

12 September, 2011

MADAGASCAR OIL LIMITED
(“Madagascar Oil” or the “Company”)

Significant Upgrade to Tsimiroro Resources

Madagascar Oil (AIM: MOIL) is pleased to announce a significant upgrade in Contingent and Prospective Oil-in-Place for the Tsimiroro field (Block 3104) in Madagascar.

Netherland, Sewell & Associates Inc. (NSAI) has revised its resource estimate in respect of the Tsimiroro field in view of the data acquired by Madagascar Oil’s 24 well drilling campaign undertaken in the second half of 2010. The best estimate for Contingent Original-Oil-in-Place (OOIP) has increased from 965 million barrels for the Tsimiroro field to a new Best Estimate of 1.7 billion barrels.

In advance of the submission to the Company of the full report, which is expected in Q4 2011, NSAI has provided an initial report of their findings. It is significant to note that the new Contingent OOIP Low Estimate exceeds the previous Best Estimate by 15%. The Best Estimate figure of 1.688 billion barrels represents an increase of 75% and exceeds the total of the former Contingent and Prospective cases combined.

The tables below show the Low, Best and High Estimates for Contingent and Prospective OOIP compared to the 2010 field assessment, and clearly highlight the significant increase in resources.

OOIP Contingent Resources (Million bbls)			
	<i>Low Estimate</i>	<i>Best Estimate</i>	<i>High Estimate</i>
2010 Competent Person’s Report	644	965	1,412
2011 Update	1,100	1,688	2,459
Increase	456	723	1,047
Percentage Change	70.8%	74.9%	74.2%

OOIP Prospective Resources (Million bbls)			
	<i>Low Estimate</i>	<i>Best Estimate</i>	<i>High Estimate</i>
2010 CPR	0	786	1,843
2011 Update	991	2,189	6,872
Increase	991	1,403	5,029
Percentage Change	inf	178.5%	272.9%

A copy of the letter received from NSAI in respect of their assessment is available for download via the Company's website at www.madagascaroil.com.

Laurie Hunter, Chief Executive Officer, said:

"We are delighted to report these new resource estimates, which further demonstrate the enormous potential of Tsimiroro. What we are seeing is the new Best Estimate scenario exceeding the previous High Estimates, whilst the updated High Estimate provides an indication of just how large a prospect Tsimiroro could be.

"It is also worth noting that by applying the 70% steam flood recovery factor estimated by NSAI in its 2010 Competent Person's Report to the new Best Estimate Contingent OOIP volume, the recoverable Contingent Resource volume would exceed 1.1 billion barrels. Therefore, not only does today's news begin to highlight the true value of our acreage, the updated numbers firmly endorses the potential scale of the project.

"Having overcome the challenges experienced earlier this year with the Tsimiroro PSC and the steam flood pilot expected to achieve initial production next year, we are upbeat about the future and our role in helping the country of Madagascar achieve its first commercial oil production."

Mr Mark Weller, Chief Operating Officer of the Company, has reviewed and approved the technical information contained within this announcement in his capacity as a qualified person, as required under the AIM rules. Mr Weller is an engineer with over 39 years' experience in oil and gas exploration and production.

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