
ENERGIZER RESOURCES INC.

(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended June 30, 2014 and 2013

(Expressed in US Dollars)



Report of Independent Registered Public Accounting Firm

To the Board or Directors and Shareholders of Energizer Resources Inc.

We have audited the accompanying consolidated balance sheets of Energizer Resources Inc. as of June 30, 2014 and 2013, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the years then ended. Energizer Resources Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Energizer Resources Inc. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Energizer Resources Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Energizer Resources Inc. as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1, the Company has experienced negative cash flows from operations since inception and has accumulated a significant deficit which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Toronto, Canada
September 25, 2014

Energizer Resources Inc.
Consolidated Balance Sheets
(Expressed in US Dollars)

	June 30, 2014	June 30, 2013
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,250,383	\$ 825,100
Amounts receivable and prepaid expenses (note 4)	430,596	209,520
Loan to related parties (note 4)	94,512	136,999
Marketable securities (note 5)	70,277	10,000
Total current assets	1,845,768	1,181,619
Equipment (note 6)	126,385	38,817
Total assets	\$ 1,972,153	\$ 1,220,436
Liabilities and Stockholders' Equity		
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 1,816,623	\$ 803,130
Deferred premium on flow-through shares (note 8)	37,145	-
Warrant liability (note 11)	1,830,151	-
Total liabilities	3,683,919	803,130
Stockholders' Equity		
Common stock, 450,000,000 shares authorized, \$0.001 par value, 268,627,603 issued and outstanding (June 30, 2013 - 175,604,320) (note 9)	268,627	175,604
Additional paid-in capital	84,265,060	75,378,192
Accumulated comprehensive loss	8,771	(62,849)
Accumulated deficit	(86,254,224)	(75,073,641)
Total stockholders' equity	(1,711,766)	417,306
Total liabilities and stockholders' equity	\$ 1,972,153	\$ 1,220,436

The accompanying notes are an integral part of these consolidated financial statements.

Going concern (note 1)

Mineral Properties (note 7)

Commitments (note 14)

Subsequent Events (note 16)

Energizer Resources Inc.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in US Dollars)

	Year Ended June 30, 2014	Year Ended June 30, 2013
Revenues	\$ -	\$ -
Expenses		
Mineral exploration expense (note 4, 7 and 15)	7,343,541	3,720,735
Stock-based compensation (notes 4, 9 and 10)	681,419	1,470,678
General and administrative (note 4)	1,357,682	1,348,641
Professional and consulting fees (note 4)	1,765,769	1,663,965
Depreciation (note 6)	44,446	21,616
Foreign currency translation loss / (gain)	60,076	(93,395)
Total expenses	11,252,933	8,132,240
Net loss from operations	(11,252,933)	(8,132,240)
Other Income		
Investment income	96,092	307,992
Sale of flow-through tax benefits	63,393	-
Impairment of marketable securities (note 5)	(63,849)	-
Change in fair value of warrant liability (note 11)	(23,286)	-
Net Loss	(11,180,583)	(7,824,248)
Unrealized gain/(loss) from investments in marketable securities	7,771	(10,513)
Recognition of other than temporary loss (note 5)	63,849	-
Comprehensive loss	\$ (11,108,963)	\$ (7,834,761)
Loss per share - basic and diluted (note 13)	\$ (0.05)	\$ (0.05)
Weighted average shares outstanding - basic and diluted (note 13)	225,907,700	164,458,880

The accompanying notes are an integral part of these consolidated financial statements.

Energizer Resources Inc.
Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Year Ended June 30, 2014	Year Ended June 30, 2013
Operating Activities		
Net loss	\$ (11,180,583)	\$ (7,824,248)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	44,446	21,616
Gain on sale of marketable securities	(4,545)	-
Change in fair value of warrant liability	23,286	-
Non-cash amounts within mineral properties expense	1,110,101	-
Stock-based compensation	681,419	1,470,678
Impairment of marketable securities	63,849	-
Sale of flow-through tax benefits	(63,393)	-
Change in operating assets and liabilities:		
Amounts receivable and prepaid expenses	(221,076)	228,356
Accounts payable and accrued liabilities	1,013,493	(843,556)
Non-cash portion of marketable securities	-	29
Net cash used in operating activities	(8,533,003)	(6,947,125)
Financing Activities		
Proceeds from issuance of common stock, net of costs	9,559,926	4,076,133
Exercise of warrants and stock options	-	105,000
Net cash provided by financing activities	9,559,926	4,181,133
Investing Activities		
Mineral property acquisition costs	(463,774)	-
Purchase of property and equipment	(132,014)	(9,809)
Loan to related party	42,487	121,417
Purchases of marketable securities, net of sales	(103,763)	-
Proceeds on sale of marketable securities	55,424	-
Net cash (used in) provided by investing activities	(601,640)	111,608
Increase (decrease) in cash and cash equivalents	425,283	(2,654,384)
Cash and cash equivalents - beginning of year	825,100	3,479,484
Cash and cash equivalents - end of year	\$ 1,250,383	\$ 825,100
Non-cash investing and financing activities:		
Issuance of common stock for mineral properties	\$ 645,950	\$ -
Supplemental Disclosures:		
Interest received	\$ 8,327	\$ -
Taxes received	\$ -	\$ 9,441

The accompanying notes are an integral part of these consolidated financial statements.

Energizer Resources Inc.
Consolidated Statement of Stockholders' Equity
(Expressed in US Dollars)

	Shares #	Amount \$	Additional Paid-In Capital \$	Accumulated Comprehensive Income (loss) \$	Accumulated Deficit \$	Total \$
Balance - June 30, 2012	156,747,178	156,747	69,745,238	(52,336)	(67,249,393)	2,600,256
Private placement common shares subscribed	18,157,142	18,157	4,321,378	-	-	4,339,535
Cost of issue	-	-	(263,402)	-	-	(263,402)
Exercise of stock options	700,000	700	104,300	-	-	105,000
Stock-based compensation	-	-	1,470,678	-	-	1,470,678
Accumulated comprehensive loss	-	-	-	(10,513)	-	(10,513)
Net loss for the year	-	-	-	-	(7,824,248)	(7,824,248)
Balance - June 30, 2013	175,604,320	175,604	75,378,192	(62,849)	(75,073,641)	417,306
Private placement common shares subscribed	90,523,283	90,523	10,337,961	-	-	10,428,484
Cost of issue	-	-	(868,558)	-	-	(868,558)
Fair value of warrant liability	-	-	(1,806,866)	-	-	(1,806,866)
Issuance of common stock and warrants for mineral property	2,500,000	2,500	643,450	-	-	645,950
Stock-based compensation	-	-	681,419	-	-	681,419
Deferred flow-through premium	-	-	(100,538)	-	-	(100,538)
Other than temporary loss on marketable securities	-	-	-	63,849	-	63,849
Accumulated comprehensive loss	-	-	-	7,771	-	7,771
Net loss for the year	-	-	-	-	(11,180,583)	(11,180,583)
Balance - June 30, 2014	268,627,603	268,627	84,265,060	8,771	(86,254,224)	(1,711,766)

The accompanying notes are an integral part of these consolidated financial statements.

Energizer Resources Inc.
Notes to Consolidated Financial Statements
June 30, 2014 and 2013
(Expressed in US Dollars)

1. Nature of Operations and Going Concern

Energizer Resources Inc. (the "Company") was incorporated in the State of Nevada, United States of America on March 1, 2004 and reincorporated in the State of Minnesota on May 14, 2008. The Company's fiscal year end is June 30. The Company's principal business is the acquisition and exploration of mineral resources. During fiscal 2008, the Company incorporated Energizer Resources (Mauritius) Ltd., a Mauritius subsidiary and Energizer Resources Madagascar Sarl, a Madagascar subsidiary. During fiscal 2009, the Company incorporated THB Venture Ltd., a Mauritius subsidiary to hold the interest in Energizer Resources Minerals Sarl, a Madagascar subsidiary, which holds the Green Giant Property in Madagascar (see note 7). During fiscal 2012, the Company incorporated Madagascar-ERG Joint Venture (Mauritius) Ltd., a Mauritius subsidiary and ERG (Madagascar) Sarl, a Madagascar subsidiary. ERG (Madagascar) Sarl is 100% owned by Madagascar-ERG Joint Venture (Mauritius) Ltd. which is now owned 100% by Energizer Resources (Mauritius) Ltd. ERG (Madagascar) Sarl holds the Malagasy Joint Venture Ground (see note 7). During fiscal 2014, the Company incorporated 2391938 Ontario Inc. an Ontario, Canada subsidiary. In addition, the Company owns a 25% interest in Ampanihy Exploration Ltd, a Mauritius company who holds a 100% interest in Ampex Sarl, a Madagascar company. Ampex Sarl holds the non-industrial mineral rights on certain Green Giant permits. The Company has not yet fully determined whether its properties contain mineral reserves that are economically recoverable.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has yet to generate revenue from mining operations or pay dividends and is unlikely to do so in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity or debt financing to continue operations, the Company's ability to attract joint venture partners and off-take contracts and the attainment of profitable operations. As of June 30, 2014, the Company has accumulated losses of \$86,254,224. As such, there is substantial doubt regarding the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

Principals of Consolidation and Basis of Presentation

These consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), and are expressed in United States dollars. These consolidated financial statements include the accounts of Energizer Resources Inc. and its wholly-owned subsidiaries, Energizer Resources (Mauritius) Ltd., THB Ventures Ltd., Energizer Resources Madagascar Sarl, Energizer Resources Minerals Sarl, Madagascar-ERG Joint Venture (Mauritius) Ltd, ERG (Madagascar) Sarl and 2391938 Ontario Inc. These consolidated financial statements also include our proportionate share interest of 25% in Ampanihy Exploration Ltd and Ampex Sarl. All inter-company balances and transactions have been eliminated on consolidation.

Use of Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses during the period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses past experience and other factors as the basis for its judgments and estimates. Actual results may differ from those estimates. The impacts of estimates are pervasive throughout these consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects current and future periods. Areas where significant estimates and assumptions are used include: the Binomial valuation of the warrant liability, the Black-Scholes valuation of warrants and stock options issued, the valuation recorded for future income taxes and the assumption that the Company will receive title to the properties after the Madagascar political situation stabilizes.

Energizer Resources Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
June 30, 2014 and 2013
(Expressed in US Dollars)

2. Significant Accounting Policies - continued

Cash and Cash Equivalents

Cash and cash equivalents include money market investments that are readily convertible to known amounts of cash and have an original maturity of less than or equal to 90 days.

Marketable Securities

The Company classifies and accounts for debt and equity securities in accordance with ASC Topic - 320, "Accounting for Certain Investments in Debt and Equity Securities". The Company has classified all of its marketable securities as available-for-sale, thus securities are recorded at fair market value and any associated unrealized gain or loss, net of tax, are included as a separate component of stockholders' equity, titled accumulated comprehensive loss. When an unrealized loss is classified as being other than temporary, it is expensed within the statement of operations and comprehensive loss.

Equipment

Equipment is recorded at cost, less accumulated depreciation, and consists of exploration equipment. Depreciation is computed on a straight-line basis over 3 years, which coincides with its estimated useful life.

Mineral Property Costs

Mineral property acquisition and exploration costs are expensed as incurred. The Company has not yet realized any revenues from its mineral operations. When it has been determined that a mineral property can be economically developed as a result of establishing probable and proven reserves, the costs then incurred to develop such property will be capitalized. Such costs will be amortized using the units of production method over the estimated life of the probable reserve. If properties are abandoned or the carrying value is determined to be in excess of possible future recoverable amounts the Company will write off the appropriate amount.

Warrant Liability

The Company accounts for its derivative instruments not indexed to its stock as either assets or liabilities and carries them at fair value. Derivatives that are not defined as hedges must be adjusted to fair value through earnings. The Company has issued stock purchase warrants with exercise prices denominated in a currency other than its functional currency of U.S. dollars. As a result, these warrants were no longer considered to be solely indexed to the Company's common stock. Therefore, these warrants are classified as liabilities under the caption "warrant liability" and recorded at estimated fair value at each reporting date, computed using the Binomial valuation method. Changes in the liability from period to period are recorded in the statements of operations under the caption "changes in fair value of warrant liability". The Company elected to record the change in fair value of the warrant liability as a component of other income and expense on the statement of operations as it is believed the amounts recorded relate to financing activities and not as a result of our operations.

Comprehensive Income / (Loss)

ASC Topic - 220, "Reporting Comprehensive Income", establishes standards for the reporting and display of comprehensive income, its components and accumulated balances. As at June 30, 2014, the Company's only component of other comprehensive income is unrealized losses on marketable securities.

Foreign Currency Translation

The Company's functional and reporting currency is United States Dollars. Monetary assets and liabilities denominated in foreign currencies are translated in accordance with ASC Topic - 830, "Foreign Currency Translation", using the exchange rate prevailing at the balance sheet date. Gains and losses arising on settlement of foreign currency denominated transactions or balances are included in the consolidated statements of operations and comprehensive loss.

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2. Significant Accounting Policies - continued

Basic and Diluted Net Income / (Loss) Per Share

The Company computes net earnings / (loss) per share in accordance with ASC Topic - 260, "Earnings per Share". ASC Topic - 260 requires presentation of basic and diluted earnings per share ("EPS") on the consolidated statement of operations and comprehensive loss. Basic EPS is computed by dividing net income / (loss) (numerator) by the weighted average number of shares outstanding (denominator) during the year. Diluted EPS gives effect to all dilutive potential common shares outstanding during the year using the treasury stock method and the "if converted" method for convertible instruments. In computing diluted EPS, the average stock price for the year is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. Diluted EPS and the weighted average number of common shares exclude all dilutive potential shares since their effect is anti-dilutive.

Stock-Based Compensation

The Company has a stock option plan as described in note 10. All stock-based awards granted, including those granted to directors not acting in their capacity as directors, are accounted for using the fair value based method, using more reliable measure of value of services and Black-Scholes pricing model. The fair value of stock options granted is recognized as an expense within the consolidated statements of operations and comprehensive loss and a corresponding increase in additional paid-in capital. Any consideration paid by eligible participants on the exercise of stock options is credited to common stock. The additional paid-in capital amount associated with stock options is transferred to common stock upon exercise.

Income Taxes

The Company has adopted Topic - 740 "Accounting for Income Taxes" and therefore is required to compute tax asset benefits for net operating losses carried forward. Potential benefits of net operating losses have not been recognized in these consolidated financial statements as the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

Management does not believe unrecognized tax benefits will significantly change within one year of the balance sheet date. Interest and penalties related to income tax matters are recognized in income tax expense. As of June 30, 2014, there was no accrued interest or penalties related to uncertain tax positions.

Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Flow-through shares are a Canadian income tax incentive. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced by the Company to the benefit of flow-through share subscribers. Proceeds from the issuance of flow-through shares are allocated between the offering of shares and the sale of tax benefits. An allocation is made based on the difference between the quoted price of the existing shares and the amount that the investor paid for the shares. A liability is recognized for this difference. The liability is reduced and a reduction of the premium liability is recorded as other income as eligible expenditures are incurred and when the Company files the appropriate renunciation forms with Canadian tax authorities.

Asset Retirement Obligations

The operations of the Company are subject to regulations governing the environment, including future site restoration for mineral properties. The Company will recognize the fair value of a liability for an asset retirement obligation in the period in which it is incurred and when a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the period the asset retirement is incurred, the liability is recognized when a reasonable estimate of fair value can be made. The Company has determined that there are no asset retirement obligations or any other environmental obligations currently existing with respect to its mineral properties and therefore no liability has been recognized.

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2. Significant Accounting Policies - continued

Long Lived Assets

In accordance with ASC Topic - 360, "Accounting for Impairment or Disposal of Long Lived Assets", the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

Government Grants

The Company makes periodic applications for financial assistance under available government incentive programs and tax credits related to the mineral property expenditures. The Company recognizes government assistance on an accrual basis when all requirements to earn the assistance have been completed and receipt is reasonably assured. Government grants are recognized on the balance sheet and accrued as a reduction of mineral exploration expenses. Government grants relating to mineral expenditures are reflected as a reduction to mineral properties expense on the consolidated statement of operations and comprehensive income.

Financial Instruments

The fair value of cash and cash equivalents, amounts receivable, marketable securities, loan to related parties and accounts payable and accrued liabilities were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The Company's exploration operations are in Madagascar and Canada, which result in exposure to market risks from changes in foreign currency rates. Financial risk is the risk to the Company's operations that arise from movements in foreign exchange rates and the degree of volatility of these rates.

Fair Value of Financial Instruments Hierarchy

ASC Topic - 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Cash and cash equivalents and marketable securities were in Level 1 within the fair value hierarchy. The three levels are as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 includes marketable securities such as listed equities and U.S. government treasury securities.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using industry-standard models or other valuation methodologies. These models consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, current market and contractual prices for the underlying instruments as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include dual currency deposits, over the counter forwards, options and repurchase agreements.

Level 3 - Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value from the perspective of a market participant. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs. At each balance sheet date, the Company performs an analysis of all instruments subject to ASC Topic - 820 and includes in Level 3 all of those whose fair value is based on significant unobservable inputs.

Comparative Figures

Certain June 30, 2013 figures have been reclassified to conform to the current year's consolidated financial statement presentation.

Energizer Resources Inc.
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3. Recent Accounting Pronouncements Potentially Affecting The Company

The following are recent FASB accounting pronouncements, which may have an impact on the Company's future consolidated financial statements.

- "Income Taxes (ASC Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carry-forward, a Similar Tax Loss, or a Tax Credit Carry-forward Exists" ("ASU 2013-11") was issued during July 2013. FASB issued guidance on how to present an unrecognized tax benefit. The guidance is effective for annual periods beginning after December 15, 2014.
- "Development Stage Entities (ASC Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation" ("ASU 2014-10") was issued during June 2014. FASB issued guidance to improve financial reporting by reducing the cost and complexity associated with the incremental reporting requirements for development stage entities. This guidance is effective for annual periods beginning after December 15, 2014 with early adoption allowed.
- "Presentation of Financial Statements Going Concern (ASC Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15") was issued during August 2014. FASB issued guidance on how to account for and disclose going concern risks. This guidance is effective for annual periods beginning after December 15, 2016.

The Company is currently evaluating the impact of ASC Topic 740 and ASC Topic 205-40 FASB accounting pronouncements. The Company has elected to adopt the provisions of ASC 2014-10 into these consolidated financial statements. The adoption of ASC 2014-10 did not have a significant impact on the Company's results of operations, financial performance or cash flows.

4. Related Party Transactions and Balances

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is fair value.

The following are the related party transactions as at the year ended June 30, 2014:

- a) The Company incurred a total of \$112,200 (June 30, 2013: \$119,495) in office administration and rent expense from a public company related by common management, Red Pine Exploration Inc. (TSX.V: "RPX").
- b) 5,370,000 (June 30, 2013: 5,975,000) stock options were issued to related parties during the period with exercise prices between \$0.11 and \$0.18 (June 30, 2013: between \$0.21 and \$0.29). These stock options were valued at \$513,364 (June 30, 2013: \$1,178,813) using the Black-Scholes pricing model and were issued to directors and officers of the Company and included in stock-based compensation.
- c) The Company incurred \$1,190,585 (June 30, 2013: \$995,877) in mineral exploration, administrative, management and consulting fees to directors and officers and paid or accrued directly to directors and officers or companies under their control.
- d) The Company incurred \$1,533,953 (June 30, 2013: \$928,982) in charges from a mining and engineering firm for which one of the Company's directors serves as a senior officer and a director which was included in mineral exploration expense.
- e) During the year ended June 30, 2014 the Company entered into an agreement to option a 75% interest in the Sagar Property to Honey Badger Exploration Inc. (TSX-V: "TUF"), a public company related by common management (see Note 7).

Energizer Resources Inc.
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4. Related Party Transactions and Balances - continued

The following are the related party balances for the year ended June 30, 2014:

- a) Related party balances of \$54,764 (June 30, 2013: \$42,908) were included in accounts receivable and prepaid expenses and \$33,019 (June 30, 2013: \$Nil) included in accounts payable and accrued liabilities.
- b) The Company advanced a short-term loan to RPX totaling \$26,216 (June 30, 2013: \$136,999). This loan is interest bearing at a rate of 3%. CAD\$300,000 was originally loaned during January 2012 and represents the highest outstanding balance. CAD\$285,000 has been paid back up to June 30, 2013, all against the loan's principal balance. Accrued interest totaled CAD\$11,216 as at June 30, 2014. During May 2014, the Company advanced a short-term loan to MacDonald Mines Exploration Ltd. (TSX-V: "BMK") totaling CAD\$50,000 (June 30, 2013: \$Nil). This loan is interest bearing at a rate of 5% and no amounts have been paid back up to June 30, 2014. Accrued interest due totaled CAD\$285 as at June 30, 2014. The Company has advanced a short-term loan to TUF totaling CAD\$25,000 (June 30, 2013: \$Nil). This loan is interest bearing at a rate of 5% and no amounts have been paid back up to June 30, 2014. Accrued interest due totaled CAD\$142 as at June 30, 2014. All of the above noted loans are expected to be paid back in full within the next 12 months and totaled \$94,512.
- c) Of the \$1,533,007 (June 30, 2013: \$928,982) in charges from a mining and engineering firm for which one of the Company's directors serves as a senior officer and director, \$633,418 (June 30, 2013: \$6,867) is included in accounts payable and accrued liabilities.
- d) \$264,922 (June 30, 2013: \$Nil) is included within accounts payable and accrued liabilities as a committed amount due to the former Chief Executive Officer of the Company.

5. Marketable Securities

Marketable securities consist of available-for-sale securities over which the Company does not have significant influence or control. \$70,277 (June 30, 2013: \$10,000) is invested in TSX-Venture listed entities. During the year ended June 30, 2014, the Company determined that \$63,849 of unrealized losses were other than temporary and as such were recognized as an "other expense" in net loss and removed from accumulated other comprehensive income.

6. Equipment

	Cost	Accumulated Depreciation	June 30, 2014 Net Book Value	June 30, 2013 Net Book Value
Exploration equipment	\$ 195,561	\$ 69,176	\$ 126,385	\$ 38,817

For the year ended June 30, 2014, depreciation expense totaled \$44,446 (June 30, 2013: \$21,616). For the year ended June 30, 2014, the Company purchased exploration equipment totalling \$132,014 (June 30, 2013: \$9,809).

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7. Mineral Properties

Molo Graphite Project, Southern Madagascar, Africa

On December 14, 2011, the Company entered into a Definitive Joint Venture Agreement ("JVA") with Malagasy Minerals Limited ("Malagasy"), a public company on the Australian Stock Exchange, to acquire a 75% interest to explore and develop a group of industrial minerals, including graphite, vanadium and approximately 25 other minerals. The land position covers 2,119 permits and 827.7 square kilometres and is mostly adjacent to the south and east of the Company's 100% owned Green Giant Property. The Company paid \$2,261,690 and issued 7,500,000 common shares valued at \$1,350,000.

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement with Malagasy to acquire the remaining 25% interest. The Company made the following payments: \$364,480 (CAD\$400,000); issued 2,500,000 common shares subject to a 12 month voluntary vesting period and valued at \$325,000; and issued 3,500,000 common share purchase warrants, valued at \$320,950 using the Black-Scholes pricing model with an exercise price of \$0.14 and an expiry date of April 15, 2019. The Company is required to make a cash payment of \$655,922 (CAD\$700,000) and issue 1,000,000 common shares within five days of completion of a bankable feasibility study ("BFS") for the Molo Graphite Project or the formal announcement of a decision to mine; and a cash payment of \$937,032 (CAD\$1,000,000) within five days of the commencement of commercial production. Malagasy retains a 1.5% net smelter return royalty ("NSR"). The Company also acquired a 100% interest to the industrial mineral rights on approximately 1-1/2 additional claim blocks comprising 10,811 hectares immediately to the east and adjoining the Molo Graphite Project.

Green Giant Property, Southern Madagascar, Africa

During 2007 to acquire a 75% interest in the property, the Company paid \$765,000, issued 2,500,000 common shares and 1,000,000 now expired common share purchase warrants to enter into a joint venture agreement for the Green Giant Property with Madagascar Minerals and Resources Sarl ("MMR").

On July 9, 2009, the Company acquired the remaining 25% interest for \$100,000. MMR retains a 2% NSR. The NSR can be purchased, at the Company's option, for \$500,000 in cash or common shares for the first 1% and at a price of \$1,000,000 in cash or common shares for the second 1%.

On April 16, 2014, the Company signed a Joint Venture Agreement with Malagasy, whereby Malagasy acquired a 75% interest for non-industrial minerals on the Company's 100% owned Green Giant Property in Madagascar. The Company retains the remaining 25% and has a free carried interest through the BFS. No specific consideration was received for this transaction as it was part of the Molo Graphite Project transaction dated April 16, 2014.

Sagar Property - Romanet Horst, Labrador Trough, Quebec, Canada

During 2006, the Company purchased from Virginia Mines Inc. ("Virginia") a 100% interest in 382 claims located in northern Quebec, Canada. Virginia retains a 2% NSR on certain claims within this property with other unrelated vendors holding a 1% NSR on certain claims, and a 0.5% NSR on other claims. For the other vendor's NSR, the Company has the right to buy back half of the 1% NSR for \$200,000 and half of the 0.5% NSR for \$100,000.

On February 28, 2014, the Company signed an agreement to sell an interest in the Sagar property to TUF, a public company related by common management. On July 31, 2014, the Company revised the terms of this agreement. Under the revised agreement, in order for TUF to acquire an initial 35% interest in the property, the Company will receive CAD\$150,000 and TUF will spend CAD\$1,500,000 developing the property. TUF can earn further percentage interests up to 75% over a four year period by spending a total of CAD\$9,000,000, paying the Company CAD\$900,000 and issuing to the Company the lesser of 15% of its issued and outstanding shares or 35,000,000 shares. Once these commitments have been met, TUF can acquire the remaining interest by paying the Company an additional CAD\$2,000,000 and issuing the lesser of 19.5% of TUF outstanding shares or up to 60,000,000 shares, including all previously issued shares.

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8. Deferred Premium on Flow-Through Shares

The premium paid for flow-through shares in excess of the market value of the shares without a flow-through feature is initially recognized as a liability. The liability is subsequently reduced and recorded in the consolidated statement of comprehensive loss on a pro-rata basis based on the corresponding eligible flow-through expenditures that have been incurred. The following summarizes the deferred premium liability on flow-through transactions for the year ended June 30, 2014.

Deferred premium on flow-through shares, beginning of year	\$ -
Recognized on issuance of flow-through shares	100,538
Recorded to consolidated statement of comprehensive loss	(63,393)
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Deferred premium on flow-through shares, end of year	\$ 37,145

9. Common Stock and Additional Paid-in Capital

- a) During July 2012, the Company issued 700,000 shares of common stock for consideration of \$105,000. The shares were issued pursuant to the exercise of stock options.
- b) On July 13, 2012, the Company issued 1,695,000 stock options to directors, officers and consultants of the Company at an exercise price of \$0.29. The stock options were valued at \$411,038 using the Black-Scholes pricing model with the following assumptions: risk free interest rate - 1.25%; expected volatility - 138%; dividend yield - NIL; and expected life - 4 years. These stock options vested on the grant date.
- c) During November 2012, the Company closed a brokered and non-brokered private placement raising a total of \$2,032,500. The Company issued 5,807,142 common stock at \$0.35 per share and 2,903,571 common share purchase warrants at an exercise of \$0.50 and an expiry date 24 months from the date of issue. In addition, the Company paid a fee of \$119,010 and issued 340,028 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at \$0.35 and one half of one common share purchase warrant at an exercise price of \$0.50.
- d) On February 27, 2013, the Company issued 5,900,000 stock options to directors, officers and consultants at an exercise price of \$0.21. The stock options were valued at \$1,059,640 using the Black-Scholes pricing model with the following assumptions: risk free interest rate - 1.40%; expected volatility - 129%; dividend yield - NIL; and expected life - 5 years. These stock options vested on the grant date.
- e) During March 2013, the Company closed a private placement raising a total of \$2,307,035 (CAD\$2,358,000). The Company issued 12,350,000 common stock at prices between \$0.18 and \$0.20 per share. In addition, the Company paid a fee of \$84,176 (CAD\$86,000) and issued 270,000 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at CAD\$0.20.
- f) On July 9, 2013, the Company issued 1,255,000 stock options to directors, officers and consultants at an exercise price of \$0.11. The stock options were valued at \$117,594 using the Black-Scholes pricing model with the following assumptions: risk free interest rate - 1.25%; expected volatility - 128%; dividend yield - NIL; and expected life - 5 years. These stock options vested on the grant date.

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9. Common Stock and Additional Paid-in Capital - continued

- g) Between July 26, 2013 and August 1, 2013, the Company closed a private placement raising \$813,212 (CAD\$837,500) and \$1,230,240. The Company issued 16,950,001 common stock at prices of CAD\$0.125 and \$0.12 per share. The Company paid a fee of \$120,674 and issued 402,000 compensation warrants at an exercise price of CAD\$0.125 and 150,000 compensation warrants at an exercise price of \$0.12. Each compensation warrant expires one year from the date of issue.
- h) On September 19, 2013, the Company issued 750,000 stock options to directors, officers and consultants at an exercise price of \$0.15. The stock options were valued at \$96,675 using the Black-Scholes pricing model with the following assumptions: risk free interest rate - 1.25%; expected volatility - 127%; dividend yield - NIL; and expected life - 5 years. These stock options vested on the grant date.
- i) On October 9, 2013, the Company issued 250,000 stock options to a director of the Company at an exercise of \$0.13 and an expiry date of October 9, 2018. The stock options were valued at \$27,550 using the Black-Scholes pricing model with the following assumptions: risk free interest rate - 1.25%; expected volatility - 126%; dividend yield - NIL; and expected life - 5 years. These stock options vested on the grant date.
- j) On December 18, 2013 the Company closed a private placement raising a total of \$1,479,024 (CAD\$1,566,490). The Company issued 11,189,215 common shares at a price of CAD\$0.14. The Company paid fees of \$98,176 and issued 671,353 compensation warrants at an exercise price of CAD\$0.14. Each compensation warrant expires eighteen months from the date of issue.
- k) On January 10, 2014, the Company issued 4,625,000 stock options to directors and officers of the Company at an exercise of \$0.18 and an expiry date of January 10, 2019. The stock options were valued at \$413,475 using the Black-Scholes pricing model with the following assumptions: risk free interest rate - 1.50%; expected volatility - 110%; dividend yield - NIL; and expected life - 5 years. These stock options vested on the grant date.
- l) On January 15, 2014 and January 31, 2014, the Company closed a private placement raising a total of \$6,906,008 (CAD\$7,486,088). The Company issued 62,384,067 common shares at a price of CAD\$0.12 and 31,192,033 common share purchase warrants with an exercise price of CAD\$0.18. Of the 31,192,033 common share purchase warrants, 29,152,033 expire on January 14, 2017, 1,450,000 expire on June 14, 2015 and 590,000 expire on January 31, 2017. The Company paid fees, including commissions, legal fees and TSX fees of \$649,707 and issued 3,396,744 compensation warrants at an exercise price of CAD\$0.14. Each compensation warrant expires eighteen months from the date of issue.
- m) On February 6, 2014, the Company issued 250,000 stock options to a consultant of the Company at an exercise of \$0.18 and an expiry date of February 6, 2019. The stock options were valued at \$26,125 using the Black-Scholes pricing model with the following assumptions: risk free interest rate - 1.50%; expected volatility - 107%; dividend yield - NIL; and expected life - 5 years. These stock options vested on the grant date.
- n) On June 23, 2014, the Company issued 2,500,000 shares of common stock to Malagasy valued at \$0.13 per share for total consideration of \$325,000 and 3,500,000 common share purchase warrants valued at \$320,950 using the Black-Scholes pricing model, with an exercise price of \$0.122 and an expiry date of April 15, 2019 for the remaining 25% interest in the Molo Graphite Project. The Black-Scholes assumptions used were as follows: risk free interest rate - 1.53%; expected volatility - 105%; dividend yield - NIL; and expected life - 5 years.

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10. Stock Options

On March 9, 2006, the Company filed a Form S-8 registration statement in connection with its newly adopted 2006 Stock Option Plan (the "2006 Plan") allowing for the direct award of shares or granting of stock options to acquire up to a total of 2,000,000 common shares. On December 18, 2006, February 16, 2007, July 11, 2007, September 29, 2009, May 3, 2011, March 1, 2012, February 27, 2013, and December 23, 2013, the 2006 Plan was amended to increase the stock option pool by a total of 35,500,000 additional common shares.

The following is a continuity schedule of the Company's stock options, all of which vest on the grant date:

	Number of Stock Options	Weighted-Average Exercise Price (\$)
Outstanding and exercisable, June 30, 2012	23,690,000	0.29
Issued	7,595,000	0.23
Exercised	(700,000)	0.15
Expired	(1,695,000)	0.15
Cancelled	(1,750,000)	0.32
Outstanding and exercisable, June 30, 2013	27,140,000	0.28
Issued	7,130,000	0.16
Expired	(5,600,000)	0.39
Cancelled	(200,000)	0.26
Outstanding and exercisable, June 30, 2014	28,470,000	0.23

The following is a summary stock options outstanding as of June 30, 2014:

Exercise Price (\$)	Number of Stock Options	Expiry Date
0.30	3,700,000	July 1, 2016
0.29	1,695,000	July 13, 2016
0.20	1,800,000	October 24, 2016
0.21	2,240,000	December 1, 2016
0.28	5,850,000	March 7, 2017
0.23	180,000	May 23, 2017
0.21	5,875,000	February 27, 2018
0.11	1,255,000	July 9, 2018
0.15	750,000	September 19, 2018
0.13	250,000	October 9, 2018
0.18	4,625,000	January 10, 2019
0.18	250,000	February 6, 2019
	28,470,000	

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11. Warrants

The following is a continuity schedule of the Company's common share purchase warrants:

	Number of Warrants	Exercise Price (\$)
Outstanding and exercisable, June 30, 2012	43,619,695	0.55
Issued	3,513,599	0.46
Expired	(43,619,695)	0.55
Outstanding and exercisable, June 30, 2013	3,513,599	0.46
Issued	39,312,130	0.16 *
Expired	(270,000)	0.19
Outstanding and exercisable, June 30, 2014	42,555,729	0.16 *

* Amount represents the converted USD exercise price

The following is a summary common share purchase warrants outstanding as of June 30, 2014:

Exercise Price (\$)	Number of Warrants	Expiry Date
0.12 (a)	402,000	July 26, 2014
0.12	150,000	August 1, 2014
0.35	340,028	November 15, 2014
0.13 (b)	671,353	June 19, 2015
0.13 (b)	3,396,744	July 14, 2015
0.17 (c)	1,450,000	July 14, 2015
0.18 (d)	2,903,571	November 15, 2016
0.17 (c)	29,152,033	January 14, 2017
0.17 (c)	590,000	January 31, 2017
0.14	3,500,000	April 15, 2019
	42,555,729	

(a) The exercise price is CAD\$0.125.

(b) The exercise price is CAD\$0.14.

(c) The exercise price is CAD\$0.18.

(d) On December 24, 2013, the Company re-priced and extended the term of the common share purchase warrants from an expiry of November 15, 2015 and an exercise price of \$0.23 to November 15, 2016 and \$0.18, respectively

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11. Warrants - continued

The Company has accounted for the warrant liability in accordance with ASC Topic 815. These warrants are considered derivative instruments as they were issued in a currency other than the Company's functional currency of the US dollar. The estimated fair value of warrants accounted for as liabilities was determined on the date of issue and marked to market at each financial reporting period. The change in fair value of the warrants is recorded in the consolidated statement of operations and comprehensive loss as a gain or loss and estimated using the Binomial model with the following weighted average inputs:

	January 2014	June 30, 2014
Exercise price	\$0.131	\$0.134
Risk free rate	1.14%	1.19%
Expected volatility	88%	88%
Expected Dividend yield	Nil	Nil
Expected life (in years)	2.93	2.48

The fair value of the derivative warrant liability was \$1,830,151 as at June 30, 2014 (2013 - \$Nil). The change in the fair value of the derivative warrant liability of \$23,286 was recorded as a loss in the consolidated statement of operations and comprehensive loss for the year ended June 30, 2014.

	June 30, 2014	June 30, 2013
Beginning balance, derivative warrant liability	\$ -	\$ -
Origination of derivative warrant liability January 2014	1,806,865	-
Loss on change in fair value of derivative warrant liability, June 30, 2014	23,286	-
Ending balance, derivative warrants	1,830,151	-

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12. Income Taxes

A reconciliation of the United States income tax provision at the statutory rate of 35% to the actual provision for income taxes is as follows:

	June 30, 2014	June 30, 2013
Net loss	\$ (11,180,583)	\$ (7,824,248)
Rate	35.00%	35.00%
Expected income tax recovery	\$ (3,913,200)	\$ (2,738,490)
Tax rate changes and other adjustments	(798,420)	492,230
Stock-based compensation	238,500	514,740
Change in tax benefits not recognized	4,480,270	1,731,520
Non-deductible expenses	(7,150)	-
Income tax recovery reflected in the Consolidated Statements of Operations and Comprehensive Loss	\$ -	\$ -
The Company's income tax (recovery) is allocated as follows:		
Current tax expense	\$ -	\$ -
Future tax recovery	-	-
	\$ -	\$ -

Future Income Tax Assets

The Company's future income tax assets and liabilities as at June 30, 2014 and 2013 are as follows:

	June 30, 2014	June 30, 2013
Future Income Tax Assets		
Non-capital losses - United States	\$ 8,786,110	\$ 7,619,510
Exploration expenditures	7,813,100	5,293,960
Other deductible temporary differences	10,900	12,110
	16,610,110	12,925,580
Less: valuation allowance	(16,610,110)	(12,925,580)
Net future income tax assets	\$ -	\$ -

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12. Income Taxes - continued

The United States net operating loss carry forwards expire as noted below. The remaining deductible temporary differences may be carried forward indefinitely. Future tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom. The Company's United States net operating losses expire as follows:

2025	\$ 4,130
2026	29,460
2027	283,870
2028	909,180
2029	341,250
2030	3,435,600
2031	3,998,670
2032	5,264,970
2033	4,956,920
2034	5,879,120
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	\$ 25,103,170

13. Loss Per Share

Basic and diluted loss per share is computed using the weighted average number of common stock outstanding. Diluted loss per share and the weighted average number of shares of common stock exclude all potentially dilutive shares since their effect is anti-dilutive. As at June 30, 2014, there were a total of 71,025,729 (June 30, 2013: 30,653,599) potentially dilutive stock options and common share purchase warrants outstanding.

14. Commitments

The Company raised CAD\$4,761,990 during 2013 on a Canadian flow-through share tax basis. The Company is required to spend and renounce this amount on Canadian Exploration Expenditures before December 31, 2014. As at June 30, 2014, CAD\$3,079,930 has been spent. The Company expects to meet this commitment.

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15. Segmented Reporting

The Company operates one operating segment, that being the exploration and development of mineral properties. The Company's Chief Executive Officer, President and Chief Operating Officer and Chief Financial Officer have been identified as the chief operating decision-makers, and direct the allocation of resources to geographic segments. No revenue has been generated by these properties. A summary of the components of net loss by geographic area is as follows:

For the year ended June 30, 2014	Madagascar	Canada	Total
Mineral exploration expense	\$ 5,039,517	\$ 2,304,024	\$ 7,343,541

For the year ended June 30, 2013	Madagascar	Canada	Total
Mineral exploration expense	\$ 2,839,741	\$ 880,994	\$ 3,720,735

As at June 30, 2014, \$58,110 (June 30, 2013 \$52,073) in cash was held in Madagascar with the remaining \$1,192,273 (June 30, 2013: \$773,027) held in Canada. All of the Company's remaining assets were held in Canada.

16. Subsequent Events

Private Placement

On September 26, 2014, the Company closed a brokered private placement raising a total of \$4,800,000. The Company issued 34,285,714 common stock at \$0.14 per share. In addition, the Company paid a fee of \$252,316, legal fees approximating \$120,000 and TSX fees approximating \$25,000. In addition, the Company issued 1,928,571 broker common stock purchase compensation warrants. Each compensation warrant entitles the holder to purchase one common share at \$0.14 and expires 24 months from the date of issue.

Sagar Property Deal

As described in note 7, on July 31, 2014 the Company revised its February 28, 2014 agreement with TUF, a public company related by common management, to sell an interest in the Sagar Property.

Exercise of Warrants

On September 17, 2014, 571,353 warrants were exercised for total cash proceeds of \$73,049 (CAD\$79,989).