Madagascar Oil Limited

Investor Update

26 September 2011

Summary

- **Netherland Sewell Associates (NSAI) completed its report on the evaluation of the 2010 work on the Tsimiroro resource.**
  - The Best Estimate OOIP increased 121% to 3.877 Billion barrels.
- **The Company's installation of the Tsimiroro steam flood pilot facility is underway.**
  - Initial steam injection and first production is expected in Q3 2012.
- **Fugro began the Airborne Gravity Survey program on 30 August 2011**
  - The Bemolanga survey covered 8,400 line km and was completed on 23 September.
  - The Tsimiroro survey will cover 16,800 line km. Expected completion is early November.
  - The 21,100 line km survey for the Exploration Blocks has been deferred to 2012 subject to Government approval.
- **A 40 km Electrical Resistivity Tomography (ERT) program with Stratagem started on 2 September.**
- **A Tsimiroro 8-10 well delineation drilling program expected to begin on 1 October.**
- **We continue to await scheduling by the Government of the Management Committee Meeting for the Exploration Blocks (3105, 3106 and 3107). The Blocks remain under force majeure.**
- **Funding estimated for 2 years in place**
  - The delay in 2011 and added work on the Exploration Blocks may require supplemental funding in mid-2013.

Significant Tsimiroro Oil Resource Increase

MOIL's significant Tsimiroro field oil resources was recently expanded by the issuance of the Netherland Sewell Associates Inc. opinion on the additional data from the 2010 drilling program.

NSAI 2008 Original Oil in Place (OOIP) Tsimiroro			
	Low Estimate	Best Estimate	High Estimate
Contingent OOIP (mmb)	644	965	1,412
Prospective OOIP (mmb)	0	786	1,843
Total (mmb)	644	1,751	3,255

Source: Netherland Sewell & Associates, Inc. CPR June 2010

The Best Estimate volumes for Contingent and Prospective have doubled and the Low and High Estimates have tripled. The 2011 Low Estimate now exceeds the 2008 Best Estimate volume.

NSAI 2011 Original Oil in Place (OOIP) Tsimiroro			
	Low Estimate	**Best Estimate**	**High Estimate**
Contingent OOIP (mmb)	**1,100**	**1,688**	**2,459**
Prospective OOIP (mmb)	**991**	**2,189**	**6,872**
Total (mmb)	**2,091**	**3,877**	**9,331**

Source: Netherland Sewell & Associates, Inc. Report September 2011

The NSAI recovery factor estimate for the steam flood is unchanged at 70% from the CPR and the new Best Estimate OOIP would result in a Contingent Resource volume (2C) of 1.1 Billion barrels.

Block Overview

The Madagascar Oil Limited (MOIL) group concessions cover five contiguous onshore blocks in Madagascar comprising 29,500 km^2.

Tsimiroro (100% MOIL)

- A heavy oil field, currently with 1,688 million barrels Contingent Original- Oil-in-Place.
- 2008 cyclic steam test successfully produced up to 150 bopd per well and over 2,000 bbls total of 13^o API oil from 3 wells.
- Construction on a 9 pattern steam flood pilot is underway.

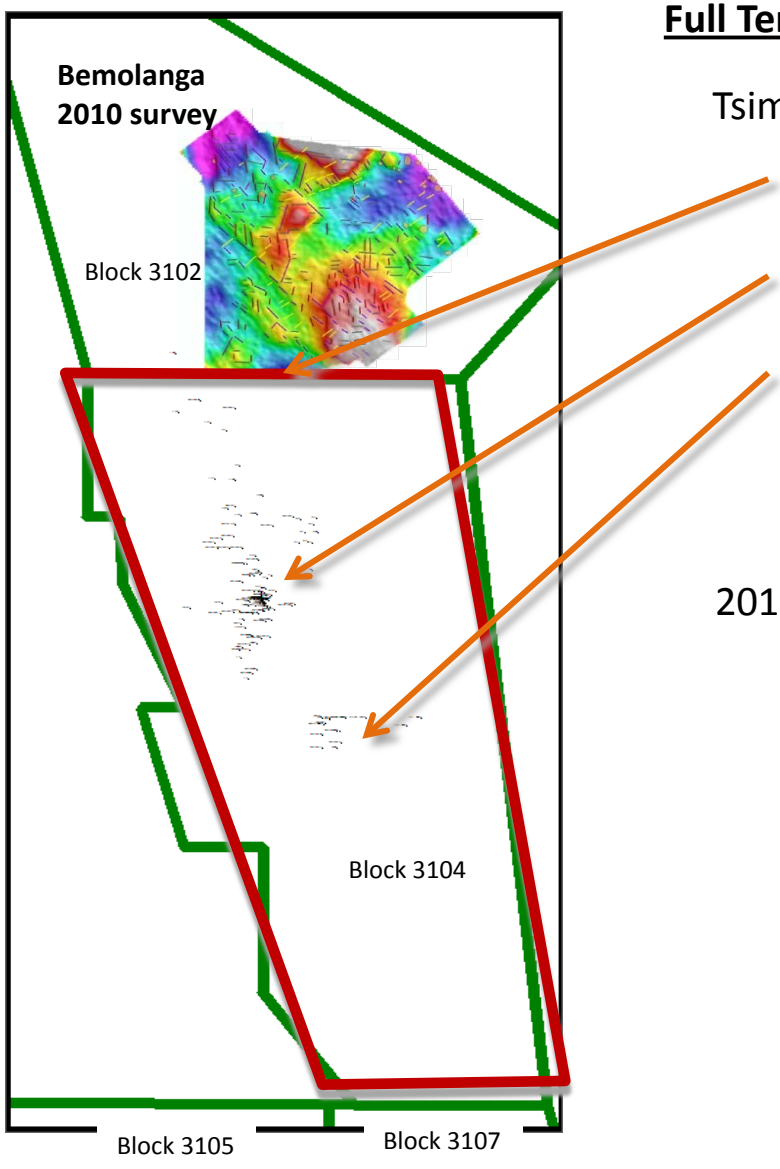
Bemolanga (40% MOIL)

- The block is operated by Total (60%).
- The potential mining project has demonstrated 470 million barrels Contingent Petroleum-initially-in-Place gross MOIL share.
- The mining project economics are low and the project has been postponed for the time being.
- The work plan has been shifted to deeper light oil or gas plays, pursuant to the PSC revisions accepted by the government.
- A $10 million gross carry by Total remains, which will fund the Madagascar Oil share until at least mid-2012.

Exploration Blocks (100% MOIL)

- 2009 seismic program identified nine prospect leads.
- 2010 Gore survey demonstrated potential on 3 to 5 of the leads.

Tsimiroro Field 2011 FTG Survey



Full Tensor Gravity (FTG) – Airborne Gravimetric survey

Tsimiroro FTG survey purpose:

1. Tie Tsimiroro interpretation into 2010 Bemolanga Survey.
2. Provide detailed Tsimiroro tectonic analysis and include all wells , ERT and seismic.
3. Assist in interpretation of a thick (150 meters), oil filled, Isalo reservoir identified in south Tsimiroro field during 2010 drilling campaign.

2011 FTG Survey (Red area)

Work started on 23 September following completion of the Bemolanga survey.

Budget: $2.6 million

Survey will cover approximately 16,750 line km.

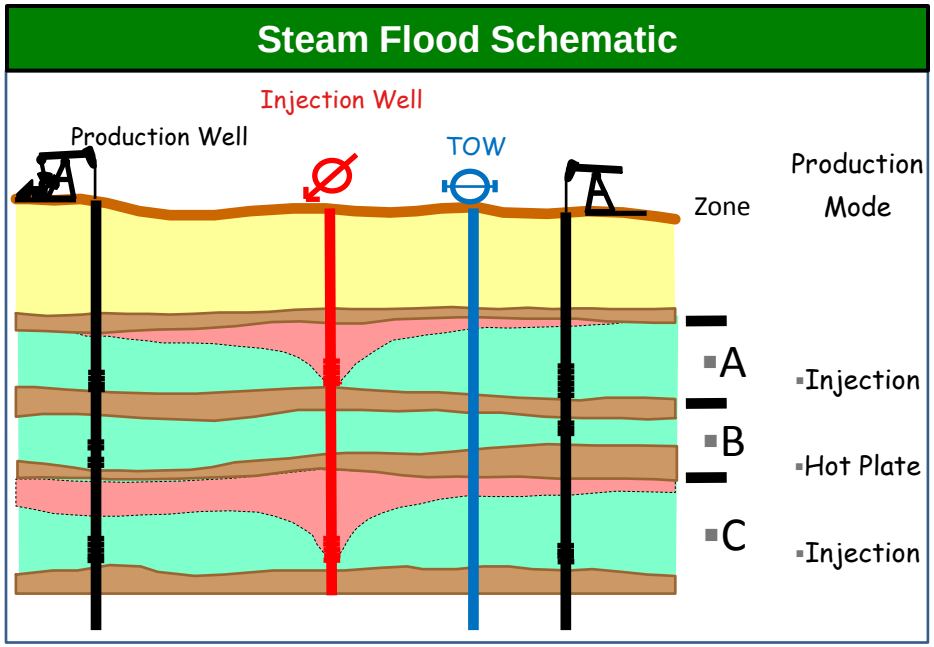
Expected to be completed in 7 weeks.

Processing will be completed in early 2012.

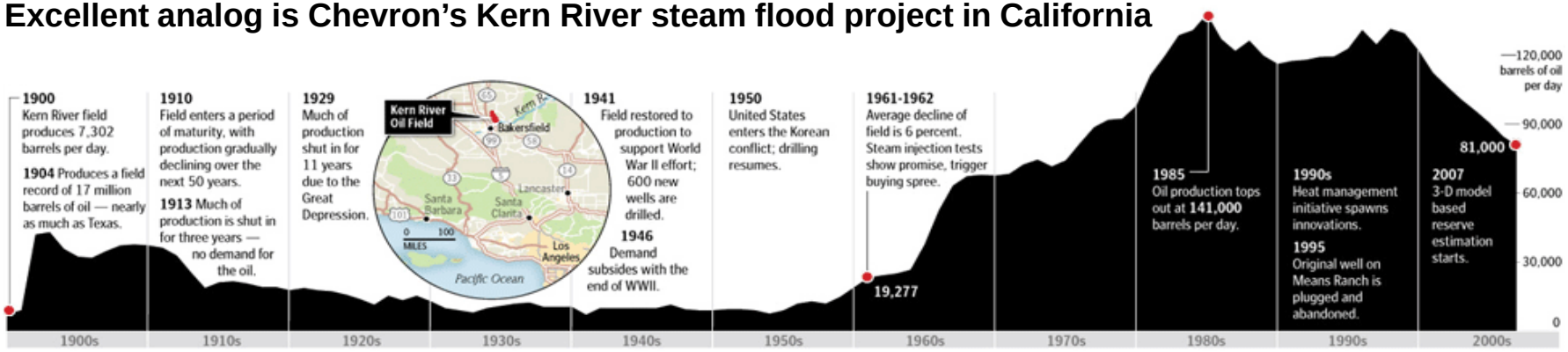
Multi Zone Steam Flood Design

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

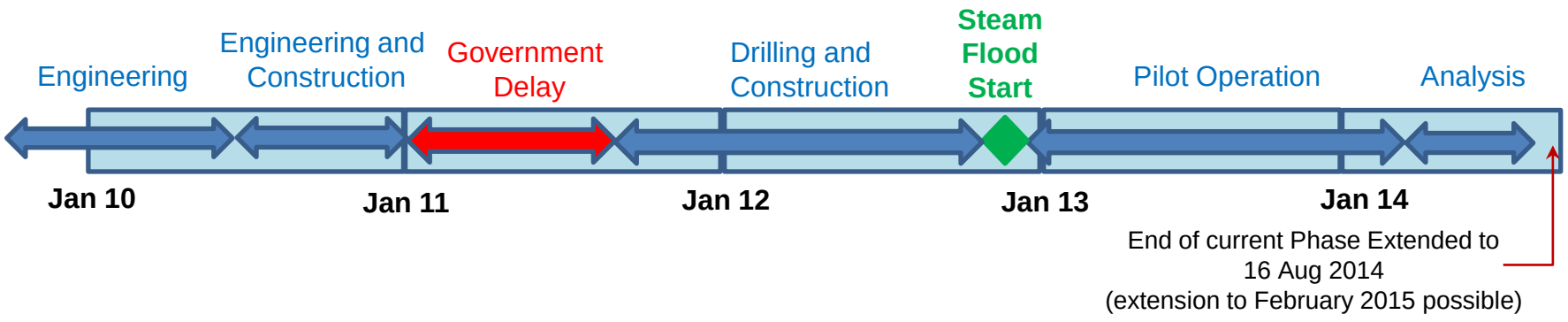


Future Plans and Projected Economics

- Drill 8-10 new wells in 2011 and 10-12 wells in 2012.
  - Budget US$6 million for 2011 and 2012 for FTG, ERT and drilling delineation work program.
- Initiate the steam flood pilot to de-risk the reservoir performance and demonstrate commerciality
  - Construction is underway. Initial steam expected in to Q3 2012 and initial production in Q4 2012.
  - Stable production response from pilot estimated in 12 to 18 months from start.
  - Remaining pilot capital cost estimated at US$28 million and 18 months' cost of operations at US$12 million
- Full field production, if pilot is successful, is anticipated to commence in approximately 2017 with rates dependent on the ultimate resource volumes and pilot performance.
  - New Contingent Resource most likely case projected production in excess of 150,000 bbls/day gross

- P50 value for new Contingent resource compares to earlier NSAI case for Contingent and Prospective combined.
  - NPV10 of US$2.1 billion (at $70/bbl) to $3.5 billion (at $80/bbl) based on the Contingent Resources only.

(Source: NSAI CPR: First figure based $70/bbl Brent in CPR. Second figure adjusted to $80/bbl Brent price per MOIL)

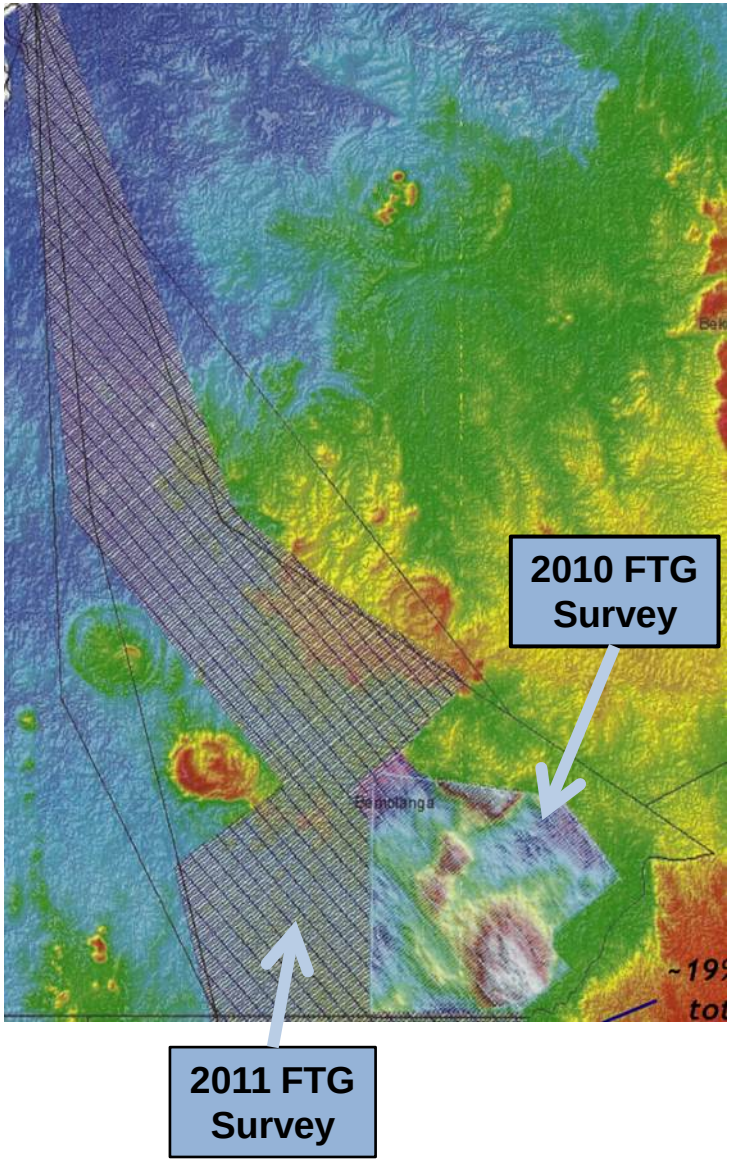


Bemolanga Work

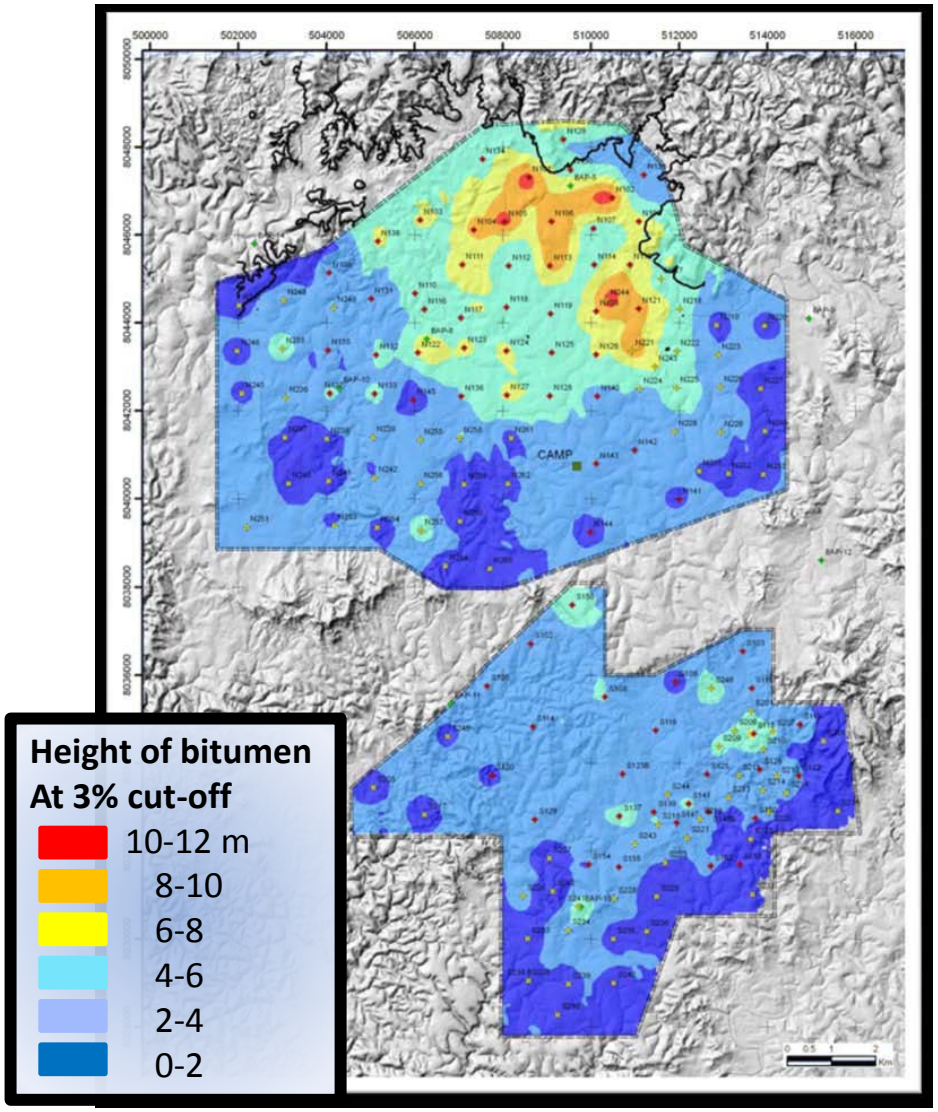
Madagascar Oil and Total will:

- **Pursue deep plays.**
  - Conduct 8,400 km of airborne FTG gravimetric survey to determine potential deep oil and gas structures
  - Assess need for seismic acquisition.
  - The PSC will extend the current phase by one year and allow for an additional 2 year extension to drill an exploratory well.

- **Continue assessing the mining potential**
  - Norwest to fully analyze the 2010 mine data and update the bitumen PIIP assessment. Based on preliminary observations, volumes will not likely change significantly from the 2009 data analysis.
  - Continue to research the Taciuk ATP retort process to determine if it has the potential to improve both economics and mine extraction performance.



Bemolanga Mining Conclusions



North and South bitumen mine areas

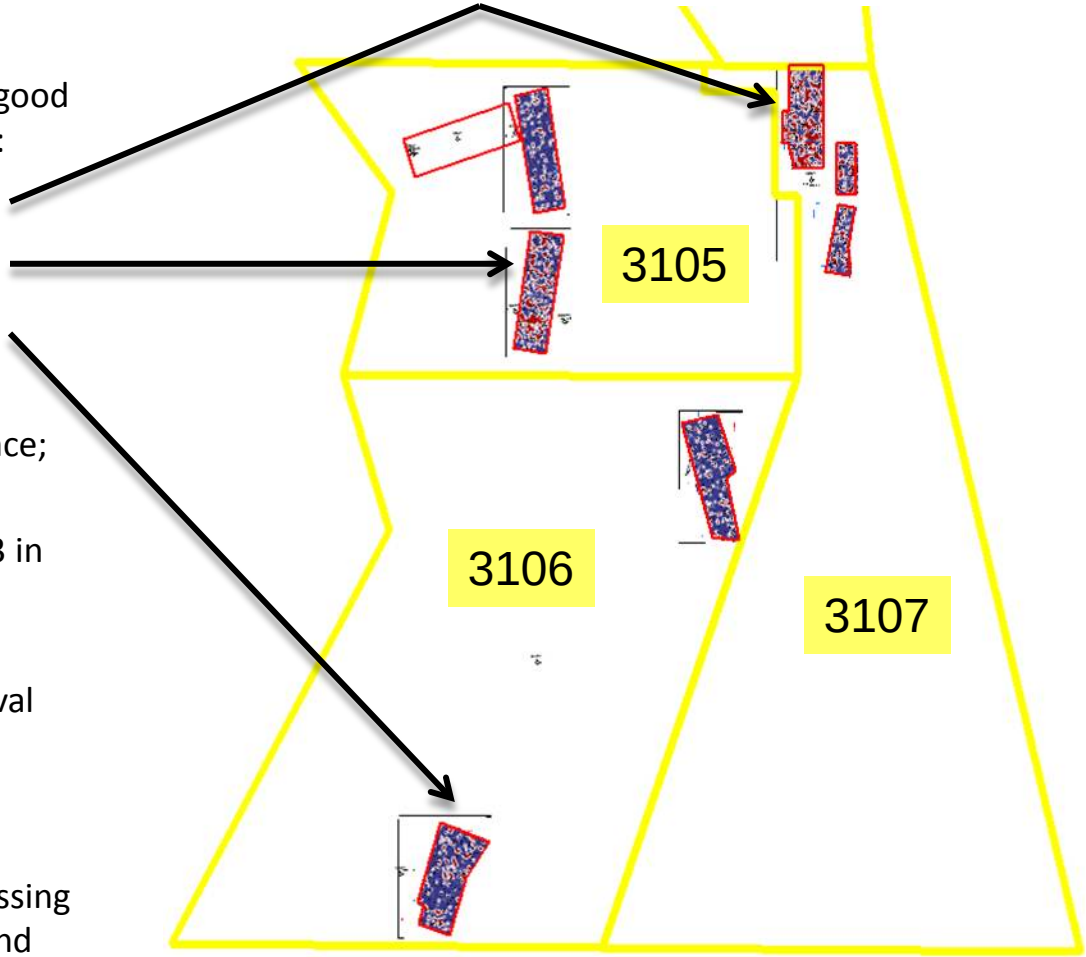
- The JV drilled and cored 160 wells in 2009 and 2010 to define and test the PIIP and recovery.
  - Completed tests on bitumen content.
  - Tested extraction using hot water process.
  - Estimated required facility and cost.
- Observations from JV mine analysis:
  - The bitumen volume is greater than 1 billion barrels.
  - Weight percent of bitumen in the ore is half that of Canadian averages at 5.54%.
  - Conventional Clark hot water extraction, recovery above average bitumen of 75%.
- Madagascar Oil and Total E&P agree that:
  - The low ore grade makes an economic project scenario unlikely in the near future.
  - Commitment to a pilot extraction plant is not a prudent investment at this time.

2010 Work Completed

Exploration Blocks

GORE report issued in March 2011

- Three of the seven areas surveyed show good indications of hydrocarbon accumulation:
  - 3107 Area 1
  - 3105 Area 2
  - 3106 Area 2



- Two areas have poor hydrocarbon presence; (3105 Area 1 and 3106 Area 1).
- Two areas are inconclusive (Areas 2 and 3 in 3107).
- The elevated hydrocarbon signature anomalies in 3105 and 3106 are not coeval with the initial seismic area, indicating a structural or stratigraphic difference that suggests a channel sand development.
- Gore and Madagascar Oil continue processing the data and will compare with seismic and future Airborne Gravity survey data.

Recommended 2012 FTG Exploration Block Work Program

Full Tensor Gravity Gradiometry

2012 FTG Proposal (Three areas)

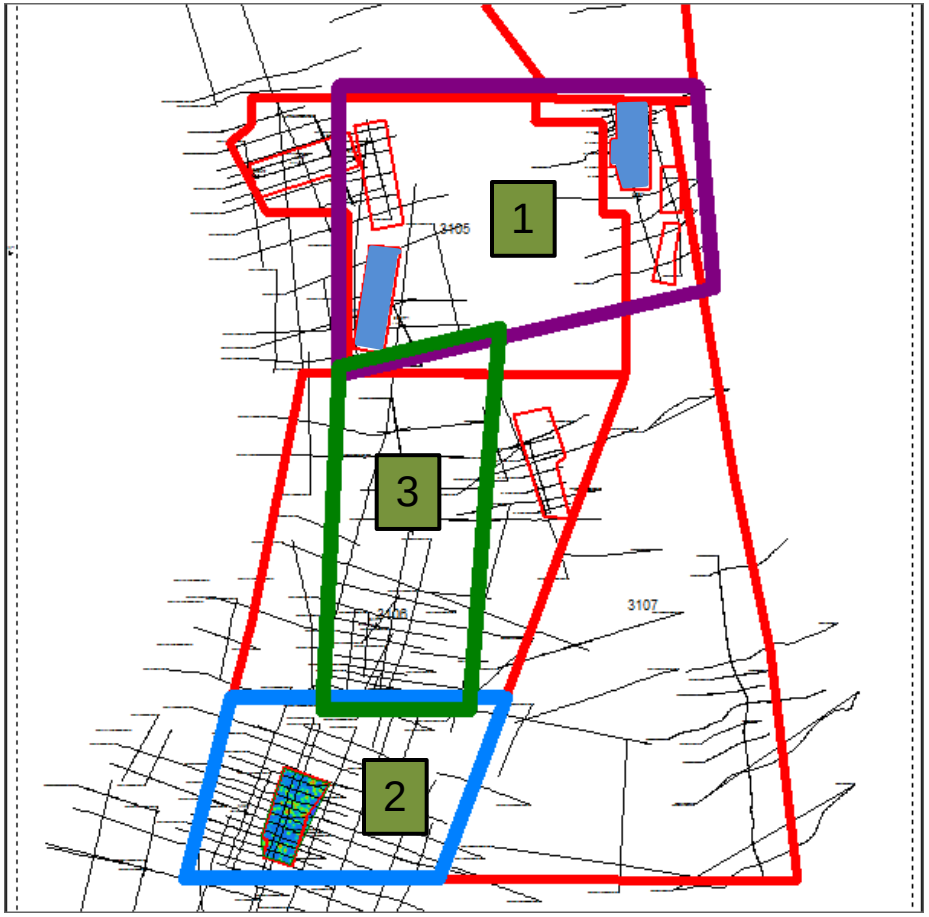
Area 1

Block 3105 - ~8,000 line km, Budget est. $1.2 million

Block 3107- ~1,700 line km, Budget est. $300,000

Areas 2 and 3

Block 3106- #2 ~5,000 line km, Budget est. $800,000 and #3 ~6,000 line km $900,000



FTG data benefits include:

The ability to infill geologic interpretation between sparse seismic data

Improvement of seismic interpretations by providing a 3D geologic perspective

Assistance in guiding placement of additional 2D seismic lines for channel resolution.

Reduction of exploration well risk by combining FTG, well, seismic, and GORE geochemical results.

Funding Projection

MOIL currently has approximately $54 million (as of August financial reports) to provide funding for the Tsimiroro field pre-development testing and the Exploration Block opportunities.

- The projected cash flow has been impacted by the program delay in 2011 and additions as follows:
  - The working capital and legal expense expended during the government dispute was $5 million.
  - The addition of the FTG survey on the Exploration Blocks requiring $3 million.

This cash is expected to fully fund the MOIL capital programme over the next two years.

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 reduce costs and/or provide income in the next 2 years.

Use of funds

Item	Cost (US$ mm)
Drilling (Tsimiroro) 2011-2012	$3.0
FTG and ERT (Tsimiroro) 2011-2012	$2.0
Steam Flood Pilot (Tsimiroro)	$28.0
Steam Flood Pilot operation - 9 months	$6.0
Exploration Block FTG - 2012	$3.0
Exploration Block seismic -2013	$3.0
Working capital (through mid-2013)	$9.0
Total	**$54.0**

Share Data Summary

Based on figures as of 31 August 2011

Capital Structure	
Basic common shares O/S	**192,365,157**
Restricted stock issued	4,000,000
Common shares O/S	**196,365,157**
Shares issuable upon:	
Options ($0.80/share)	6,000,000
Options ($1.59/share)	1,565,788
Warrants ($2.00/share)	718,370
Fully diluted shares O/S (1)	**204,649,315**

(1) Excludes 1,590,060 warrants and options with a strike price of $10.00/share or greater

Based on latest known data as of August 2011

Major Shareholders		
Shareholder	Shares	Percent of Total
Touradji Group	29,356,680	14.95%
Persistency	22,792,150	11.61%
MSD	18,789,000	9.57%
The John Paul DeJoria Family Trust	12,830,000	6.53%
Blakeney Group	11,990,670	6.11%
Plainfield Special Situations Master Fund Limited	11,681,790	5.95%
RAB Special Situations (Master) Fund Limited	8,700,000	4.43%
Carmignac	8,649,000	4.40%
Norges	6,649,000	3.39%
Henderson	6,649,000	3.39%
Total	196,365,157	100.00%

Organization

Introduction

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
- Elden Gilbertson – Drilling Manager
- Raul Gomez – Field Manager

Technical Staff

- L. Jim Lederhos – Chief Engineer
- Gary Priddy – Reservoir Engineer
- Matt Meyer – Chief Mining Engineer
- Jim Collins – Chief Geophysicist
- Tim Whitacre – Chief Geologist
- Joe Gathman - Geophysicist
- Bill Moodie - Operations Engineer

Key Contractors

- Ramsgate Engineering - Bakersfield
- Norwest Corp - Calgary
- KBR Granherne – Houston
- Simmons Drilling – Calgary
- SEMM Logging – Paris
- EDG Construction – New Orleans
- Decision Strategies - Houston