



Management Discussion and Analysis (“MD&A”)

Financial Statement Report Date – March 31, 2014

Date of this Report – May 14, 2014

As used in this quarterly report, “we”, “us”, “our”, “Energizer Resources”, “Energizer”, “Company” or “our company” refers to Energizer Resources Inc. and all of its subsidiaries. The term NSR stands for Net Smelter Royalty.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Included in this report are “forward-looking” statements, within the meaning of the Private Securities Litigation Reform Act of 1995 (“PSLRA”) as well as historical information. Certain statements included in this Form 10-Q, including, without limitation, statements related to anticipated cash flow sources and uses, and words including but not limited to “anticipates”, “believes”, “plans”, “expects”, “future” and similar statements or expressions, identify forward looking statements. Examples of forward-looking statements include, but are not limited to: (a) projections of our revenues, capital expenditures, growth, prospects, dividends, capital structure and other financial matters; (b) statements of our plans and objectives; (c) statements of our future economic performance; (d) statements of assumptions underlying other statements and statements about us and our business relating to the future; and (e) any statements using the words “believes,” “budget,” “target,” “goal,” “anticipate,” “expect,” “plan,” “outlook,” “objective,” “may,” “project,” “intend,” “estimate,” or similar expressions. Any forward-looking statements herein are subject to certain risks and uncertainties in the business of Energizer Resources Inc. including but not limited to, planned capital expenditures, potential increases in prospective production costs, future cash flows and borrowings, pursuit of potential acquisition opportunities, the possibility that the industry may be subject to future regulatory or legislative actions (including additional taxes, changes in environmental regulation, changes in Madagascar French civil law and traditional Malagasy law, and disclosure requirements under the Dodd-Frank Wall Street Reform, Consumer Protection Act and the Jumpstart our Business Startups Act of 2012), our financial position, business strategy and other plans, objectives for future operations, difficulties of hiring or retaining key personnel and any changes in current accounting rules, all of which may be beyond the control of our Company. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth therein. We claim the protection afforded by the safe harbor for forward-looking statements provided by the PSLRA.

Management’s Discussion and Analysis of Results of Financial Condition and Results of Operations (“MD&A”) should be read in conjunction with our financial statements included herein. Further, this quarterly report on Form 10-Q should be read in conjunction with our Financial Statements and Notes to Financial Statements included in our fiscal 2013 Annual Report on Form 10-K for the year ended June 30, 2013, filed with the Securities and Exchange Commission on September 26, 2013. Our actual results could differ materially from those anticipated by the forward-looking statements due to important factors and risks including, but not limited to, those set forth under “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K.

In addition, the foregoing factors may affect generally our business, results of operations and financial position. Forward-looking statements speak only as of the date the statement was made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

Our financial statements have been prepared in accordance with United States generally accepted accounting principles. We urge you to read this report in conjunction with the risk factors described herein.

ITEM 1. DESCRIPTION OF BUSINESS

BACKGROUND – COMPANY OVERVIEW

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 is an Exploration Stage Company, as defined by ASC Topic - 915, "Development Stage Entities". The Company's principal business is the acquisition and exploration of mineral resources.

During fiscal 2008, we incorporated Energizer Resources (Mauritius) Ltd., a Mauritius subsidiary and Energizer Resources Madagascar Sarl, a Madagascar subsidiary. During fiscal 2009, we 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. During fiscal 2012, we 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 owned 75% by Energizer Resources (Mauritius) Ltd. ERG (Madagascar) Sarl holds the Malagasy Joint Venture Ground. During fiscal 2014, we incorporated 2391938 Ontario Inc., an Ontario, Canada subsidiary.

We have not had any bankruptcy, receivership or similar proceeding since incorporation. Except as described below, there have been no material reclassifications, mergers, consolidations or purchases or sales of any significant amount of assets not in the ordinary course of business since the date of incorporation.

Summary of Our Business

We are an exploration stage company engaged in the search for graphite, vanadium, gold, uranium and other minerals. We have an interest in properties located in the African country of Madagascar and Canada in the Province of Québec. None of the properties in which we hold an interest have known mineral reserves of any kind at this time. As such, the work programs planned by us are exploratory in nature.

Our executive offices are currently located at 520–141 Adelaide Street West, Toronto, Ontario, Canada M5H 3L5. Our telephone number is (416) 364-4911. We maintain a website at www.energizerresources.com (which website is expressly not incorporated by reference into this filing). These offices are leased on a month-to-month basis, and our monthly rental payments are currently CAD\$10,000 per month.

UNTIL WE CAN VALIDATE OTHERWISE, THE PROPERTIES OUTLINED BELOW HAVE NO KNOWN MINERAL RESERVES OF ANY KIND AND WE ARE PLANNING PROGRAMS THAT ARE EXPLORATORY IN NATURE.

Further details regarding our properties, although not incorporated by reference, including the comprehensive geological report prepared in compliance with Canada's National Instrument 43-101 on our Green Giant Property (formerly the "Three Horses Property" in Madagascar) and our Sagar property in Northern Quebec can be found on our Company's website: www.energizerresources.com (which website is expressly not incorporated by reference into this filing) or in our Company's Canadian regulatory filings on www.sedar.com (which website and content is expressly not incorporated by reference into this filing).

Cautionary Note

Due to the nature of our business, we anticipate incurring operating losses for the foreseeable future. We base this expectation, in part, on the fact that very few mineral properties in the exploration stage ultimately develop into producing profitable mines. Our future financial results are also uncertain due to a number of factors, some of which are outside our control. These factors include, but are not limited to:

- our ability to raise additional capital as required;
- the market price for graphite, vanadium, gold, uranium and for any other minerals which we may find;
- ongoing joint ventures;
- the results of our proposed exploration programs on our mineral properties;
- environmental regulations that may adversely impact cost and operations; and
- our ability to find joint venture partners, as needed, for the development of our property interests.

If we are successful in completing an equity financing, as necessary, existing shareholders will experience dilution of their interest in our company. In the event we are not successful in raising additional financing, we anticipate that we will not be able to proceed with our business plan. In such a case, we may decide to discontinue our current business plan and seek other business opportunities in the resource sector. During this period, should it ever arise, we will need

to maintain our periodic filings with the appropriate regulatory authorities and, as such, will incur legal and accounting costs. In the event no other such opportunities are available and we cannot raise additional capital to sustain operations, we may be forced to discontinue our business altogether. We do not have any specific alternative business opportunities in mind and have not planned for any such contingency.

Due to our lack of operating history and present inability to generate revenues, our auditors have stated their opinion that there currently exists doubt as to our ability to continue as a going concern.

Properties

Madagascar 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). Malagasy retains a 25% interest. 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. Malagasy has a carried interest until the Company delivers a Bankable Feasibility Study ("BFS"). Upon the delivery of a BFS, Malagasy is required to contribute its 25% interest in the development and mining operations. Should either party's interest fall below 10%, through not contributing their portion of costs post-BFS, their position will be diluted to a 2% Net Smelter Return ("NSR"). As it has not yet determined whether the property has probable or proven reserves, the Company recognized an impairment loss during fiscal 2012 totaling \$3,770,129. This amount represents the cash paid, the value of common shares issued, and legal and other professional fees paid relating to the properties acquisition.

Further to the Memorandum of Understanding signed on October 24, 2013, subsequent to the quarter ended March 31, 2014, April 16, 2014, we signed a Sale and Purchase Agreement and a Mineral Rights Agreement with Malagasy to acquire the remaining 25% interest in the Molo Graphite Project. We agreed to make the following payments to Malagasy when certain conditions are met including within 5 business days of TSX approval: cash payment of CAD\$400,000; issue 2,500,000 common shares which will be subject to a 12 month voluntary vesting period; and issue of 3,500,000 common share purchase warrants with an expiration date of five years from the signing date of the agreement at a price to be determined by taking the volume weighted average closing price of our common shares during the five days immediately preceding execution of the Agreement. In addition, we will make a cash payment of CAD\$700,000 and issue of 1,000,000 of our 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 CAD\$1,000,000 within five days of the commencement of Molo mine commercial production. Malagasy will retain a 1.5% Net Smelter Return Royalty on all industrial minerals produced from the property. We also acquired a 100% interest in and to the industrial mineral rights on about 1-1/2 additional claim blocks comprising 10,811 hectares immediately to the east and adjoining the Molo Graphite Deposit claim blocks.

Green Giant Property, Southern Madagascar, Africa

During 2007, we 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"). We owned a 75% interest and MMR owned a 25% interest.

On July 9, 2009, we acquired the remaining 25% interest for \$100,000 and terminated the joint venture. 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, subsequent to the quarter ended March 31, 2014, we signed a Joint Venture Agreement with Malagasy, whereby Malagasy acquires a 75% interest for non-industrial minerals on the Company's 100% owned Green Giant Property in Madagascar. We will own the remaining 25% and have a free carried interest through to the BFS stage. No specific consideration was received for this transaction as it was part of the Sale and Purchase Agreement and Mineral Rights Agreement as noted under the Molo Graphite Project of this note.

Canadian Properties

Sagar Property – Romanet Horst, Labrador Trough, Québec, Canada

During 2006, we purchased from Virginia Mines Inc. ("Virginia") a 100% interest in 377 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, we have 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, we optioned a 75% interest to Honey Badger Exploration Inc. ("TUF"), a public company related by common management. In order to complete the transaction, TUF agrees to the following:

- \$1,500,000 within 15 days upon the earlier of the completion of a financing or nine months following the agreement's closing date and up to 9.5% of TUF's issued and outstanding common shares ("I&O Shares") at the time of issuance to a maximum of 15,000,000 common shares.

- \$1,500,000, subject to receiving shareholder approval but within eighteen months from the agreement's closing date, and up to 15% of TUF's I&O Shares at the time of issuance to a maximum of 35,000,000 common shares (the maximum includes all common shares previously issued). If shareholder approval is not obtained, we will receive \$750,000 and additional common shares that equal up to 9.5% of TUF's I&O Shares at the time of issuance to a maximum of 20,000,000 common shares (the maximum includes all common shares previously issued).
- Subject to meeting certain conditions, TUF is granted a three-year option ("Option"), commencing no earlier than June 1, 2015, to purchase the our remaining 25% interest. If exercised, we will receive \$1,000,000 and common shares up to 19.5% of TUF's I&O Shares at the time of issuance to an aggregate maximum of 60,000,000 common shares (the maximum includes all common shares previously issued) within 15 days of any requisite shareholder and regulatory approval. If shareholder approval is not obtained for the Option, TUF can elect to pay \$1,875,000 in lieu of shares. If the Option is not exercised, TUF and ourselves will enter into a joint venture agreement consistent with industry norms for such arrangements including a standard dilution clause.
- Subject to certain conditions, we have been provided with a first right of refusal for a period of 5 years to maintain its equity position by participating in any future private placements. We will retain a 2% net smelter royalty ("NSR") on the property, of which, 1% could be purchased by TUF for \$1,000,000.

Further details on exploration programs carried out on all our company's properties can be found below.

Competitive Conditions in our Industry

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. We compete with a number of other entities and individuals in the search for, and acquisition of, attractive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than us, we may not in the future be able to acquire attractive properties on terms our management considers acceptable. Furthermore, we compete with other resource companies, many of whom have greater financial resources and/or more advanced properties that are better able to attract equity investments and other capital. Factors beyond our control may affect the marketability of minerals mined or discovered by us.

Employees

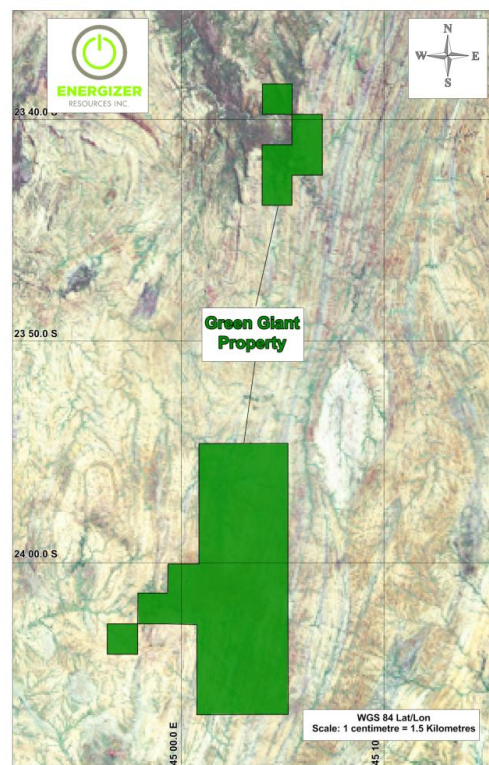
As of May 12, 2014, we had 9 total employees, 7 full-time and 2 part-time employees. In addition to our full time employees, we engage consultants to serve several important managerial and non-managerial functions for us including serving as officers and to performing professional, geological and administrative functions.

MADAGASCAR PROPERTIES



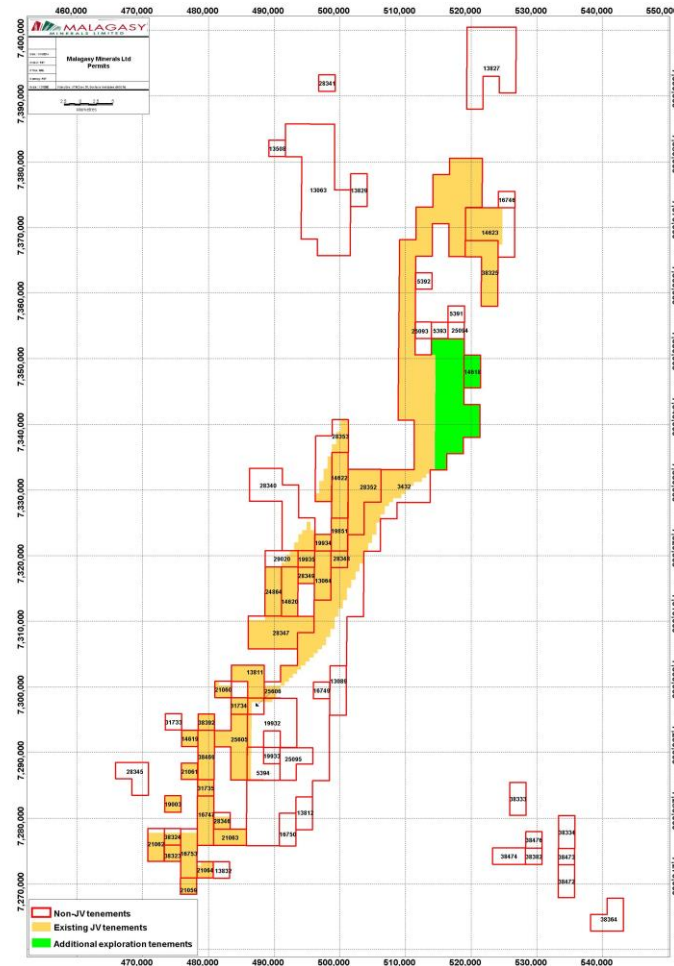
Green Giant Property Description and Location

The Green Giant Property is comprised of 6 mineral permits. The properties are located in the District of Toliara and are referenced as TN 12,306,P(R); TN 12,814, P(R); TN 12,887 P(R); TN 12,888 P(R); TN 13,020 P(R); TN 13,021 P(R) as issued by the Bureau de Cadastre Minier de Madagascar (“BCMM”) pursuant to the Mining Code 1999 (as amended) and its implementing decrees. The total land position is 225 sq. kilometres. This property can be accessed by both air and road.



Joint Venture Property Description and Location

The “Joint Venture Property” is comprised of a portion of or all of 40 mineral permits. The properties are located in the District of Toliara and are referenced as TN 3,432,P(R); TN 5,394, P(R); TN 13,064 P(R); TN 13,811 P(R); TN 14,618, TN 14,619 P(R); TN 14,620 P(R); TN 14,622 P(R); TN 14,623 P(R); TN 16,747 P(R); TN 16,753 P(R); TN 19,003 P(R); TN 19,851 P(R); TN 19,932 P(R); TN 19,934 P(R); TN 19,935 P(R); TN 21,059 P(R); TN 21,060 P(R); TN 21,061 P(R); TN 21,062 P(R); TN 21,063 P(R); TN 21,064 P(R); TN 24,864 P(R); TN 25,605 P(R); TN 25,606 P(R); TN 28,340 P(R); TN 28,346 P(R); TN 28,347 P(R); TN 28,348 P(R); TN 28,349 P(R); TN 28,352 P(R); TN 28,353 P(R); TN 29,020 P(R); TN 31,734 P(R); TN 31,735 P(R); TN 38,323 P(R); TN 38,324 P(R); TN 38,325 P(R); TN 38,392 P(R); and TN 38,469 P(R) as issued by the Bureau de Cadastre Minier de Madagascar (“BCMM”) pursuant to the Mining Code 1999 (as amended) and its implementing decrees. The total land position is 827.7 sq. kilometres. This property can be accessed by both air and road.



Agreements

Molo Graphite Project, Southern Madagascar, Africa

On December 14, 2011, we entered into a Definitive Joint Venture Agreement (“JVA”) with Malagasy to acquire a 75% interest to explore and develop a defined group of industrial minerals (as noted below). Malagasy retains a 25% interest in the exploration and development of the define group of industrial minerals. The new land position covers an area totalling 2,119 research permits and 827.7 square kilometres. This land portfolio is mainly adjacent to the south and east of our Green Giant Property. Under the terms of the JVA, we paid Malagasy \$2,261,690 and issued 7,500,000 of our common shares. Malagasy has a free carried interest until we deliver a Bankable Feasibility Study (“BFS”). Upon the delivery of a BFS, Malagasy will be required to contribute its 25% interest in the development and mining operations. Should either party’s interest subsequently fall below a 10% interest, their position will be diluted to a 2% NSR.

The industrial minerals within the agreements are as follows: Vanadium, Lithium, Aggregates, Alunite, Barite, Bentonite, Vermiculite, Carbonatites, Corundum, Dimensional stone (excluding labradorite), Feldspar (excluding labradorite), Fluorspar, Granite, Graphite, Gypsum, Kaolin, Kyanite, Limestone/Dolomite, Marble, Mica, Olivine, Perlite, Phosphate, Potash –Potassium minerals, Pumice Quartz, Staurolite, Zeolites.

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DRA Agreement Signed for Ability to Develop and Build Mine

During January 2012, we signed a formal agreement with South Africa's DRA Mineral Projects (“DRA”), a world-leading process engineering and mining project development management firm, for the development of our projects in Madagascar. Specific focus will be on the development of vanadium and graphite minerals. This partnership provides us with the ability to both build and manage a mining operation. It also provides DRA the option to purchase up to 5% of our company through private placement at current market conditions.

Madagascar Historical Exploration Programs

The Green Giant Property displays extensive gossans outcroppings at surface. An examination of part of this property revealed several large areas covered with gossanous boulders, which are believed to overlie massive sulphide mineralization. Phases of the exploration projects were managed by our company's President and COO, Craig Scherba, P. Geol., who at the time was one of our outside consultant geologists. We conducted a first phase of exploration from September to November 2007 that included the following activities:

- Stream Sediment sampling of all stream on the property area
- Detailed Geological mapping over selected stratigraphic horizons
- Reconnaissance geological mapping over the entire property
- Soil sampling over selected target areas and prospecting over selected target areas
- Limited trenching over selected targets
- Construction of a cinder block base camp
- Construction of a one kilometre long surfaced airstrip
- Repair and surfacing of the access road from base camp to the airstrip
- Airborne geophysical surveying

During March 2008-June 2008, a full field exploration program following up on the airborne geophysical survey and results of the 2007 exploration program was implemented. This exploration consisted of the following:

- Infill stream sediment sampling
- Detailed Geological mapping over selected stratigraphic horizons
- Prospecting over selected target areas
- Grid emplacement over selected target areas
- Ground-based magnetometer and frequency domain EM surveys
- Soil sampling over selected target areas

After reviewing the analytical data from the March 2008- June 2008 program, additional exploration was conducted from July 2008 to September 2008 to prepare for a drill program. This exploration consisted of the following:

- Infill stream sediment sampling
- Detailed geological mapping over selected stratigraphic horizons
- Prospecting over selected target areas with the aid of a mobile XRF analyzer

Based on compiled analytical results obtained from the various exploration programs, a drill program was initiated on the property from September 2008-November 2008. This exploration program consisted of the following:

- Prospecting over selected target areas with the aid of a mobile XRF analyzer
- Ground-based scintillometer surveying over selected target areas
- Diamond drilling of 31 holes over 4,073 metres

Based on early indications for vanadium on the property, another exploration program was initiated on the Green Giant Property during the spring of 2009. The program (completed between April 2009-July 2009) consisted of an extensive X-Ray Fluorescence analysis (XRF) soil sampling program coupled with mechanical trenching and scintillometer surveys over possible areas of vanadium enrichment and new areas, defined by the soil XRF survey.

We initiated a vanadium drill program during September 2009-December 2009 consisting of the following:

- XRF soil sample analyses (8,490 samples) on lines 200 metres apart covering 18 kilometre strike length
- Scintillometer surveying (112 line kilometres) on lines 200 metres apart over an 18 kilometre strike length
- Trenching (140 trenches for 17,105 metres)
- Diamond drilling of 54 diamond drill holes over 8,931 metres

The exploration programs to date resulted in the delineation of two vanadium pentoxide (V_2O_5) deposits (named the Jaky and Manga), characterized by two separate categories: oxide and primary.

Based on the results of the September 2009-December 2009 program, we conducted an additional exploration program on the property from April 2010-July 2010. This program consisted of the following activities:

- Diamond drilling of 46 diamond drill holes over 8,952 metres
- Prospecting over selected target areas with the aid of a mobile XRF analyzer (20 grab samples)
- Geologic mapping over the Manga and Mainty deposits at 1:5000 scale
- ERT ground geophysical survey (5.64 km)
- MAG ground geophysical survey (169.53 km)
- Gradient Array EM ground geophysical survey (128.82 km)

In 2011, the identification of graphite in the Manga, Jaky and Mainty zones led our geologists to conduct a reconnaissance exploration program (Phase I program) on the properties in September, 2011. The goal of this exploration program was to delineate new graphitic trends, and compare them to those associated with vanadium mineralization. This program consisted of the following activities:

- Diamond drilling of 10 holes over 1,157.5 metres
- Trenching (16 trenches for 1,912 metres)
- Prospecting over selected target areas

An additional reconnaissance exploration program was conducted from November 2011-December, 2011 (Phase II program). The purpose of this program was to ascertain the industrial mineral potential on the Joint Venture Ground, and further drill testing of graphitic trends on the Green Giant Property. This program consisted of the following:

- Diamond drilling of 20 holes over 2,842 metres
- Prospecting over selected target areas
- EM31 ground geophysical survey over selected target areas (160.5 km)

The discovery of graphite mineralization from the 2011 exploration programs resulted in the initiation of a resource delineation drill program from May 2012-August 2012. This program consisted of the following:

- Trenching (18 trenches for 2,100 metres)
- Diamond drilling of 41 diamond drill holes over 8,459 metres

The resource delineation drill program identified that graphite mineralization could be divided into a high grade zone (6 to 10% carbon) that produces small to large graphite flakes, and a low grade zone (4 to 6% carbon) that produces large to jumbo graphite flakes. A bulk sampling program was undertaken in May 2013 with the purpose of collecting two separate samples, in order to test the nature of the low-grade and high-grade deposits to see if they have different requirements. The two bulk samples were submitted for metallurgical test work, which is deemed to be representative of the future plant feed, and hence could be used for a Bankable Feasibility Study going forward. In order to be representative, an external geological consultant determined a sample size of 100 tonnes each (low grade and high grade) was deemed sufficient.

SGS Canada Inc. of Lakefield, Ontario, Canada (“SGS”) conducted metallurgical test work on bench-scale samples obtained from 200 tonnes of sample material collected at the Molo Graphite deposit. SGS determined that the optimum flake size recovery, purity and distribution was achieved when blending the low and high grade sample material at a ratio of 50:50. Based on this analysis, SGS constructed a pilot plant to: 1) confirm the robustness of the proposed metallurgical flow-sheet developed on a laboratory scale under continuous pilot scale conditions, 2) develop process design criteria for the ongoing Molo Full Feasibility Study, and 3) generate large samples of concentrate for evaluation by potential offtake partners.

The average head grade of the bulk sample was 7.98% C(t) based on the mass balances of twelve circuit surveys. The pilot plant was operated targeting a concentrate grade of greater than 95% C(t) in the size fractions greater than 200 mesh, while minimizing flake degradation. The concentrate grades of the coarse flakes were consistently 95% C(t) or higher, while the mass recovery into the large flake (+80 mesh) concentrates varied between 27.9% and 52.6%

The pilot plant was operated under a host of different conditions ranging from 90.8% C(t) concentrate grade at 94.3% recovery to 97.5% C(t) concentrate grade at 87.1% recovery for the twelve surveys at which the circuit was deemed stable. This operating strategy was employed to determine the impact of altering process variables on key metallurgical performance indicators such as concentrate grade, flake size distribution, and carbon recovery.

The following results were obtained from the pilot plant, which confirm the robustness of the proposed flow sheet and also confirm that the graphite flakes from the Molo deposit can be upgraded to high-grade graphite concentrate by means of simple flotation.

- The average mass recovery into the large and extra-large flake category (greater than +80 mesh) was 43.5% based on the results of fifteen size fraction analyses of the combined concentrate;
- The average grade of the extra-large flake (greater than +48 mesh) was 97.7% Ct;
- The average grade of the large flake (greater than +80 mesh) was 97.4% Ct;
- The average grade of the medium flake (greater than +200 mesh) was 96.7% Ct;
- The majority of the impurities reported to the small flake size fractions (-400 mesh)
- The average total carbon content of twelve pilot plant surveys was 93.7% Ct at an average carbon recovery of 90.3%.

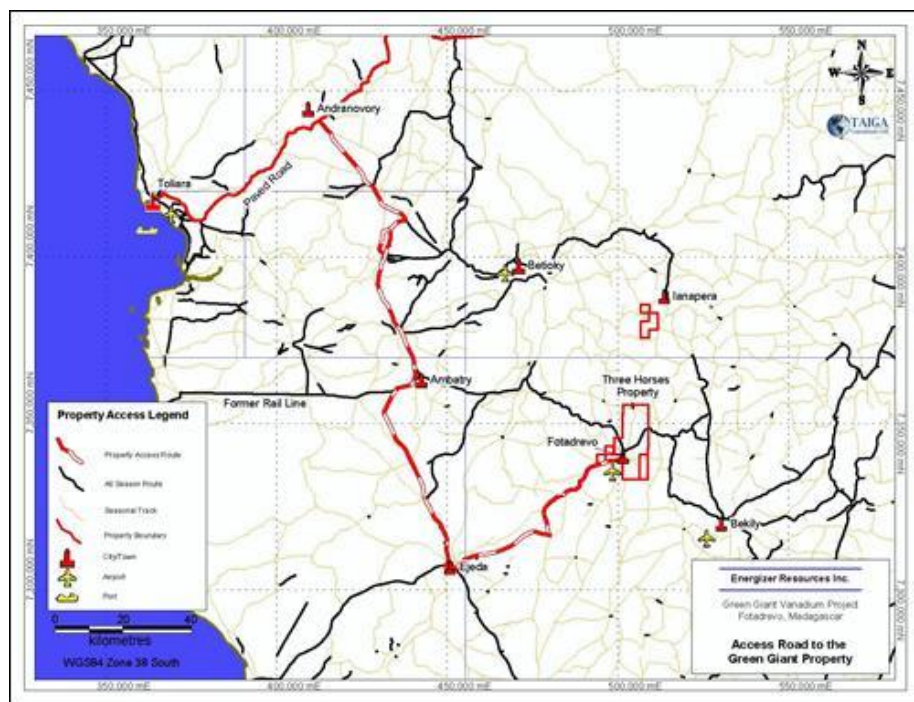
The average composition of the combined concentrate of fifteen size fraction analyses is shown in the following table.

Size mesh	Mass as Percentage of Total Concentrate Mass in %	Grade % C(t)
48	15.7	97.7
65	17.6	97.4
80	10.2	96.7
100	9.7	96.4
150	15.0	96.1
200	10.1	95.2
-200	21.6	88.2

Madagascar Infrastructure

• Road Access

Access to the Company's Molo Graphite Deposit from Toliara, starts with a 70 km paved road to the village of Andranovory. From Andranovory, secondary all-season roads continue to Betioky, a distance of 93 km. From Betioky, the Molo Graphite Deposit can be reached from Ambatry to Fotadrevo, a distance of 105 km, for an overall total of 268 km, or from Betioky to Ejeda then onwards to Fotadrevo, a distance of 161 km, for an overall total of 324 km. The second route from Ejeda to Fotadrevo is used by heavy transport trucks and by all vehicles during portions of the rainy season, as the other route can become impassable. At the height of the rainy season, both routes to Fotadrevo may become impassable. From Fotadrevo, the Molo Graphite Deposit may be reached by a fairly well maintained dirt track. The map below shows the road access to the Molo Graphite Deposit from the town of Toliara.



Map of Road Structure from Toliara to Fotadrevo

Air Access

With the upgrading of an existing airstrip at Fotadrevo to an all-weather airstrip during the 2008 exploration program, our Madagascar properties are accessible year-round by private aircraft out of Antananarivo, except under special circumstance caused by continuous or multiple days of heavy rain. Flying times to Fotadrevo are approximately 2.5 hours from Antananarivo and 45 minutes from Toliara.



Photo of the Landing Strip at Fotadrevo

Antananarivo is currently serviced by Air France (Paris), South African Airways (Johannesburg), and Air Mauritius (Mauritius). Air Madagascar also provides service to Paris, Johannesburg, Mauritius, Nairobi, and Réunion Island. Domestically, Air Madagascar has regularly scheduled jet and propjet flights throughout the country, including daily flights between Antananarivo and Toliara.

The village of Fotadrevo, where our Company has its base camp, is located to the west of the Molo Graphite Deposit. The village has been a labour source during our company's exploration programs, and will likely provide a portion of the workforce during future exploration and development. A few basic goods are commercially available in the village, however, the main centre for support of exploration and development are the cities of Toliara and Antananarivo. Two 40 kVA diesel-powered generators provide power to the camp facility.

A cellular telephone tower is located in Fotadrevo, which provides phone and internet coverage. No potable water is currently available within the project area. A well 123 millimetre in diameter has been drilled to a depth of 42 metres within the camp compound, which provides non-potable water for the camp.

Graphite Market and Pricing

Market Overview

According to Industrial Minerals magazine, the natural graphite market is 1,015,100 tonnes of which roughly 55% is flake and 45% is low grade amorphous (or 582,800 flake, 428,300 amorphous, 4,000 vein). Graphite is produced globally, however China currently accounts for most of the graphite production with a market share of 77%. Two tables listing the current major production countries of flake and amorphous graphite are below (*Source: Natural Graphite Report 2012, Industrial Minerals, www.indmin.com*):

Country	Flake output
China	380,000
Brazil	96,000
India	35,000
North Korea	30,000
Canada	21,000
Norway	8,000
Zimbabwe	5,000
Madagascar	4,000
Russia	2,000
Ukraine	1,500

Germany	300
Total	582,800

Country	Amorphous output
China	400,000
Austria	16,000
Mexico	12,000
Turkey	300
Total	428,300

China produces 77% of the world's graphite, however over half of its production is low grade amorphous. The graphite industry in China is undergoing fundamental reforms. China is protecting its domestic supply and has imposed a combined 37% export duty and value added tax. Furthermore, China is consolidating and closing a large number of mines, between 180-200, to preserve graphite resources and address environmental concerns.

Current Demand

Graphite has many wide-ranging uses from refractories to anodes in batteries (*Source: Natural Graphite Report 2012, Industrial Minerals, www.indmin.com*)

Refractories, foundry and crucibles	39%
Metallurgy	28%
Parts and components	10%
Batteries	9%
Lubricants	9%
Other	5%

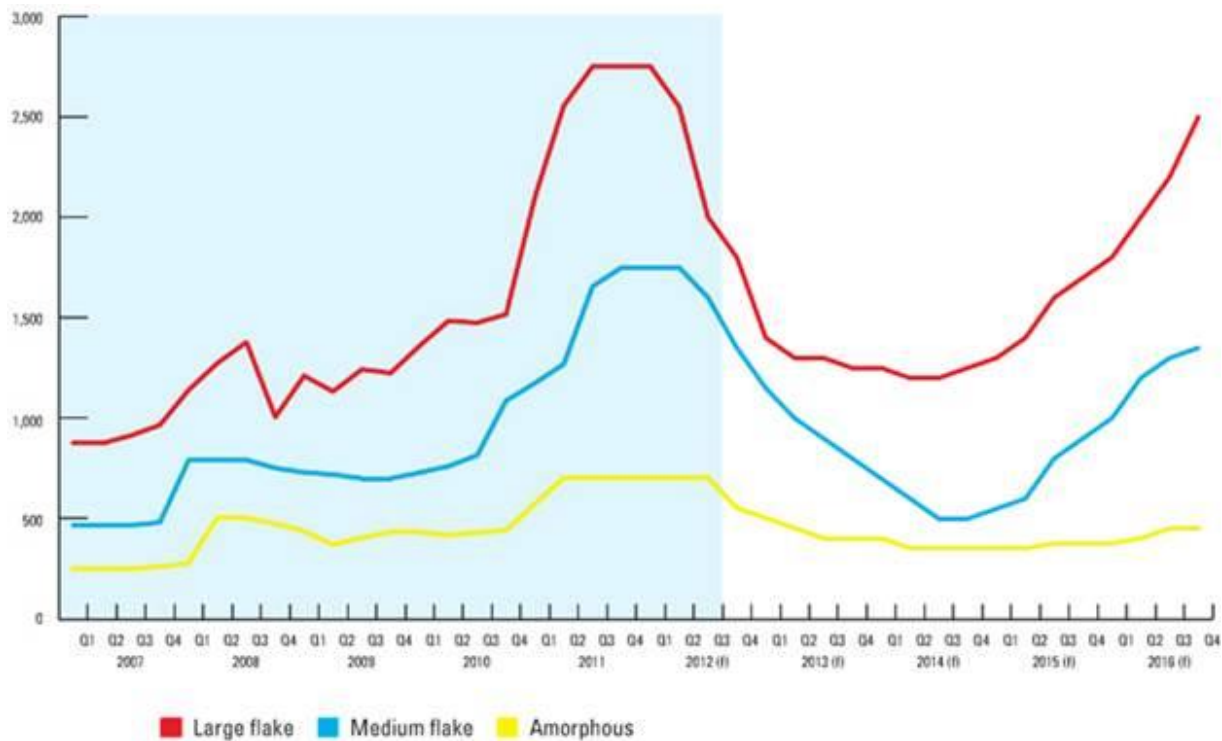
Future Demand

Batteries alone is the fastest growing market for graphite with growth between 15-25% a year (*Source: Industrial Minerals, 2012*) and future demand for graphite is expected through the uptake of lithium-ion batteries (Li-ion). There is 11 times more graphite in a Li-ion battery than there is lithium and demand for graphite in Li-ion batteries, specifically from the growth of the electric vehicle market, is expected to be significant. Other future demand drivers include pebble bed nuclear reactors, fuel cells, large-scale energy storage and graphene.

Graphite Pricing

Graphite pricing is a function of flake size and purity where larger flake and higher purity command premium pricing in the market. The three major categories for flake graphite are large, medium, and small (amorphous).

Graphite is not freely traded on an open market. This means determining its price is somewhat of an opaque market as prices are determined through contracts between buyers and sellers. Nevertheless, Industrial Minerals performs regular customer surveys tracking pricing trends and, from their analysis, overall graphite prices have substantially increased since 2007 due to increased demand and constrained supply. Recently however, graphite prices have decreased from their peak due to the slowdown in the global economy particularly in Europe and Asia. Despite this recent decline, future prices are predicted to remain strong as can be outlined in the graph below:



Source: Natural Graphite Report 2012, Industrial Minerals, www.indmin.com

Vanadium Market and Pricing

Source of this entire section: United States Geological Survey. Data in metric tons of vanadium content unless otherwise noted

Domestic Production and Use

Seven U.S. firms comprise most of the domestic vanadium industry produced ferrovanadium, vanadium pentoxide, vanadium metal and vanadium-bearing chemicals or specialty alloys by processing materials such as petroleum residues, spent catalysts, utility ash and vanadium-bearing pig iron slag. Metallurgical use, primarily as an alloying agent for iron and steel, accounted for about 93% of the U.S. vanadium consumption in 2011. Of the other uses for vanadium, the major non-metallurgical use was in catalysts for the production of maleic anhydride and sulfuric acid.

<u>Salient Statistics—United States</u>	2008	2009	2010	2011	2012est
Production, mine, mill	520	230	1,060	590	270
<u>Imports for consumption:</u>					
Ferrovandium	2,800	353	1,340	2,220	3,400
Vanadium pentoxide, anhydride	3,700	1,120	4,000	2,810	1,570
Oxides and hydroxides, other	144	25	167	886	1,210
Aluminum-vanadium master alloys (gross weight)	618	282	951	278	180
Ash and residues	1,040	791	521	1,420	1,500
Sulfates	2	16	48	42	40
Vanadates	187	214	158	303	320
Vanadium metal, including waste and scrap	5	22	10	44	110
<u>Exports:</u>					
Ferrovandium	452	672	611	314	530
Vanadium pentoxide, anhydride	249	401	140	89	40
Oxides and hydroxides, other	1,040	506	1,100	254	190
Aluminum-vanadium master alloys (gross weight)	1,390	447	1,190	920	1,400
Vanadium metal, including waste and scrap	57	23	21	102	10
<u>Consumption:</u>					
Apparent	5,820	1,040	5,190	6,963	6,400
Reported	5,170	4,690	5,030	5,120	5,200
Stocks, consumer, yearend	335	295	248	2185	2220
* Price, average, dollars per pound V2O5	\$12.92	\$5.43	\$6.46	\$6.76	\$6.52
Imports + exports + adjustments for government and industry stock changes as a percentage of apparent consumption	91%	78%	81%	92%	96%

* Vanadium is not freely traded on an open market. This means determining prices for vanadium is somewhat of an opaque market as prices are determined through contracts between buyers and sellers.

Events, Trends, and Issues

U.S. apparent consumption of vanadium in 2012 decreased by 9% from its 2011 level; however, it was still almost six times higher than its level in 2009. Apparent consumption of vanadium declined dramatically in 2009 from that of 2008 owing to the global economic recession in 2009. Among the major uses for vanadium, production of carbon, full-alloy, and high-strength low-alloy steels accounted for 16%, 45%, and 33% of domestic consumption, respectively. U.S. imports for consumption of vanadium in 2012 increased 4% from those of the previous year. U.S. exports increased 29% from those of the previous year.

In the fourth quarter of 2011, vanadium pentoxide (V2O5) prices continued to decrease to a year-to-date low of \$6.22 per pound of V2O5 in December 2011. In January 2012, prices continued to decrease to a year-to-date low of \$5.83 per pound of V2O5 until February when prices began to slowly increase again. In August 2012, V2O5 prices averaged \$6.60 per pound of V2O5, slightly more than average V2O5 prices in August 2011. In the fourth quarter of 2011, U.S. ferrovandium (FeV) prices continued to slowly decrease to a year-to-date low of \$13.19 per pound FeV (contained vanadium) in December 2011. In January 2012, prices continued to decrease until February 2012 when prices began to slowly increase. In August 2012, FeV prices averaged \$15.60 per pound of FeV.

World Mine Production and Reserves

Production data for the United States were revised based on new company information.

	Mine production		Reserves (thousand metric tons)
	2011	2012est	
China	23,000	23,000	5,100
South Africa	22,000	22,000	3,500
Russia	15,200	16,000	5,000
United States	1,590	1,270	45
Other countries	1,600	1,600	not applicable
World total (approximate)	63,390	63,870	14,000

World Resources the Substitutes

World resources of vanadium exceed 63 million tons. Vanadium occurs in deposits of phosphate rock, titaniferous magnetite, and uraniferous sandstone and siltstone, in which it constitutes less than 2% of the host rock. Significant amounts are also present in bauxite and carboniferous materials, such as coal, crude oil, oil shale, and tar sands. Because vanadium is usually recovered as a byproduct or co-product, demonstrated world resources of the element are not fully indicative of available supplies. While domestic resources and secondary recovery are adequate to supply a large portion of domestic needs, a substantial part of U.S. demand is currently met by foreign material.

Steels containing various combinations of other alloying elements can be substituted for steels containing vanadium. Certain metals, such as manganese, molybdenum, niobium (columbium), titanium, and tungsten, are to some degree interchangeable with vanadium as alloying elements in steel. Platinum and nickel can replace vanadium compounds as catalysts in some chemical processes. There is currently no acceptable substitute for vanadium in aerospace titanium alloys.

Permitting in Madagascar

Companies in Madagascar first apply for an exploration mining permit with the Bureau de Cadastre Minier de Madagascar ("BCMM"), a government agency falling under the authority of the Minister of Mines. Permits are granted under usual circumstances are generally issued within a month. The 2013 fees per square within a mining permit range from 89,800 Ariary to 359,000 Ariary (between \$39 and \$160 using a current exchange rate of 2,300 Madagascar Ariary = \$1 USD). The number of squares varies widely by claim number. For the 2013 year, the Company paid approximately \$350,000 to the BCMM to renew all of its claims in Madagascar. 2014 bills will be billed during May 2014. This fee covered both the 100% owned Green Giant Property (6 claims) and the 75% owned Joint Venture Property (39 claims). Each year we are required to pay a similar amount in order to maintain the claims in good standing.

The next step in the permitting process, which our company has initiated, is to apply for an exploitation permit. Our company has engaged a third party environmental study company in Madagascar to assist us with this process. In order to get an exploitation permit, an investment plan, exploitation work plan budget and specific ground mapping is submitted to the BCMM. This step is completed in conjunction with a submission of an environmental impact study for the BCMM. This environmental impact study includes, among other things, completion of a water study and a social impact study.

QA/QC Protocols

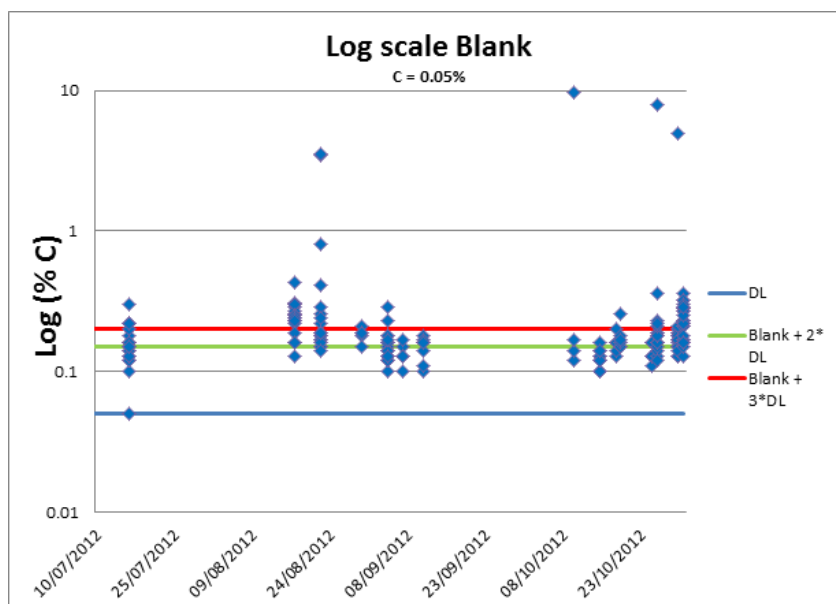
At all times during sample collection, storage, and shipment to the laboratory facility, the samples are in the control of our company or parties that we have contracted to act as our agents.

When sufficient sample material (grab, trench or core) has been collected, the samples are flown or sent by truck to our storage location in Antananarivo, Madagascar. At all times samples are accompanied by an employee, consultant or agent of our Company. From there, samples are shipped to labs either in South Africa or Canada for ICP-MS analysis.

All analytical results are e-mailed directly by the lab to our project manager on site in Madagascar and to our geological and executive staff. Results are also posted on a secure website and downloaded by our personnel using a secure username and password. All of the labs that carried out the sampling and analytical work are independent of our company.

In order to carry out QA/QC protocols on the assays, blanks, standards and duplicates were inserted into the sample streams. This was done once in every 30 samples, representing an insertion rate of 3.33% of the total.

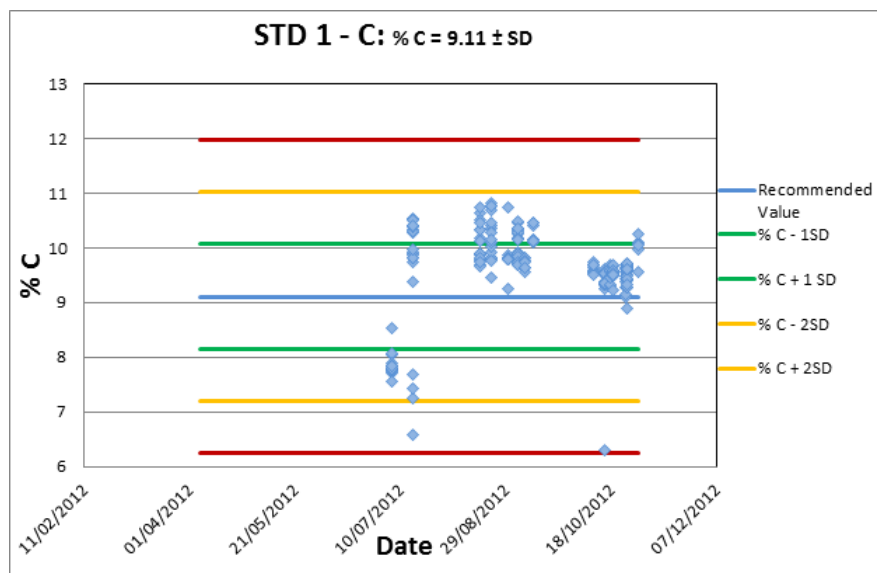
Since the 2009 Madagascar drill program, our company has rigorously implemented a blank protocol. For the Molo Graphite Deposit a fine-grained quartz sand sourced from a hardware store in Antananarivo was used as the blank material for the sampling campaign. A total of 208 blank samples were used in this program. A detection limit of 0.05% Carbon was used for the purpose of this exercise. To verify the reliability of the blank samples, the detection limit and the blank + 2, and 3 times the detection limit were plotted against the date. The plot shows that there are a lot of blank samples that have concentrations that exceed the blank + 3 times detection limit threshold. This, coupled with the large spread of data points, would lead to the assumption that samples may have been contaminated during their preparation for analysis.



Blanks plot – Log %C versus the date of the analysis.

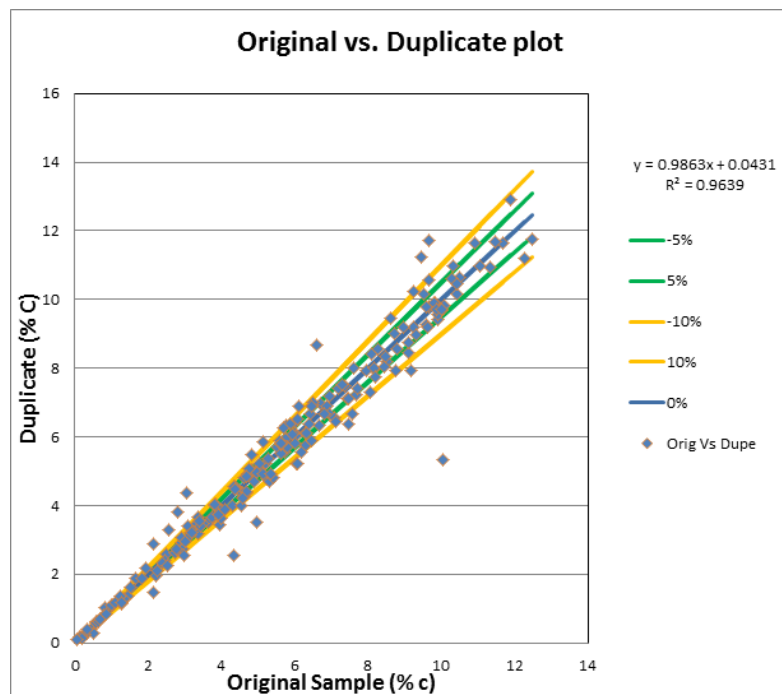
Since certified reference materials (“CRMs”) are essentially non-existent for graphite, our Company commissioned a third party lab in Canada to create a CRM from the remaining Molo Graphite Deposit drill core pulps from the 2011 program. As certified the third party lab standard (STD 1 C) a recommended value of 9.11 % Carbon.

To check the reliability of the standard, a plot of the recommended CRM value versus date was created. The upper and lower limits of one, two and three times the standard deviations of the recommended value are also included in the plot. All the results except for two fall within the acceptable limit of two times the standard deviation. It is however worth noting that there seems to be a negative bias towards lower concentrations in the first batch of samples that were submitted. As the campaign progressed the bias leant towards the positive side. This issue appears to have been sorted out towards the latter parts of the campaign as the data becomes less spread, and is closer to the recommended value.



Graph showing carbon concentration as analyzed in STD 1C.

For the Molo Graphite Deposit, 205 field duplicates were prepared. To check how close these were to the original samples, a plot of the original samples with a zero, five, and ten per cent difference of the original samples was created. The majority of the samples were within the 10% difference limit. The plot also shows a good correlation between the original value and the duplicate, as is evident from the regression line with an R^2 value of 0.96.



Original (“Orig”) versus Duplicate (“Dupe”) plots.

Next Steps

Energizer is currently shipping graphite concentrate generated from its Pilot Plant metallurgical testwork out to prospective offtake partners all over the world. Additionally, we are conducting an infill drill program on our Molo deposit as required by our Full Feasibility Study and in order to meet banking requirements for an anticipated mine financing. This data will be integrated into a Full Feasibility Study scheduled for completion in the last quarter of calendar year 2014.

Future Programs

The economic potential of the property rests upon the ability to extract graphite and/or vanadium using reasonable, potentially economic parameters. Metallurgical results indicate that an economic processing method is available to extract graphite. This will be determined within a Full Feasibility Study, anticipated for release in the last quarter of calendar year 2014. The results of this study will dictate how management proceeds with project development.

SAGAR PROPERTY



Property Description and Location

The Sagard Property comprises 361 blocks of claims in the Province of Québec, Canada. The approximate centre of exploration activity is circa 56°22' N latitude and circa 68° 00' W longitude. Details on the individual claims are available on-line at the Government of Québec's Ministère des Ressources Naturelles et de la Faune GESTIM website at <https://gestim.mines.gouv.qc.ca>. This property can be accessed by air.

These claims comprise approximately 6,580 hectares. In this region of the Province of Québec, "map staking" predetermines claim outlines. This can be done via a claim staking system with the Ministère des Ressources Naturelles ("MNR"). Previously, the map-staking grid, producing some of the small parcels, superimposes upon staked claims. There are no carried environmental liabilities on the property. Each claim costs CAD \$112 and is active for a one year period. Each following year our company is required to spend a certain dollar amount to keep the claim in good standing or pay CAD \$112 per annum in lieu of performing any work. All surface work requires provincial government permits, including camp construction permits. Our company is current with these permits.

To be able to conduct an exploration project, our company needs to obtain permits pertaining to water, forest management and waste disposal for any camp location set-up. These permits are obtained from various Quebec government ministries. This entire process takes approximately than one month to complete. With obtaining the required permits our company is required to pay approximately CAD \$200 per claim per annum.

When our company is exploring, our power comes from a generator. Management currently believes that water is ample as the property has a lake and several streams. There are no bonding requirements relating to permits issued out of Quebec at the exploration stage.

Sagard Property Agreement

On May 2, 2006, we signed a letter of intent with Virginia Mines Inc. ("Virginia") for an option to acquire a 75% interest in 200 claims located in northern Québec, Canada. Virginia had the right and option to sell the remaining 25% interest in the property. This agreement was subject to a 2% NSR. Virginia had previously acquired a 100% interest in the property, subject to a 1% NSR on certain claims, and a 0.5% NSR on other claims. Virginia has the right to buy back half of the 1% NSR for \$200,000 and half of the 0.5% NSR for \$100,000. In order to exercise its option, we issued Virginia 2,000,000 of our common shares, 2,000,000 now expired common share purchase warrants and incurred exploration expenditures greater than \$2,000,000 on the property before September 1, 2008. Further, on February 28, 2007, Virginia exercised its option to sell its remaining 25% interest on the property to us for 1,000,000 common shares valued at \$1,219,000 and 1,000,000 now expired common share purchase warrants. As a result of these agreements, we now own a 100% interest in this property, subject to the noted NSR's. We are currently up to date with all obligations required to maintain the property in good standing.

Ferderber Property Agreement

We acquired a 100% undivided right, title and interest in and to 19 mining claims (0036315, 0036316, 0036317, 0036318, 0036319, 0036320, 0036321, 0036322, 0036323, 0036324, 0036325, 0036326, 0036327, 0030649, 0030650, 0030640, 0030638, 0030612, 0030613) held by Peter Ferderber, covering an area of approximately 64 hectares located in the Central Labrador Trough Region of Québec, 13 of which are contiguous to our Sagar Property. This property can be accessed by air. In consideration of our receiving a 100% interest in these claims, subject to any NSR royalties, we paid Mr. Ferderber CAD\$6,000, and issued 150,000 of our common shares and 75,000 now expired common share purchase warrants. Mr. Ferderber retained a 1% NSR on this property and agreed that we shall have a first right of refusal to purchase the 1% NSR should Mr. Ferderber elect to sell the royalty. We are currently up to date with all obligations required to maintain the property in good standing.

Sagar and Ferderber Property Optioned

On February 28, 2014, we optioned a 75% interest to Honey Badger Exploration Inc. ("TUF"), a public company related by common management. In order to complete the transaction, TUF agrees to the following:

- \$1,500,000 within 15 days upon the earlier of the completion of a financing or nine months following the agreement's closing date and up to 9.5% of TUF's issued and outstanding common shares ("I&O Shares") at the time of issuance to a maximum of 15,000,000 common shares.
- \$1,500,000, subject to receiving shareholder approval but within eighteen months from the agreement's closing date, and up to 15% of TUF's I&O Shares at the time of issuance to a maximum of 35,000,000 common shares (the maximum includes all common shares previously issued). If shareholder approval is not obtained, we will receive \$750,000 and additional common shares that equal up to 9.5% of TUF's I&O Shares at the time of issuance to a maximum of 20,000,000 common shares (the maximum includes all common shares previously issued).
- Subject to meeting certain conditions, TUF is granted a three-year option ("Option"), commencing no earlier than June 1, 2015, to purchase our remaining 25% interest. If exercised, we will receive \$1,000,000 and common shares up to 19.5% of TUF's I&O Shares at the time of issuance to an aggregate maximum of 60,000,000 common shares (the maximum includes all common shares previously issued) within 15 days of any requisite shareholder and regulatory approval. If shareholder approval is not obtained for the Option, TUF can elect to pay \$1,875,000 in lieu of shares. If the Option is not exercised, TUF and ourselves will enter into a joint venture agreement consistent with industry norms for such arrangements including a standard dilution clause.
- Subject to certain conditions, we have been provided with a first right of refusal for a period of 5 years to maintain its equity position by participating in any future private placements. We will retain a 2% net smelter royalty ("NSR") on the property, of which, 1% could be purchased by TUF for \$1,000,000.

Sagar and Ferderber Property Geological Highlights

The geological setting of the property is the northwest trending Romanet Horst within the Labrador Trough. The significant mineral potential of this geological setting is well demonstrated, we believe, by the abundance and diversity of uranium-gold showings, which range from veins to breccia's to shear zones. There is also locally significant sedimentary-hosted copper mineralization. Our management contends that the most significant mineralization found to date is the 500 x 200 metre Mistamisk boulder field which contains 150 boulders that range up to 640 g/t gold and 4.11% uranium, with 70 tested boulders averaging 64.9g/t gold and 1.3% uranium. The boulders discovered within the Mistamisk boulder field range in length from 0.30 to 2.0 metres. Previous work has not determined the bedrock source of this boulder field. Copper mineralization has been defined in several spots, the most significant being the Dehli-Pacific showing, which has reported 4.2% copper over 7.6 metres within a drill hole that intersected a shear zone along a sediment-gabbro contact.

Other Expenses

Management anticipates spending approximately \$350,000 - \$450,000 in ongoing general office and administration expenses and professional fees per quarter for the next twelve months. Expenses will vary in direct proportion with the level of activity relating to future acquisitions and exploration programs.

RESULTS OF OPERATIONS

We have had no operating revenues from inception on March 1, 2004 through to the quarter ended March 31, 2014. Our activities have been financed from the proceeds of securities subscriptions. From inception, on March 1, 2004, to March 31, 2014, we raised total net proceeds of \$51,907,720 from private offerings of our securities and \$1,075,500 through the exercise of common share purchase warrants and stock options. For the nine month period ending March 31, 2014,

\$9,732,482 (March 31, 2013: \$4,023,113) and \$Nil (March 31, 2013: \$Nil) was raised through private placements and the exercise of stock options, respectively.

For the period from March 1, 2004 to March 31, 2014, we incurred losses before income taxes of \$82,343,185. Expenses included \$42,577,972 in mineral property and exploration costs and impairment losses on mineral properties. These costs include acquisition costs relating to the Madagascar properties, the Sagar properties in Quebec and other abandoned properties. We have also incurred \$8,731,206 in professional fees since inception; general and administrative expenses of \$8,786,367; stock based compensation valued at \$24,856,963 using the Black-Scholes pricing model; net foreign exchange translation gains totaling \$1,237,551, donated services and expenses of \$18,750, and total net other income (including interest and less an other than temporary loss on marketable securities) of \$1,237,551.

The following are explanations for the fluctuations during the nine month period ended March 31, 2014:

- Following our accounting policies of expensing acquisition costs and exploration expenses on mineral properties as incurred, this amounts increased the net loss for each period. For the nine months ended March 31, 2014, we spent \$4,290,899 (March 31, 2013: \$3,194,788) on our mineral properties. This represents an increase of \$1,096,111. In the prior year, we completed a drill program on our Molo ground as part of work required to complete our National Instrument 43-101 report (which was subsequently filed during the second quarter of fiscal 2013). During the nine months ended March 31, 2014, we have progressed on our Bankable Feasibility Study which to date includes, among other things, drilling and related costs as well as spent funds on our Madagascar pilot plant through SGS in Lakefield, Canada. We have also spent funds on the Sagar property which we recently divested 75% of our 100% interest.
- Professional fees totalled \$1,567,387 for the period ended March 31, 2014, down \$4,160 from the March 31, 2013's total of \$1,571,547. General and administration totalled \$911,273 for the period ended March 31, 2014, up \$79,305 from the March 31, 2013's total of \$831,968. General and administration are costs associated with running the Toronto and Madagascar offices. Investor relations expenses, including the use of third parties at conferences and lunches who are assisting in spreading knowledge about our company to retail investors, institutional investors and potential off-take parties plus the cost of travel are the primary reasons for the increase in general and administration expenses. Trips have included numerous visits to Asia, Europe, and Africa to update existing investors and potential off-take partners, trips to California for investor presentations and trips to New York City and surrounding area for both investors, conferences and discussions with potential off-take partners. In addition, trips have also been made to our property in Madagascar to work on our company's bankable feasibility study with the assistance with DRA. With regards to professional fees, legal fees were higher during the current period when compared to the prior period. In addition, the Company recorded a charge of \$325,867 due to its former Chief Executive Officer. This was offset by lower professional fee charges to employees and other consultants of the company.
- Stock-based compensation decreased by \$789,259 from \$1,470,678 for the nine month period ended March 31, 2013 to \$681,419 for the nine month period ended March 31, 2014. A total of 7,130,000 stock options were issued at exercise prices between \$0.11 and \$0.18 during the nine months ended March 31, 2014 while 7,595,000 stock options were issued at exercise prices between \$0.21 and \$0.29 during the nine months ended March 31, 2013. The value noted within the statement of operations is the theoretical Black-Scholes calculated value of the stock options, based on subjective factors including volatility, risk-free interest rate, dividend yield and expected life.
- Net investment income totalled \$27,260 for the nine month period ended March 31, 2014 and \$305,938 during the nine month period ended for March 31, 2013. During 2012, our cash balance was higher allowing us to make greater returns. More significantly, during 2012, due to the rise in the value of low-risk bond funds, we were able to capitalize by investing our net excess cash and yielding a significant return.
- During the nine months ended March 31, 2014, \$63,849 (March 31, 2013: \$Nil) was written off as a result of other than a temporary decline in market value of various investments held during the life of our company.

Liquidity, Capital Resources and Foreign Currencies

As at March 31, 2014, we had cash on hand of \$5,299,715. Our working capital was \$3,521,320.

We hold a significant portion of cash reserves in Canadian dollars. Due to foreign exchange rate fluctuations, the value of these Canadian dollar reserves can result in translation gains or losses in US dollar terms. If there was to be a significant decline in the Canadian dollar against the US dollar, the US dollar value of that Canadian dollar cash position presented on our balance sheet would significantly decline. Recently, the Canadian dollar has declined to near the 90 cent mark relative to the US dollar. There is no certainty as to whether the value of the Canadian dollar will rise or continue to fall to lower levels. If the US dollar significantly declines relative to the Canadian dollar, our quoted

Canadian dollar position would increase however US dollar cash position would significantly decline. Such foreign exchange declines could cause us to experience losses that will be recorded on our income statement.

In addition to paying certain expenses in Canadian dollars, we are required, from time to time, to pay expenses in South African Rand, Australian Dollars, Great British Pounds and Madagascar Ariary, and possibly other currencies. Therefore, we are subject to risks relating to movements in those currencies.

There are no assurances that we will be able to achieve further sales of common shares or any other form of additional financing. If we are unable to achieve the financing necessary to continue the plan of operations, then we will not be able to continue our exploration and our venture will fail.

Capital Financing

- From inception to June 30, 2004, we raised \$59,750 through the issuance of 9,585,000 common shares.
- For the year ended June 30, 2005, we did not raise any capital from new financings.
- For the year ended June 30, 2006, we raised \$795,250 through the issuance of 2,750,000 common shares and 2,265,000 common share purchase warrants.
- For the year ended June 30, 2007, we raised \$17,300,000 through the issuance of 34,600,000 common shares and 29,000,250 common share purchase warrants.
- For the year ended June 30, 2008, we did not raise any capital from new financings.
- For the year ended June 30, 2009, we raised \$680,000 through the issuance of 6,800,000 common shares and 3,400,000 common share purchase warrants.
- For the year ended June 30, 2010, we raised \$6,500,000 through the issuance of 21,666,667 common shares and 21,666,667 common share purchase warrants.
- For the year ended June 30, 2011, we raised net proceeds of \$13,178,708 through the issuance of 30,936,654 common shares and 15,468,328 common share purchase warrants and \$886,501 (by issuing 4,549,500 common shares) through the exercise of common share purchase warrants.
- For the year ended June 30, 2012, we raised net proceeds of \$635,000 (by issuing 2,540,000 common shares) through the issuance of common shares and \$84,000 (by issuing 510,000 common shares) through the exercise of common stock purchase options.
- For the year ended June 30, 2013, we raised net proceeds of \$4,076,113 through the issuance of 18,157,142 common shares and 3,513,599 common share purchase warrants and \$105,000 by issuing 700,000 common shares through the exercise of common stock purchase options.
- For the nine month period ended March 31, 2014, we raised net proceeds of \$9,732,482 through the issuance of 90,523,283 common shares and 35,812,130 common share purchase warrants.

We will likely continue to require additional funding during fiscal 2014 and fiscal 2015. However, we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of common shares for additional phases of exploration. Our management will continue to attempt to secure additional financing through both the public and private market sectors to meet our continuing commitments of capital expenditures. No assurance can be given that we will be able to obtain additional financing or that we will be able to obtain additional financing on terms that are favorable to us. If we are successful in completing additional financing in the form of an equity financing or securities convertible into equity, as necessary, existing shareholders will experience dilution of their interest in our company (see "Cautionary Note" above)

Issuances of Securities

We have funded our business to date from sales of our securities. During the period ended March 31, 2014, and since July 1, 2012, we issued the following unregistered securities:

- During July 2012, \$105,000 was raised through the exercise of 700,000 stock options at \$0.15.
- On July 13, 2012, we issued 1,695,000 stock options to directors, officers and consultants of our company at an exercise price of \$0.29 and an expiry date of July 13, 2016.
- During November 2012, we closed a brokered and non-brokered private placement raising a total of \$2,032,500. We issued 5,807,142 common stock at \$0.35 per share and 2,903,571 common share purchase warrants at an exercise price of \$0.50, expiring 24 months from the date of issue. We paid fees of \$119,010 and issued 340,028 compensation common share purchase warrants. Each compensation common share purchase 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.
- On February 27 2013, we issued 5,900,000 stock options to directors, officers and consultants of our company at an exercise price of \$0.21 and an expiry date of February 27, 2018.

- During March 2013, we closed a private placement raising \$2,307,035. We issued 12,350,000 common stock at prices between CAD\$0.18 and CAD\$0.20 per share. We paid a fee of \$84,176 and issued 270,000 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at CAD\$0.20.
- During July and August 2013, we closed a private placement raising \$2,043,452 through the issuance of 16,950,001 common shares. We paid a fee of \$114,087 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.
- On December 18, 2013, we closed a private placement raising a total of \$1,479,023. We issued 11,189,215 common shares at a price of CAD\$0.14. We paid fees of \$112,067 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.
- On January 10, 2014, we 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.
- On January 15, 2014 and January 31, 2014, we closed a private placement raising a total of \$6,910,503. We 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. We paid fees of \$488,234 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.
- On February 6, 2014, we 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 offer and sale of all shares of our common shares and warrants listed above were affected in reliance on the exemptions for sales of securities not involving a public offering, as set forth in Regulation S promulgated under the Securities Act. The Investor acknowledged the following: Subscriber is not a United States Person, nor is the Subscriber acquiring the shares of our common stock and warrants directly or indirectly for the account or benefit of a United States Person. None of the funds used by the Subscriber to purchase the shares of our common stock and warrants have been obtained from United States Persons. For purposes of this Agreement, "United States Person" within the meaning of U.S. tax laws, means a citizen or resident of the United States, any former U.S. citizen subject to Section 877 of the Internal Revenue Code, any corporation, or partnership organized or existing under the laws of the United States of America or any state, jurisdiction, territory or possession thereof and any estate or trust the income of which is subject to U.S. federal income tax irrespective of its source, and within the meaning of U.S. securities laws, as defined in Rule 902(o) of Regulation S, means: (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. person; (iv) any trust of which any trustee is a U.S. person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and (viii) any partnership or corporation if organized under the laws of any foreign jurisdiction, and formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a)) who are not natural persons, estates or trusts. Further, we anticipate that additional funding will be in the form of equity financing from the sale of our common stock. However, we cannot provide investors with any assurance that we will be able to raise sufficient funding for additional phases of exploration. We currently believe that debt financing will not be an alternative for funding additional phases of exploration. We do not have any arrangements in place for any future equity financing.

There are no assurances that we will be able to achieve further sales of our common stock or any other form of additional financing. If we are unable to achieve the financing necessary to continue our plan of operations, then we will not be able to continue our exploration and our venture will fail.

Off-balance sheet arrangements

We have no off-balance sheet arrangements including arrangements that would affect the liquidity, capital resources, market risk support and credit risk support or other benefits.

ITEM 3. - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Other than warrants and broker warrants, noted with the financial statements above denominated in Canadian dollars, we do not hold any derivative instruments and do not engage in any hedging activities. Most of our activity is the development and mining of our mining claim.

ITEM 4. - CONTROLS AND PROCEDURES

Our management team, under the supervision and with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of the last day of the fiscal period covered by this report, March 31, 2014. The term disclosure controls and procedures means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation and the deficiencies noted in our management's report on internal controls and procedures over financial reporting, our principal executive officer and our principal financial officer concluded that, given the size of our Company and its finance department, that our disclosure controls and procedures were not effective as of March 31, 2014.

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended March 31, 2014, no changes were made to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. - LEGAL PROCEEDINGS

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our Company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

ITEM 1A. - RISK FACTORS

Our business is subject to a variety of risks and uncertainties, including, but not limited to, the risks and uncertainties described below. If any of the risks described below, or elsewhere in this report on Form 10-Q, or our Company's other filings with the Securities and Exchange Commission (the "SEC"), were to occur, our financial condition and results of operations could suffer and the trading price of our common stock could decline. Additionally, if other risks not presently known to us, or that we do not currently believe to be significant, occur or become significant, our financial condition and results of operations could suffer and the trading price of our common stock could decline.

You should carefully consider the following risk factors together with the other information contained in this Quarterly Report on Form 10-Q, and in prior reports pursuant to the Securities Exchange Act of 1934, as amended and the Securities Act of 1933, as amended. Our risk factors, including but not limited to the risk factors listed below, are as follows:

SHOULD ONE OR MORE OF THE FOREGOING RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD THE UNDERLYING ASSUMPTIONS OF OUR BUSINESS PROVE INCORRECT, ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THOSE ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED, INTENDED OR PLANNED.

The report of our independent registered public accounting firm contains explanatory language that substantial doubt exists about our ability to continue as a going concern.

The independent auditor's report on our financial statements contains explanatory language that substantial doubt exists about our ability to continue as a going concern. Due to our lack of operating history and present inability to generate revenues, we have sustained operating losses since our inception. Since our inception, up to March 31, 2014, we had accumulated net losses of \$82,343,185. If we are unable to obtain sufficient financing in the near term as required or achieve profitability, then we would, in all likelihood, experience severe liquidity problems and may have to curtail our operations. If we curtail our operations, we may be placed into bankruptcy or undergo liquidation, the result of which will adversely affect the value of our common shares.

We may not have access to sufficient capital to pursue our business and therefore would be unable to achieve our planned future growth.

We intend to pursue a strategy that includes development of our Company's business plan. Currently we have limited capital, which is insufficient to pursue our plans for development and growth. Our ability to implement our Company's plans will depend primarily on our ability to obtain additional private or public equity or debt financing. Such financing may not be available, or we may be unable to locate and secure additional capital on terms and conditions that are acceptable to us. Financing exploration plans through equity financing will have a dilutive effect on our common shares. Our failure to obtain additional capital will have a material adverse effect on our business.

Our primary exploration efforts are in the African country of Madagascar, where democratic elections took place in 2013.

Any adverse developments to the political situation in Madagascar could have a material effect on our Company's business, results of operations and financial condition. Democratic elections in Madagascar occurred in 2013, under the UN and EU supervision. To date, our Company has not experienced and disruptions or been placed under any constraints in our exploration efforts due to the political situation in Madagascar. Depending on future actions taken by the elected transitional government, or any future government, our Company's business operations could be impacted.

Results of the presidential election were issued on January 17, 2014, with Mr. Hery Rajaonarimampianina winning the presidency. He was inaugurated as President of the Republic on January 25, 2014. Legislative results were proclaimed on February 6, 2014. Of 151 seats in the National Assembly, 4 districts will have to organize new elections. The African Union lifted its sanctions against Madagascar and the new President of the Republic attended the AU summit in Addis Ababa on January 30-31, 2014. The President named a prime minister on April 11, 2014 and a new government was installed on April 18, 2014. The new National Assembly convened on February 18, 2014 and has now elected its Bureau and installed its commissions.

We are actively monitoring the political climate in Madagascar and continue to hold meetings with representatives of the government and the new Ministry of Strategic Resources, which now has jurisdiction over both mining and petroleum. The transformation or amendment of exploration and research mining permits within the country continues to be suspended. Our Company has continued to pay taxes and administrative fees in Madagascar with respect to all the mining permits we hold. These payments have been acknowledged and accepted by the Madagascar government.

Our common shares have been subject to penny stock regulation in the United States of America.

Our common shares have been subject to the provisions of Section 15(g) and Rule 15g-9 of the (US) Securities Exchange Act of 1934, as amended (the "Exchange Act"), commonly referred to as the "penny stock" rule. Section 15(g) sets forth certain requirements for transactions in penny stocks and Rule 15g-9(d)(1) incorporates the definition of penny stock as that used in Rule 3a51-1 of the Exchange Act. The Commission generally defines penny stock to be any equity security that has a market price less than US\$5.00 per share, subject to certain exceptions. Rule 3a51-1 provides that any equity security is considered to be penny stock unless that security is: registered and traded on a national securities exchange meeting specified criteria set by the Commission; issued by a registered investment company; excluded from the definition on the basis of price (at least US\$5.00 per share) or the registrant's net tangible assets; or exempted from the definition by the Commission. If our common shares are deemed to be "penny stock", trading in common shares will be subject to additional sales practice requirements on broker/dealers who sell penny stock to persons other than established customers and accredited investors.

Financial Industry Regulatory Authority, Inc. ("FINRA") sales practice requirements may limit a shareholder's ability to buy and sell our common shares.

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that in recommending an investment to a client, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that client. Prior to recommending speculative low priced securities to their non-institutional clients, broker-dealers must make reasonable efforts to obtain information about the client's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some clients. FINRA requirements make it more difficult for broker-dealers to recommend that their clients buy our common shares, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

As a public company we are subject to complex legal and accounting requirements that will require us to incur significant expenses and will expose us to risk of non-compliance.

As a public company, we are subject to numerous legal and accounting requirements in both Canada and the United States of America that do not apply to private companies. The cost of compliance with many of these requirements is

material, not only in absolute terms but, more importantly, in relation to the overall scope of the operations of a small company. Our relative inexperience with these requirements may increase the cost of compliance and may also increase the risk that we will fail to comply. Failure to comply with these requirements can have numerous adverse consequences including, but not limited to, our inability to file required periodic reports on a timely basis, loss of market confidence, delisting of our securities and/or governmental or private actions against us. We cannot assure you that we will be able to comply with all of these requirements or that the cost of such compliance will not prove to be a substantial competitive disadvantage vis-à-vis privately held and larger public competitors.

Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and pose challenges for our management.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated thereunder, the Sarbanes-Oxley Act and SEC regulations, have created uncertainty for public companies and significantly increased the costs and risks associated with accessing the U.S. public markets. Our management team needs to devote significant time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

Because we are quoted on the OTCQX instead of a national securities exchange in the United States, our U.S. investors may have more difficulty selling their stock or experience negative volatility on the market price of our stock in the United States.

In the United States, our common shares are quoted on the OTCQX. The OTCQX is marketed as an electronic exchange for high growth and early stage U.S. companies and a prospective “final step toward a NASDAQ or NYSE listing” (although no assurances can be provided that such change of market shall occur). Trades are settled and cleared in the U.S. similar to any NASDAQ or NYSE stock and trade reports are disseminated through Yahoo, Bloomberg, Reuters, and most other financial data providers. The OTCQX can be significantly illiquid, in part because it does not have a national quotation system by which potential investors can follow the market price of shares except through information received and generated by a limited number of broker-dealers that make markets in particular stocks. There is a greater chance of volatility for securities that trade on the OTCQX as compared to a national securities exchange in the United States, such as the New York Stock Exchange, the NASDAQ Stock Market or the NYSE Amex. This volatility may be caused by a variety of factors, including the lack of readily available price quotations, the absence of consistent administrative supervision of bid and ask quotations, lower trading volume, and market conditions. U.S. investors in our common shares may experience high fluctuations in the market price and volume of the trading market for our securities. These fluctuations, when they occur, have a negative effect on the market price for our common shares. Accordingly, our U.S. shareholders may not be able to realize a fair price from their shares when they determine to sell them or may have to hold them for a substantial period of time until the market for our common shares improves.

In addition to being quoted on the OTCQX, our common shares trade on the Toronto Stock Exchange (“TSX”), Canada’s national stock exchange, under the symbol EGZ and on the Frankfurt Exchange under the symbol YE5.

The price at which you purchase our common shares may not be indicative of the price that will prevail in the trading market. You may be unable to sell your common shares at or above your purchase price, which may result in substantial losses to you. The market price for our common shares is particularly volatile given our status as a relatively unknown company with a small and thinly traded public float, limited operating history and lack of profits which could lead to wide fluctuations in our share price.

The market for our common shares is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer. The volatility in our share price is attributable to a number of factors. First our common shares, at times, are thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our shareholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Second, we are a speculative or “risky” investment due to our limited operating history, lack of profits to date and uncertainty of future market acceptance for our potential products. As a consequence, more risk-averse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. Many of these factors are beyond our control and may decrease the market price of our common shares, regardless of our performance. We cannot make any predictions as to what the prevailing market price for our common shares will be at any time or as to what effect that the sale of shares or the availability of common shares for sale at any time will

have on the prevailing market price.

Shareholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. The occurrence of these patterns or practices could increase the volatility of our share price.

Volatility in our common share price may subject us to securities litigation, thereby diverting our resources that may have a material effect on our profitability and results of operations.

The market for our common shares is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may in the future be the target of similar litigation. This type of litigation could result in substantial costs and could divert management's attention and resources.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") could have a material adverse effect on our business and our operating results.

If we fail to comply with the requirements of Section 404 of the Sarbanes-Oxley Act regarding internal control over financial reporting or to remedy any material weaknesses in our internal controls that we may identify, such failure could result in material misstatements in our financial statements, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common shares.

Pursuant to Section 404 of the Sarbanes-Oxley Act and current SEC regulations, we are required to prepare assessments regarding internal controls over financial reporting. In connection with our on-going assessment of the effectiveness of our internal control over financial reporting, we may discover "material weaknesses" in our internal controls as defined in standards established by the Public Company Accounting Oversight Board, or the PCAOB. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The PCAOB defines "significant deficiency" as a deficiency that results in more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected.

In the event that a material weakness is identified, as it has been for this report, subject to expansion of the size of our Company and our finance department, we will employ qualified personnel and adopt and implement policies and procedures to address any material weaknesses that we identify. However, the process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. We cannot assure you that the measures we will take will remediate any material weaknesses that we may identify or that we will implement and maintain adequate controls over our financial process and reporting in the future.

Any failure to complete our assessment of our internal control over financial reporting, to remediate any material weaknesses that we may identify or to implement new controls, or difficulties encountered in their implementation, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Any such failure could adversely affect the results of the management evaluations of our internal controls. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common shares.

Should we lose the services of our key executives, our financial condition and proposed expansion may be negatively impacted.

We depend on the continued contributions of our executive officers to work effectively as a team, to execute our

business strategy and to manage our business. The loss of key personnel, or their failure to work effectively, could have a material adverse effect on our business, financial condition, and results of operations. Specifically, we rely on Richard Schler, our Chief Executive Officer, Craig Scherba, our President and Chief Operating Officer and Peter Liabotis, our Chief Financial Officer. We do not maintain key man life insurance. Should we lose any or all of their services and we are unable to replace their services with equally competent and experienced personnel, our operational goals and strategies may be adversely affected, which will negatively affect our potential revenues.

Minnesota law and our articles of incorporation protect our directors from certain types of lawsuits, which could make it difficult for us to recover damages from them in the event of a lawsuit.

Minnesota law provides that our directors will not be liable to our Company or to our stockholders for monetary damages for all but certain types of conduct as directors. Our articles of incorporation require us to indemnify our directors and officers against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing stockholders from recovering damages against our directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require our Company to use its assets to defend our directors and officers against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

We have not identified any mineral reserves or resources and due to the speculative nature of mineral property exploration, there is substantial risk that no commercially exploitable minerals will be found and our business will fail.

Exploration for minerals is a speculative venture involving substantial risk. We cannot provide investors with any assurance that our claims and properties contain commercially exploitable reserves. The exploration work that we intend to conduct on our claims or properties may not result in the discovery of commercial quantities of graphite, vanadium, gold, uranium, or other minerals. Problems such as unusual and unexpected rock formations and other conditions are involved in mineral exploration and often result in unsuccessful exploration efforts. In such a case, we would be unable to complete our business plan.

We are a mineral exploration company with a limited operating history and expect to incur operating losses for the foreseeable future.

We are a mineral exploration company. We have not earned any revenues and we have not been profitable. Prior to completing exploration on our claims, we may incur increased operating expenses without realizing any revenues. There are numerous difficulties normally encountered by mineral exploration companies, and these companies experience a high rate of failure. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration of the mineral properties that we plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. We have no history upon which to base any assumption as to the likelihood that our business will prove successful, and we can provide no assurance to investors that we will generate any operating revenues or ever achieve profitable operations.

Because of the speculative nature of mineral property exploration, there is substantial risk that no commercially exploitable minerals will be found and our business will fail.

Exploration for minerals is a speculative venture involving substantial risk. We cannot provide investors with any assurance that our claims and properties contain commercially exploitable reserves. The exploration work that we intend to conduct on our claims or properties may not result in the discovery of commercial quantities of graphite, vanadium, gold, uranium or other minerals. Uncertainties and unexpected occurrences are virtually given in mineral exploration and often result in unsuccessful exploration efforts. In such a case, we would be unable to complete our business plan.

Because of the inherent dangers involved in mineral exploration, there is a risk that we may incur liability or damages as we conduct our business.

The search for valuable minerals involves numerous hazards. As a result, we may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which we cannot, or may elect not, to insure against. We currently have no such insurance, but our management intends to periodically review the availability of commercially reasonable insurance coverage. If a hazard were to occur, the costs of rectifying the hazard may exceed our asset value and cause us to liquidate all our assets.

If we confirm commercial concentrations of graphite, vanadium, gold, uranium or other minerals on our claims and interests, we can provide no assurance that we will be able to successfully bring those claims or interests into commercial production.

If our exploration programs are successful in confirming deposits of commercial tonnage and grade, we will require significant additional funds in order to place the claims and interests into commercial production. This may occur for a number of reasons, including because of regulatory or permitting difficulties, because we are unable to obtain any adequate funds or because we cannot obtain such funds on terms that we consider economically feasible.

Because access to our properties may be restricted by inclement weather or proper infrastructure, our exploration programs are likely to experience delays.

Access to most of the properties underlying our claims and interests is restricted due to their remote locations and because of weather conditions. Some of our properties are only accessible by air. As a result, any attempts to visit, test, or explore the property are generally limited to those periods when weather permits such activities. These limitations can result in significant delays in exploration efforts, as well as mining and production efforts in the event that commercial amounts of minerals are found. This could cause our business to fail.

As we undertake exploration of our claims and interests, we will be subject to the compliance of government regulation that may increase the anticipated time and cost of our exploration program.

There are several governmental regulations that materially restrict the exploration of minerals. We will be subject to the mining laws and regulations in force in the jurisdictions where our claims are located, and these laws and regulations may change over time. In order to comply with these regulations, we may be required to obtain work permits, post bonds, complete environmental assessments and perform remediation work for any physical disturbance to land. While our planned budget for exploration programs includes a contingency for regulatory compliance, there is a risk that new regulations could increase our costs of doing business and prevent us from carrying out our exploration program, or that our budgeted amounts are inadequate.

Our operations are subject to strict environmental regulations, which result in added costs of operations and operational delays.

Our operations are subject to environmental regulations, which could result in additional costs and operational delays. All phases of our operations are subject to environmental regulation. Environmental legislation is evolving in some countries and jurisdictions in a manner that may require stricter standards, and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that any future changes in environmental regulation will not negatively affect our projects.

We have no insurance for environmental problems.

Insurance against environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production, has not been available generally in the mining industry. We have no insurance coverage for most environmental risks. In the event of a problem, the payment of environmental liabilities and costs would reduce the funds available to us for future operations. If we are unable to full pay for the cost of remedying an environmental problem, we might be required to enter into an interim compliance measure pending completion of the required remedy.

We do not intend to pay dividends.

We do not anticipate paying cash dividends on our common shares in the foreseeable future. We may not have sufficient funds to legally pay dividends. Even if funds are legally available to pay dividends, we may nevertheless decide, in our sole discretion, not to pay dividends. The declaration, payment and amount of any future dividends will be made at the discretion of our board of directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors our board of directors may consider relevant. There is no assurance that we will pay any dividends in the future, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend.

Due to external market factors in the mining business, we may not be able to market any minerals that may be found.

The mining industry, in general, is intensely competitive. Even if commercial quantities of minerals are discovered, we can provide no assurance to investors that a ready market will exist for the sale of these minerals. Numerous factors beyond our control may affect the marketability of any substances discovered. These factors include market fluctuations, the sale price of the minerals, the proximity and capacity of markets and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, mineral importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but any combination of these factors may result in our not receiving an adequate return on invested capital.

Our performance may be subject to fluctuations in market prices of any minerals that we find.

The profitability of a mineral exploration project could be significantly affected by changes in the market price of the relevant minerals. Market prices of graphite have increased over the past several months due to possible new applications. The price of vanadium has increased due to the markets in China as well as the expanded uses including large-scale power storage application. The price of gold has fallen slightly after recently reaching record highs. Demand for gold can also be influenced by economic conditions, attractiveness as an investment vehicle and the relative strength of the U.S. dollar and local investment currencies. The market price of uranium has increased due in large measure to projections as to the number of new nuclear energy plants that will be constructed in China, the United States and other jurisdictions. A number of other factors affect the market prices for other minerals. The aggregate effect of the factors affecting the prices of various minerals is impossible to predict with accuracy. Fluctuations in mineral prices may adversely affect the value of any mineral discoveries made on the properties with which we are involved, which may in turn affect the market price and liquidity of our common shares and our ability to pursue and implement our business plan. In addition, the price of both graphite and vanadium can fluctuate significantly on a month-to-month and year-to-year basis.

Because from time to time we hold a significant portion of our cash reserves in Canadian dollars, we may experience losses due to foreign exchange translations.

From time to time we hold a significant portion of our cash reserves in Canadian dollars. Due to foreign exchange rate fluctuations, the value of these Canadian dollar reserves can result in translation gains or losses in U.S. dollar terms. If there was a significant decline in the Canadian dollar against the U.S. dollar, our converted Canadian dollar cash balances presented in U.S. dollars on our balance sheet would significantly decline. Recently, the Canadian dollar has declined to near the 90 cent mark relative to US dollars. There is no certainty as to whether the value of the Canadian dollar will rise or continue to fall. If the US dollar significantly declines relative to the Canadian dollar our quoted US dollar cash position would significantly decline as it would be more expensive in US dollar terms to pay Canadian dollar expenses. We have not entered into derivative instruments to offset the impact of foreign exchange fluctuations.

We are exposed to general economic conditions, which could have a material adverse impact on our business, operating results and financial condition.

Recently there have been adverse conditions and uncertainty in the global economy as the result of unstable global financial and credit markets, inflation, and recession. These unfavourable economic conditions and the weakness of the credit market may continue to have an impact on our Company's business and our Company's financial condition. The current global macroeconomic environment may affect our Company's ability to access the capital markets may be severely restricted at a time when our Company wishes or needs to access such markets, which could have a materially adverse impact on our Company's flexibility to react to changing economic and business conditions or carry on our operations.

Until we can full validate, the properties described herein have no known mineral reserves of any kind.

Further details regarding our Company's properties, although not incorporated by reference, including the comprehensive geological report prepared in compliance with Canada's National Instrument 43-101 on the Sagar Property in Northern Québec, on the Green Giant Property in Madagascar and on the Joint Venture Ground (Molo Graphite Deposit) in Madagascar, have been filed within our Company's filings on Sedar at <http://www.sedar.com> (which website is expressly not incorporated by reference into this filing).

Climate change and related regulatory responses may impact our business.

Climate change as a result of emissions of greenhouse gases is a current topic of discussion and may generate government regulatory responses in the near future. It is impracticable to predict with any certainty the impact of climate change on our business or the regulatory responses to it, although we recognize that they could be significant. However, it is too soon for us to predict with any certainty the ultimate impact, either directionally or quantitatively, of climate change and related regulatory responses.

To the extent that climate change increases the risk of natural disasters or other disruptive events in the areas in which we operate, we could be harmed. While we maintain rudimentary business recovery plans that are intended to allow us to recover from natural disasters or other events that can be disruptive to our business, our plans may not fully protect us from all such disasters or events.

The current financial environment may impact our business and financial condition that we cannot predict.

The continued instability in the global financial system and related limitation on availability of credit may continue to have an impact on our business and our financial condition, and we may continue to face challenges if conditions in the

financial markets do not improve. Our ability to access the capital markets has been restricted as a result of the economic downturn and related financial market conditions and may be restricted in the future when we would like, or need, to raise capital. The difficult financial environment may also limit the number of prospects for potential joint venture, asset monetization or other capital raising transactions that we may pursue in the future or reduce the values we are able to realize in those transactions, making these transactions uneconomic or difficult to consummate.

SHOULD ONE OR MORE OF THE FOREGOING RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD THE UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY DIFFER SIGNIFICANTLY FROM THOSE ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED, INTENDED OR PLANNED

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

For the period from July 1, 2012 through March 31, 2014, our Company issued the following unregistered securities:

- During July 2012, \$105,000 was raised through the exercise of 700,000 stock options at \$0.15 per share.
- On July 13, 2012, we issued 1,695,000 stock options to directors, officers and consultants of the Company.
- During November 2012, we closed a brokered and non-brokered private placement raising a total of \$2,032,500. We issued 5,807,142 common stock at \$0.35 per share and 2,903,571 common share purchase warrants at an exercise price of \$0.50, expiring 24 months from the date of issue. We paid fees of \$119,010 and issued 340,028 compensation common share purchase warrants. Each compensation common share purchase 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.
- On February 27, 2013, we issued 5,900,000 stock options to directors, officers and consultants of the Company.
- During March 2013, we closed a private placement raising CAD\$2,358,000 (USD\$2,307,035). We issued 12,350,000 common stock at prices between \$0.18 and \$0.20 per share. We paid a fee of \$86,000 (USD\$84,176) and issued 270,000 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at CAD\$0.20.
- During July and August 2013, we closed a private placement raising \$2,043,452 through the issuance of 16,950,001 common shares. We 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.
- On December 18, 2013, we closed a private placement raising a total of \$1,479,023. We issued 11,189,215 common shares at a price of CAD\$0.14. We paid fees of \$112,067 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.
- On January 15, 2014 and January 31, 2014, we closed a private placement raising a total of \$6,910,503. We 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. We paid fees of \$488,234 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.

The offer and sale of all shares of our common shares and warrants listed above were affected in reliance on the exemptions for sales of securities not involving a public offering, as set forth in Regulation S promulgated under the Securities Act. The Investor acknowledged the following: Subscriber is not a United States Person, nor is the Subscriber acquiring the shares of our common stock and warrants directly or indirectly for the account or benefit of a United States Person. None of the funds used by the Subscriber to purchase the shares of our common stock and warrants have been obtained from United States Persons. For purposes of this Agreement, "United States Person" within the meaning of U.S. tax laws, means a citizen or resident of the United States, any former U.S. citizen subject to Section 877 of the Internal Revenue Code, any corporation, or partnership organized or existing under the laws of the United States of America or any state, jurisdiction, territory or possession thereof and any estate or trust the income of which is subject to U.S. federal income tax irrespective of its source, and within the meaning of U.S. securities laws, as defined in Rule 902(o) of Regulation S, means: (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. person; (iv) any trust of which any trustee is a U.S. person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and (viii) any partnership or corporation if organized under the laws of any foreign jurisdiction, and formed by a

U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a)) who are not natural persons, estates or trusts. Further, we anticipate that additional funding will be in the form of equity financing from the sale of our common stock. However, we cannot provide investors with any assurance that we will be able to raise sufficient funding for additional phases of exploration. We currently believe that debt financing will not be an alternative for funding additional phases of exploration. We do not have any arrangements in place for any future equity financing.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There were no defaults upon senior securities during the period ended March 31, 2014.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

There is no information with respect to which information is not otherwise called for by this form.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Commission. Our Commission filings are available to the public over the Internet at the Commission's website at <http://www.sec.gov>. The public may also read and copy any document we file with the Commission at its Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, on official business days during the hours of 10:00 am to 3:00 pm. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. We maintain a website at <http://www.energizerresources.com>, (which website is expressly not incorporated by reference into this filing). Information contained on our website is not part of this report on Form 10-Q.