

MALAGASY TO FAST-TRACK DEVELOPMENT OF 650,000-OUNCE KARLAWINDA GOLD PROJECT IN WA

Shareholders approve the Karlawinda purchase, along with the appointment of new directors and a new name, paving the way for the Company to conduct accelerated development studies and an extensive drilling program

Key Points

- **Shareholders approve acquisition of Karlawinda Gold Project in the Pilbara region of WA**
- **Experienced mining executives Heath Hellewell and Peter Thompson join the Board**
- **Regis Resources emerges as 9.9% shareholder following \$1.5M capital raising**
- **Resource in-fill drilling to commence 1st March as part of fast-track development strategy**
- **Scoping Study targeted for completion by mid-2016**
- **Malagasy to be renamed Capricorn Metals Ltd (ASX Code: CMM)**
- **“Karlawinda already boasts a significant resource and we are confident we can grow it quickly based on the drilling program about to start. This will put us on track to unlock what we believe is an extremely attractive near-term production and cash-flow opportunity for our shareholders.” – *Malagasy Managing Director, Peter Thompson***

Malagasy Minerals Limited (ASX: MGY) is pleased to advise that it has embarked on a strategy to become a low-cost open pit Australian gold producer after receiving shareholder approval to acquire the Karlawinda Gold Project in WA, appoint two new highly experienced directors and complete a \$1.5 million capital raising.

Following a shareholder meeting yesterday (3rd February 2016), Malagasy – which will shortly change its name to Capricorn Metals Ltd (ASX Code: CMM) – has completed the purchase of unlisted private company Greenmount Resources Pty Ltd, which owns 100 per cent of the Karlawinda Project.

The transaction sees a strategic investor, Centrepeak Resources Group, led by respected Australian mining and exploration executive Heath Hellewell (previously Independence Group, also co-founding Executive Director of Doray Minerals), emerge with a 19% per cent stake in Capricorn.

Mr Hellewell has been appointed to the Capricorn board alongside experienced mining executive Peter Thompson, who has become Managing Director. Mr Hellewell played an instrumental role in

identifying the Karlawinda opportunity and securing its acquisition from the diversified mid-tier miner Independence Group (ASX: IGO).

They join existing Malagasy Directors Guy LeClezio (Chairman) and Peter Langworthy, who has been appointed as Executive Technical Director. Mr Langworthy is an experienced mining executive who was previously part of the successful Jubilee Mines management team (alongside Mr Thompson) and who now runs a prominent Perth-based mining consultancy, Omni GeoX.

Peter Woods and Graeme Boden have resigned as Directors of the Company, however Graeme will continue in his role as Company Secretary. The new Board would like to thank both Peter and Graeme for their outstanding efforts and contribution whilst on the Board of Malagasy.

The oversubscribed \$1.5 million share placement includes a significant new shareholder in respected Australian gold producer Regis Resources Limited (ASX: RRL), which will emerge with a 9.9 per cent stake in Capricorn.

The funds raised will enable Capricorn to immediately commence a 10,000m in-fill drilling program at the Karlawinda Project designed to grow the current JORC 2012 Mineral Resource within the flagship Bibra deposit of 18 million tonnes grading 1.1g/t Au for 650,800oz (see ASX announcement 26th October 2016).

Located 65km south of Newman in the world-class Pilbara mining province in WA, the Karlawinda Project includes the Bibra deposit and numerous outstanding exploration targets, including the advanced Francopan prospect, within an under-explored 290 square kilometre tenement package.

The Bibra deposit was discovered in 2012 by Independence Group Limited, which spent approximately \$12 million on resource evaluation (including extensive RC and diamond drilling), scoping study activities and initial regional exploration. The project area has been the subject of heritage surveys with a number of heritage agreements in place and is located close to key infrastructure and mining support services including the major mining centre of Newman.

The Bibra deposit is hosted within a thick, flat-lying gold mineralised structure which is amenable to low-cost open pit mining with mineralisation starting close to the surface. The deposit remains open in down-plunge positions and potential exists for strike extensions and stacked mineralised lodes.

The key objective of the upcoming 10,000m drill program, which is scheduled to commence on 1 March, is to convert this mineral inventory into JORC compliant resources. The conversion of these zones from waste to ore has the potential to significantly enhance the economics of the Bibra deposit.

Malagasy Managing Director, Mr Peter Thompson, said the focus of the drilling would be to in-fill two key areas within the open pit design to increase the JORC resource inventory while also targeting the potential to increase the resource in the down-plunge position.

“Our immediate focus is to complete this drilling as the foundation for a revised resource estimate and Scoping Study, which we are aiming to complete by the middle of this year,” he said.

“This should give investors a much clearer idea of the significant economic potential of this deposit, which represents a near-term production and cash-flow opportunity within this under-explored and high-potential gold belt.

“We will also begin to turn our attention to the huge untapped exploration potential within our tenement holding. This includes the Francopan prospect, located 5km south-east of Bibra, which was originally discovered by WMC Resources in 2005 and contains a number of high-grade intercepts.

“Broad gold intersections from both Francopan and Bibra deposits demonstrate the size of the gold mineralising system at Karlawinda and these deposits may well be geologically connected – a theory which we plan to test further as part of our regional exploration strategy,” he said.

ENDS

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Read Corporate

COMPETENT PERSONS STATEMENT.

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled or reviewed by Mr. Peter Langworthy, Technical Director, who is a Member of the Australian Institute of Mining and Metallurgy. Mr. Peter Langworthy is a full time Director of Malagasy Minerals Limited and has sufficient experience, which is relevant to the style of mineralisation and types of deposit under consideration and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr. Peter Langworthy consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.