

15 March 2017

**Magnolia Petroleum Plc ('Magnolia' or 'the Company')**  
**Updated Reserve Report**

Magnolia Petroleum Plc, the AIM quoted US onshore focused oil and gas exploration and production company, is pleased to announce the results of an independent Reserves Report. The Report, which is part of the six-month bank debt redetermination process, shows an increase in the Company's net proved developed producing reserves ('PDP') across its leases in US onshore formations such as the Woodford and Mississippi Lime, Oklahoma, and the Bakken and Three Forks Sanish, North Dakota.

**Overview:**

- 112% increase in total net PDP oil and condensate reserves to 282.686 Mbbl as at 1 January 2017 (1 July 2016: 133.31 Mbbl of oil and condensate)
- 303% increase in total net PDP gas reserves to 2,343.116 MMCF (1 July 2016: 580.67 MMcf gas)
- Significant increase in total net PDP reserves due to a number of new wells commencing production over the period
- Value (NPV<sub>9</sub>) of total net PDP reserves as at 1 January 2017 increased to US\$4,026,000 (1 July 2016: US\$3,445,180) provides strong asset backing to current market capitalisation
- Further headroom created as borrowing base limit of US\$6 million Credit Facility adjusted up to US\$2,214,300 from US\$1,894,849 to reflect increase in total net PDP reserves and positive effect of higher oil prices on their value
- The Report only covers proved developed producing and proved developed non-producing reserve classes and does not include proved shut-in, proved undeveloped, probable and possible reserve classes as well as Magnolia's interests in undeveloped acreage

**Rita Whittington, COO of Magnolia, said,** "At US\$4million the value assigned to our PDP reserves alone is almost double our current market capitalisation. We are confident the true underlying value of the Company is greater still, as this latest Report on our leases in Oklahoma and North Dakota did not cover other classes of reserves, most notably in both the proved and probable categories.

"With oil prices seemingly stabilising at the US\$50 level and costs across the sector significantly lower than those that were prevalent before the downturn, activity among US onshore operators continues to pick up from 2016's lows. We are seeing this for ourselves in the increase in the number of well proposals we are receiving to drill wells on our leases. As the improved sentiment translates into more drilling, we are confident that the substantial discount the market is ascribing to our PDP reserves will narrow. In the meantime, the resumption in PDP reserves growth is most welcome and I look

forward to providing further updates as we take advantage of the recovery to drill alongside established operators on our leases to prove up our reserves, and in the process generate value for our shareholders.”

**Summary Table of Magnolia’s Total Net PDP and proved developed non-producing (‘PDNP’) Reserves as at 8 March 2017:**

State	Reserve Category	Net		PV9
		BO	MCF	US\$M
Oklahoma	PDP	124,773	2,207,617	\$2,456
Oklahoma	PDNP	833	0	\$3
North Dakota	PDP	157,913	135,499	\$1,570
<b>Total</b>		<b>283,519</b>	<b>2,343,116</b>	<b>\$4,029</b>

NPV<sub>9</sub> valuations are based on the bank’s price deck as of January 2017 and take into account the future net cash flow which is defined as future net revenue, less estimated future net OPEX (well operating cost and production taxes) and future net capital. The total net PDP reserves are those defined as natural gas and liquid hydrocarbon reserves to Magnolia’s interest after deducting all royalties, overriding royalties, and reversionary interests owned by outside parties that become effective upon pay-out of specified monetary balances. All reserves estimates have been prepared using standard engineering practices generally accepted by the petroleum industry and conform to the guidelines adopted by the 2007 SPE/SPEE/WPC PRMS Guidelines.

The information contained in this announcement regarding the reserves analysis has been reviewed and approved by Mike Mabry on behalf of Sycamore Resources. Mr Mabry has over 30 years of relevant experience in the oil industry and has a B.S. in Petroleum Engineering from the University of Tulsa. He has previously served as Chair of the SPE Improved Oil Recovery Symposium, presiding over 700 engineers from 65 counties. Over the course of his career, Mr Mabry has held the position of Senior Petroleum Engineer at Apache Corporation, Petrohawk Energy and MAPCO and is currently Managing Director of Sycamore Resources in Tulsa, Oklahoma.

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**Glossary**

‘M’ means Thousand

‘MBO’ means Thousand Barrels of Oil

‘Mcf’ means Thousand Cubic Feet per Day

'MM' means million (thousand thousand not million million), as used in oilfield and heat content units such as MMSTB and MMBtu

'MMBbl' means Million barrels

'MMcfd' means Million Cubic Feet per Day

'NRI' means Net Revenue Interests

'Proved Reserves' means those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulation - Proved reserves can be categorized as developed or undeveloped

'Probable reserves' are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves

'Possible Reserves' are those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. In this context, when probabilistic methods are used, there should be at least a 10% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable plus possible reserves

Reserve Status Categories

'Unproved Reserves' are based on geologic and/or engineering data similar to that used in estimates of proved reserves; but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as proved. Unproved reserves may be further classified as probable reserves and possible reserves

### **Reserve status categories define the development and producing status of wells and reservoirs**

'Developed reserves' are expected to be recovered from existing wells including reserves behind pipe. Improved recovery reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor. Developed reserves may be subcategorized as producing or non-producing.

'Producing reserves' are expected to be recovered from completion intervals which are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

'Non-producing reserves' include shut-in and behind-pipe reserves. Shut-in reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future recompletion prior to the start of production.

'Undeveloped reserves' are expected to be recovered: (1) from new wells on undrilled acreage, (2) from deepening existing wells to a different reservoir, or (3) where a relatively large expenditure is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

**\*\* ENDS \*\***

For further information on Magnolia Petroleum Plc visit [www.magnoliapetroleum.com](http://www.magnoliapetroleum.com) or contact the following:

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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 154 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	154
Being drilled / completed	14
Elected to participate / waiting to spud	46
TOTAL	214