Madagascar Oil Limited

Investor Update

17 June 2011

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Contents

Summary and Overview

Summary

We have resolved with the Government of Madagascar our outstanding delays on our Tsimiroro asset.

- At our Management Committee Meeting on 16 June 2011 for the Tsimiroro Block (3104), the following matters were addressed:
  - OMNIS and the Ministry of Mines & Hydrocarbons acknowledged that our Tsimiroro Production Sharing Contract is valid and its validity has never been in question.
  - Our work programme and budget for 2011-2012 has been approved.
  - The Company presented the complete work programme and budget for the 3 year steam flood pilot and OMNIS and the Ministry acknowledged that the annual work program is part of this three-year programme.
  - OMNIS and the Ministry acknowledged that MOL will be exercising its option to a 2 year extension to the term of the Tsimiroro production sharing contract which will effectively extend the contract term to August 2014.
  - The parties acknowledged that MOIL has suffered a six month force majeure event and the Management Committee will consider a six month extension if needed to complete the work programme.
- Management believes that it will have sufficient time to complete the Tsimiroro steam flood pilot based on our existing contractual rights and the assurances provided at our management committee meeting.
- We also have confirmation from OMNIS that the Management Committee Meeting for the Company's exploration Blocks (3105, 3106 and 3107) will be held on 6 July 2011 and we expect to resolve the delays for those blocks in due course.

We believe that this exercise with the Government of Madagascar has served to educate the current government officials as to our historical compliance under our contacts, the amount of work we have completed in country relative to our peers and our plans for future development to bring online the country's first commercial oil production. The comprehensive review of Tsimiroro by the Government should serve to strengthen our future position and return risk to a normal level for African operations.

Summary

- **The Company fully achieved its work objectives for the year 2010**
  - Tsimiroro field
    - 24 new wells were drilled and
    - 430 km of ERT survey was completed in the heavy oil field play.
  - Bemolanga field
    - The drilling program exceeded the planned 70 wells with 86 core wells drilled.
    - The Bemolanga assessment program and mining analysis was completed in April 2011.
  - Exploration Blocks
    - 880 km^2 of GORE micro-seepage survey area on Blocks 3105, 3106 and 3107 was completed on schedule and the laboratory test results are now being analyzed.

- **Upcoming value changing events on the Tsimiroro Block to increase commercial potential**
  - The Company expects Netherland Sewell & Associates (NSAI) to complete its report on the evaluation of the 2010 work on the Tsimiroro resource base in July 2011.
  - The Company will restart the installation of the Tsimiroro steam flood pilot facility. Based on the delay incurred it is now expected to achieve first production in Q3 2012, rather than Q4 2011 as originally planned.

- **Funding for at least 2 years in place**
  - The delay in 2011 and added work on the Exploration Blocks may require supplemental funding in mid-2013.

Area Overview

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

Tsimiroro

- A heavy oil field, currently with 965 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.
- The 2010 CPR showed valuation for P50 NPV10 Contingent oil of US$1.1 billion at $70 Brent (source: NSAI CPR.)

Bemolanga

- 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 PSC requirement for a $100 million bitumen extraction pilot project has been cancelled.
- The work plan has now shifted to deeper light oil or gas plays, pursuant to the PSC revisions accepted by the government.
- A $10 million carry by Total remains, which will fund the Madagascar Oil share until at least mid-2012.

Exploration Blocks

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

Oil Resources

Introduction

MOIL's significant oil resources are contained in two key assets:

The 100% Working Interest Tsimiroro field is the largest asset.

NSAI 2008 Original Oil in Place (OOIP) Tsimiroro			
	Low Estimate	**Best Estimate**	**High Estimate**
Contingent OOIP (mmb)	383	940	1781
Prospective OOIP (mmb)	7	708	3747
Total (mmb)	**390**	**1,648**	**5,528**

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

- The NSAI re-evaluation of the resource, following work completed in 2010, is expected in July 2011.

Work continues to raise the Contingent Resources level in Tsimiroro to the more lucrative reserves level:

- We intend to restart construction of the steam flood pilot immediately to be able to determine the optimum technical parameters for commercial development of a full scale steam flood.
- Identification of the most favorable heavy crude sales options to optimize refinery value and transportation for the crude streams will progress when first production occurs on the pilot following Q3 2012.

The 40% Working Interest Bemolanga asset represents a significant heavy oil mining play, but the mine currently falls below the economic hurdles necessary to proceed with construction of a bitumen extraction pilot.

- The best estimate of the MOIL PIIP remains at 874 million barrels total and 470 million barrels Contingent, but is in the process of being reassessed by Norwest to include the 2010 testing data.

Tsimiroro

Tsimiroro – ERT Campaign

2010 - ELECTRICAL RESISTIVITY TOMOGRAPHY (ERT)

The objective of the ERT Survey was;

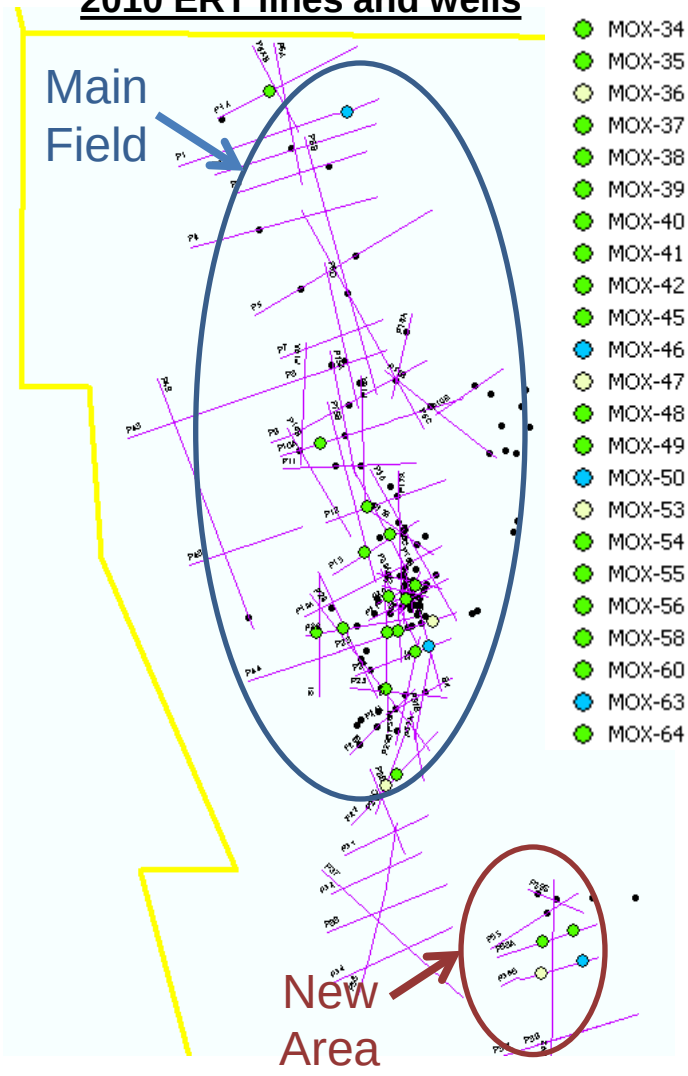
- to facilitate picking the locations for the 2010 delineation wells.
- to assess in more detail the Amboloando structures which could contain hydrocarbons.

Results of the ERT survey:

- 47 ERT Lines were run comprising 430 km.
- The technique improved structural interpretation in the main portion of the field.
- It provided significant data improvement over prior seismic work.
- It identified a new field extension of the south end of the field.
- Employed 200 + national workers, from the areas of influence, in ERT activities (line clearance, access paths and transport and deployment of equipment and cables).

The chart shown indicates the ERT lines run and the new wells drilled in 2010, based on the ERT picks.

2010 ERT lines and wells



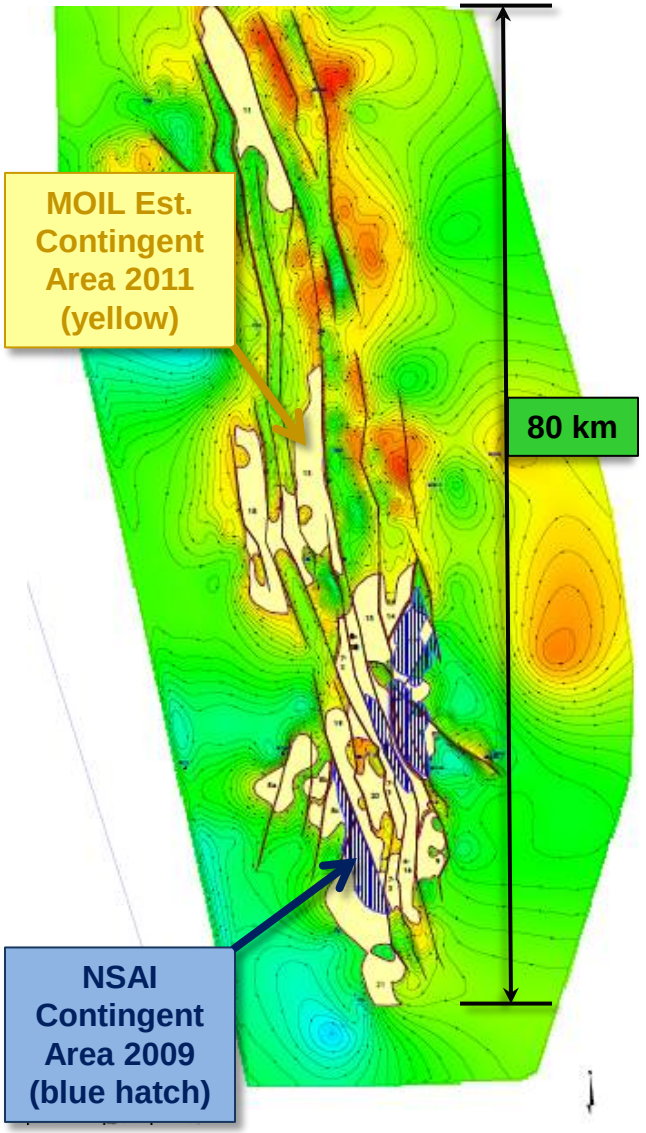
Expansion of Resource

2010 Program - Drilling and ERT

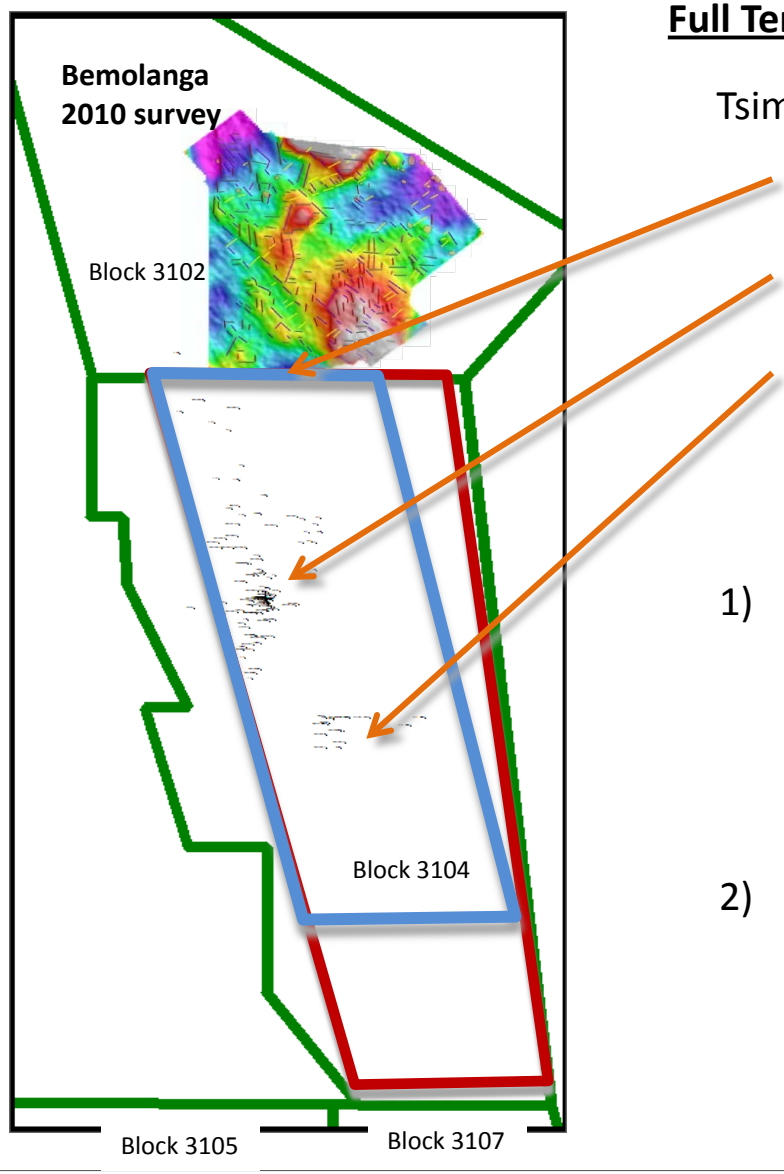
The dual approach to increase the resource base as well as move resources from Prospective to Contingent was advanced as planned in 2010.

1. An initial review of the ERT survey data indicates the following;
   - The main portion of the field appears to have confirmed and expanded the Contingent category.
   - Additional oil accumulations were discovered in a new area on the south end of field which will require further assessment.
   - Cost was US$4.3 million; slightly above the estimate of $4 million.
2. 24 well drilling program was successfully completed;
   - 18 of 24 wells found favorable oil accumulations. 3 wells were water bearing and 3 wells were drilled in fault areas to assess ERT interpretation.
   - Drilling cost was 15% lower than estimated at approximately US$170,000 per well, due to distribution of support cost to the ERT and steam flood pilot construction programs.
   - Cost was US$4.1 million versus budget estimate of $6 million.

Madagascar Oil's preliminary 2011 assessment of the Contingent areas compared to the 2009 NSAI Contingent areas is shown to the right. The goal of expanding the total resource and elevate Prospective areas to the Contingent Resource level will not be fully assessed until NSAI analysis is completed in July 2011.



Tsimiroro Field Planned 2011 FTG



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.

1) Proposed Contingent 2011 FTG Survey (Blue area)

Will proceed based on approval of the Bemolanga FTG program on 17 June 2011 :

3,500 km^2 coverage or 7,000 Line km.

Estimated budget: $1.3 million.

2) Proposed Contingent 2011 FTG Survey (Red area)

Will only proceed if Exploration FTG program is also approved for Blocks 3105 and 3107:

Additional 2,500 km^2 coverage or 5,000 Line km

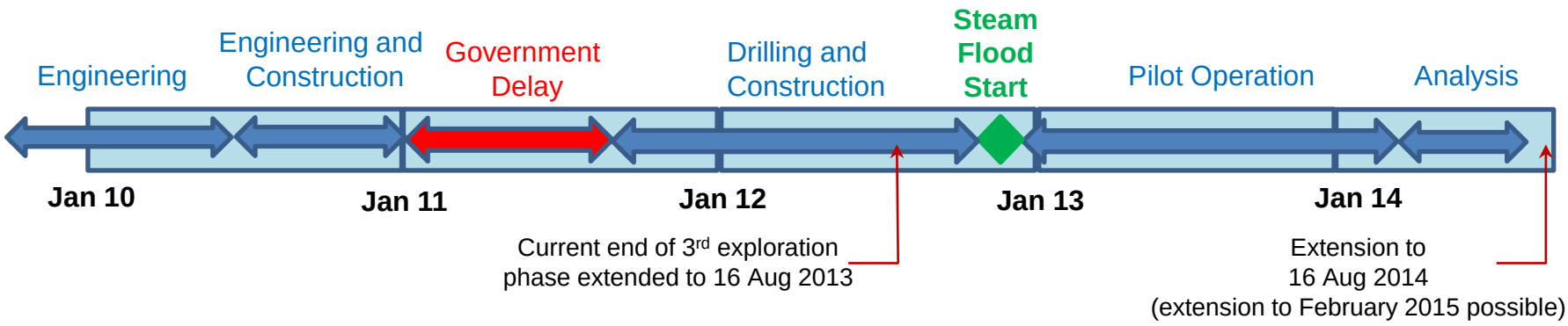
Additional budget: $900,000

Future Plans and Adjusted Timeline

Tsimiroro Field

- Conduct FTG and drilling , based on 2010 ERT and drilling results, to add to Contingent Resources
  - Design FTG program for 2011 following analysis of 2010 results. Drill 20 new wells in 2011 and 2012.
  - Budget US$6 million for 2011 and 2012 FTG and drilling delineation work program.
- Initiate the steam flood pilot to de-risk the reservoir performance and demonstrate commerciality
  - Projected start now delayed from Q4 2011 to Q3 2012.
  - Production response estimated in 12 to 18 months
  - Remaining pilot capital cost estimated at US$30 million and 18 months' cost of operations at US$12 million
- Full field production, if pilot is successful, is anticipated to commence in 2016 to 2017 with rates dependent on the ultimate resource volumes and pilot performance
  - Current Contingent Resource most likely case sees 87,500 bbls/day gross
  - Current Contingent and Prospective most likely case forecasts >150,000 bbls/day
- P50 level for US$70 and $80/bbl Brent scenario
  - Generates NPV10 of US$1.1 to $1.5 billion based on the Contingent Resources
  - Generates NPV10 of US$2.1 to $3.5 billion based on the Contingent and Prospective Resources

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

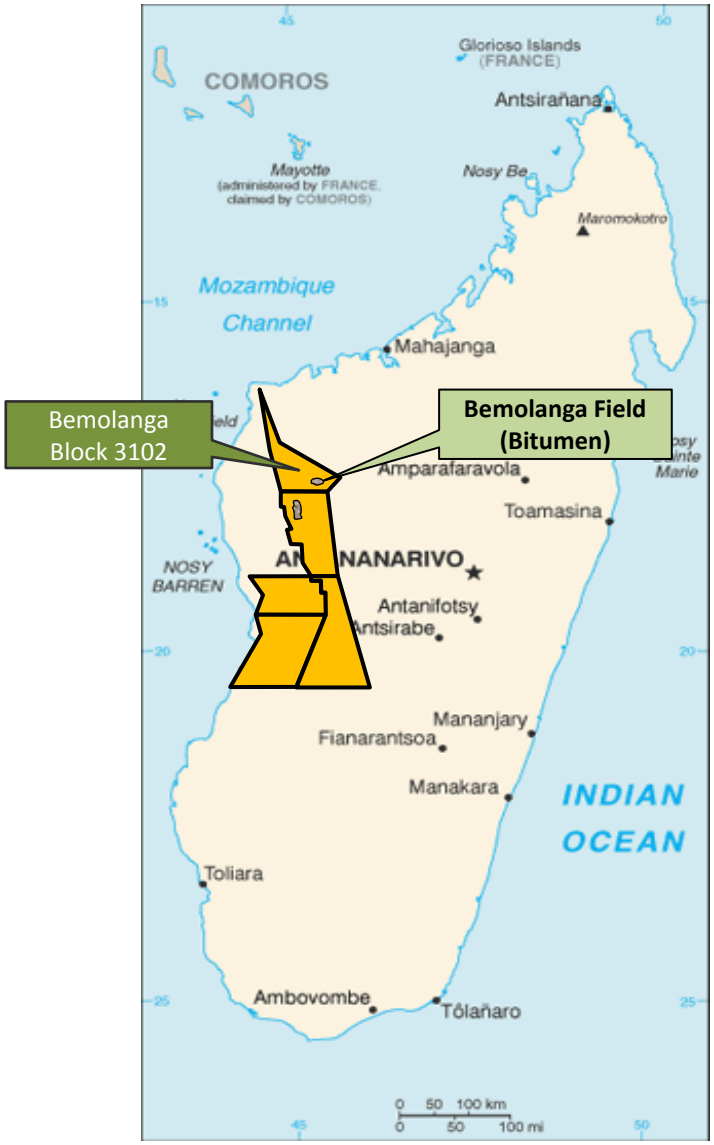


Bemolanga

Overview

Bemolanga

- The Total and Madagascar Oil Joint Venture (the JV) has proposed and the government has agreed to:
  - Grant an extension of the current PSC exploration phase
  - Shift the work program focus to pursuit of deeper basement plays on the Bemolanga block.
- The Bemolanga primary investigation to date has been focused on the bitumen deposit at 0-40m depth from surface.
  - The current economics dictate that the mining project be put on hold.
  - The revised PSC eliminates the requirement to commit to construction of a $100 million mining pilot facility.
- In 2008 Total E&P farmed in for a 60% share from MOIL for $140 million and became operator of the Joint Venture (JV).
  - $100mm was paid upfront and the remainder as a carry on the next US$100 million of the JV expenditures for the Madagascar Oil 40% interest.
  - The JV has agreed to reduce the carry amount to $80 million. $70 million has been spent to date leaving a $10 million carry ($4 million to MOIL) for work in 2011 and 2012.

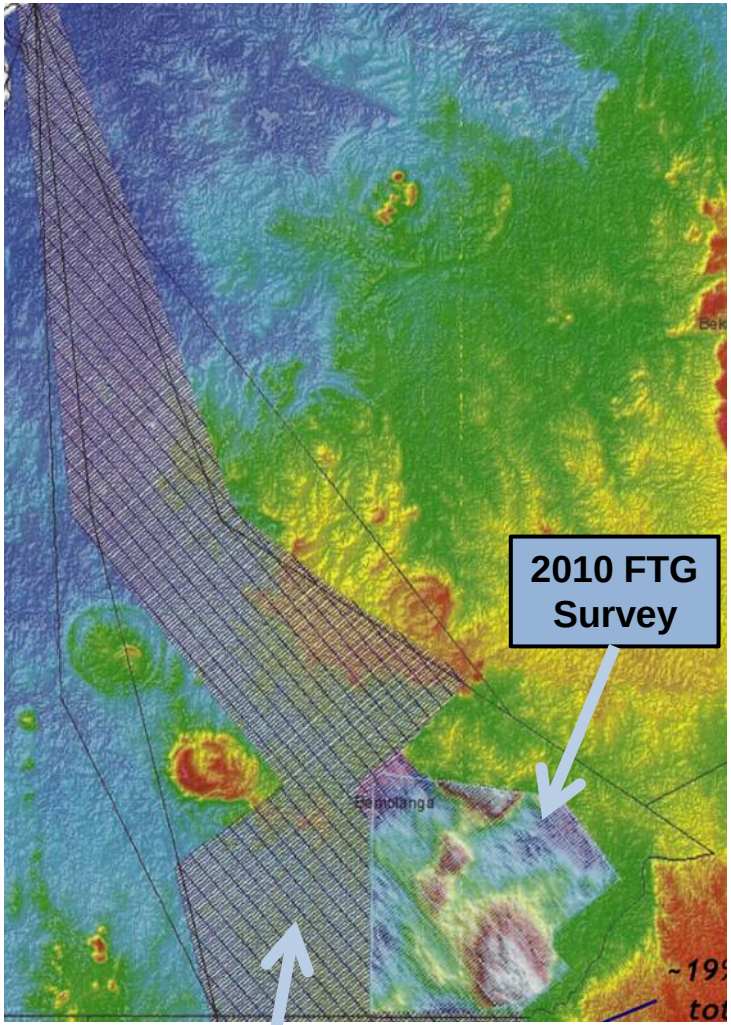


Bemolanga Future Steps

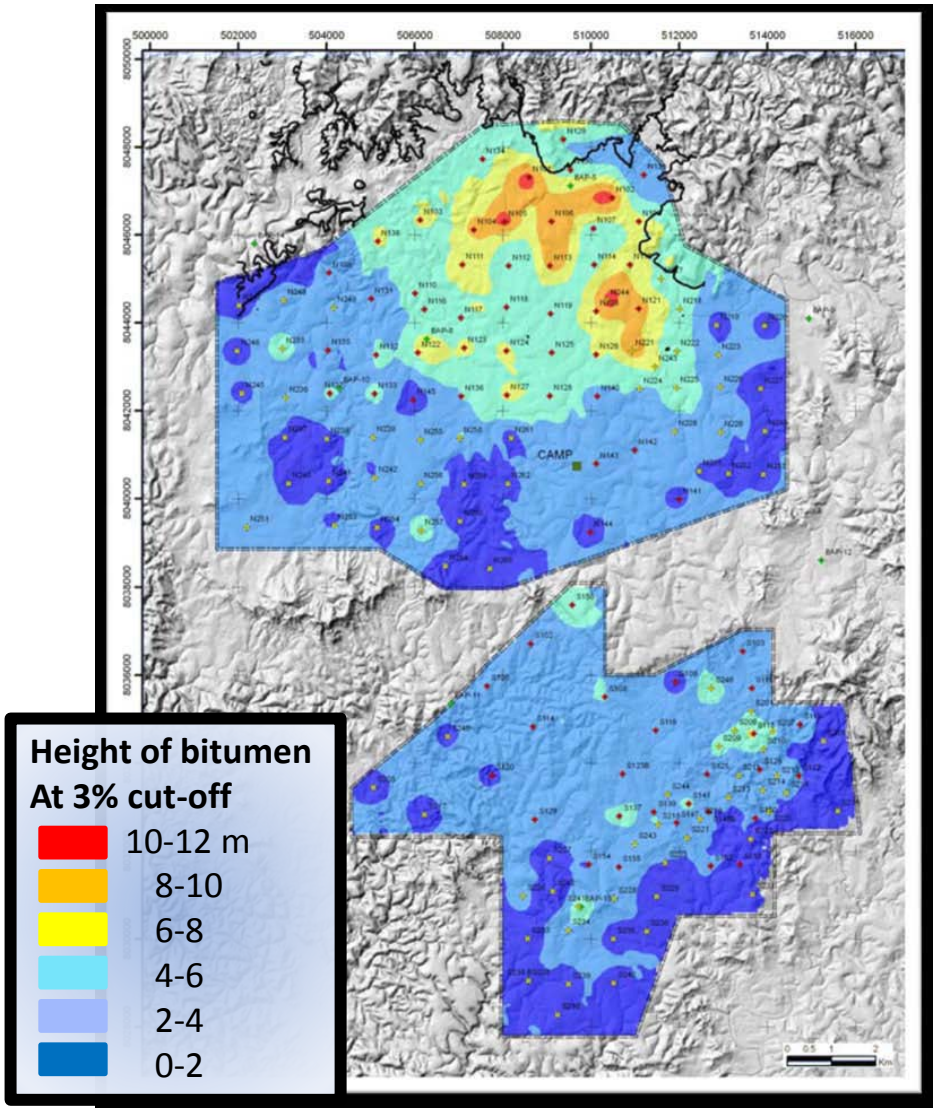
Madagascar Oil and Total will:

- **Pursue deep plays.**
  - Conduct 8600 km of airborne FTG gravimetric survey to determine potential basement 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.

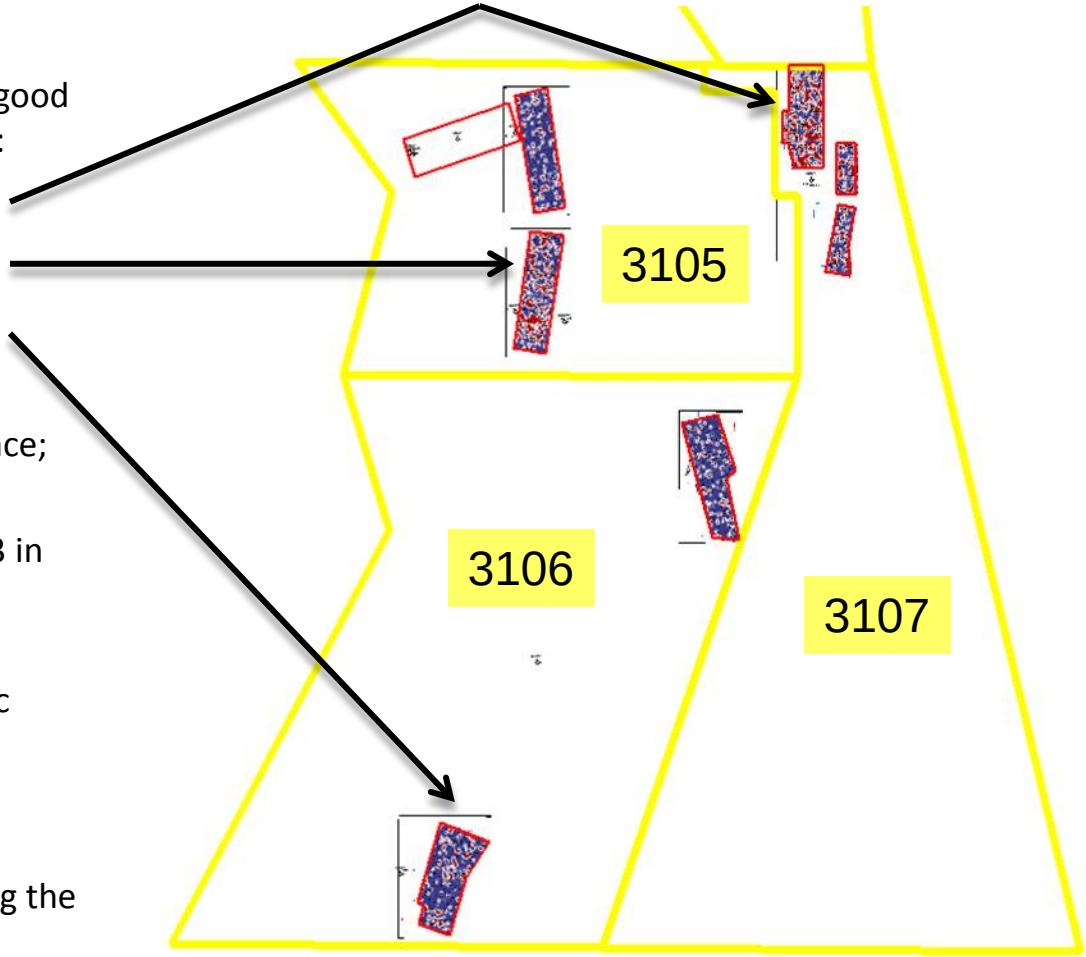
Exploration Blocks

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 are not coeval with the seismic prospects, indicating a level of structural/stratigraphic complexity not currently fully understood.
- Gore and Madagascar Oil are reprocessing the data and will compare with seismic to determine next potential steps.

Exploration: Potential 2011 Work Program

A Full Tensor Gravity Gradiometry (FTG) survey program is being proposed in 2011 to gain key data and efficiently utilize the time remaining this year.

FTG preliminary estimate (subject to OMNIS approval)

Block 3105 - ~8,000 line km, Budget est. $1.7 million

Block 3107 - ~3,000 line km, Budget est. $600,000

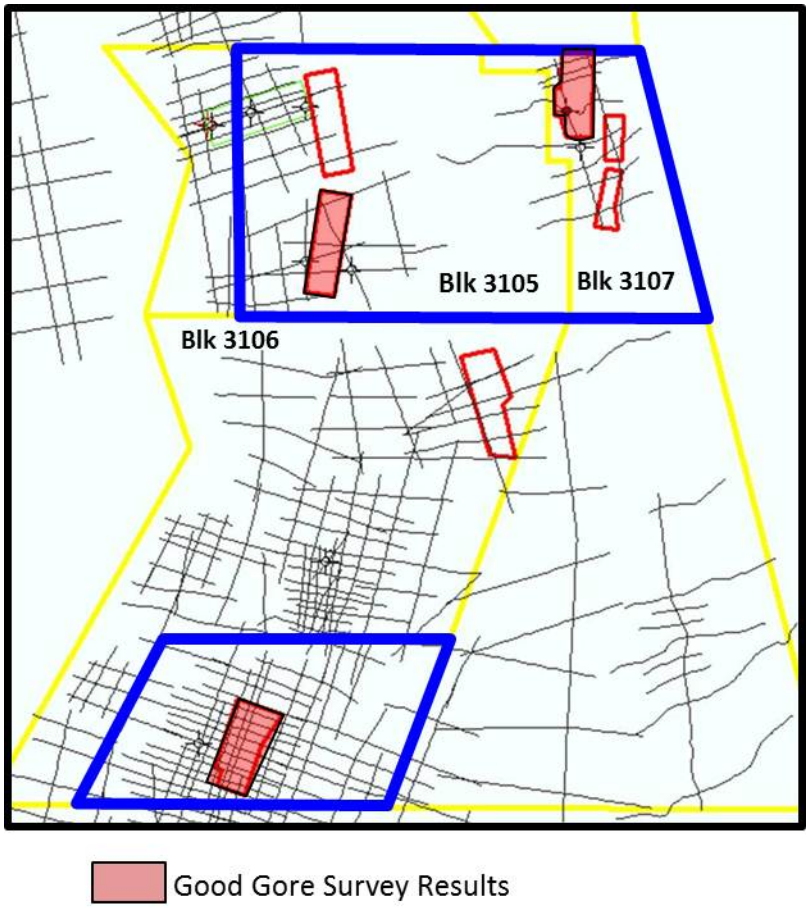
Block 3106 - ~5,000 line km, Budget est. $1.0 million

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 if necessary in 2012.
- Reduction of exploration well risk by combining FTG, well, seismic, and GORE geochemical results.

The exploration blocks require extensions from the government in order to execute the necessary work to define a drillable prospect on each block.

- If a prospect is identified the proposal currently calls for wells to be drilled in 2013.
- At this time neither the extension nor the work programs have been approved by OMNIS.



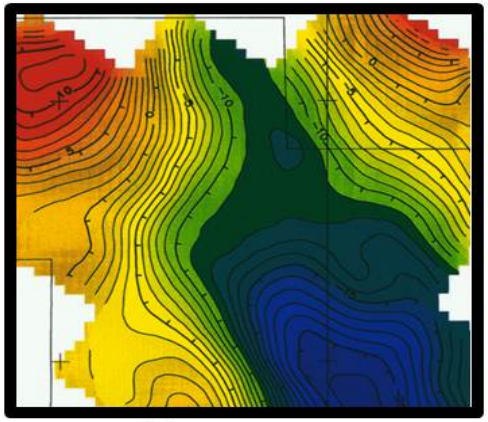
Overview – Full Tensor Gravity (FTG) Gradiometry

FTG - Airborne Gravity Gradient and Magnetic acquisition:

- Regional context and over areas of interest.
- Dykes effectively mapped to great detail and main faults identified.
- Basement configuration assessed for regional correlation of structure.

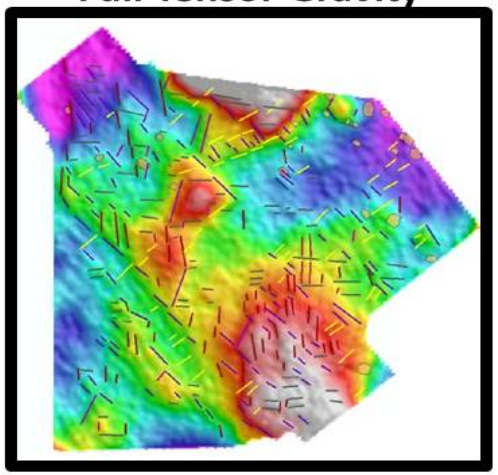
FTG provides much greater resolution than previous gravity survey, as indicated in comparison at right.

3° Residual Bouguer Gravity



Old 1998 Data

Full Tensor Gravity



Bemolanga 2010 Data

Funding Projection

Funding Projection

- MOIL currently has approximately $59 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
  - Development of drillable prospects on the Exploration Blocks
- This cash is expected to fully fund the MOIL capital programme over the next two years.

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 ($1.59/share)	1,565,788
Warrants ($2.00/share)	718,370
Fully diluted shares O/S [1]	**198,649,315**

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

Use of funds	
Item	**Cost (US$ mm)**
Drilling (Tsimiroro) 2011-2102	3.0
FTG and possible ERT (Tsimiroro) 2011-2012	3.0
Steam Flood Pilot (Tsimiroro)	$30.0
Steam Flood Pilot operation - 9 months	$6.0
Exploration Block FTG	$3.0
Exploration Block seismic	$3.0
Working capital (through mid-2013)	$11.0
Total	**$59.0**

The projected cash flow has been impacted by the program delay in 2011and an addition as follows:

- The working capital and legal expense expended during the government dispute was $4 million.
- The addition of the FTG survey on the Exploration Blocks requires $3 million.

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 in the next 2 years.

Appendix

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

Technical Staff

- L. Jim Lederhos – Chief Engineer
- Matt Meyer – Chief Mining Engineer
- Jim Collins – Chief Geophysicist
- Tim Whitacre – Chief Geologist
- Bill Moodie - Operations Engineer

Key Contractors

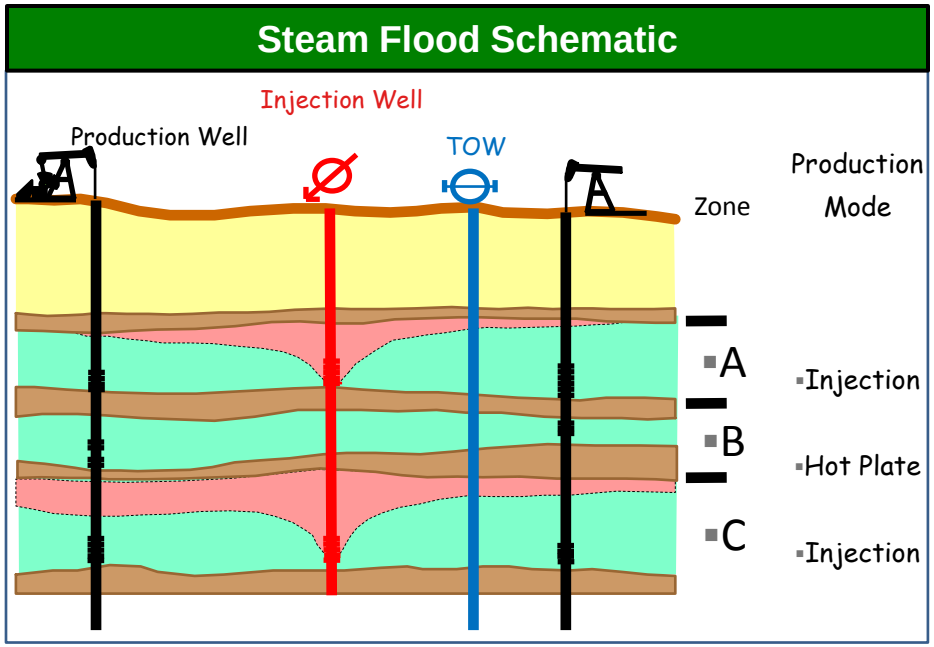
- Ramsgate Engineering - Bakersfield
- Norwest Corp - Calgary
- KBR Granherne – Houston
- Simmons Drilling – Calgary
- SEMM Logging – Paris
- Worley Parsons - Calgary
- Decision Strategies - Houston

Multi Zone Steam Flood

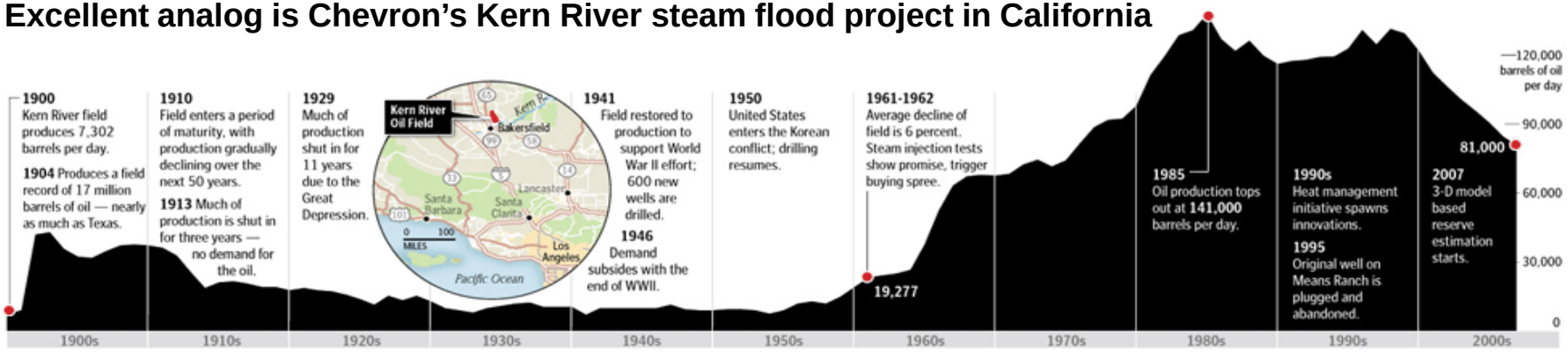
Pilot project to restart installation

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.



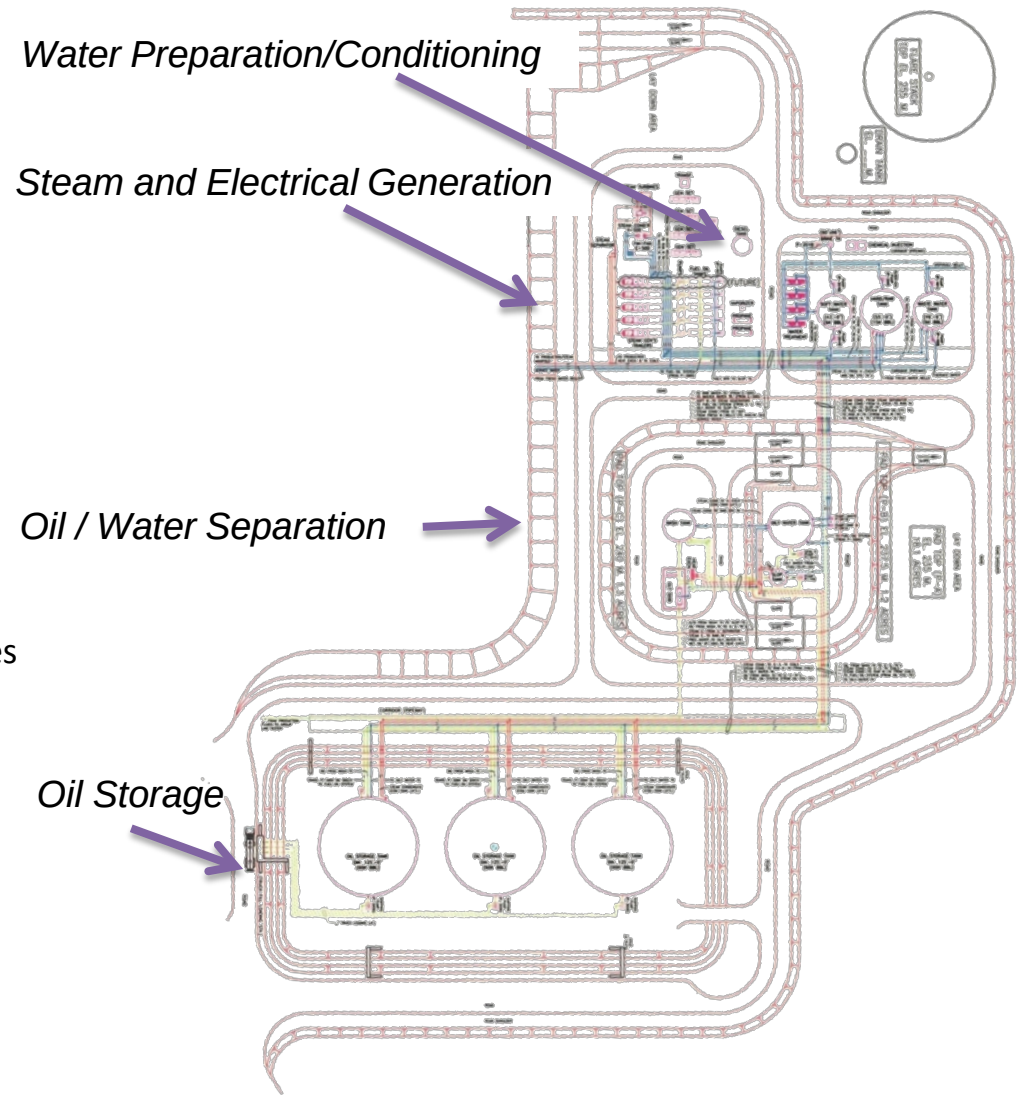
Excellent analog is Chevron's Kern River steam flood project in California



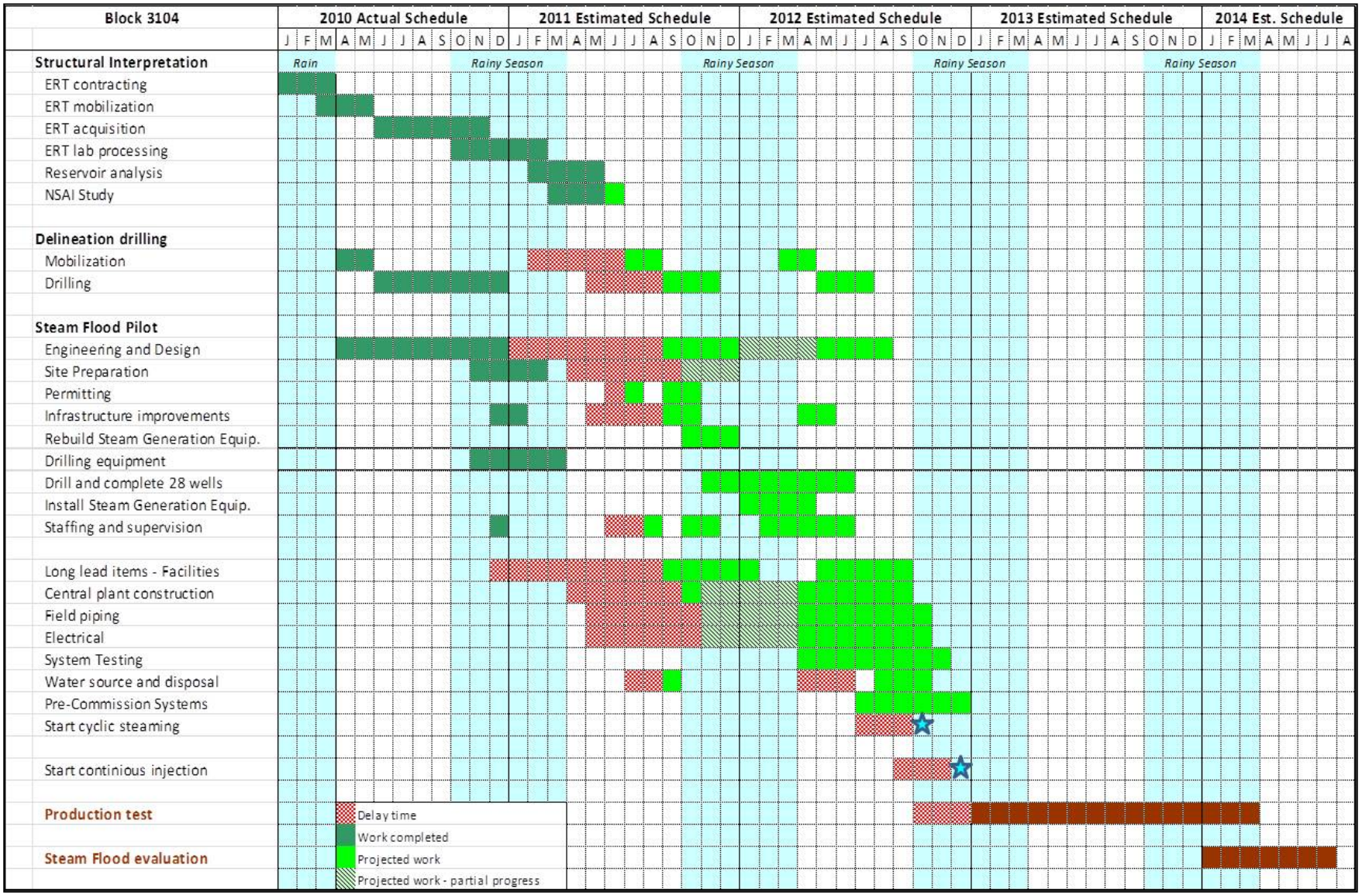
Tsimiroro Steam Flood Pilot Facilities

Central Plant Designed

- Maximize use of equipment already in country imported by MOSA.
- Use oil to generate steam and electricity.
- Recycle most of the water and inject as steam.
- Uses technologies that are reliable and robust.
- Safety and Environmental protection built into plan.
- Safety berms
- Emergency water distribution around facilities and in oilfield.
- Space between central plant components
- Instrumented to monitor key components, rates, temperatures and pressures, monitor and troubleshoot onsite and remotely.



Projected Tsimiroro Block 3104 Work Schedule



Overview

Exploration Blocks

MOIL has 100% of three exploration blocks

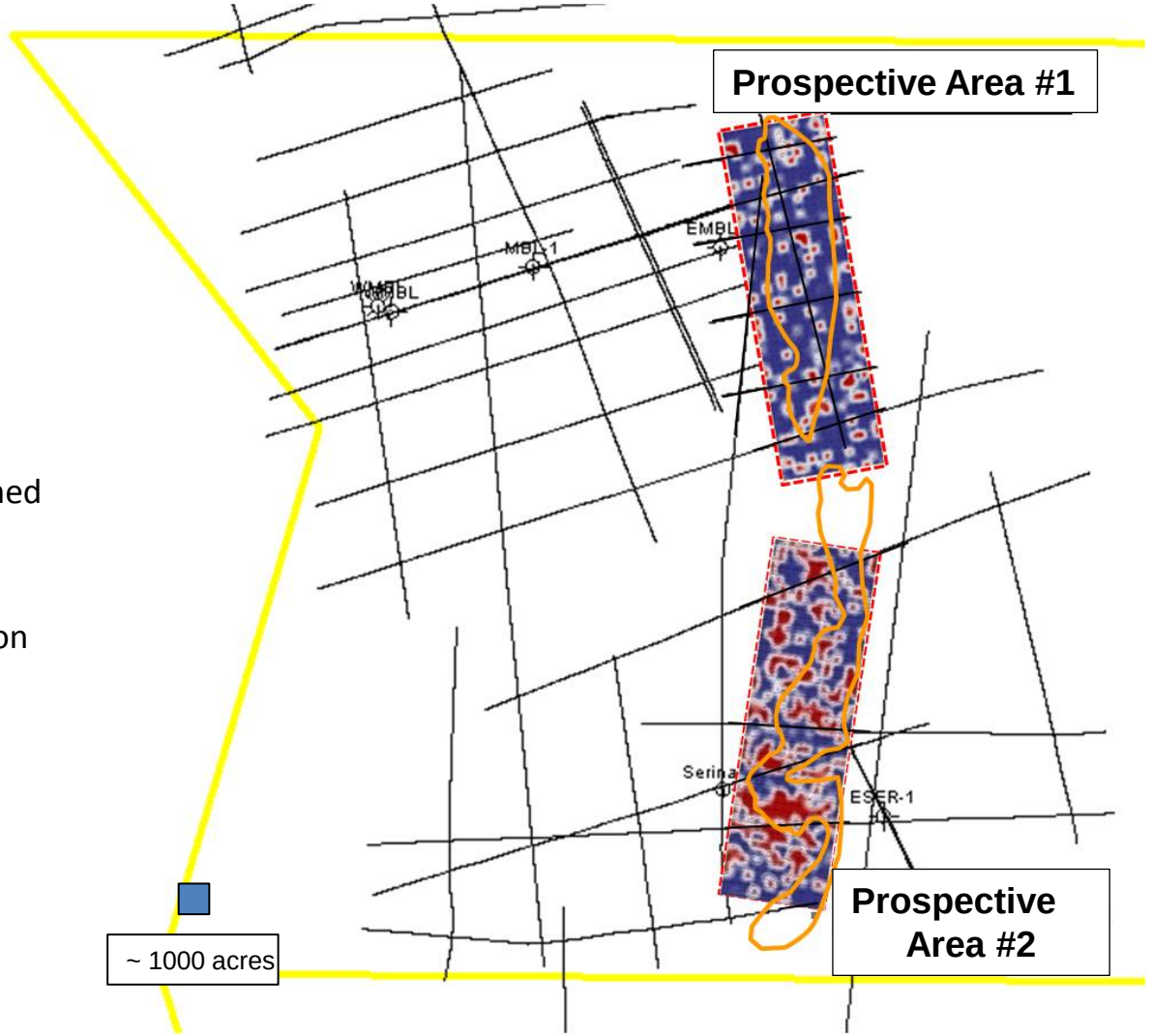
- **PSC 3105 – Manambolo**
  - contains two prospective areas covering over 38,000 acres
  - five stratigraphic pinch-out leads in three Cretaceous depositional systems
  - numerous oil and gas shows in down-dip wells
  - lacking evidence of hydrocarbon charge
- **PSC 3106 - Morondava**
  - three structural closures have been mapped covering over 31,000 acres
  - reservoirs expected in the Isalo II sandstones and Bemaraha carbonates
  - gas and minor oil shows present in down dip wells within mapped reservoir intervals
  - charge and trap are the key risk factors
- **PSC 3107 – Manandaza**
  - four structural closures mapped covering 27,000 acres
  - Lower Sakamena reservoir appears to be poor permeability, but if accumulation can be proved to be of sufficient size, fracturing techniques could be tested for production potential
  - large area of block has not been examined

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/P CIAC	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

Block 3105: Preliminary GORE Results

- Hydrocarbon Potential Model #8:
- Red closures represent a >50% probability of subsurface trapped hydrocarbons.
- PA 1 does not appear to have any significant areas above background.
- PA2 indicates significant areas of potential
- Patterns consistent with fluvial or turbidite channels rather than assumed closure.
- However, current seismic coverage is insufficient to aid in the determination of the depths and continuity of the possible traps.

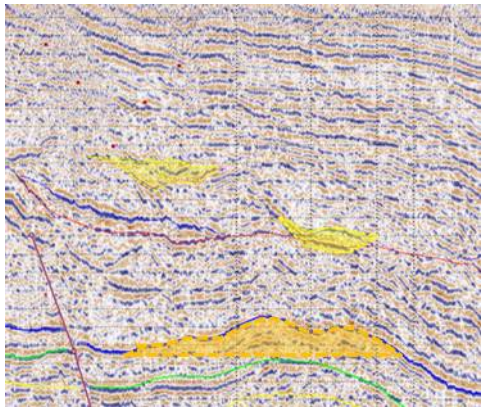


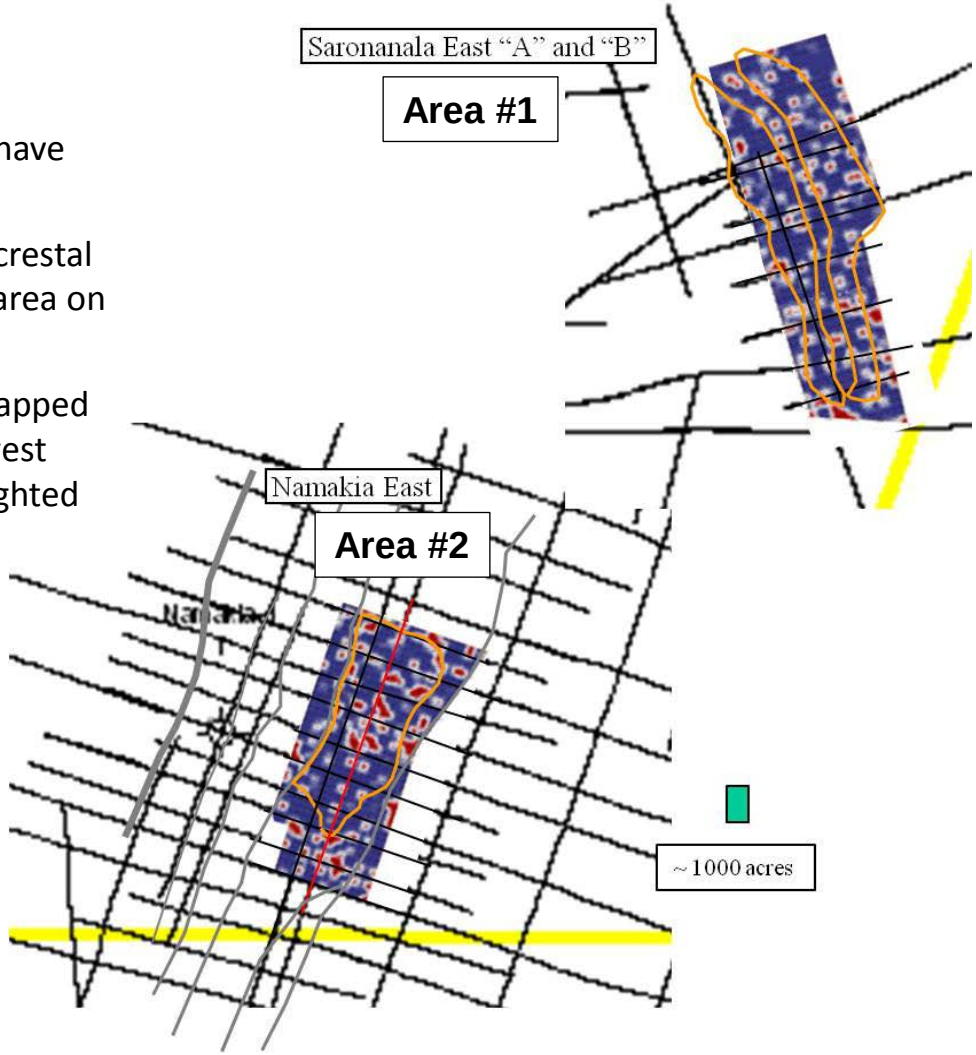
Next Steps

- Continue processing GORE data to examine continuity
- Run additional seismic to attempt to define a drillable prospect

Block 3106: Preliminary GORE Results

- Hydrocarbon Potential Model #8:
- Red closures represent a >50% probability of subsurface trapped hydrocarbons.
- Saronanala East “A” and “B” do not appear to have any significant areas above background.
- Namakia East indicates good potential on the crestal position of the deep mapped closure (orange area on map and seismic line).
- However, potential indicated outside of the mapped closure suggests the trap may be in the east-west trending Cretaceous turbidite channels (highlighted in yellow).





Next Steps

- Continue processing GORE data to see if a fit with seismic can create a drillable prospect

Block 3107: Preliminary GORE Results

- Hydrocarbon Potential Model #8:
- Red closures represent a >50% probability of subsurface trapped hydrocarbons.
- Good potential is indicated with above background readings noted in all three areas with Manandaza area almost saturated.
- The presence of hydrocarbon potential outside mapped closures indicates we may not understand the trap.
- The low porosity/permeability noted in past drilling may also play a role in the overall micro seepage response.

<u>Next Steps</u>

- Continue reprocessing the GORE data to determine if a seismic fit can be developed.
- Conduct further study on the impact of low permeability on GORE readings.
- Consider additional seismic if the broad distribution above background cannot be resolved by data processing.
- Ensure that any heavy indications that may be from shallow unmapped sands are excluded.