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8 December, 2011

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

AGM Statement

Madagascar Oil (AIM: MOIL) is pleased to provide an update on its operations on the occasion of the Company's Annual General Meeting to be held today at King & Spalding LLP located at 1185 Avenue of the Americas, New York at 11.00am (Eastern time).

Tsimiroro

As previously announced, this year Netherland & Sewell Associates, Inc. re-evaluated the Original Oil in Place (OOIP) estimates for the Tsimiroro field, increasing the Best Estimate Contingent OOIP case to 1.688 billion barrels and the Best Estimate Prospective OOIP to 2.189 billion barrels. The combined Contingent and Prospective OOIP Best Estimate is now estimated at 3.877 billion barrels.

As a result of the resource increase, the Company's economic case for a Tsimiroro field steam flood development is compelling, as the Mean Expected Value of Contingent OOIP at \$80 Brent is now \$6.7 billion, with the number increasing to \$15.2 billion when Prospective OOIP is included. The breakeven Brent price for the project has correspondingly been reduced to less than \$40 per barrel, compared with \$47 previously. In addition, the steam flood needs only a 22% recovery of Contingent OOIP to reach breakeven at the \$80 Brent level.

Based on the new Best Estimate Contingent OOIP, peak production is now expected to reach approximately 150,000 bopd with the potential for peak production to double on a combined Contingent and Prospective OOIP basis. The Company believes that commercial production could commence in 2017.

The updated economic case also indicates that, under the terms of the Tsimiroro licence agreement, the undiscounted profit allocation for the life of the field is estimated at 52% to the Madagascar Government and 48% to the Company, with the Company being responsible for 100% of the capital investment requirements over that time.

The Tsimiroro Steam Flood Pilot Project remains on track to commence at the end of 2012. In 2011, the Company has continued its drilling programme that has successfully drilled twelve wells in the Tsimiroro field with eleven wells having good oil shows in the Amboloando formations. In addition to the drilling, the electrical resistivity tomography (ERT), a geophysical technique for imaging sub-surface structures, continued with nine lines totalling 47km acquired. An Airborne Gravity (FTG) Survey, to provide detailed tectonic analysis on the Tsimiroro field, was also completed covering the entire block with approximately 6,000 square kilometres of coverage.

Corporate Update – VAT

The Company continues to work towards a satisfactory resolution regarding its ongoing challenge of the Madagascar Tax Administration's request for value added tax on foreign services. In November 2011, the Madagascar Tax Administration maintained its position that VAT is due for tax years 2007 and 2008 on foreign services. If the Company is unable to reach a mutually agreeable settlement on this matter by the end of this year, the next step in this process will be an appeal of the VAT claim to the Council of State, which is the independent judiciary charged with ruling on appeals of this nature.

AGM Presentation

Mark Weller, COO, will give a presentation at today's AGM which is available on the Company's website. www.madagascaroil.com/Presentations.php.

In addition, the presentation will also be made by Company management in London on 12 January 2012, followed by a Q&A session. Shareholders wishing to attend should contact Mirabaud Securities or GMP Securities.

Chairman and CEO Statement

At today's meeting Laurie Hunter, Chairman and CEO, will make the following statement:

"Since I addressed shareholders at last years' meeting, your company has continued to make considerable progress towards our goal of developing our world class Tsimiroro oil field in Madagascar.

On a corporate level, in late November 2010 the successful admission of shares to trading on the AIM market of the London Stock Exchange was a key milestone for the Company. The Placing and Admission was designed to finance the steam flood pilot project to prove the commerciality of the Tsimiroro Field, as well as to expand and upgrade our resource base and to further develop drillable prospects on our exploration blocks.

As you are only too well aware, shortly after the IPO, following a meeting between the Ministry of Mines and Hydrocarbons and Madagascar Oil in Antananarivo, the Ministry indicated that it was interested in acquiring from the Company all of its licences excluding Bemolanga. Trading in Madagascar Oil's shares was therefore suspended while the Company obtained reassurance from its legal advisers of the validity of all of its licences, and that the obligations on both the Government of Madagascar and the Company were legally binding.

In June this year, we were very pleased to announce that the dispute with the Government of Madagascar in connection with the Tsimiroro Block was resolved and validity of this PSC was acknowledged by the Government of Madagascar. This removed a long shadow that had been cast over the company since shortly after the IPO. We engaged in a constructive dialogue with the Government of Madagascar and reached an amicable resolution. By evidencing compliance with our contracts and the amount of work that has been completed to date, as well as our clear and well-funded plans for the future, we were able to move forward in a strengthened partnership on our Tsimiroro Block. The episode highlighted that while there are always risks associated with operating in frontier petroleum provinces, the rule of law can ultimately prevail.

Our focus operationally continues to be Tsimiroro. This is a world class prospect and we were very pleased that Netherland and Sewell recently further enhanced this view when they revised upwards the oil in place number for the Block by 75% to 1.7bn barrels. Our work programme for next year has been approved by the Government and we expect first oil production in the second half of 2012. In order to achieve this, we are now putting the necessary infrastructure in place and will be commencing the drilling of our 28 pilot wells imminently.

At Bemolanga we are very pleased to have been granted a one year extension for our exploration activity on the Block, with an option to further extend this by an additional two years. The work programme with our partner, Total E&P is now centred on the Block's conventional hydrocarbon potential and, to this end, we are processing data that we obtained in a 8,400km Airborne Gravity Gradiometer survey. This survey employed the latest technology and is designed to further examine our understanding of the deeper oil and gas potential on the Block.

Return to work on our exploration acreage is still under discussion with the government and all of the necessary technical meetings and reviews have been completed. We hope that we will be in a position to provide an update on these Blocks in due course.

We believe we have sufficient resources to fund our current work programme for the Tsimiroro steam flood pilot into the first half of 2013. We expect to fund the Bemolanga project with the \$10m gross carry which remains under the terms of our agreement with Total E&P, and we have the necessary funds available to execute planned work on the exploration acreage.

One additional item that needs to be mentioned is our ongoing challenge of the Madagascar Tax Administration's request for taxes on foreign services. We resolved the portion of the dispute related to income tax in our favour and we continue to work through the appeals process on the request for value added tax on foreign services.

Looking ahead in 2012, the Company will continue to address the political risk that is hampering the Company's value, by engaging fully with the Ministry and building on our progress during the past six months. We are also continuing to put in place significant sustainable social program projects to assist the people of Madagascar who reside in the regions where our projects are located.

On behalf of the Board, I would like to thank our investors for their continuing support. We have embarked on a project which has major implications for the people and country of Madagascar. We look forward to continuing to enjoy good relations with their government as we achieve the country's first commercial oil production and help the country on the road towards energy independence."

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