



(“Madagascar Oil” or the “Company”)

INTENTION TO FLOAT

ON THE AIM MARKET OF THE LONDON STOCK EXCHANGE PLC

Madagascar Oil, an oil and gas exploration and development company with significant oil resources onshore Madagascar, is pleased to announce its intention to apply for admission to the AIM market of the London Stock Exchange Plc (“Admission”) and to proceed with an initial public offering of its common shares to institutional investors in the United Kingdom and elsewhere (the “IPO”).

The joint brokers to the IPO are Mirabaud Securities LLP and GMP Securities Europe LLP. Strand Hanson Limited is acting as nominated adviser to the Company.

Summary of Madagascar Oil:

- Two significant core assets with multi-billion barrels of heavy oil resources in place:
 - Tsimiroro:
 - ‘Best Estimate’ gross heavy oil in place (OOIP) of 965 MM bbl in known accumulations, with over 780 MM bbl potential in prospective, adjacent structures;
 - Production estimated at 87,500 bopd for 30 to 40 years;
 - 100% working interest held by the Company.
 - Bemolanga:
 - ‘Best Estimate’ gross discovered bitumen in place (PIIP) of 1,179 MM bbl, with over 1,000 MM bbl potential upside subject to further delineation drilling;
 - Total E&P farm-in for a US\$100 million consideration also provided the Company with a carried interest through US\$100 million in exploration and development costs expended by Total E&P as license operator;
 - Madagascar Oil holds a 40% interest (Total E&P 60%).
- Both core assets represent an oil recovery execution play:
 - Well defined project field areas known to contain substantial heavy oil / bitumen accumulations; and
 - Field tests and studies undertaken to date suggest the Company’s heavy oil assets have excellent potential for development.
- Potential world class heavy oil resource being developed at Tsimiroro is well located for access to the world heavy oil market, including the expanding Asian markets.
- Top tier team encompassing the following key characteristics:
 - World class technical expertise in executing and monetising heavy oil resources through the application of steam flood;
 - Extensive expertise in managing, budgeting and executing multi-million dollar projects globally; and
 - A board with significant industry experience and will provide both strategic and operational oversight.
- Potential upside from three significant exploration assets representing an area totalling approximately 17,400 km²:
 - Eight structural leads identified following a 2009 seismic program.

- Comprehensive near term work program to prove up reserves and demonstrate commercial production capability, including:
 - additional drilling to expand and upgrade the resource base at Tsimiroro – first results from the current drilling and Electrical Resistance Tomography (ERT) program expected in early 2011;
 - executing a steam flood pilot facility at Tsimiroro – first production expected in late 2011;
 - evaluation of the mining options available at Bemolanga – next major operational decision in June 2011; and
 - development of drillable prospects on the Exploration Blocks – next results expected in early 2011.

Laurie Hunter, Chairman and CEO, commented:

“The potential for Madagascar Oil is significant. It is primarily an execution play on two core and very sizeable heavy oil resources. Work completed to date by the Company’s technical team, which gained extensive heavy oil experience in California and at other similar operations in Indonesia, supports the potential for commerciality of a steam flood operation at Tsimiroro. The funds raised through the IPO will be sufficient to bring our largest core asset, Tsimiroro, to the point of commerciality, at which juncture the Company is likely to attract the interest of a larger entity, interested in heavy oil plays due to the potential for consistent and sizable long term revenue streams.”

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Madagascar Oil - Introduction

Madagascar Oil was founded in 2004. The Company is involved in the exploration and development of its five contiguous blocks, covering 29,500km², onshore Western Madagascar. The two principal blocks, Tsimiroro and Bemolanga, have been extensively explored and are known to contain substantial heavy oil / bitumen accumulations. The blocks have been attributed multi-billion barrels of heavy oil resources in place.

It is estimated that a steam flood development of the contingent volumes in the four core Tsimiroro structures could be accomplished at a plateau production rate of around 87,500 bopd. Inclusion of the wider prospective volumes would support higher plateau rates of around 160,000 bopd.

The farm-in by Total E&P at the Bemolanga block in 2008 for an implied gross valuation of US\$233 million (based on the acquisition of a 100%) validates the play potential and demonstrates its attraction as a standalone project to super majors and national oil companies (NOCs) looking to secure resources. Both the majors and NOCs have shown an increasing interest in heavy oil projects in recent years as these projects offer large volumes of resources in place along with stable and consistent long term production and cashflows.

Eight structural leads have also been identified on three wholly owned exploration blocks, which are contiguous with Tsimiroro and Bemolanga. Wells previously drilled on the exploration blocks encountered shows of gas and light oil and the Company is planning further work to identify and progress additional leads and prospects.

The Company's immediate strategy is to delineate the key heavy oil asset in Tsimiroro and prove commerciality so as to bring it to a point of development where value can be crystallized. Successful results from the 2010 drilling programme, with 13 of 15 wells to date finding oil, will allow the Company to conduct a significant review of the contingent resource numbers in early 2011.

Assets / Operations:

Tsimiroro

Madagascar Oil has a 100% working interest in the Tsimiroro block. The field has been extensively explored, with 108 wells drilled to date. The block has been known to contain oil since 1909 but previous work had identified a Best Estimate resource of only 300 MM bbl making it sub-commercial. Following an extensive geologic reappraisal, which identified 32 new potential structural closures outside the main, most intensely drilled area, and a subsequent successful drilling programme on 15 of these structures in 2008, Netherland Sewell & Associates Inc ("Netherland Sewell"), revised the Best Estimate oil in place (OOIP) in known accumulations to 965 MM bbl, with over 780 MM bbl of additional prospective resources in, immediately offsetting structures.

Recoverable contingent resources currently stand at 464 MM bbl (Best Estimate), but these resources are expected to increase as further drilling and ERT results are incorporated. Following a successful drilling campaign in 2010, with 13 of the 15 wells drilled to date successful, volumes will be reassessed by Netherland Sewell for potential additions.

The heavy oil accumulations at Tsimiroro occur in a stacked series of shallow deposits, at depths ranging from 40 to 300m, in an overall sequence that is up to 100m thick. Porosities are known to be good, averaging 24% to 26%, and permeabilities are around 500mD. The reservoir sands are believed to be sealed by an overlaying shale.

Madagascar Oil intends to develop Tsimiroro by means of a full field multi-zone steam flood. The technique involves drilling vertical 5 spot well patterns, injecting steam into a center injector well and recovering the oil from the four surrounding production wells. It has proved highly successful in fields with similar reservoir properties to Tsimiroro in California and Indonesia, with a full life recovery factor of 60% to 80%. A cyclic steam field test, undertaken by the Company in 2008, suggests the Tsimiroro reservoir is well suited to steam flood development. The wells are relatively inexpensive to drill, due to the shallow depth of the reservoir sands.

Bemolanga

The Company holds a 40% working interest in the Bemolanga block, following a 60% farm-out and assignment of operatorship to Total E&P in 2008. The farm-out transaction included a US\$100 million upfront payment, plus a full carry on the next US\$100 million of expenditure which is expected to fund the work programme through to mid 2012.

Bemolanga is a bitumen deposit, with a gravity between 9 and 14° API, lying close to the surface. The asset has been attributed total discovered Petroleum initially in Place (PIIP) of 1,179 MM bbl, with over 1,000 MM bbl additional potential defined as an “undiscovered” resource requiring additional delineation drilling. The Company’s net attributable contingent resources for Bemolanga are currently estimated to be 165 MM bbl, although this is expected to increase as additional resources are designated “discovered”.

Development of the block is expected to require a conventional oil sands approach of mining, bitumen extraction and upgrading. Since farming-in, Total E&P’s has undertaken an extensive work programme, including 72 wells drilled and cored in 2009 to further define and test the oil in place for potential recovery. The recently completed 2010 programme involved the drilling of a further 85 wells. The results of the work undertaken to date have met or exceeded expectations. Extraction performance of the Bemolanga ore is also a key factor to successful field development. A decision point in mid-2011 will be required to move the project to a pilot phase for testing extraction options.

Exploration Blocks:

The three exploration blocks, Manambolo, Morondava and Manandaza, cover a total of 17,400 km² (4.3 million acres). Several wells drilled previously on these blocks had light oil or natural gas shows, confirming the presence of an active hydrocarbon system.

In 2009, the Company undertook a 200 km seismic programme, which identified eight leads across the blocks. The 2010 programme, comprising a geochemical survey over 278 km² has been designed to further advance the Company’s understanding of these structural leads and their potential to contain trapped hydrocarbons.

Strategy:

The Company’s intention is to expand and upgrade the resource base across Tsimiroro and Bemolanga, demonstrate commerciality of at the Tsimiroro field, with a steam flood pilot plant, and further develop drillable prospects across its exploration blocks.

Management Team

The board and management have extensive experience in the oil & gas industry and, in particular, specific knowledge of the steam flood process and heavy oil accumulations.

Laurie Hunter, Chairman and Chief Executive Officer, founded Hunter Capital, an investment company involved in raising finance for early stage companies. Mr Hunter recently served on the board of Trident Resources Corp, a Canadian coal bed methane exploration and development company, and is currently an independent director of Direct Petroleum Exploration Inc, an international oil & gas exploration and development company with assets in Morocco, Bulgaria and Russia.

Mark Weller, Chief Operating Officer, has over 37 years’ oil industry experience, including 15 years direct involvement in heavy oil steam flood projects in California. Mr Weller previously worked at Texaco and Getty Oil.

In addition, Chief Engineer, Jim Lederhos, and Madagascar Oil’s General Manager, Alvaro Kempowsky, bring extensive experience, having both worked at Chevron and Texaco on some of the world’s most successful steam flood projects, including those in California and Indonesia and the development of new steam flood operations in California and Columbia.

Non-executive Directors include John van der Welle, (most recently Chief Financial Officer of Stratic Energy Corporation, and previously Head of Oil & Gas, Sector Corporate Finance, at Royal Bank of Scotland, Chief Financial Officer of First Calgary Petroleum Limited and Finance Director of Premier Oil); Colin Orr-Ewing (a natural resources consultant for Blakeney management); Ian Barby, (a

previous vice chairman of Mercury Asset Management plc and managing director of Merrill Lynch Investment Managers) and Andrew J. Morris (founder and managing director of Persistency Capital LLC).

Use of Proceeds

The Directors are seeking Admission in order to raise sufficient funds to enable the group to prove commerciality of the Tsimiroro field area with a steam flood pilot plant and to carry out additional exploration with the intention of expanding and upgrading the resource base across Tsimiroro and Bemolanga and to further develop drillable prospects on its exploration blocks.

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