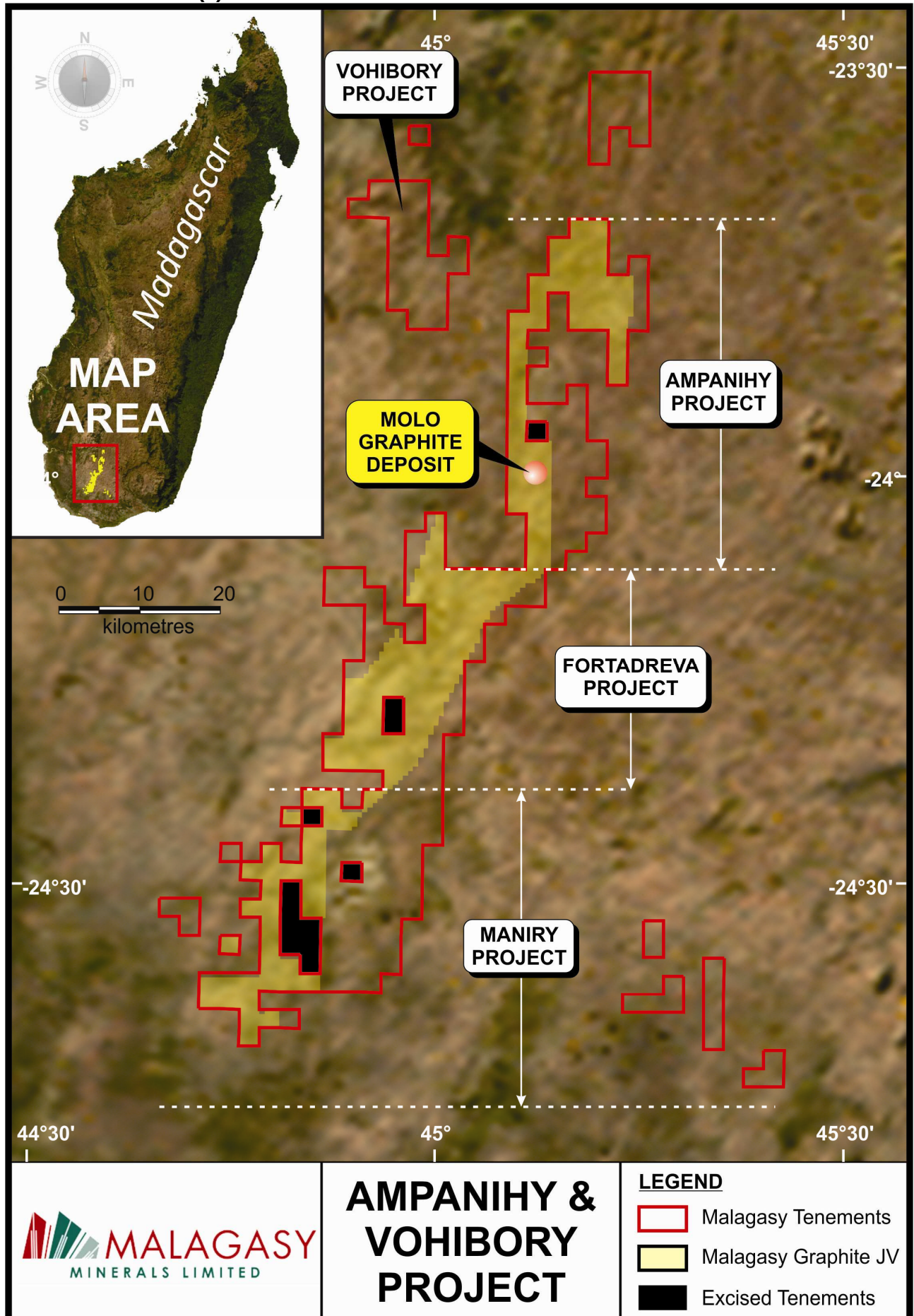


FIGURE (2) – MOLO GRAPHITE DEPOSIT INTERPRETED SURFACE PLAN

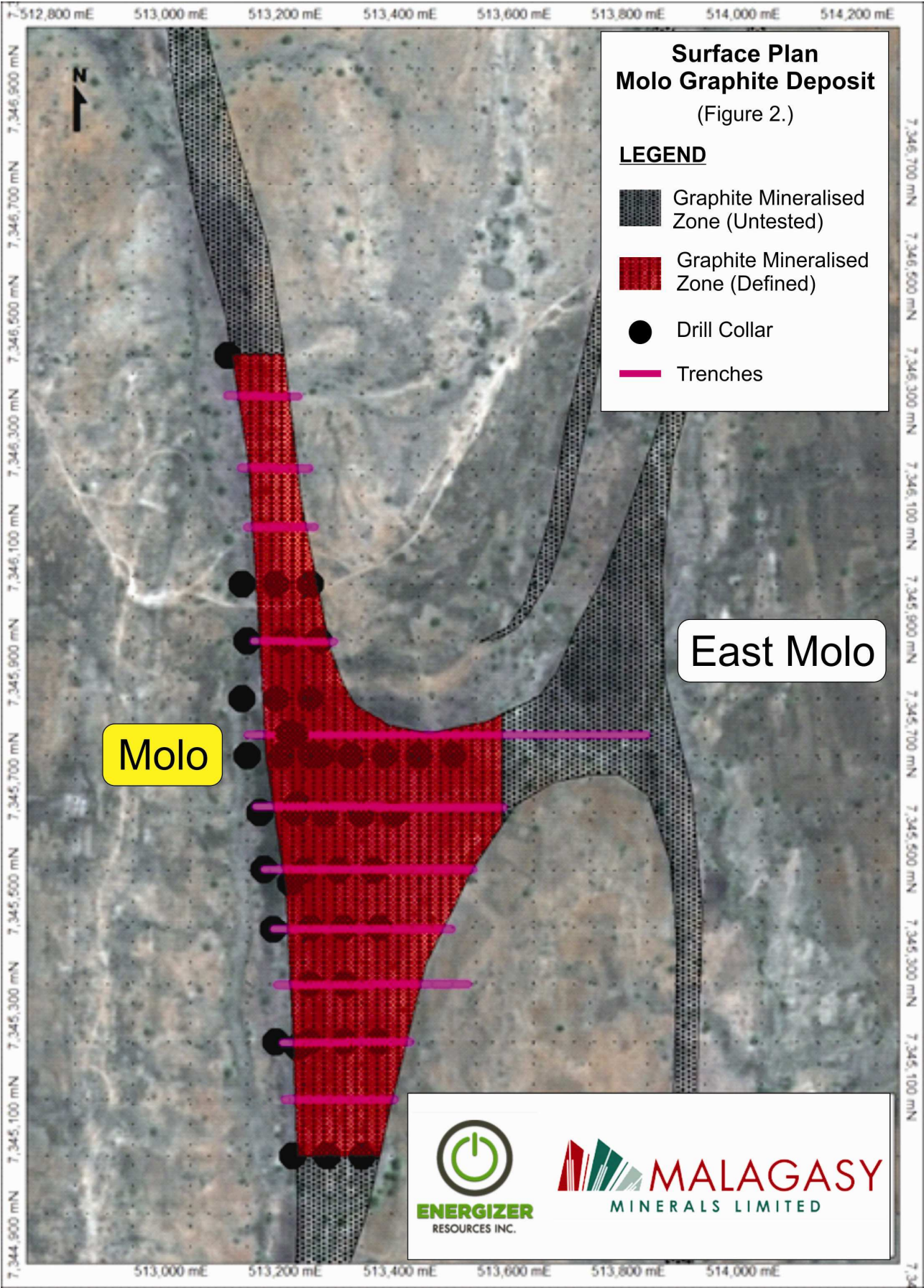


FIGURE (3) – MOLO GRAPHITE DEPOSIT 3D IMAGE

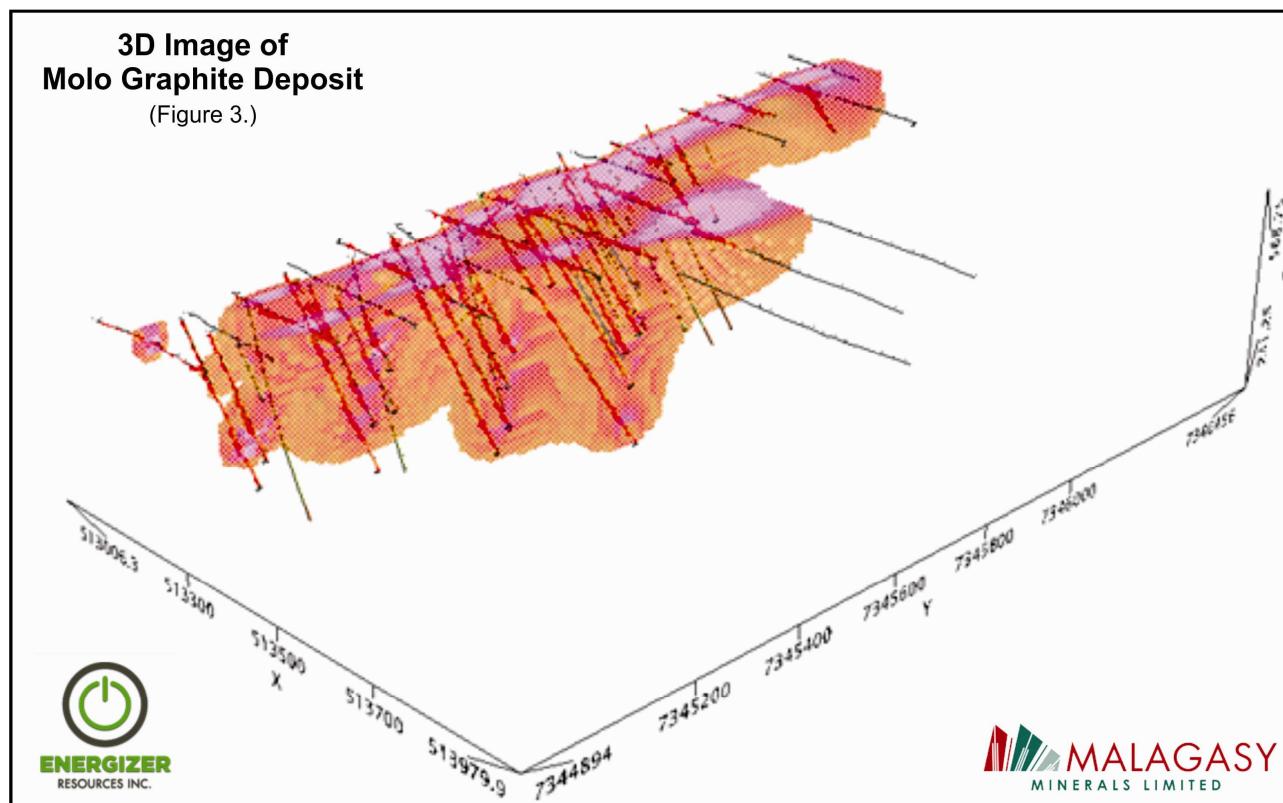


FIGURE (4) – MALAGASY MINERALS LTD 100% GRAPHITE PROJECT

