Madagascar Oil Limited

Management Update

14 May 2012

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Contents

Background and Overview

Madagascar Political Summary

- Madagascar is the 4th largest island in the world covering almost 600,000 sq. KM and a population of 22 million
- Past socialist economic policies were replaced in the mid 1990s with a World Bank and International Monetary Fund sponsored liberalisation and privatisation schemes
- In 1993, free presidential and National Assembly elections were held ending 17 years of single-party rule
- In 2001, Marc Ravalomanana won a highly contested presidential election, but achieved a landslide victory in 2005 during free and fair elections
- In early 2009, protests over increasing restrictions on opposition press and activities resulted in Ravalomanana stepping down and the presidency was assumed by the mayor of Antananarivo, Andry Rajoelina
- As a result, the European Union, United States and other world bodies suspended aid to Madagascar
- In late 2011, the Southern African Development Community (SADC) proposed a road map to new elections. This plan was adopted, resulting in the appointment of a new cabinet with ministers from all 11 political parties.
- The Madagascar government remains in a transitional state as it seeks to establish a date for elections. The signing of the SADC Roadmap originally anticipated elections in 2012, but that has now moved into 2013

Source: CIA Fact book

Key Assets

Madagascar Oil Limited (MOIL) has the largest onshore footprint in Madagascar comprising five contiguous blocks covering 29,500 km^2.

Tsimiroro (100% MOIL)

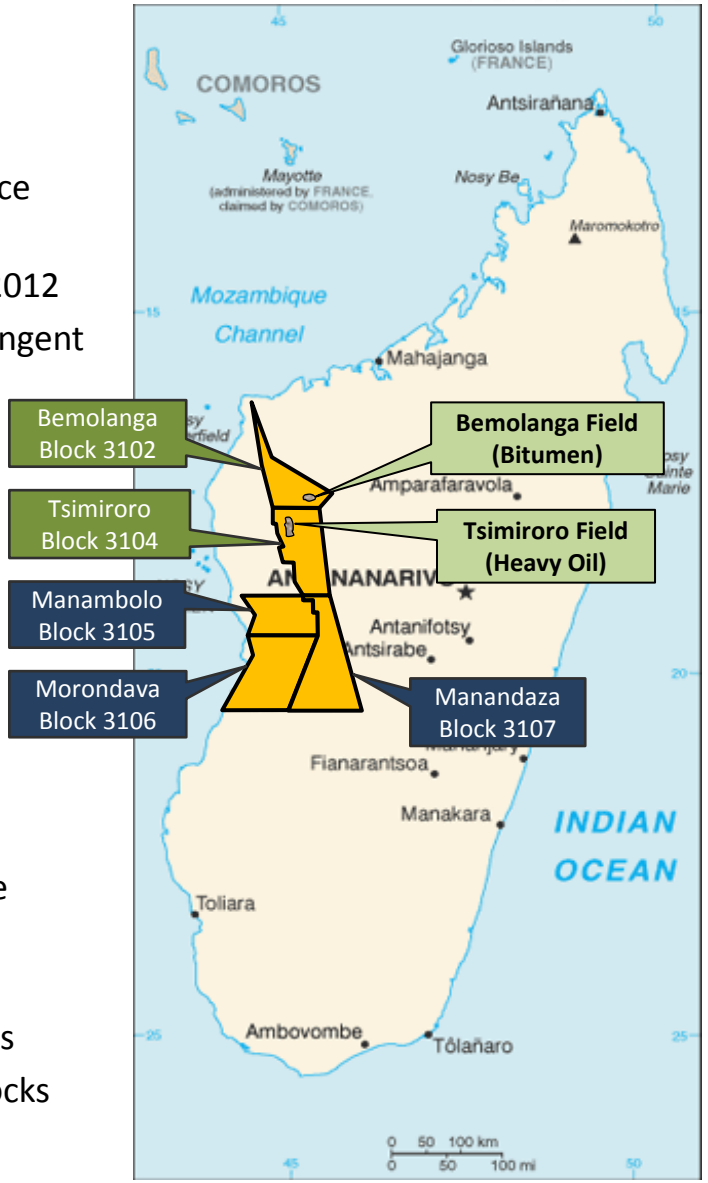
- heavy oil field with 1.7 billon barrels Contingent Original-Oil-in-Place (3.9 billion barrels including prospective category)
- Steam Flood Pilot anticipated to begin steam injection during Q3-2012
- 2011 Management analysis showed valuation for P50 NPV10 contingent oil alone of US$6.7 billion
- 2011 AGG Survey being analysed for potential conventional plays

Bemolanga (Total E&P 60% / MOIL 40%)

- initial efforts directed to a mining project with 1.2 billion barrels Contingent Petroleum-Initially-In-Place
- project on hold pending more favorable economics and/or technological advances
- amended the PSC in 2011 to pursue conventional plays:
  - conducted an AGG Survey in 2011 which has led to interest in basement features; seismic needed for further assessment
  - US$6.5 million gross carry by Total remains, which will fund the Company's capital commitment through 2012

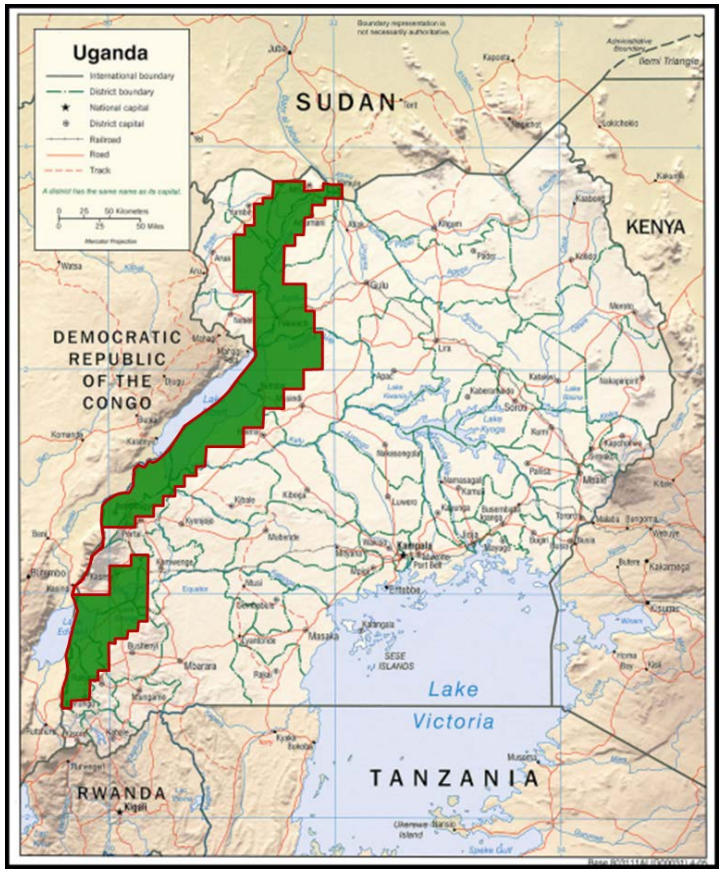
Exploration Blocks (100% MOIL)

- prior seismic programs and Gore surveys identified 3 to 5 prospects
- 24,000 line km AGG survey planned for Q2/Q3-2012 over the 3 blocks
- expecting to pursue farm-out opportunities in late 2012



Madagascar Oil Acreage Position

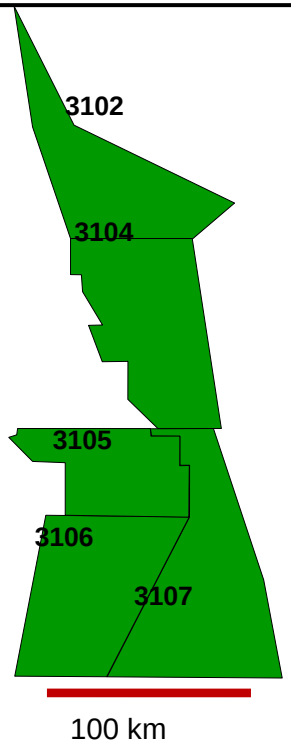
- Like Uganda several years ago, Madagascar is relatively unexplored with the current technology.



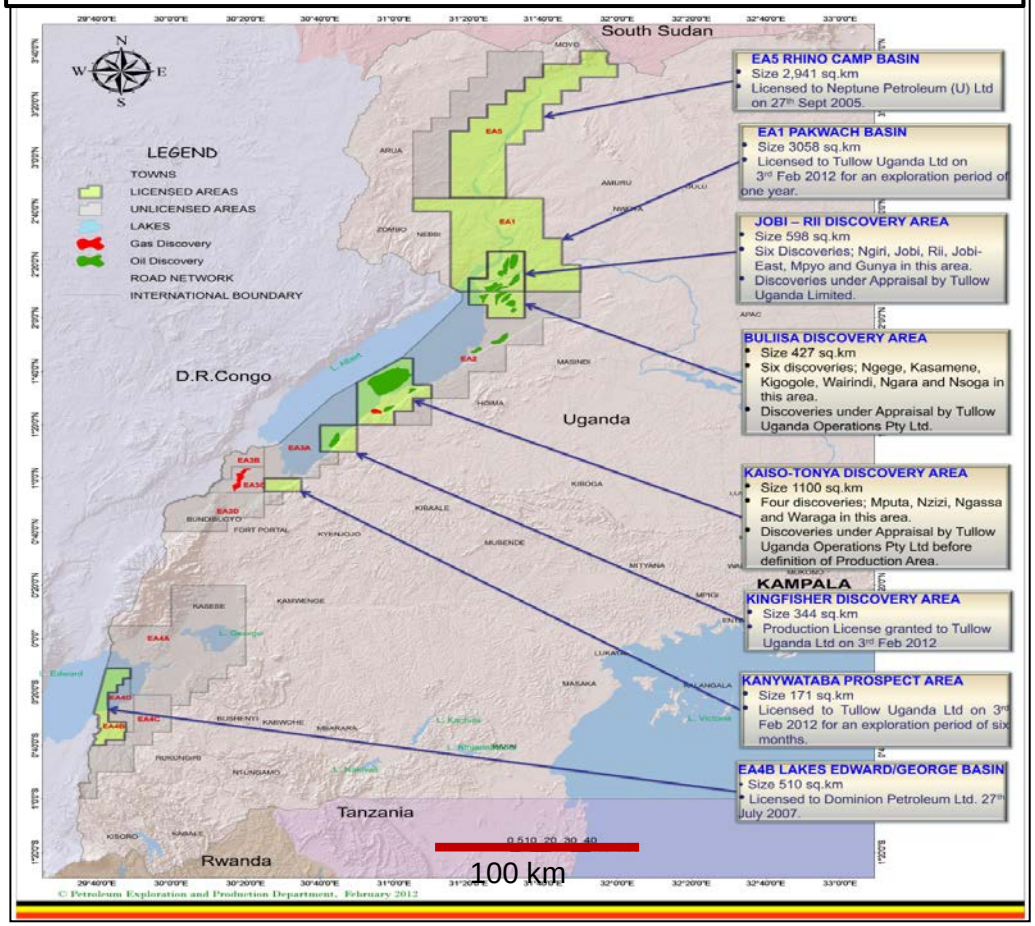
MOIL Acreage Compares Favourably

- Acreage held by MOIL in Madagascar is similar in size to acreage in Uganda where recent discoveries have occurred.

Madagascar Oil Ltd Acreage Position



Uganda acreage: Lake Albert to Lake Edward



Tsimiroro: Significant Resource Increase

- In September 2011 Netherland, Sewell & Associates, Inc. (NSAI) re-evaluated the 2009 CPR Tsimiroro data after incorporating the 2010 delineating drilling
  - the 2011 resource evaluation exceeded Management expectations
- Contingent resources have increased 70% - 75% across low, best and high estimates
- Prospective resources have increased from nil to 991 mmb in the low estimate
  - c. 175% and c. 275% in the base and high case resource estimates, respectively
- The NSAI recovery factor for the steam flood is unchanged from the CPR at 70% and the new Best estimate Contingent OOIP result in a recoverable volume (2C) of 1.1 Billion barrels

(STOIIP)	Contingent	Prospective	Total
	mmb	*mmb*	*mmb*
Low estimate			
NSAI 2009	644	0	644
NSAI 2011	1,100	991	2,091
Increase	*70.8%*	*na*	*224.7%*
Best estimate			
NSAI 2009	965	786	1,751
NSAI 2011	**1,688**	**2,189**	**3,877**
Increase	*74.9%*	*178.5%*	*121.4%*
High estimate			
NSAI 2009	1,412	1,843	3,255
NSAI 2011	2,459	6,872	9,331
Increase	*74.2%*	*272.9%*	*186.7%*

Government Relations: Licenses in Good Standing

Background

- In December 2010, the Company's Tsimiroro block and exploration block licences came under threat. MOIL declared force majeure in March 2011 and began arbitration proceedings in April 2011.

Tsimiroro

- In June 2011, OMNIS and the Ministry of Mines & Hydrocarbons acknowledged that the Tsimiroro Production Sharing Contract (PSC) was valid and that its validity had never been in question.
- In approving the 2012-2013 work programme, OMNIS and the Ministry acknowledged that MOIL would be exercising its option to a 2 year extension, effectively extending the contract term to August 2014, plus an additional 6 month extension if needed to account for the force majeure delay.

Exploration Blocks

- In April 2012, OMNIS confirmed the validity of the PSC's for Blocks 3105, 3106, and 3107, recognised and adopted the work programme for the remainder of the exploration term to December 2014, plus an additional 15 month extension to account for the force majeure delay, which effectively extends the exploration period to March 2016.

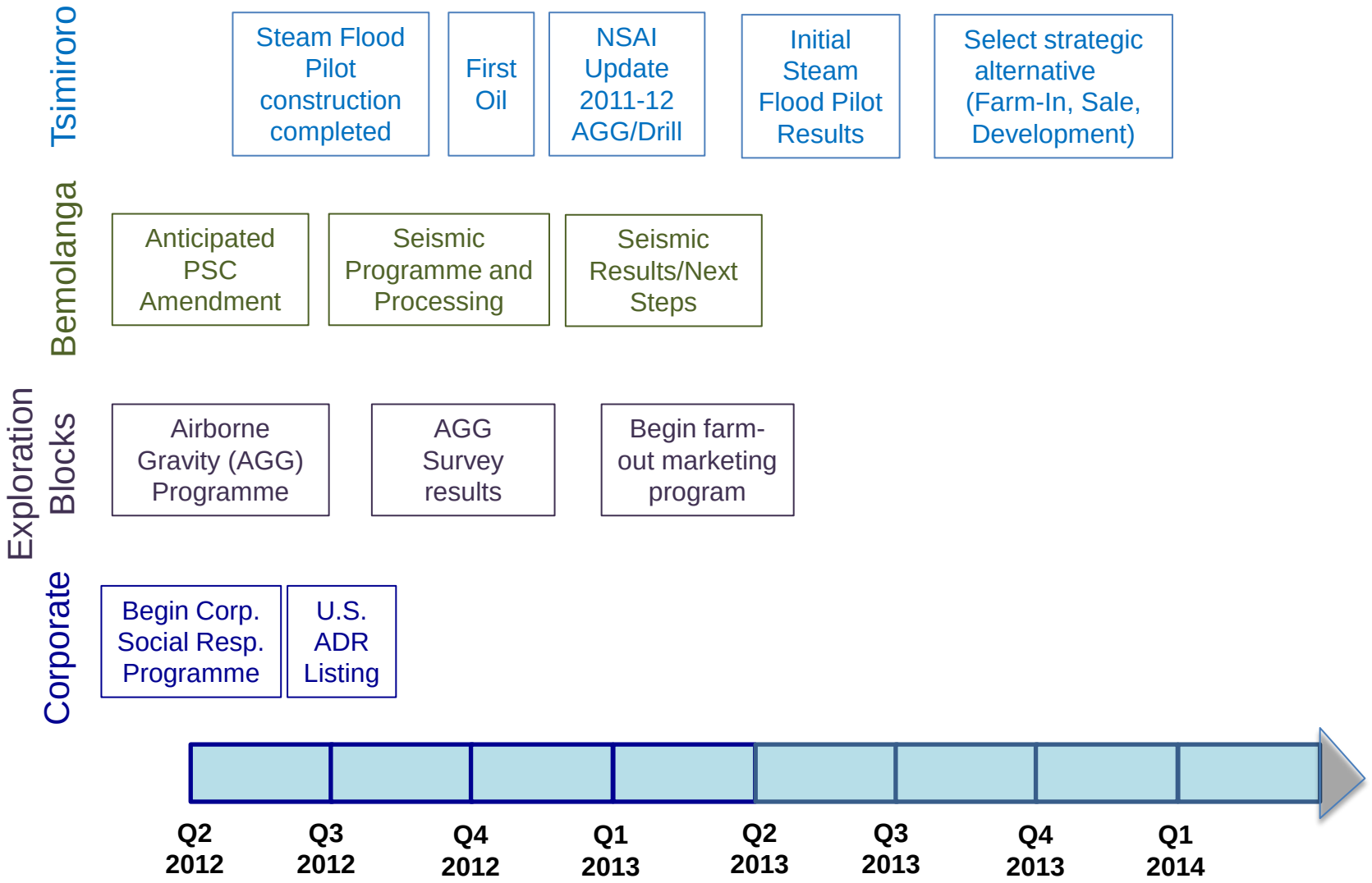
Bemolanga

- Total E&P, MOIL, and OMNIS are in discussions regarding a proposed contract amendment and extension allowing for a seismic programme to better assess prospects for drilling a well on a conventional target. The current phase expires in June 2012.

VAT Dispute

- The Company continues its appeal of a long standing dispute with the government for approximately US$ 4 million value added tax on foreign services, plus US$ 2.8 million of interest and penalties relating to the 2007 and 2008 tax years. In January 2012, the Company filed an appeal with the Council of State, the judiciary body that hears final appeals of tax matters, in order to protect its legal rights.

Key Milestones

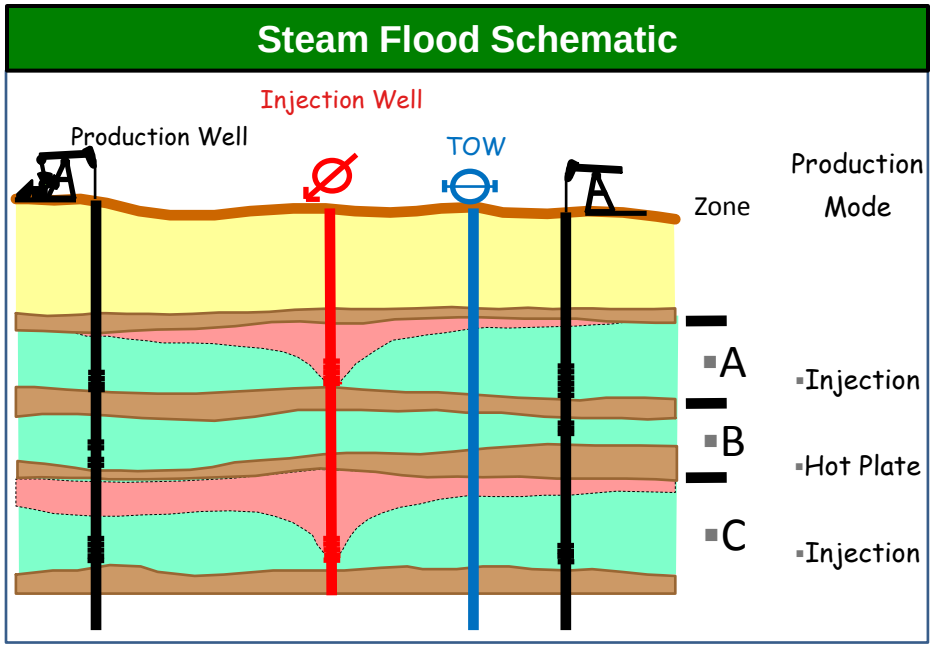


Tsimiroro Heavy Oil Project

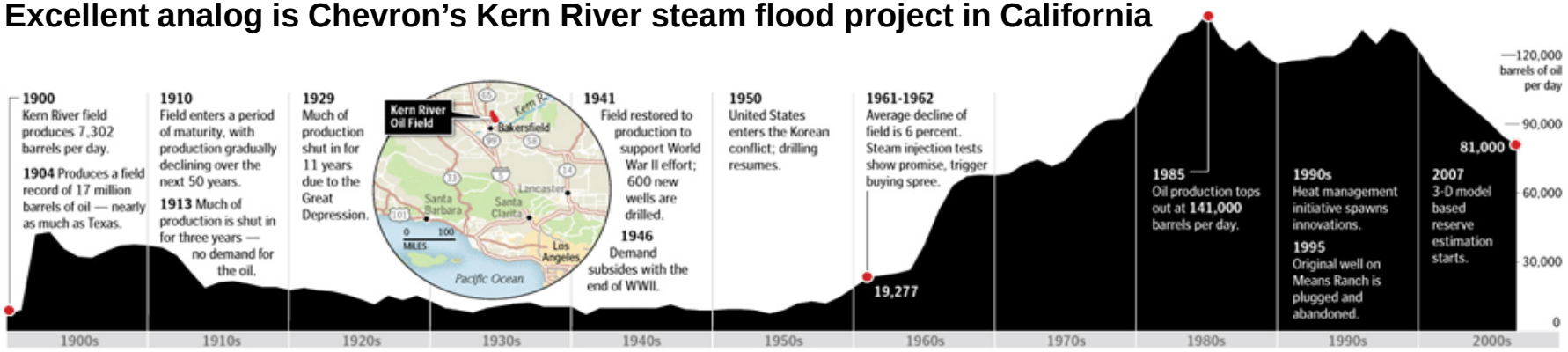
Multi Zone Steam Flood

Key Features

- Proven technology and extensive industry experience minimizes concern over technical application in Tsimiroro.
- Vertical wells deal effectively with multiple zone layers and fault orientations.
- Injection wells can be completed in multiple sand intervals.
- Steam injection and breakthrough is managed to optimize heat application.
- Much lower cost and higher potential recovery for shallow thin sands than SAGD or other thermal techniques.

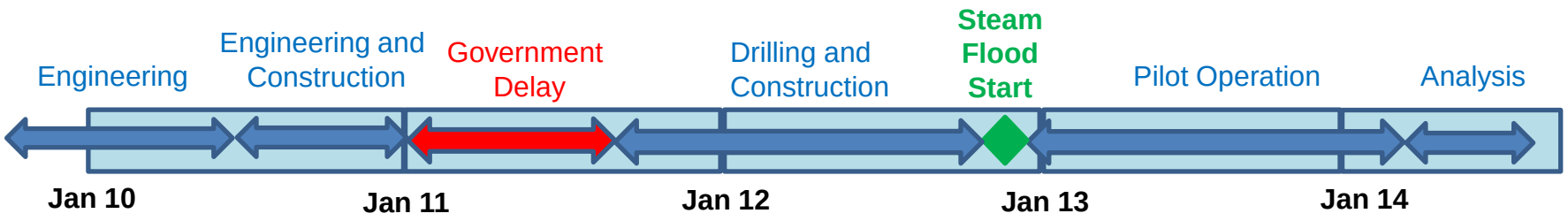


Excellent analog is Chevron's Kern River steam flood project in California



Pilot Project Timeline

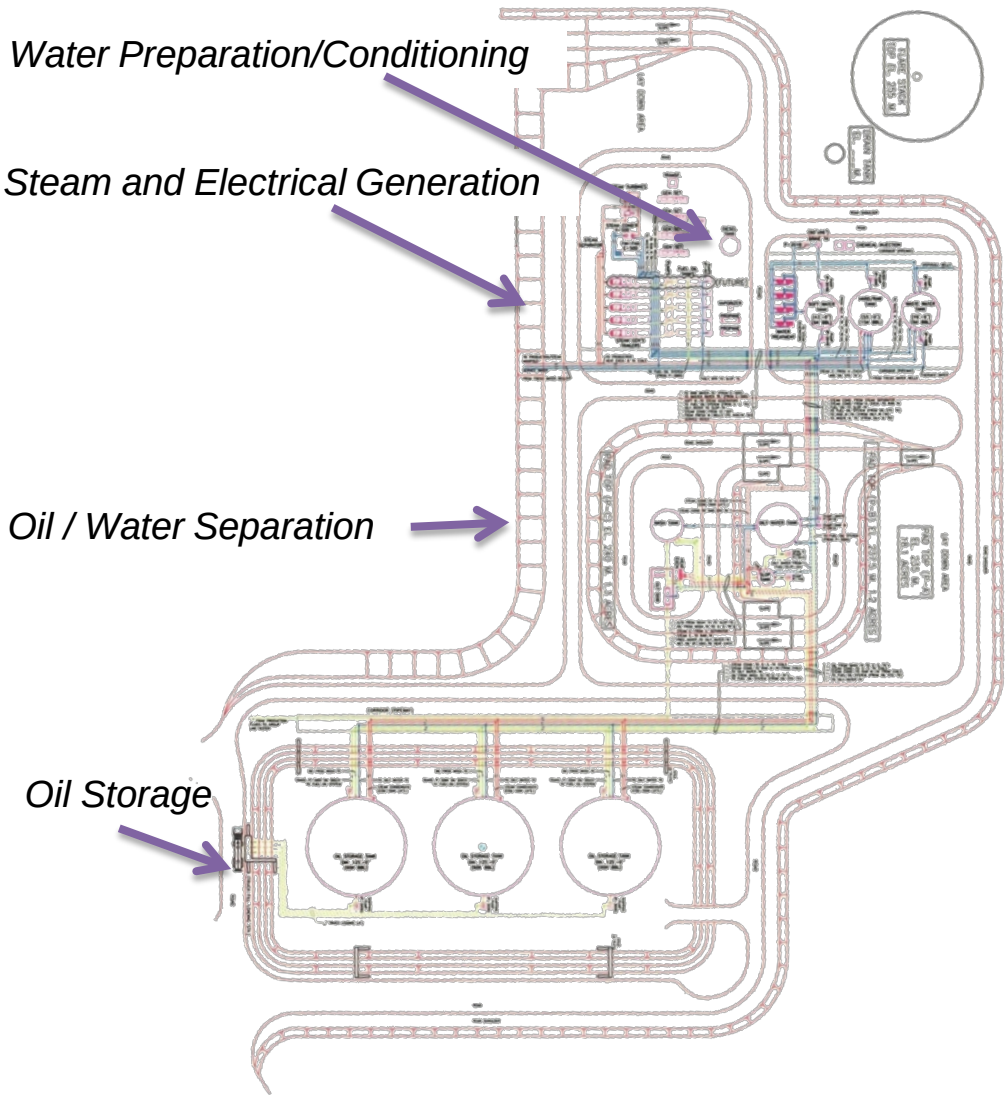
- The steam flood pilot is designed to de-risk the reservoir performance and demonstrate commerciality
  - projected start in Q3 2012.
  - production response estimated in 12 to 18 months
  - remaining pilot capital cost estimated at US$19 million and 15 months' cost of operations at US$10 million
- Initial start-up uses cyclic steam ("huff and puff"). Continuous steam should begin 90 days later
- Pilot design with 9 patterns – 16 producers and 9 injectors with peak production of 1,200 BOPD in 12 months – is the best method to test the potential recovery
- Full field production, upon pilot success, is anticipated to commence in 2018 with rates dependent on the ultimate resource volumes and pilot performance
  - current Contingent Resource Best Case shows 150,000 bbls/day gross
  - current Contingent plus Prospective Best Case shows 300,000 bbls/day gross
- Estimated to be over 50 years of production



Tsimiroro Steam Flood Pilot Facilities

Central Plant Designed

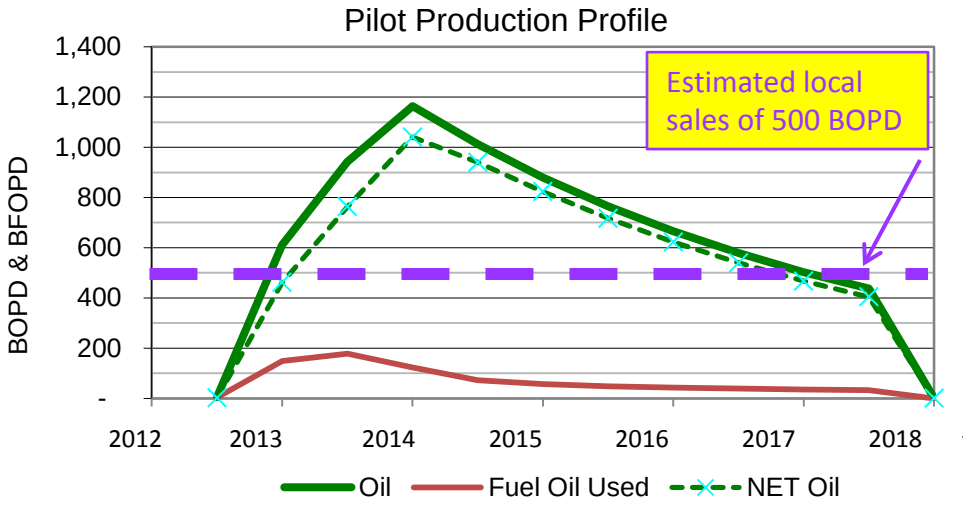
- Use oil to generate steam and electricity
- Recycle most of the water and re-inject as steam
- Uses technologies that are reliable and robust
- Safety and Environmental protection built into plan
- Instrumented to monitor key components, rates, temperatures and pressures, monitor and troubleshoot onsite and remotely



Pilot Oil Sales

Oil Available for Sale:

- Use some oil as fuel for pilot project steam – initially 50-75% of volume – 25% over time.
- Project has 180,000 barrels (1 year) of storage to allow storage until local market can be established.
- Pilot could sustain approximately 500 barrels per day for local use; No export from Madagascar possible for small pilot volume.
- Availability can extend for several years, but will end after 12-18 month pilot unless local oil market is cost-effective.

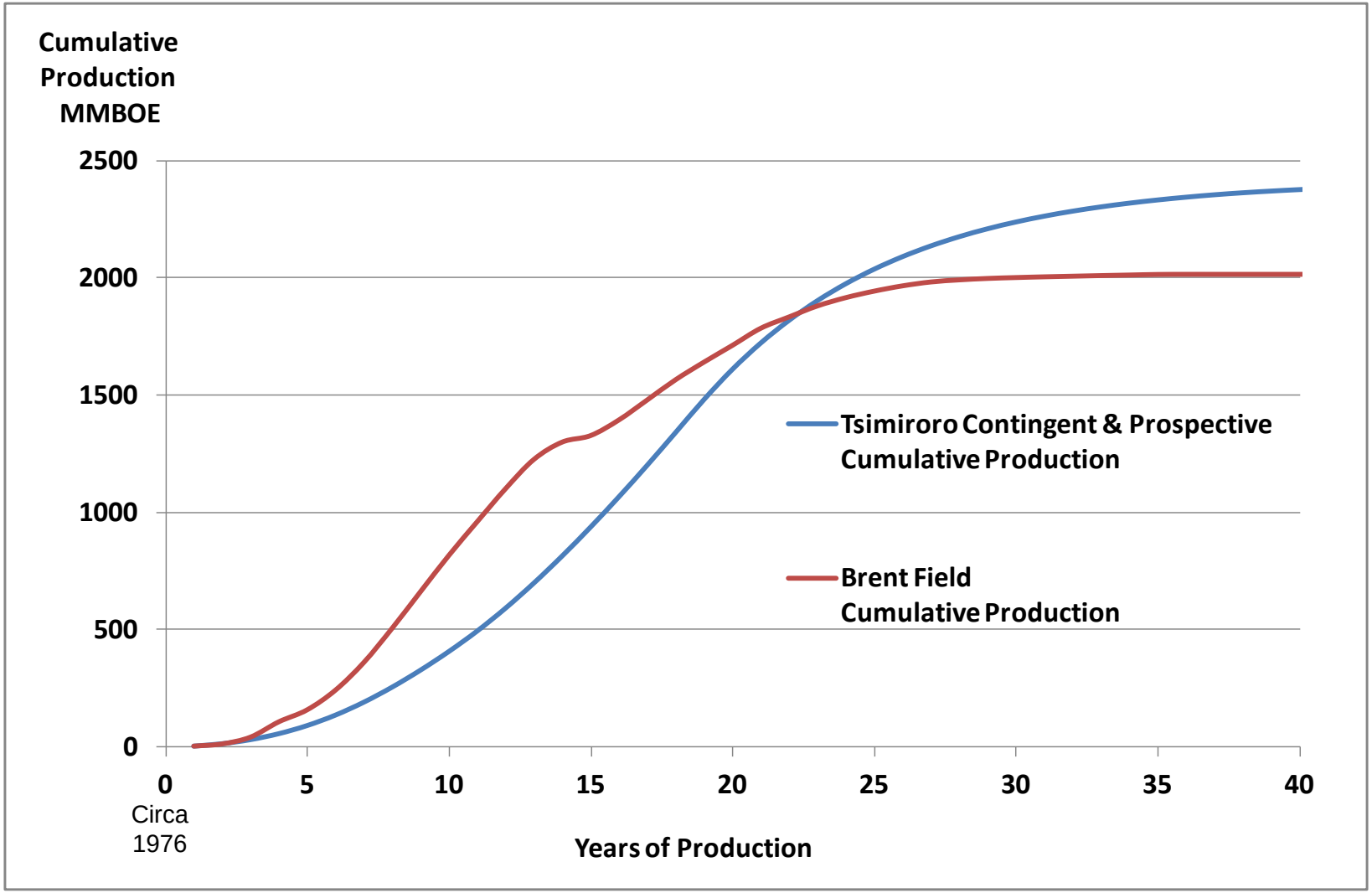


The Company is developing analysis for Madagascar based markets:

- Use as replacement fuel for power generation
  - working with Jirama (National Power Company)
  - could produce for several years until commercial project developed.
  - could supply 10-20% of power fuel and offset current imports.
  - requires engineering to deal properly with heavy oil.
- Develop market as marine bunker fuel or fuel for established mining projects.
- May be possible to use some quantity for road construction

Tsimiroro Economics

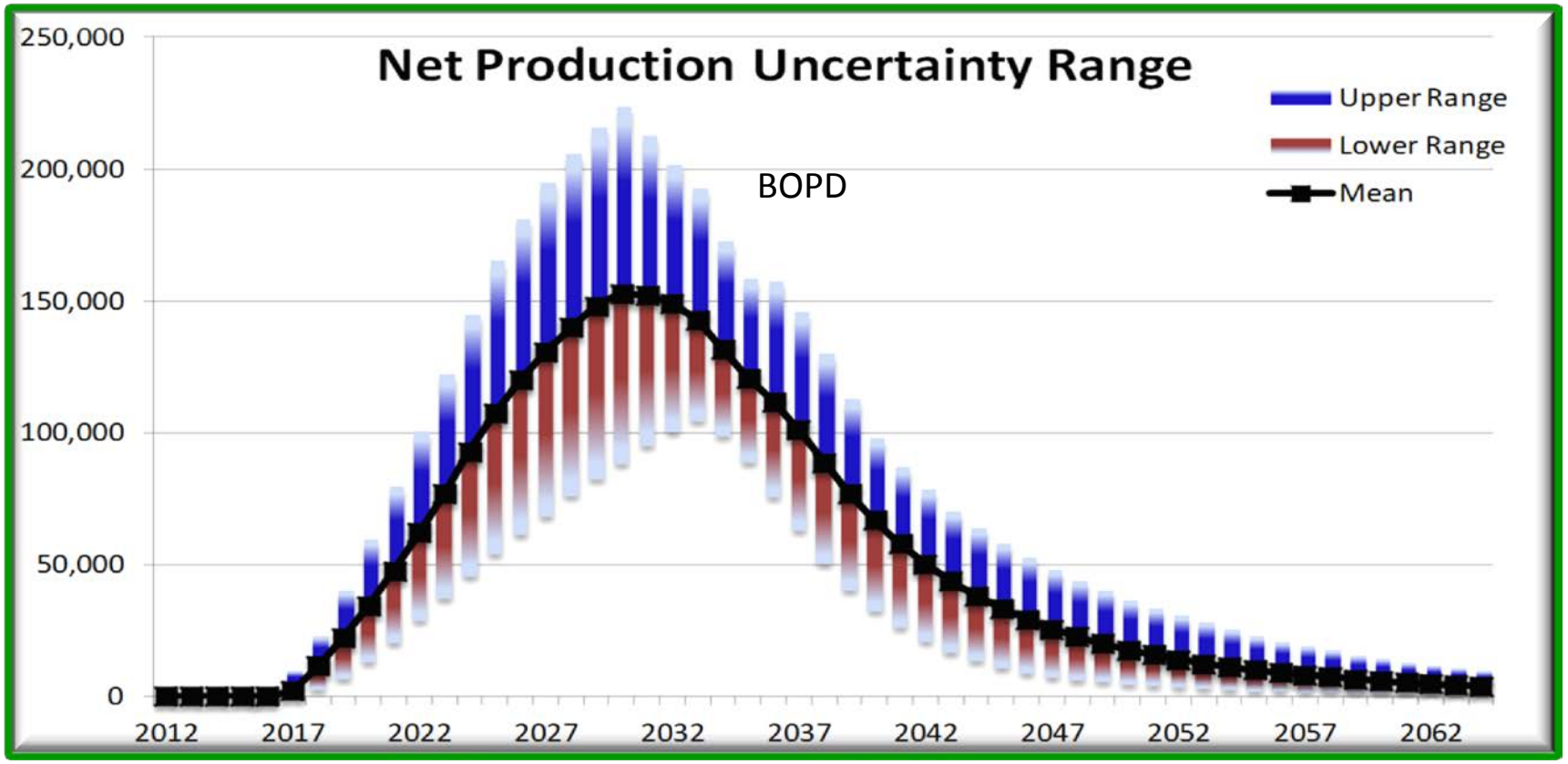
Tsimiroro: A World-Class Resource



Source for Brent Field: UK PPRS "Petroleum Production Reporting System" (www.og.decc.gov.uk/pprs/full_production.htm)

Tsimiroro Estimated Contingent Case Production

- Based on the 1.7 billion barrel Contingent resource case, peak production will reach approximately 150,000 BOPD in 12 years after production start.
- This rate would place Madagascar in the top 10 producers in Africa.
- Mean case generates Government income of over US$2 billion/year for several years and at least US$1 billion/year for 20 years of project life.

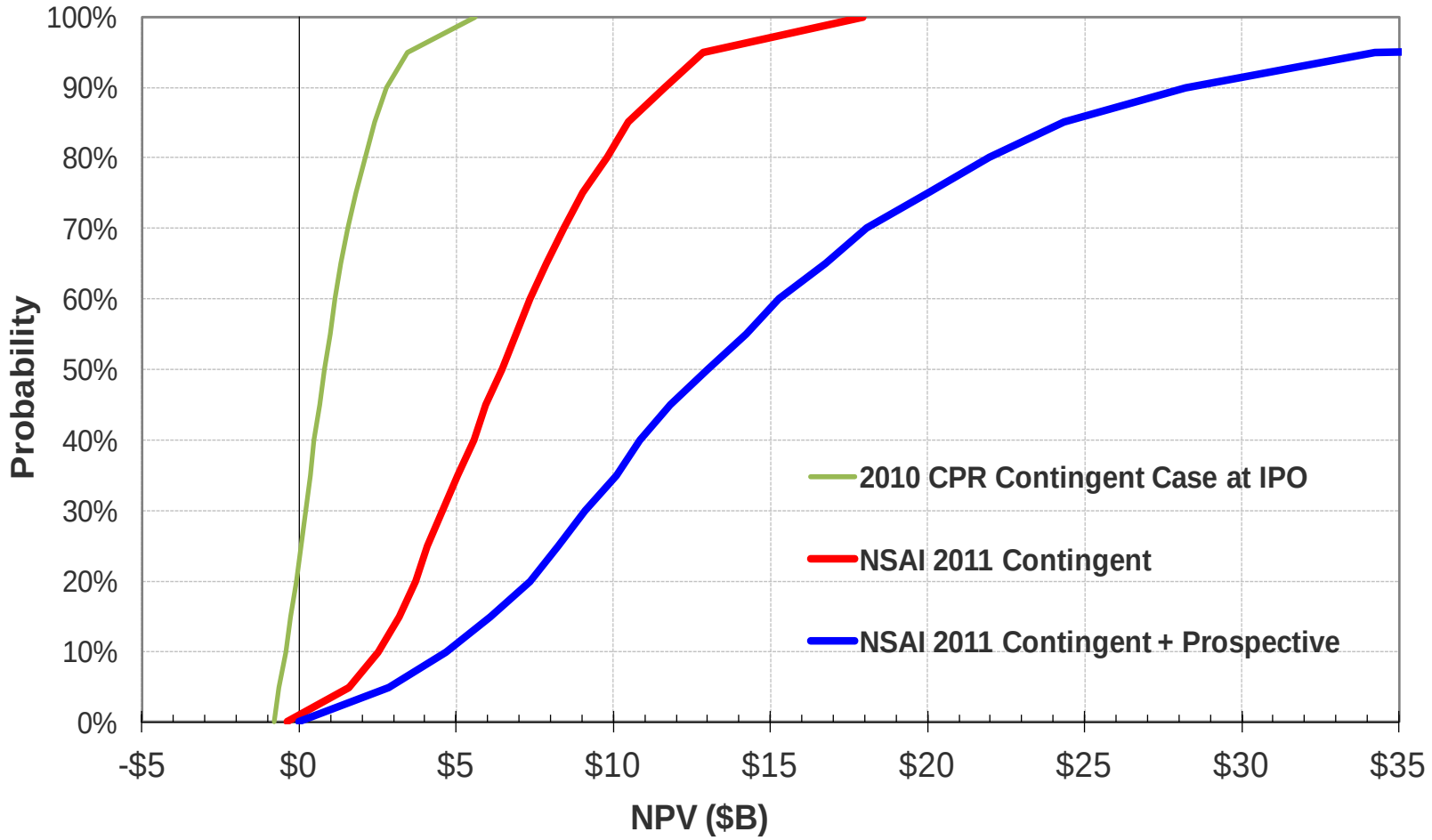


Tsimiroro NPV Projection

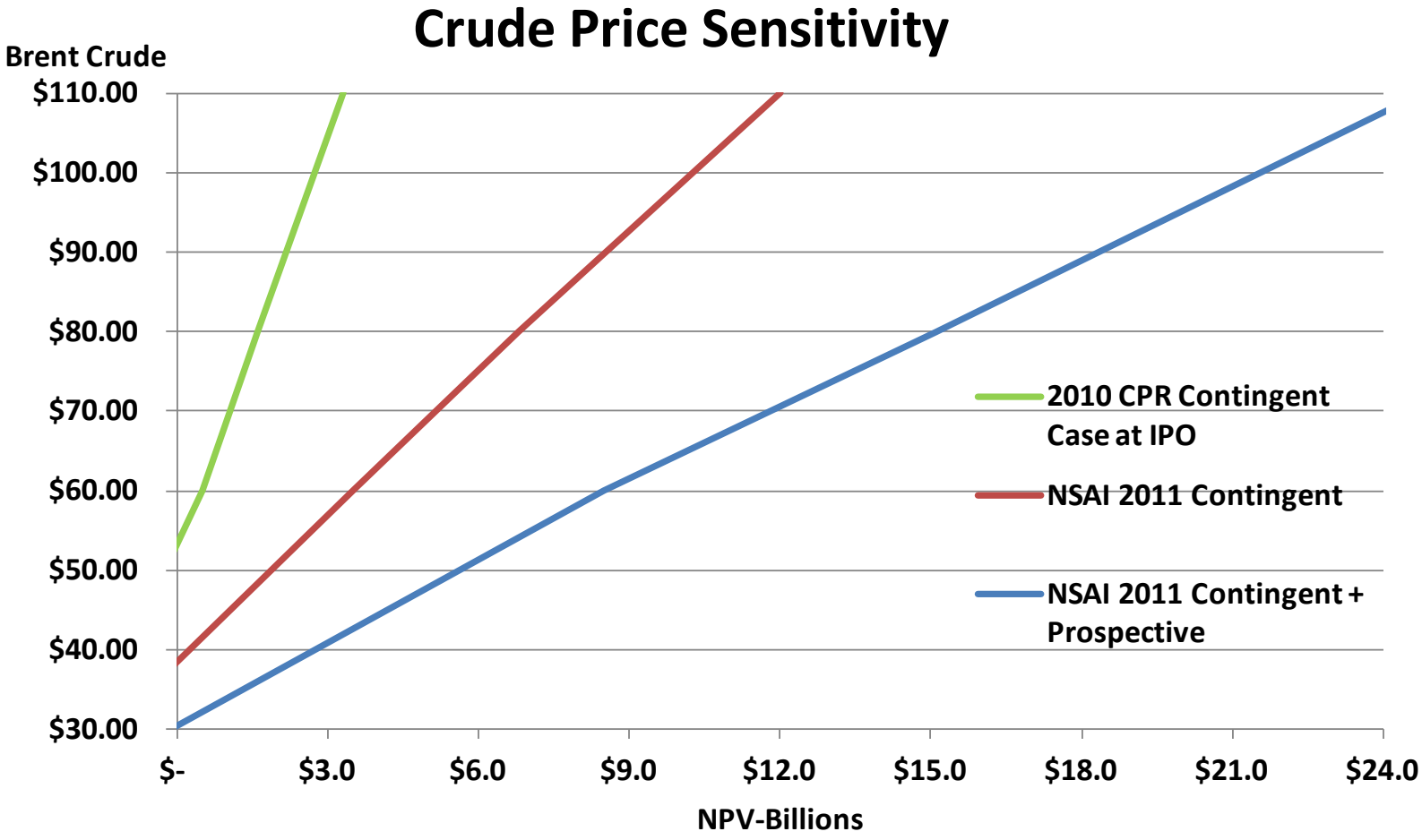
- Increase from 2010 CPR based on resource volume projected by Netherland Sewell
- Current case Brent price based on market projections increases from midpoint of $70 to midpoint of $80 Brent with a new low of $60 and a high of $100
- Mean Expected Value (EV) represents the best estimate probability of resource value at a 10% discount rate
- CPR assumption is 70% recovery of Oil in place; Model ranges from 50%-80% (Kern River at 80%)
- Assumes 29% discount to Brent and 22% of production used for fuel

	P10	P50	P90	Mean EV
	US$ mm	*US$ mm*	*US$ mm*	*US$ mm*
Expected value of Contingent resources				
2010 MOIL CPR 960 MM bbls @$70 Brent	$ (412)	$ 804	$ 2,764	$ 1,024
CPR case at 1.7 B bbls @ $70 Brent	$ 731	$ 3,164	$ 6,667	$ 3,500
Current case 1.7 B bbls @ $80 Brent	**$ 2,500**	**$ 6,500**	**$ 11,600**	**$ 6,748**

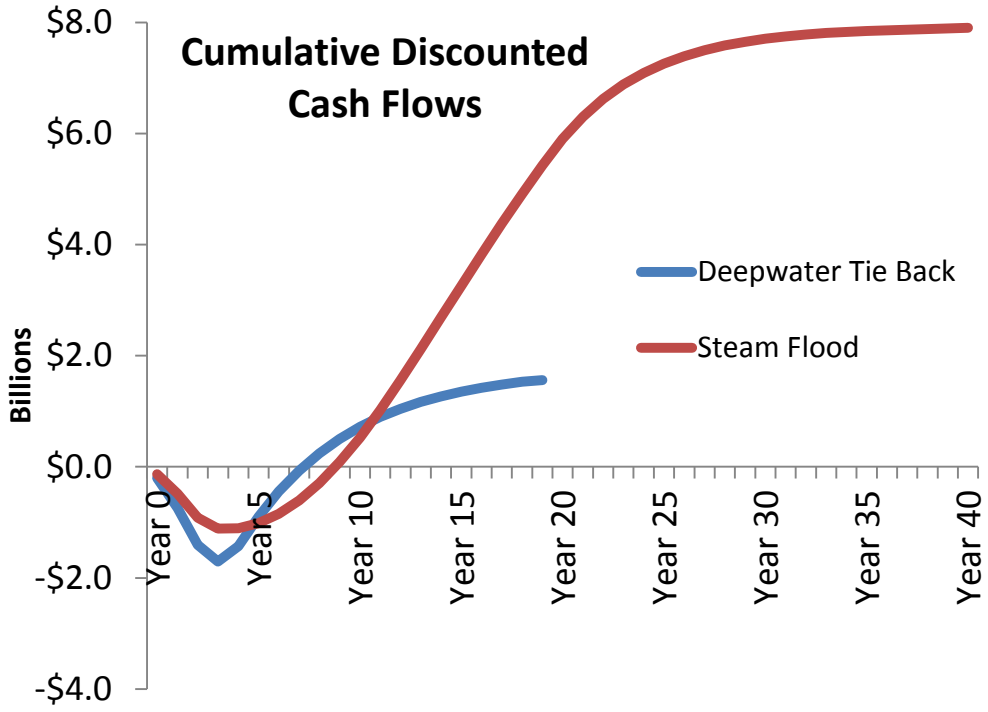
Resource Increase Significantly De-risks the Project



Tsimiroro Project Has Positive NPV10 at $40 Brent



Tsimiroro Compared to a Deepwater Tie-Back Project



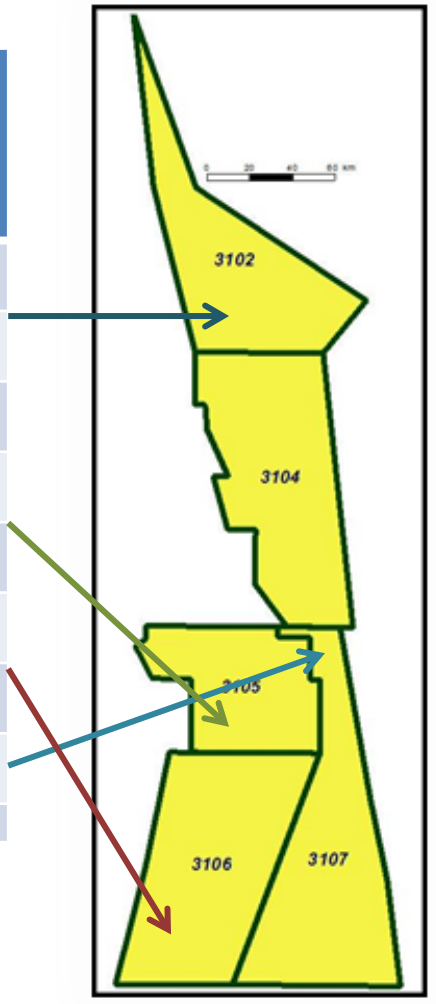
Key Project Metrics	Deep water Tie-Back	Continuous Steam Flood
Recoverable BBLs (millions)	100	1,182
Time to Peak Production	7 years	12 years
Estimated Field Life	15 years	40 years
Initial investment (billions)	$2.0	$1.3
Gross Revenue (billions)	$10.5	$104.1
Avg. Net Cash Flow Margin	75%	50%
NPV10 (billions)	$0.9	$6.7
Unlevered IRR	22%	30%

Conventional Opportunities

Conventional Prospects: Billion Barrel Plus Potential

There have been at least 7 conventional oil and gas prospects identified through work to date

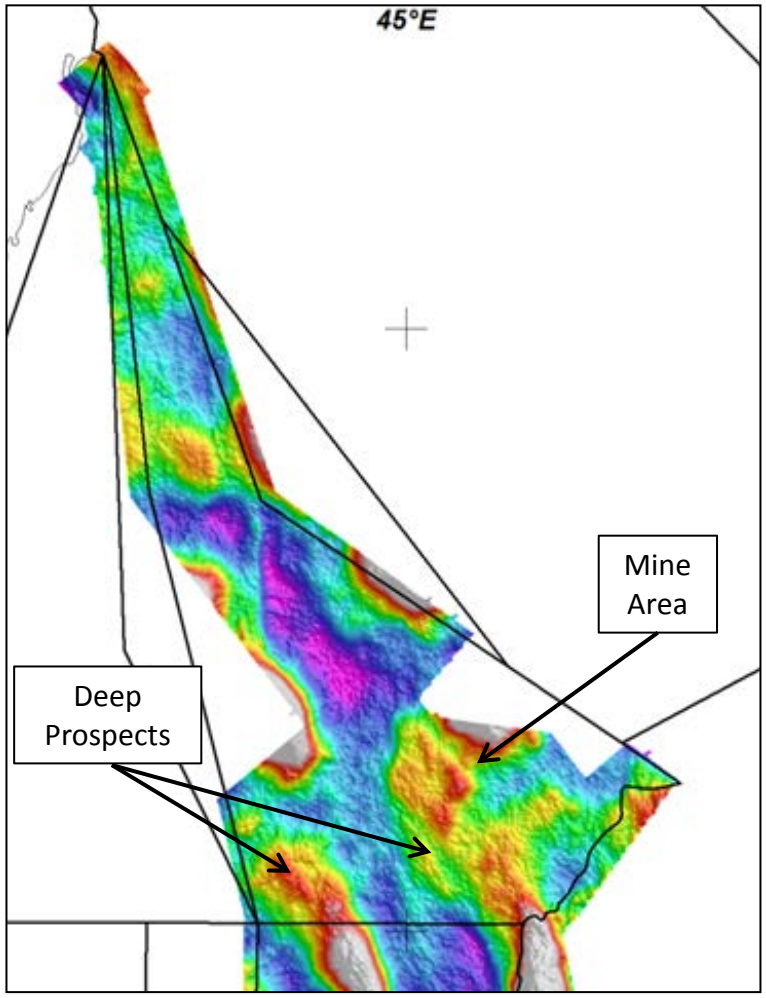
Block	Field Name	Leads	Lead Type	Potential OIP (millions of BBL's)[1]
3102	Bemolanga	2	Basement	440
			Basement	450
3104	Tsimiroro	Undet	Unknown	
3105	Manambolo	2	Channel Sand	200
			Channel Sand	380
3106	Morondava	2	Channel Sand	500
			Channel Sand	260
3107	Manandaza	1	Structural	520



[1] Based on Company estimates.

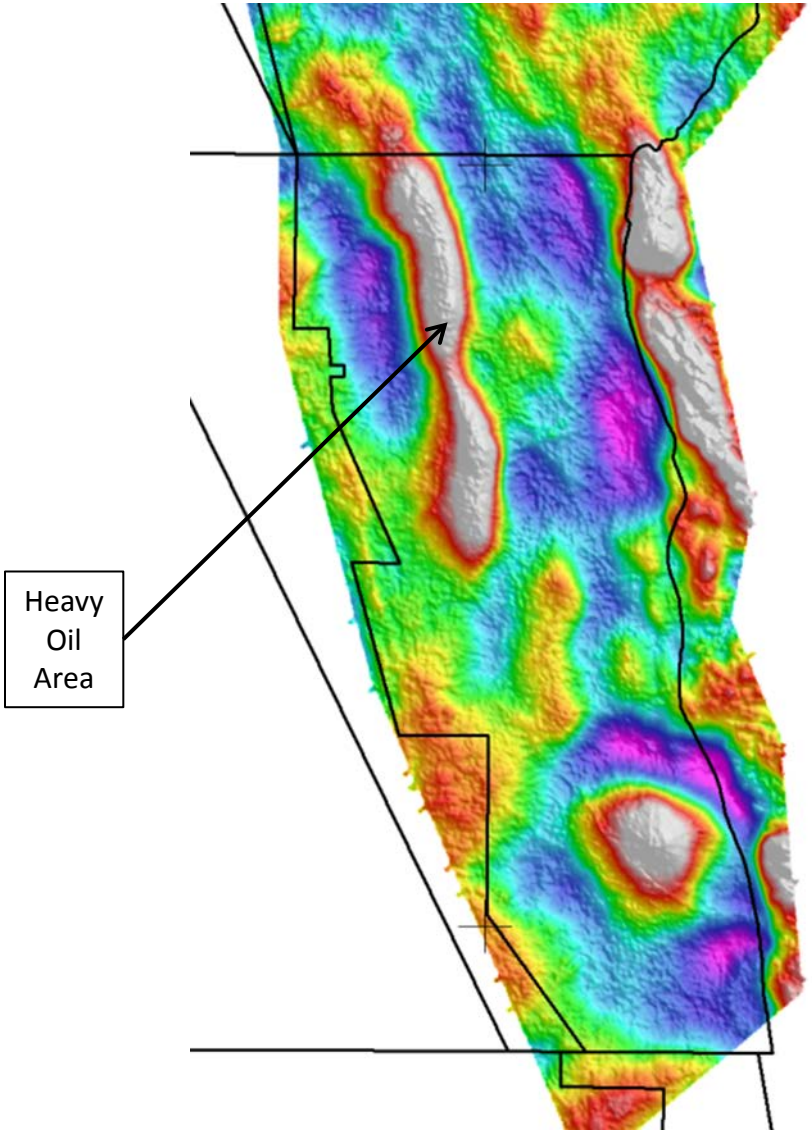
Bemolanga Prospects

- In 2008 Total E&P farmed in to a 60% share and became operator. MOIL was paid US$100mm upfront and the remainder as a carry on the next US$100 million of the JV expenditures. During a shift to a conventional program in 2010, the carry was adjusted to US$80 million.
- An Airborne Gravity Graviometry (AGG) survey of 8,400 line km was conducted in 2011 to determine presence of potential deep oil and gas structures.
- Two prospect areas are being examined in the south end of the block.
- Due to lack of seismic on the Block any new prospects identified will require additional seismic acquisition. The JV is in discussions with the government to determine how to incorporate seismic acquisition into the exploration programme.
- The same Amboloando sand containing heavy oil deposit in Tsimiroro extends into the southern portion of Bemolanga and will potentially be proved up by the Tsimiroro steam flood pilot.



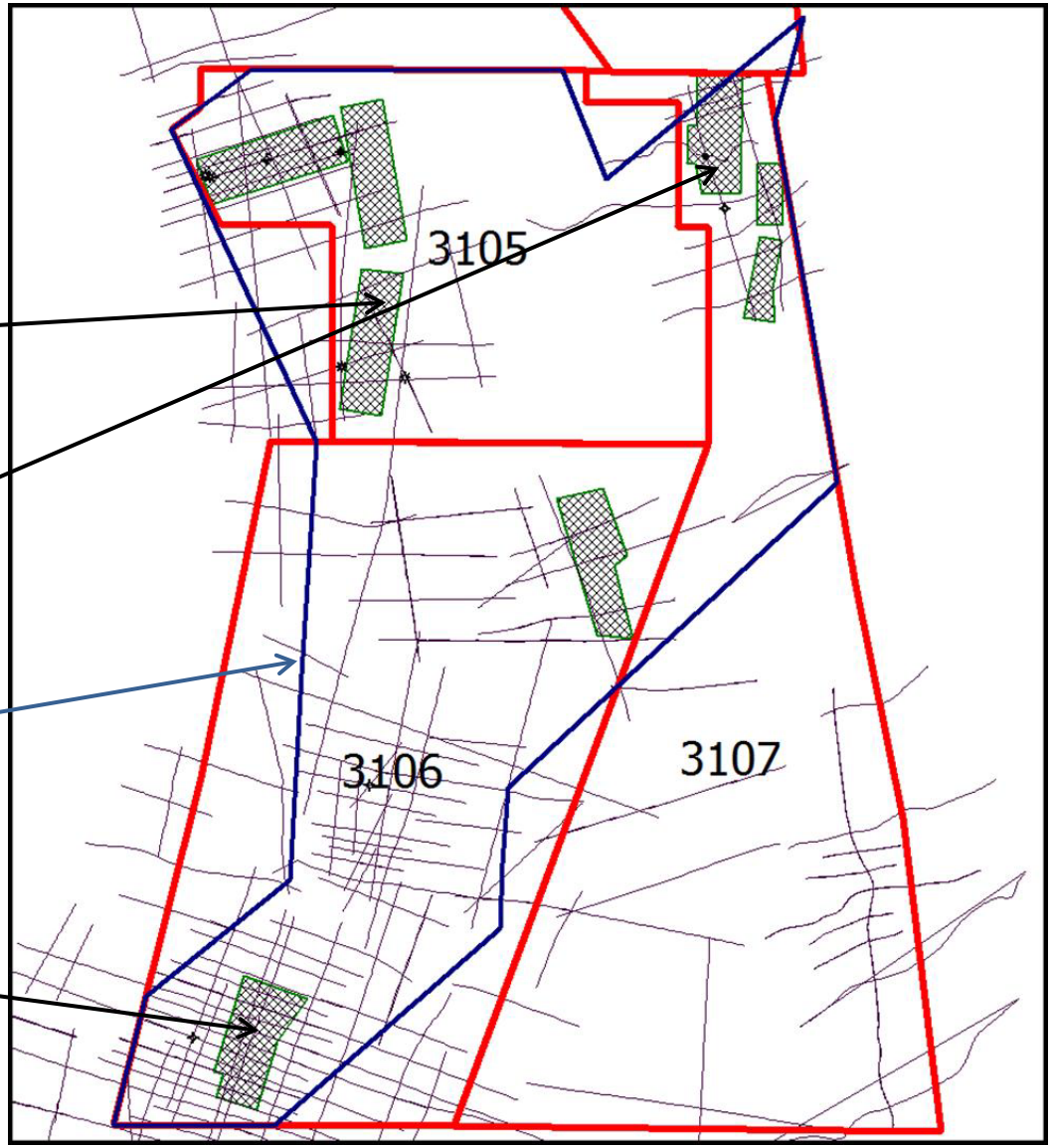
Tsimiroro Prospects

- The Airborne Gravity Gradiometry (AGG) survey was completed in October 2011.
- Full analysis of the AGG will be complete in mid-2012.
- No specific prospects have yet been identified.
- The shallow field appears to follow a long gravity high on the block, which corresponds with our current findings and indicates that there is additional heavy oil to be explored.



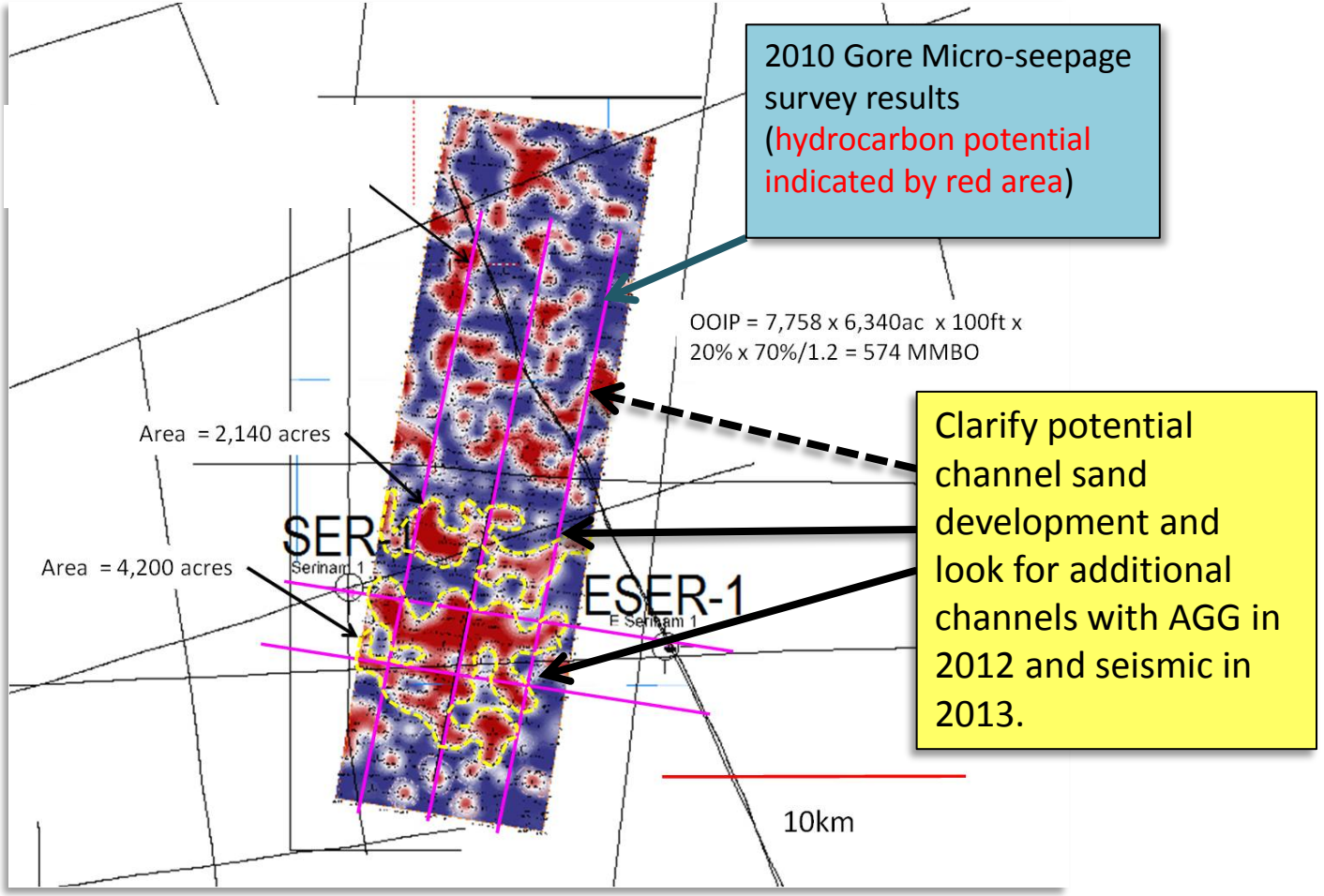
Exploration Block Prospects

- The Airborne Gravity Gradiometry (AGG) survey of 24,000 line km to be conducted in mid-2012 covers all of the key prospect areas.



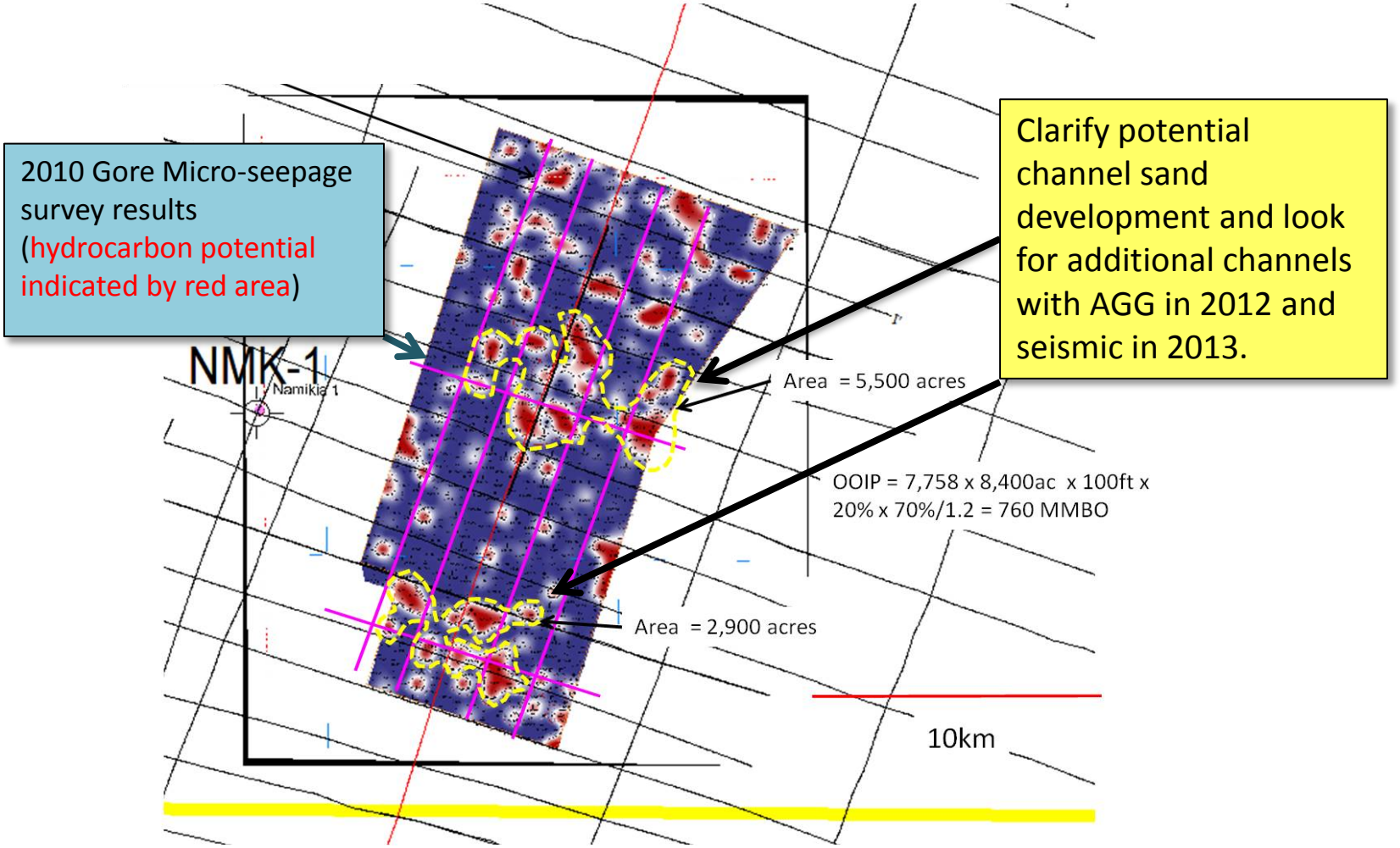
Block 3105 Potential Channel Sands

- Appears to be a seismic correlation to two channel sand areas, with a possible third area.
- Targeting light oil or natural gas.
- Channel characteristics similar to Mozambique finds and Angola channel sand production.



Block 3106 Potential Channel Sands

- Currently appears to be a seismic correlation to two channel sand areas.
- Targeting light oil or natural gas.
- Cretaceous channels have not previously been targeted in any prior Madagascar drilling.



Funding and Capitalization

Funding Projection

- At 30 April 2012, MOIL has approximately US$50 million to provide funding for the Tsimiroro field pre-development testing and the Exploration Block opportunities. Funding will now be allocated as shown:
  - Increasing resource and proving commerciality of Tsimiroro asset through a steam flood pilot
  - Further development of conventional prospects on all 5 blocks
- This cash is expected to fully fund the MOIL capital programme into 2014.

Use of funds	
Item	**Cost (US$ mm)**
Delineation Drilling (Tsimiroro)	$2.3
Steam Flood Pilot Capex	$19.0
Steam Flood Pilot operation	$10.0
Exploration Block FTG	$3.9
Working capital (into 2014)	$14.8
Total	**$50.0**

There is potential that additional funds will be needed for all project decisions. However, every effort will be made to conserve capital on planned expenditures. In addition, certain events may adjust costs and/or provide income.

Capital Structure	
Basic common shares O/S	**256,035,137**
Restricted stock issued	533,330
Common shares O/S	**256,568,467**
Shares issuable upon:	
Options (ranging from 30-95 pence)	9,625,788
Fully diluted shares O/S (1)	**266,194,255**

(1) Excludes 160,000 options and 70,020 warrants with a strike price of $10.00/share or greater

Appendix

Organization

Executive Directors and Senior Management

- J. Laurie Hunter – Chairman and CEO
- Mark Weller – COO
- Seth Fagelman – CFO
- Gil Melman – General Counsel

Non-Executive Directors

- Ian Barby
- John van der Welle
- Andrew Morris
- Colin Orr-Ewing

Madagascar Management

- Alvaro Kempowsky – General Manager
- Emma Ralijohn – Deputy GM
- Darcy Dorscher – Pilot Operations Manager
- Ed Kueber– Pilot Operations Manager

Technical Staff

- L. Jim Lederhos – Chief Engineer
- Matt Meyer – Chief Mining Engineer
- Jim Collins – Chief Geophysicist
- Tim Whitacre – Chief Geologist
- Joe Gathman– Geophysicist

Key Contractors

- Ramsgate Engineering - Bakersfield
- Norwest Corp - Calgary
- KBR Granherne – Houston
- Simmons Drilling – Calgary
- Fugro – Johannesburg
- EDG – New Orleans
- SEMM Logging – Paris
- Worley Parsons - Calgary
- Decision Strategies – Houston
- Cimelta – Antananarivo
- Colas – Antananarivo

Major Shareholders

Shareholder	Shares (millions)[1]	% of total
Benchmark Advantage Fund	51.1	19.9%
Blakeney Group	30.8	12.0%
Persistency	29.5	11.5%
MSD	18.8	7.3%
The John Paul DeJoria Family Trust	12.8	5.0%
Outrider Management	15.1	5.9%
RAB Special Situations	13.8	5.4%
Carmignac	8.6	3.4%
Norges	6.6	2.6%
Henderson	6.6	2.6%
Management	3.6	1.4%
Sub-Total	197	76.9%
Total Shares Outstanding [2]	257	100.0%

[1] As reported to the Company by its shareholders in accordance with the Company's bye-laws.

[2] Excludes 9.6 million options at prices from 32-95 pence and 533,330 shares of restricted stock.

- IPO in December 2010; Secondary Offering in February 2012
- Strong institutional base holds over 75%+ of shares
- Benchmark controlled by Al Njoo, CEO of heavy oil player Nations Petroleum

Exploration Blocks History

Highlights

- Ten wells were drilled on the blocks prior to Madagascar Oil involvement.
- Block 3105 – Manambolo
  - numerous oil and gas shows in down-dip wells
- Block 3106 - Morondava
  - reservoirs expected in the Isalo II sandstones and Bemaraha carbonates have been tested with out success
  - gas and minor oil shows present in down dip wells within mapped reservoir intervals
- Block 3107 – Manandaza
  - Lower Sakamena reservoir tested oil, however appears to be low permeability and porosity and size needs to be further assessed.

Exploration drilling history

Well Name	Year Drilled	Operator	TD (metres)	Result
PSC 3105 - Manambolo				
Serinam-1	1971	Conoco	3,658	Heavy oil (10^0 API shows)
Serinam East-1	1974	Chevron	2,970	Minor gas shows
Manambolo -1	1985	Amoco	4,262	Heavy oil (10^0 API shows)
Manambolo West-1	1987	OMNIS/PCIAC	2,600	15.6 mmscf/d DST
Manambolo East-1	1990	Amoco	1,676	Minor gas shows
Manambolo West-2	1993	OMNIS	1,890	No shows
PCC 3106- Morondava				
Namakia-1	1984	Amoco	4,481	Live oil and trace gas
Saronanala-1	1985	Amoco	2,385	No shows
PSC 3107 – Manandaza				
Manandaza-1	1991	Shell	2,508	Non-commercial light oil (41^0 API)
Manandaza South-1	1993	Shell	2,223	No shows