
ENERGIZER RESOURCES INC.

(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended June 30, 2016 and 2015

(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, 2016 and 2015, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficiency), 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, 2016 and 2015, 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

Mississauga, Canada
September 28, 2016



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

	June 30, 2016	June 30, 2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 544,813	\$ 779,118
Marketable securities (note 4)	-	7,615
Amounts receivable	13,955	49,484
Prepaid expenses	11,545	16,032
Loan to related party (note 7)	-	76,450
Total current assets	570,313	928,699
Equipment (note 5)	21,911	78,513
Total Assets	\$ 592,224	\$ 1,007,212
Liabilities and Stockholders' Deficiency		
Liabilities		
Current Liabilities:		
Accounts payable (note 7)	\$ 215,391	\$ 95,580
Accrued liabilities	24,743	283,952
Contingency provision (note 16)	182,742	190,087
Warrant liability (note 13)	111,049	844,851
Total Liabilities	\$ 533,925	\$ 1,414,470
Stockholders' Equity (Deficiency)		
Common stock	364,932	309,385
650,000,000 shares authorized, \$0.001 par value, 364,931,425 issued and outstanding (June 30, 2015: 309,384,670) (note 10)		
Additional paid-in capital (note 10)	93,654,114	91,614,714
Accumulated comprehensive loss	-	(4,323)
Accumulated deficit	(93,960,747)	(92,327,034)
Total Stockholders' Equity (Deficiency)	58,299	(407,258)
Total Liabilities and Stockholders' Equity (Deficiency)	\$ 592,224	\$ 1,007,212

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

Nature of Operations and Going Concern (note 1)

Mineral Properties (note 6)

Subsequent Events (note 18)

Energizer Resources Inc.

**Consolidated Statements of Operations and
Comprehensive Loss**
(Expressed in US Dollars)

	Year ended June 30, 2016	Year ended June 30, 2015
Revenues	\$ -	\$ -
Expenses		
Mineral exploration expense (notes 6, 7 and 15)	812,477	4,551,286
Professional and consulting fees (note 7)	811,704	629,817
General and administrative (note 7)	279,097	863,124
Stock-based compensation (notes 7 and 11)	331,491	627,264
Depreciation (note 5)	56,602	47,872
Interest (note 9)	11,371	-
Foreign currency translation loss (gain)	106,036	208,194
Total expenses	2,408,778	6,927,557
Net Loss From Operations	(2,408,778)	(6,927,557)
Other Income (Expenses)		
Investment income	623	10,111
Reduction of flow-through premium (note 8)	-	37,145
Reduction (increase) of flow-through provision (note 16)	-	(190,087)
Gain on legal settlement (note 16)	59,556	-
Gain (loss) on sale of marketable securities (note 4)	(18,916)	12,278
Change in value of warrant liability (note 13)	733,802	985,300
Net Loss	\$(1,633,713)	\$(6,072,810)
Unrealized gain (loss) from marketable securities	-	(816)
Realized gain (loss) from marketable securities in net loss	4,323	(12,278)
Comprehensive Loss	\$(1,629,390)	\$(6,085,904)
Loss per share – basic and diluted	(\$0.00)	(\$0.02)
Weighted average shares outstanding (note 14)	343,243,652	294,044,398

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, 2016	Year ended June 30, 2015
Operating Activities		
Net loss	\$ (1,633,713)	\$ (6,072,810)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	56,602	47,872
Stock-based compensation	331,491	627,264
Gain (loss) on sale of marketable securities	8,068	(12,278)
Change in value of warrant derivative liability	(733,802)	(985,300)
Impairment of related party loan	-	53,603
Non-cash mineral property payments	-	100,000
Reduction of flow-through premium liability	-	(37,145)
Change in operating assets and liabilities:		
Accounts receivable and prepaid expenses	40,016	365,080
Accounts payable and accrued liabilities	(139,398)	(1,247,005)
Contingency provision	(7,345)	-
Net cash used in operating activities	(2,078,081)	(7,160,719)
Investing Activities		
Loan to related party	76,450	(35,541)
Proceeds from sale of marketable securities	3,870	61,847
Net cash provided by investing activities	80,320	26,306
Financing Activities		
Proceeds from issuance of common stock, net of issue costs	1,763,456	6,591,097
Exercise of warrants	-	72,051
Net cash provided by financing activities	1,763,456	6,663,148
Cash and Cash Equivalents		
Net decrease in cash and cash equivalents	(234,305)	(471,265)
Cash and cash equivalents - beginning of year	779,118	1,250,383
Cash and cash equivalents - end of year	\$ 544,813	\$ 779,118
Supplemental Disclosures:		
Issuance of common stock for mineral properties	-	\$ 100,000
Interest Received	\$ 11,371	\$ 1,000

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

Energizer Resources Inc.
Consolidated Statement of Stockholder's Equity (Deficiency)
(Expressed in US Dollars)

	Shares #	Common Stock \$	Additional Paid-In Capital \$	Accumulated Comprehensive Income (Loss) \$	Accumulated Deficit \$	Total \$
Balance - June 30, 2014	268,627,603	268,627	84,265,060	8,771	(86,254,224)	(1,711,766)
Private placement of common shares subscribed	39,185,714	39,186	5,348,814	-	-	5,388,000
Cost of issue of private placement of common shares subscribed	-	-	(440,923)	-	-	(440,923)
Private placement of special warrants subscribed	-	-	2,019,947	-	-	2,019,947
Cost of issue of private placement of special warrants subscribed	-	-	(375,927)	-	-	(375,927)
Issuance of common stock for mineral property	1,000,000	1,000	99,000	-	-	100,000
Stock-based compensation	-	-	627,264	-	-	627,264
Issuance of shares to exercise warrants	571,353	572	71,479	-	-	72,051
Realized loss on marketable securities	-	-	-	(12,278)	-	(12,278)
Accumulated comprehensive loss	-	-	-	(816)	-	(816)
Net loss for the year	-	-	-	-	(6,072,810)	(6,072,810)
Balance - June 30, 2015	309,384,670	309,385	91,614,714	(4,323)	(92,327,034)	(407,258)
Private placement of common shares subscribed	14,200,000	14,200	516,473	-	-	530,673
Private placement of common shares subscribed	6,437,900	6,438	322,539	-	-	328,977
Private placement of common shares subscribed	3,207,857	3,208	169,425	-	-	172,633
Private placement of common shares subscribed	11,150,000	11,150	771,580	-	-	782,730
Cost of issue of private placement of common shares subscribed	-	-	(51,557)	-	-	(51,557)
Conversion of Special Warrants into common shares	20,550,998	20,551	(20,551)	-	-	-
Stock-based compensation	-	-	331,491	-	-	331,491
Loss on marketable securities	-	-	-	(3,745)	-	(3,745)
Reclassified loss to profit or loss	-	-	-	8,068	-	8,068
Net loss for the year	-	-	-	-	(1,633,713)	(1,633,713)
Balance - June 30, 2016	364,931,425	364,932	93,654,114	-	(93,960,747)	58,299

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

Energizer Resources Inc.
Notes to Consolidated Financial Statements
For the years ended June 30, 2016 and 2015
(Expressed in US Dollars)

1. Nature of Operations and Going Concern

Energizer Resources Inc. (the "Company") is incorporated in the State of Minnesota, USA and has a fiscal year end of June 30. The Company's principal business is the acquisition, exploration and development of mineral resources. 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.

During fiscal 2008, the Company incorporated Energizer Resources (Mauritius) Ltd. ("ERMAU"), a Mauritius subsidiary, and Energizer Resources Madagascar Sarl. ("ERMAD"), a Madagascar subsidiary of ERMAU. During fiscal 2009, the Company incorporated THB Ventures Ltd. ("THB"), a Mauritius subsidiary of ERMAU, and Energizer Resources Minerals Sarl. ("ERMIN"), a Madagascar subsidiary of THB, which holds the 100% ownership interest of the Green Giant Property in Madagascar (see note 6). During fiscal 2012, the Company incorporated Madagascar-ERG Joint Venture (Mauritius) Ltd. ("ERGJVM"), a Mauritius subsidiary of ERMAU, and ERG (Madagascar) Sarl. ("ERGMAD"), a Madagascar subsidiary of ERGJVM, which holds the Malagasy Joint Venture Ground (see note 6). During fiscal 2014, the Company incorporated 2391938 Ontario Inc., an Ontario, Canada subsidiary.

As of June 30, 2016, the Company had accumulated losses of \$93,960,748 (June 30, 2015: \$92,327,034) and as such, there is substantial doubt regarding the Company's ability to continue as a going concern.

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 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. 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.

Energizer Resources Inc.
Notes to Consolidated Financial Statements
For the years ended June 30, 2016 and 2015
(Expressed in US Dollars)

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"). 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. 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, 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.

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.

Energizer Resources Inc.
Notes to Consolidated Financial Statements
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2. Significant Accounting Policies (Continued)

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 "change in value of warrant liability". The Company records 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.

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.

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 are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. 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.

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 (see Note 11). All stock based awards granted are accounted for using the fair value based method, using the 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.

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Notes to Consolidated Financial Statements
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2. Significant Accounting Policies (Continued)

Income Taxes

The Company has adopted Topic 740 "Accounting for Income Taxes" which is required to compute tax asset benefits for net operating losses carried forward. Deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities reflect the tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided if it is more likely than not that some of all of the deferred tax asset will not be realized. 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, 2016, there was no interest or penalties related to uncertain tax positions.

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.

Financial Instruments

The fair value of cash and cash equivalents, 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 the warrant liability.
- 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.

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.

- "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.
- "Leases" (ASU 2016-02) was issued during February 2016. This update will require organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance will also require additional disclosure about the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual and interim periods beginning after December 15, 2018.
- "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09) was issued in March 2016. This new standard provided guidance for the simplification of several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This standard is effective for annual periods beginning after December 15, 2016.

The Company continues to evaluate the impact of ASU 2014-15, ASU 2016-02 and ASU 2016-09 on its consolidated financial statements.

Energizer Resources Inc.
Notes to Consolidated Financial Statements
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4. Marketable Securities

Marketable securities consist of available-for-sale securities over which the Company does not have significant influence or control.

During the year ended, the Company disposed of its remaining marketable securities and realized a loss \$18,916 included in profit or loss (2015: gain of \$12,278).

As at June 30, 2016, there was \$nil invested in public companies (June 30, 2015: \$7,615).

Energizer Resources Inc.
Notes to Consolidated Financial Statements
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5. Equipment

The Company owns exploration equipment. For the year ended June 30, 2016, the depreciation expense totaled \$56,602 (June 30, 2015: \$47,872).

	Equipment Cost \$	Accumulated Depreciation \$	Net Book Value \$
Balance June 30, 2014	195,561	69,176	126,385
Add: Depreciation		47,872	
Balance June 30, 2015	195,561	117,048	78,513
Add: Depreciation		56,602	
Balance June 30, 2016	195,561	173,650	21,911

Energizer Resources Inc.
Notes to Consolidated Financial Statements
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6. Mineral Properties

Molo Graphite Property, Southern Madagascar Region, Madagascar

On December 14, 2011 the Company entered into a Definitive Joint Venture Agreement ("JVA") with Malagasy Minerals Limited ("Malagasy"), a public company listed on the Australian Stock Exchange, to acquire a 75% interest in a property package for the exploration and development of industrial minerals, including graphite, vanadium and 25 other minerals. The land position consists of 2,119 permits covering 827.7 square kilometers and is mostly adjacent towards the south and east with the Company's 100% owned Green Giant Property. Pursuant to the JVA, the Company paid \$2,261,690 and issued 7,500,000 common shares that were valued at \$1,350,000.

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement (together "the Agreements") with Malagasy to acquire the remaining 25% interest. Pursuant to the Agreements, the Company paid \$364,480 (CAD\$400,000), issued 2,500,000 common shares subject to a 12 month voluntary vesting period that were valued at \$325,000 and issued 3,500,000 common share purchase warrants, which were valued at \$320,950 using Black-Scholes, with an exercise price of \$0.14 and an expiry date of April 15, 2019. On May 20, 2015 and upon completion of a bankable feasibility study ("BFS") for the Molo Graphite Property, the Company paid \$546,000 (CAD\$700,000) and issued 1,000,000 common shares, which were valued at \$100,000.

Malagasy retains a 1.5% net smelter return royalty ("NSR") on the property. A further cash payment of approximately \$720,900 (CAD\$1,000,000) will be due within five days of the commencement of commercial production.

The Company also acquired a 100% interest in the industrial mineral rights additional claim blocks covering 10,811 hectares adjoining the east side of the Molo Graphite Property.

Green Giant Property, Southern Madagascar Region, Madagascar

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

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

On April 16, 2014, the Company signed a Joint Venture Agreement with Malagasy, whereby Malagasy acquired a 75% interest in non-industrial minerals on the Company's 100% owned Green Giant Property. On May 21, 2015, Malagasy terminated the Joint Venture Agreement, which as a result, the Company reverted to its original 100% interest in all minerals on the property.

Sagar Property, Labrador Trough Region, Quebec, Canada

In 2006, the Company purchased from Virginia Mines Inc. ("Virginia") a 100% interest in 382 claims located in northern Quebec, Canada. Virginia retains a 2% net smelter return royalty ("NSR") on certain claims within the property. Other unrelated parties also retain a 1% NSR and a 0.5% NSR on certain claims within the property, of which half of the 1% NSR can be acquired by the Company by paying \$200,000 and half of the 0.5% NSR can be acquired by the Company by paying \$100,000.

On February 28, 2014, the Company signed an agreement to sell a 35% interest in the Sagar property to Honey Badger Exploration Inc. ("Honey Badger"), a public company that is a related party through common management. The terms of the agreement were subsequently amended on July 31, 2014 and again on May 8, 2015. To earn the 35% interest, Honey Badger was required to complete a payment of \$36,045 (CAD\$50,000) by December 31, 2015, incur exploration expenditures of \$360,450 (CAD\$500,000) by December 31, 2016 and issue 20,000,000 common shares to the Company by December 31, 2015. Honey Badger did not complete the earn-in requirements by December 31, 2015 resulting in the termination of the option agreement.

Energizer Resources Inc.
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7. Related Party Transactions and Balances

The Company had related party transactions during the year. Parties are related if one party has the direct or indirect ability to control 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 include corporate entities, members of the Board of Directors and certain key management as well as companies controlled by these individuals.

A transaction is considered to be a related party transaction when there is a transfer of economic resources or financial obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the fair value.

The following related party transactions occurred during the year ended June 30, 2016:

- a) The Company incurred \$68,293 in general and administrative costs (June 30, 2015: \$98,595) from a public company related by common management, Red Pine Exploration Inc. (TSX.V: "RPX"). During the year the Company forgave the \$68,293 in general and administrative costs as a result of a cost settlement agreement between the Companies. The accounts payable balance for general and administrative costs due to RPX was \$nil at the end of the year (June 30, 2015: \$24,048).
- b) The Company incurred \$556,982 in mineral exploration, management and consulting fees paid or accrued directly to directors and officers or to companies under their control (June 30, 2015: \$629,204). The accounts payable balance for these expenditures was \$42,000 at the end of the year (June 30, 2015: \$nil).
- c) The Company incurred \$125,047 in severance costs paid or accrued directly to former officers. The accounts payable balance for these costs was \$34,010 at the end of the year (June 30, 2015: \$46,292).
- d) The Company incurred \$nil in mineral exploration from a mining and engineering firm for which one of the Company's Director services as a senior officer and director (June 30, 2015: \$1,927,797), which is included in mineral exploration expenses.
- e) The Company granted 7,900,000 common stock purchase options to directors and officers of the Company (June 30, 2015: 6,680,000). These common stock purchase options were valued at \$308,092 using the Black-Scholes option pricing model (June 30, 2015: \$438,035), which is included in stock-based compensation.
- f) The Company received a principal repayment of \$76,450 (June 30, 2015: \$nil) during the year from MacDonald Mines Exploration Ltd. (TSXV: BMK), a company related by way of common management, for an outstanding loan.

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8. Deferred Premium on Flow-Through Shares

The premium received by the Company for issuing flow-through shares, which are priced in excess of the market value of its common shares, is initially recognized as a financial liability. The flow-through premium liability is subsequently reduced on a pro-rata basis as eligible Canadian Exploration Expenditures (“CEEs”) are incurred.

	June 30, 2016	June 30, 2015
	\$	\$
Deferred premium, beginning of year	-	37,145
Recognition of deferred premium on issuance of flow-through shares	-	-
Reduction of deferred premium as CEEs are incurred	-	(37,145)
Deferred premium, end of year	-	-

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9. Short-Term Loan

On March 30, 2016, the Company received a short-term loan consisting of a \$115,500 (CAD\$150,000) debenture, which was secured against all assets of the Company and matured on June 29, 2016 plus interest and fees totaling \$11,371 (CAD\$15,000). The debenture was repaid in full prior to maturity.

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10. Common Stock and Additional Paid-in Capital

The authorized share capital of the Company is 650,000,000 shares with a \$0.001 par value, of which 640,000,000 will be deemed as common shares. As of June 30, 2016, the Company had 364,931,425 common shares issued and outstanding (June 30, 2015: 309,384,670).

The Company issued the following common shares during the year ended June 30, 2016:

- (a) On July 31, 2015, a total of 20,550,998 special common share purchase warrants with no exercise price were converted into one common share and one half one common share purchase warrants with an exercise price of \$0.14 and an expiry date of May 4, 2018 (see also note 12). As a result, a total of 20,550,998 common shares and 10,275,499 common share purchase warrants were issued.
- (b) On October 7, 2015, the Company closed a private placement offering of 14,200,000 units (the "Units") at a price of \$0.04 (CAD\$0.05) per unit, representing aggregate gross proceeds of \$530,673 (CAD\$710,000). Each Unit consisted of one common share of the Company and one half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase one common share at a price of \$0.07 per common share until October 6, 2017.
- (c) On February 4, 2016, the Company closed a private placement offering of 6,437,900 units (the "Units") at a price of \$0.05 (CAD\$0.07) per unit, representing aggregate gross proceeds of \$328,977 (CAD\$450,653). Each Unit consisted of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one common share at a price of \$0.11 per common share until February 4, 2018.
- (d) On April 11, 2016, the Company closed a private placement offering of 3,207,857 units (the "Units") at a price of \$0.05 (CAD\$0.07) per unit, representing aggregate gross proceeds of \$172,633 (CAD\$224,550). Each Unit consisted of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one common share at a price of \$0.11 per common share until April 11, 2018.
- (e) On May 17, 2016, the Company closed a private placement offering of 11,150,000 common shares at a price of \$0.07 (CAD\$0.09) for aggregate gross proceeds of \$782,730 (CAD\$1,003,500).

The Company issued the following common shares during the year ended June 30, 2015:

- (f) On September 18, 2014 a total of 571,353 broker common share purchase warrants were exercised at \$0.11 per share for proceeds of \$72,051.
- (g) On September 26, 2014 the Company closed a private placement raising a total of \$4,800,000. The Company issued 34,285,714 common shares at a price of \$0.14. The Company paid fees, including commissions, legal fees and TSX fees of \$413,225 and issued 1,928,571 compensation common share purchase warrants at an exercise price of \$0.14 and an expiry date of September 26, 2016.
- (h) On December 16, 2014 the authorized capital of the Company was increased from an aggregate of four hundred fifty million (450,000,000) shares to six hundred fifty million (650,000,000) shares, par value of \$0.001 per share, of which 640,000,000 will be deemed common shares and the remaining 10,000,000 will be deemed eligible to be divisible into classes, series and types as designated by the board of directors.
- (i) On December 30, 2014 the Company closed a private placement raising a total of \$588,000. The Company issued 4,900,000 common shares at a price of \$0.12. The Company paid fees, including commissions, legal fees and TSX fees of \$27,698 and issued 147,000 compensation common share purchase warrants at an exercise price of \$0.12 and an expiry date of December 30, 2016.

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10. Common Stock and Additional Paid-in Capital (Continued)

- (j) On May 4, 2015 the Company closed a private placement offering (the “Offering”) of 20,550,998 special warrants (“Special Warrants”) at a price of CAD\$0.12 per Special Warrant, representing aggregate gross proceeds of \$2,019,947 (CAD\$2,466,120). Each Special Warrant entitles the holder, for no additional consideration, to acquire one unit (“Unit”) of the Company, with each Unit comprised of one common share of the Company and one-half of one common share purchase warrant (“Warrant”). Each full Warrant entitles the holder to purchase one common share at a price of US\$0.14 per common share until May 4, 2018. The Company paid fees, including commissions, legal fees and TSX fees of \$375,927. On July 31, 2015, each of these Special Warrants were converted into one common share and one half one common share purchase warrant with an exercise price of \$0.14 and an expiry date of May 4, 2018.
- (k) On May 20, 2015, the Company issued 1,000,000 shares of common stock at \$0.10 per share valued at \$100,000 as consideration for the Sale and Purchase Agreement and a Mineral Rights Agreements with Malagasy (note 6).

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11. Stock Options

The Company's Stock Option Plan is restricted to a maximum of 43,000,000 common stock purchase options.

As of June 30, 2016 there were 41,965,000 common stock purchase options outstanding with a weighted average expiration of 2.28 years. All the outstanding common stock purchase options vested on their grant date.

Grant Date	Expiration Date	Notes	Exercise Price	Number of Options
July 1, 2011	July 1, 2016		\$0.30	3,300,000
July 13, 2012	July 13, 2016		\$0.29	1,650,000
October 24, 2011	October 24, 2016		\$0.20	1,640,000
December 1, 2011	December 1, 2016		\$0.21	1,785,000
March 7, 2012	March 4, 2017		\$0.28	4,900,000
May 23, 2012	May 23, 2017		\$0.23	180,000
February 27, 2013	February 27, 2018		\$0.21	4,900,000
July 9, 2013	July 9, 2018		\$0.11	1,080,000
September 19, 2013	July 19, 2018		\$0.15	675,000
October 9, 2013	October 9, 2018		\$0.13	250,000
January 10, 2014	January 10, 2019		\$0.18	4,400,000
July 3, 2014	July 3, 2019		\$0.15	4,275,000
February 26, 2015	February 26, 2020		\$0.20	4,430,000
December 22, 2015	December 22, 2020	(a)	\$0.06	8,500,000
Total Outstanding				41,965,000

(a) On December 22, 2015, the Company issued 8,500,000 stock options at an exercise price of \$0.06 and an expiry date of December 22, 2020. The stock options were valued at \$331,491 using the Black-Scholes pricing model with the following assumptions: risk free rate – 0.74%; expected volatility – 91%; dividend yield – NIL; and expected life – 5 years. These stock options vested on the grant date.

The following is a continuity schedule of the Company's outstanding common stock purchase options from prior periods:

	Weighted-Average Exercise Price (\$)	Number of Stock Options
Outstanding as of June 30, 2014	0.23	28,470,000
Granted	0.17	9,280,000
Exercised	-	-
Expired	0.21	(2,385,000)
Outstanding as of June 30, 2015	0.22	35,365,000
Granted	0.06	8,500,000
Exercised	-	-
Expired	0.23	(1,900,000)
Outstanding as of June 30, 2016	0.18	41,965,000

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12. Warrants

As of June 30, 2016, there were 65,242,431 common share purchase warrants outstanding with a weighted average expiration of 1.1 years.

Issued Date	Expiration Date	Notes	Exercise Price	Number of Warrants
September 26, 2014	September 26, 2016		\$0.14	1,928,571
November 15, 2012	November 15, 2016	(a)	\$0.18	2,903,571
December 30, 2014	December 30, 2016		\$0.12	147,000
January 14, 2014	January 14, 2017	(b)	\$0.14	29,152,033
January 31, 2014	January 31, 2017	(b)	\$0.14	590,000
October 7, 2015	October 6, 2017	(c)	\$0.07	7,100,000
July 31, 2015	May 4, 2018	(d)	\$0.14	10,275,499
February 4, 2016	February 4, 2018	(e)	\$0.11	6,437,900
April 11, 2016	April 11, 2018	(f)	\$0.11	3,207,857
June 23, 2014	April 15, 2019		\$0.14	3,500,000
Total Outstanding				65,242,431

- (a) On December 24, 2013, the Company re-priced and extended the term of the common share purchase warrants from an original expiry date of November 15, 2015 with an exercise price of \$0.23 to November 15, 2016 with an exercise price of \$0.18.
- (b) These warrants were issued at a \$0.18 CAD exercise price (see note 13).
- (c) These warrants were issued on October 7, 2015 as part of a private placement (see note 10).
- (d) These warrants were issued on July 31, 2015 as part of the conversion of special common share purchase warrants (see note 10).
- (e) These warrants were issued on February 4, 2016 as part of a private placement (see note 10).
- (f) These warrants were issued on April 11, 2016 as part of a private placement (see note 10).

The following is the continuity schedule of the Company's common share purchase warrants from prior periods:

	Weighted-Average Exercise Price (\$)	Number of Warrants
Outstanding as of June 30, 2014	0.16 *	42,555,729
Issued	0.01	22,626,569
Exercised	0.11 *	(571,353)
Expired	0.19 *	(992,028)
Outstanding as of June 30, 2015	0.10 *	63,618,917
Issued	0.11	27,021,256
Exercised	-	(20,550,998)
Expired	0.12 *	(4,846,744)
Outstanding as of June 30, 2016	0.13 *	65,242,431

* Amount represents the converted USD exercise price

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13. Warrant Derivative

The warrants expiring in January 2017 were issued in a currency other than the Company's functional currency and therefore, in accordance with ASC 815 *Derivatives and Hedging*, are considered a derivative instrument and recorded on the balance sheet as a warrant liability. The fair value of the warrant liability was estimated on the date of issue and is re-measured at each reporting period using a binomial model until expiration or exercise of the underlying warrants.

The fair value of the warrant liability was estimated using the following model inputs:

	Year Ended June 30, 2016	Year Ended June 30, 2015
Exercise price	\$0.14	\$0.14
Risk free rate	0.50%	1.53%
Expected volatility	88%	93.7%
Expected dividend yield	Nil	Nil
Expected life (in years)	0.55	1.48
Beginning balance, derivative warrant liability	\$ 844,851	\$ 1,830,151
Gain on change in fair value of derivative warrant liability	(733,802)	(985,300)
Ending balance, derivative warrant liability	\$ 111,049	\$ 844,851

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14. Loss Per Share

Basic and diluted loss per share is computed using the weighted average number of common shares outstanding during the reporting period. Diluted loss per share and the weighted average number of shares of common stock excludes all potentially dilutive shares since their effect is anti-dilutive.

As of June 30, 2016, there was a total of 107,207,431 potentially dilutive warrants and options outstanding (June 30, 2015: 98,983,917).

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15. Segmented Reporting

The Company operates one operating segment, which is the acquisition, exploration and development of mineral resources. No revenue has been generated by any mineral resource properties. All of the remaining assets are held in Canada. The Company's President and Chief Executive Officer and Chief Financial Officer are the operating decision-makers and direct the allocation of resources to its geographic segments.

The following is the segmented information by geographic region:

Mineral Exploration Expense	Madagascar	Canada	Total
	\$	\$	\$
Year ended June 30, 2016	747,315	65,162	812,477
Year ended June 30, 2015	2,852,214	1,699,072	4,551,286

Cash and Equivalents	Madagascar	Canada	Total
	\$	\$	\$
As of June 30, 2016	29,239	515,574	544,813
As of June 30, 2015	65,299	713,819	779,118

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16. Contingency Provision and Legal Settlement

- (a) During fiscal 2014, the Company issued 17,889,215 flow-through shares to eligible Canadian taxpayer subscribers with contractual commitments for the Company to incur \$3,812,642 in eligible Canadian Exploration Expenditures (“CEEs”) by December 31, 2014 as per the provision of the Income Tax Act of Canada. The CEEs were renounced as a tax credit to the flow-through share subscribers on December 31, 2013. As at December 31, 2014, the Company had unfulfilled CEE obligations. During the year ended June 30, 2015, the Company recorded a contingent provision for the Part XII.6 taxes and related penalties for the indemnification liability to subscribers for taxes and penalties related to the CEE renunciation shortfall of \$190,087. During the year ended June 30, 2016, the Company adjusted the provision due to foreign exchange fluctuations to \$182,742.

- (b) During fiscal 2016, the Company reached a legal settlement with a shareholder relating to potential “short-swing” profits under Section 16(b) of the Securities Exchange Act of 1934 in connection with purchases and sales of Company securities. As a result of the settlement, the Company recorded a gain of \$59,556.

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17. Income Taxes

Below is a reconciliation of the United States income tax provision at the statutory rate of 35% to the actual provision:

	June 30, 2016	June 30, 2015
Net Loss	(1,633,713)	(6,072,810)
Statutory rate	35.00%	35.00%
Expected income tax recovery	(571,800)	(2,125,480)
Tax rate changes and other adjustments	(703,720)	352,480
Stock based compensation	116,020	219,540
Change in tax benefits not recognized	1,415,360	1,208,360
Non-deductible expenses	(255,860)	345,100
Income tax recovery	-	-

Deferred Tax

The Company's future income tax assets and liabilities as at June 30, 2016 and 2015 are as follows:

	June 30, 2016	June 30, 2015
Property, plant and equipment	29,230	-
Non-capital losses – United States	7,562,070	8,855,130
Exploration expenditures	11,259,980	8,300,770
Other deductible temporary differences	6,890	141,860
	18,858,170	17,297,760
Less: valuation allowance	(18,858,170)	(17,297,760)
Net deferred tax liabilities	-	-

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17. Income Taxes (Continued)

The United States net operating loss carry forwards expire as noted in the table below. The remaining deductible temporary differences may be carried forward indefinitely. Deferred 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 group can utilize the benefits there from.

The Company's United States net operating losses expire as follows:

Expiration Year	Tax Loss
	\$
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	4,660,880
2034	3,642,800
2035	4,944,850
2036	4,655,730
	32,171,390

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18. Subsequent Events

On July 30, 2016, the Company concluded a legal settlement with the Company's former Chief Financial Officer, whereby a severance of \$34,457 (CAD\$44,750) was awarded.

On August 18, 2016, the Company closed a private placement offering of 96,064,286 common shares at a price of \$0.05 (CAD\$0.07) for aggregate gross proceeds of \$5,177,865 (CAD\$6,724,500).

