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22 June 2015

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

**Appointment of Jefferies as Strategic Advisor and Updated Company Presentation**

Madagascar Oil is pleased to announce the appointment of Jefferies International Limited (“Jefferies”) as a strategic advisor to the Company and that a new, updated, company presentation is available on the Company’s website.

**Appointment of Jefferies:**

Jefferies has been appointed to assist in a process which is already underway, to identify and secure a strategic partner who will work with the Company on the development and funding of the world class Tsimiroro heavy oil field in Madagascar (the “Tsimiroro Development”) which received Development Plan approval from the Madagascar authorities on 15 April 2015.

The Company remains in dialogue with a number of potential partners and it is envisaged that the appointment of Jefferies will enable Madagascar Oil to access a wider pool of potential partners. Jefferies is also expected to provide strategic advice which will help secure the optimal partner(s) for the Company going forward. The Company is confident of a successful conclusion to this process before the end of 2015 and will provide further updates in due course.

**Updated Company Presentation:**

The Company’s CEO, Robert Estill, will be presenting at the Oil & Gas Council Africa Assembly in Paris on 23 June 2015 and a copy of the presentation to be made at that Assembly (the “Company Presentation”) is now available on the Company’s website: [www.madagascaroil.com](http://www.madagascaroil.com). The Company Presentation includes the following items which are additional to the information previously reported by the Company and are therefore summarised below. The new information is based on the latest Company estimates and is consistent with the Company’s plans as outlined in the approved Block 3104 Tsimiroro Development Plan (the “TDP”).

***Tsimiroro Development Plan:***

- Drilling costs for each development well are now estimated at US\$150,000 per well based on latest data. It is expected that well completion, flowlines, tie-back and artificial lift costs will add a further US\$140,000 cost for each development well. Both well cost components represent a reduction over existing TDP submission costings due to recent market price conditions.
- A new production profile up until 2045 has been highlighted which shows the latest estimated production growth forecasts under three newly defined stages as follows:
  - **Anchor Stage:** the initial growth stage which shows gross production achieving between 7,000-10,000 barrels of oil per day (“bopd”) from approximately 400 development wells in the period up to the end of 2018/early 2019. It is estimated that funds of between

US\$200-US\$400 million will be required to fund this stage from a mix of equity, oil sales, farm-in, financial agreements with service companies or through other funding options. Jefferies will assist Madagascar Oil in determining the optimal funding route for this stage, including the identification and securing of a strategic partner(s), as referred to above. This stage was previously referred to by the Company as “Phase 1” of the TDP.

- **Fast Track Stage:** a further growth stage which envisages gross production reaching 50,000 bopd by 2021/2022. This stage would involve, amongst other things, the construction of a pipeline to the west coast of Madagascar and new coastal offtake facilities, increased drilling activities through a larger rig count and an additional central processing facility. The latest Company estimates indicate that additional funds of between US\$400-US\$600 million will be required for this stage and it is envisaged that funding options may be available from a variety of avenues including debt, infrastructure funds, crude oil offtakers, equity, cashflows arising from crude oil sales and from other sources. The Company has already commenced discussions with third parties interested in funding elements of this stage and it is envisaged that discussions will continue as the Anchor Stage progresses. The Fast-Track Stage was previously referred to by the Company as “Phase 2” of the TDP.
- **Enhanced Stage:** this stage envisages gross production growing from 50,000 to over - 100,000 bopd through 2025 with the rate of growth being dependent on many factors, in particular the number of drilling rigs in operation at any one time and pace of development. Latest Company estimates indicate that this stage will be fully funded from project cashflows with no additional external funding being required.

***Tsimiroro Development Value:***

- The Company has run a range of commercial cases for the Tsimiroro Development based around varying oil prices, production profiles, oil recovery rates, capital spend and other cost assumptions. The Company’s latest base case estimate (NPV10 value) is US\$2.6 billion for the full contingent resource development, which is based on:
  - the production profile arising from the three stages, referred to above;
  - a late May 2015 forward oil curve price deck (US\$62.50 per barrel rising to US\$80 per barrel in 2018 onwards);
  - capital and opex costs as included in the TDP; and
  - estimated recovery factor of around 40% of the 1.7 billion barrels of contingent resources.
- The Company Presentation shows a range of sensitivities around the base case of US\$2.6 billion using different oil price assumptions (ranging from US\$40 per barrel to US\$100 per barrel) and different stock tank oil initially in place (“STOOIP”) volumes (ranging from 0.6 billion barrels STOOIP to 3.5 billion barrels STOOIP). The impact is shown on a chart in the Company Presentation (page 11).
- The latest NPV10 values are the Company’s best estimate at this time and will inevitably change over time as new information emerges for the development.

**Chief Executive Officer, Robert Estill, commented:**

*"I am delighted that we have engaged Jefferies to assist Madagascar Oil in identifying and securing a partner for the development of our Tsimiroro field. Given the very large resource base of the Tsimiroro asset, containing at least 1.7 billion barrels of contingent resources, and since Development Plan approval, we know there is much interest in this project from around the world. Jefferies has an excellent track record and it makes sense to hire them to run the most competitive process possible in order to get the highest value for our shareholders. Jefferies has a strong understanding of the Company and our assets, having helped secure a farm-down of our Bemolanga licence in Madagascar to TOTAL in 2008, in a deal worth over US\$100 million. We look forward to working with the Jefferies team who will be commencing their advisory support immediately".*

**Competent person's statement:**

The information contained in this announcement has been reviewed and approved by Stewart Ahmed, Chief Operating Officer of the Company, who has 30 years of relevant experience in the oil industry. Mr. Ahmed is a member of the Society of Petroleum Engineers (SPE).

**Forward-looking statements:**

This announcement includes certain forward-looking statements, estimates and forecasts with respect to the anticipated future performance of the Company which reflect the Company's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements, estimates and forecasts reflect various assumptions made by the management of the Company and their current beliefs, which may or may not prove to be correct. A number of factors could cause actual results to differ materially from the potential results discussed in such forward-looking statements, estimates and forecasts including, changes in general economic and market conditions, changes in the regulatory environment, business and operational risks and other risk factors. Although such forward-looking statements, estimates and forecasts are based upon what the management of the Company believe to be reasonable assumptions, no guarantee can be given that actual results will be consistent with such forward-looking statements, estimates and forecasts. Prospective investors should not place undue reliance on such forward-looking statements, estimates and forecasts. Such forward-looking statements, estimates and forecasts are made as of the date of this Announcement and the Company does not assume any obligation to update or revise them to reflect new information, events or circumstances.

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