Magnolia Petroleum Plc / Index: AIM / Epic: MAGP / Sector: Oil & Gas

22 July 2016

Magnolia Petroleum Plc (‘Magnolia’ or ‘the Company’)

AGM Statement

Magnolia Petroleum Plc, the AIM quoted US focused oil and gas exploration and production company, is holding its Annual General Meeting (‘AGM’) later today. At the meeting, CEO Steven Snead will make the following statement:

“Magnolia Petroleum is an oil and gas producer and explorer focused on proven US onshore formations. As a result, lower oil prices are both a threat and an opportunity. A threat because revenues from production are lower; an opportunity because all active participants in the sector face the same pressures, with some being more exposed than others. With cash preservation being paramount, certain operators will have little choice but to relinquish high grade acreage or sell assets at distressed prices, creating opportunities for others. For us to take advantage of these, it is first necessary to overcome the threat by realigning Magnolia to the lower oil price environment so that the business does not just tread water until the current downturn ends, but emerges from it stronger.

“From the outset, management has always kept a tight rein on Magnolia’s cost base to allow more of our internally generated revenues to be invested in new drilling opportunities alongside established operators, such as Devon Energy and Continental Resources. In line with this, I have never drawn a salary for my role as CEO which, as well as freeing up funds for acquiring leases and drilling wells, aligns my interest in the Company with those of all our shareholders. However, as it became clear that the current downturn would last longer than had originally been anticipated by the wider market, we swiftly moved to ratchet down our costs even further.

“Over the last 12 months Magnolia’s capital expenditure, operating costs and interest payments associated with our reserve-based debt facility have all been materially reduced. In addition, we have freed up our internal resources by divesting a total of 67 wells which had little or no economic value, leaving a portfolio of 146 producing wells which are commercial at current oil prices. As Magnolia had below average interests in the 67 divested wells, their removal from our portfolio will not materially impact the Company’s overall production which stood at 242 boepd as at 31 March 2016. Broadly speaking, in addition to the oil and gas produced, every well generates the same amount of paperwork regardless of how many barrels are recovered. We have therefore created the administrative capacity to replace the uneconomic, divested wells with more productive ones. This is what we are doing.

“As well as having an adverse impact on the production and revenues of those active in the space, the drop in drilling activity in the US onshore sector is resulting in leases becoming available as they expire, including those covering areas where we have been looking to increase our exposure to, or enter into, for some time. Furthermore leases can be acquired at little or no premium compared to just a few years earlier. Against such a backdrop and with four decades of experience and expertise in leasing US onshore acreage, Magnolia's management is well placed to pick up leases in areas of interest. Our participation alongside Continental Resources in 10 wells that are currently being drilled to the Woodford formation, provides a readymade example of our strategy to high grade our leases. All 10 wells are located in the prolific South-Central Oklahoma Oil Province ('SCOOP') play in Oklahoma, where an estimated 3.2 billion barrels of conventional oil have been recovered from 60 reservoirs.

"With our proven developed reserves of 138.63 Mbbl of oil and condensate and 352.38 MMcf gas as at 1 January 2016 providing the bulk of the US$7,294,470 in tangible assets we reported in our recent final results, our current market valuation does not reflect our existing assets, let alone our improving prospects. The last eighteen months have been a challenging period for all oil and gas companies, including Magnolia, but having cut operating costs by 31% and divested 67 non-economic wells, we are confident Magnolia can not only weather a prolonged period of lower oil prices, but can also thrive."

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Notes

Magnolia Petroleum Plc is an AIM quoted, US focused, oil and gas exploration and production company. Its portfolio includes interests in 146 producing and non-producing assets, primarily located in the highly productive Bakken/Three Forks Sanish hydrocarbon formations in North Dakota as well as the oil rich Mississippi Lime and the substantial and proven Woodford and Hunton formations in Oklahoma.

Summary of Wells

Category	Number of wells
Producing	146
Being drilled / completed	12
Elected to participate / waiting to spud	18
TOTAL	176