

20 June 2017

Magnolia Petroleum Plc
(‘Magnolia’ or ‘the Company’)
Notice of General Meeting and Posting of Circular

Magnolia Petroleum Plc, the AIM quoted US focused oil and gas exploration and production company announces that a circular (“Circular”) and notice of a general meeting (“GM”) is being sent to all shareholders. The Company's GM will be held at 15:30 p.m. (BST) on 18 July 2017 at the offices of Hill Dickinson LLP on the 8th Floor of The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW. The documents will shortly be available on the Company’s website and an extract of the Circular appears below.

The information contained within this announcement constitutes inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014.

**** ENDS ****

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LETTER FROM THE CHAIRMAN OF MAGNOLIA PETROLEUM PLC

Magnolia Petroleum plc

(Registered in England and Wales with company number 05566066)

Directors

Ronald Harwood (*Non-executive Chairman*)
Rita Whittington (*Chief Executive Director*)
Leonard Wallace (*Non-executive Director*)

Registered Office

Suite 321
19-21 Crawford Street
London W1H 1PJ

20 June 2017

Notice of General Meeting

Dear Shareholder,

**The board of the Company unanimously recommends that you
VOTE AGAINST the requisitioned resolutions**

1. Introduction

On 30 May 2017 the Company received a requisition for a general meeting (the “**General Meeting**”) to consider resolutions for three proposed directorate changes (the “**Requisition**”) from Mr Steven Snead, Snead Family 2012 LLC, Snead Family LLC and Mr R Sterling Snead (together the “**Snead Group**”).

The Snead Group together holds greater than 5 per cent. of issued shares of the Company and, accordingly, the Company is required under the UK Companies Act 2006 to convene a general meeting of shareholders to consider the resolutions put forth.

The purpose of this document is to convene the General Meeting referred to in the Requisition and to set out why the Directors of the Company believe shareholders should **vote against** all of the resolutions proposed by the Snead Group.

2. Resolutions to be Proposed at the General Meeting

The Requisition proposes three resolutions to be put to Shareholders, which are set out below in the form in which they were received:

Ordinary Resolution

- a. THAT in accordance with the provisions of Article 90 of the Articles of Association of the company and section 168 of the Companies Act 2006 Rita Fern Whittington be removed from office as a director of the Company immediately.
- b. THAT in accordance with the provisions of Article 86 of the Articles of Association and subject to the AIM Rules for Companies of the London Stock Exchange Plc Kristian Ewen Ainsworth be appointed a director of the Company.
- c. THAT in accordance with the provisions of Article 86 of the Articles of Association and subject to the AIM Rules for Companies of the London Stock Exchange Plc Donald Zac Phillips be appointed a director of the Company.

3. Background to and Reasons for the Requisition

Overview

On 12 May 2017, the Company was contacted by both Steven Snead, former CEO of the Company and Matthew Lofgran, CEO of Nostra Terra Oil and Gas Company plc (“**NTOG**”), on separate occasions. Mr Lofgran advised that he has been contacted by former directors and brokers who required changes to be made to the Company’s board and cost structure. At the time, neither Mr Lofgran nor NTOG was a shareholder of the Company and, at the time of publication of this circular, neither still appear to be shareholders.

The Board advises that there have been four former directors, and the current management team remains in touch and on good terms with two previous chairmen of the Company, Mr Wagenhofer and Dr Cubitt. Both Mr Wagenhofer and Dr Cubitt wholeheartedly support the current management team and have stressed that they will be voting against the Resolutions. The other former directors are Mr Snead and Mr

Burnell. Mr Burnell is based in London and has a generalist rather than an oil and gas background, having served on the Board of a number of non-resource companies including Globo plc, which was wound up following the appointment of administrators by order of the Court within days of his resignation from Globo plc's Board. Mr Burnell and Mr Lofgran were both directors of Elephant Oil Limited from January 2013 until Mr Burnell's resignation in September 2016.

On 26 May 2017, the Company learnt by way of a Regulatory News Service (“RNS”) announcement that NTOG had, conditionally, agreed to acquire the shares of the Snead Group subject to certain conditions (which were not disclosed and still have not been disclosed despite the Company's requests) via a delayed settlement which has yet to occur. In this announcement, it was stated that prior to the settlement of the consideration for the Snead Group shares, that, “...it has been agreed that Nostra Terra has direction over the voting rights of the Magnolia Shares.”

On 29 May 2017, the Company received a requisition notice served by the Snead Group, containing the resolutions first informed by NTOG prior to its acquisition of these shares. The Company is unsure for how long the Snead Group and NTOG may have been working together or the intentions of either party, however, it was later made clear that discussions had been held prior to the conditional NTOG agreement with the Snead Group to potentially acquire shares at some future point.

On 31 May 2017, Mr Lofgran made a public statement on Vox Markets regarding his views of Magnolia in which he states, *inter alia*, that:

“...we were approached by former directors and brokers in London who came to us and said we think that the company [Magnolia] needs to be fixed, it needs to be addressed and we think that you guys have the ability to do that...”

“...the company [Magnolia] is subscale... do have some production, excessive debt, overheads are too high..”

He further states that, “... just looking at an alternative way for us to have additional exposure in the US.”

At this stage, neither the Snead Group nor Mr Lofgran, either personally or on behalf of NTOG, had engaged with the Company in respect of the validity or practicality of their “plans” to ensure that shareholder value would be safeguarded for all shareholders.

On 19 June 2017, Magnolia published its report and accounts for the year ended 31 December 2016 in which the Company highlights that Rita Whittington, as COO at the time, has reduced the Company's operating costs by more than 30 per cent. for the second year running. It should also be noted that Mr Snead, who resigned on 31 March 2017, was the CEO of the company for the entirety of the financial year.

On 6 June 2017, NTOG released a further announcement that delayed, for the second time in recent years, publication and posting of its accounts for a separate meeting. Therefore, at the time of publication of this document, there is little current financial information to assess NTOG's performance. From the financial information available, it should further be noted that should the Snead Group and NTOG be looking to liquidate the assets of Magnolia, NTOG would not appear to have the financial strength to acquire the assets in cash and would either need to raise funds or make a share based offer.

Background of Mr Snead

Mr Snead was CEO of Magnolia and a member of the Board from its admission to AIM in November 2011 until his resignation on 31 March 2017. Had he not stepped down, the Board had at the time been discussing the removal of Mr Snead from his position due to concerns that the Board had regarding Mr Snead's views of the Company, including:

- Mr Snead consistently proposed the disposal of all of Magnolia's assets, effectively liquidating its portfolio of developed and undeveloped oil and gas properties. This was at a time when oil prices were trading at or near the low point in the cycle, and as a result the Board believes this would have

resulted in considerable value destruction and substantial loss to shareholders.

- During a conference call with the Board, Mr. Snead had proposed that Magnolia leave the oil and gas sector and change direction into the computer software business. The rest of the Board rejected his proposal and subsequently believed that Mr. Snead intended to use Magnolia as a vehicle to acquire the interests of his son, Mr R Sterling Snead, one of the requisitioning shareholders, in several ventures in the technology sector.
- Mr Snead repeatedly opposed both the Company's fundraising efforts in order to participate in the drilling of several wells and the acquisition of leases during what was the bottom of the cycle, which could have seen Magnolia significantly increase its footprint in its chosen areas of focus such as the prolific and low-cost SCOOP and STACK plays. Notwithstanding his opposition, Magnolia continued to increase its interest within these prolific areas.
- A number of months prior to his resignation, Mr Snead had for the first time requested a salary for his role as CEO. He was advised that a salary demands full time employment which, he would be unable to do because of his other business interests. Mr. Snead then advised the Board that if he did not receive a salary, he no longer wished to be involved with the Company.

Since the remainder of the Board refused to accept Mr. Snead's proposal, specifically to liquidate Magnolia's producing assets and, as the Board believes, to use the resultant shell as a vehicle with which to acquire interests in the technology sector, it is the opinion of the Board that Mr Snead is now attempting to achieve this same objective by requisitioning the General Meeting to approve the above three resolutions. The Board further believes that NTOG recognise the value in Magnolia's producing assets and has positioned itself to opportunistically acquire these assets. The Board unanimously believes that, if the Resolutions are passed, there is a considerable likelihood that the Company's assets will be sold which will not be in the best interests of all Magnolia shareholders.

The Board is further dismayed that, despite the insistence of NTOG that the requisition is to reduce corporate overhead, NTOG and the Snead Group were unwilling to discuss their intentions or objectives in advance of formally requisitioning the meeting. Overhead at the Company has reduced by more than 30 per cent. over the last 12 months for the second year and the Company continues to seek operational and corporate savings.

The Board unanimously recommends that investors vote against the Resolutions.

4. Reasons why the Independent Directors Recommend Shareholders Vote Against the Resolutions

a. Resolution for the immediate removal of Magnolia's CEO, Rita Fern Whittington.

1. Ms Whittington has been the driving force behind Magnolia since its inception

Ms Whittington is a petroleum landman with more than 30 years' experience in acquisitions, operations and management of oil and gas properties and is the driving force behind the building of the Company's portfolio of leases in proven US onshore formations; the near perfect success rate achieved in participating in drilling activity alongside other operators; the increase in Magnolia's portfolio of wells to a peak of over 220; and the increase in daily production.

During her career, Ms Whittington has developed significant knowledge, contacts and negotiating skills which she has used to the benefit of the Company considerably. Examples include:

- in January 2013, Magnolia relinquished its 25% interest in the Prucha 1-23 MH well ('Prucha' or 'the Well') following disappointing production rates without any funds having been transferred from Magnolia to the operator due to a clause Ms Whittington inserted into the contract regarding Magnolia's election to participate in the Well. This resulted in Magnolia saving approximately US\$1 million and avoiding any losses due to Prucha.

- in September 2014, Magnolia received a US\$1 million fee for consulting services provided to an international company acquiring an oil and gas project in Oklahoma. Once again, it was Ms Whittington who was responsible for providing these consulting services and for securing this fee, a testament to her expertise and deep knowledge of the onshore US oil and gas industry.

Between 2011 and 2014, under Ms Whittington's stewardship Magnolia grew strongly in terms of its key performance metrics: number of producing wells; leases; production; and reserves. In terms of share price performance, in 2012 Magnolia was one of the best performing oil and gas producers on AIM and the fourth best performer overall after the share price rose by 472.6% over the course of the year.

The fall in the oil price to its worst sub US\$30 per barrel required a significant retrenchment in the Company's activities. Since the second half of 2014, Ms Whittington has been working tirelessly to ensure that Magnolia not only weathers the downturn but is able to take advantage of any opportunities that would benefit the Company. Ms Whittington oversaw a substantial decrease in the Company's operating cost base both in the 2015 and 2016 financial years. As recently announced during the 2016 financial year, operating costs were reduced by more than 30 per cent. Since the year end, the Company's cost base has been lowered further still following a change of offices from Mr Snead's premises to Ms Whittington's home office, at no charge (a saving of US\$3,500 per month). In addition, Ms Whittington has been responsible for the Company's push into the highly active SCOOP and STACK plays which has seen Magnolia elect to participate in 28 wells since January 2017.

Magnolia has a low-risk, low-cost business model that has weathered the sharp downturn better than many in the sector. This platform is one that has, at its core, the active management of all types of risk associated with the oil and gas industry: exploration risk is managed by focusing on proven formations; execution risk is managed by participating in drilling alongside established operators such as Continental Resources and Chesapeake Energy; individual well risk is managed by building a diversified portfolio of leases and wells and limiting Magnolia's interest in any one well; while oil price risk is managed by focusing on areas that require relatively low oil prices to breakeven.

As a former partner of Primary Natural Resources I and II, two oil and gas property acquisition and development companies, Ms Whittington successfully managed the land department, assets, acquisition and divestitures, and as a result played a key role in both companies achieving approximately a 3:1 return on equity upon divestment. Ms Whittington brings this knowledge, experience, skills, contacts and low-risk strategy to Magnolia. Furthermore, Ms Whittington has proven herself to be fully capable of sourcing and acquiring leases in US onshore formations, securing attractive terms with established operators when participating in drilling new wells, and actively managing both a diversified portfolio of wells and the associated risks.

It is the Board's view that Ms Whittington's skills and knowledge are essential for Magnolia and that her departure from the Company would be materially adverse to the performance of the Company. The Board also notes that neither of the London-based proposed appointees are petroleum landman nor have they specifically worked in the Company's immediate area of operations.

2. *A change of control could trigger an obligation to immediately repay the bank loan*

The Board, including Ms Whittington, and the current management team have an excellent relationship with the Company's bank and Ronald Harwood, Director and Interim Chairman, was responsible for negotiating the reserves based lending facility. However, the terms of the Company's reserves based lending facility, which was entered into while Mr Snead was a director, contain a change of control provision which may trigger an obligation to immediately repay the loan which is secured against all of Magnolia's producing assets.

As noted in the Company's recently published report and accounts, the Company does not have

the cash reserves to repay this loan in full and would therefore be required to raise funds or sell down its assets to repay this loan. In the event that the bank is unwilling to allow the Company time to achieve this, the bank would be entitled to call upon its security which could involve a formal insolvency of its subsidiary.

3. *Employee Rights and Entitlements*

Were resolution (a) to be passed, Ms Whittington would retain all of her employment rights and entitlement to a notice period. The removal of Ms Whittington therefore will not just lead to a change of direction for Magnolia but could unnecessarily bring the Company's future into doubt with shareholders potentially left with little or no value if the Company's loan is called.

4. *Magnolia is asset backed and revenue generative while NTOG has negligible tangible assets and generates only nominal revenues*

Today and largely thanks to the efforts of Ms Whittington, Magnolia has emerged from the downturn still a revenue generative, asset-backed business with good prospects for the future. Other than to fund new wells to be drilled and possible future acquisitions, or due to the occurrence of any adverse circumstances, the Board considers the Company to have sufficient resources to cover its costs for the next 12 months.

As announced on 26 May 2017, NTOG has agreed to acquire from Mr Snead and his family, 204,226,748 ordinary shares in Magnolia, which represents a 10.9% interest in the Company's ordinary share capital of Magnolia. In its announcement, NTOG states it is making the acquisition "*as an alternative and additional way to increase its exposure to the oil and gas market in the USA*". However, as mentioned earlier, the removal of Ms Whittington from the Board, which NTOG and Mr Snead are calling for, is not consistent with NTOG's statement that it is looking to increase its investment in the US oil and gas market as it would remove the key individual behind that very investment and also could lead to the triggering of the repayment of the bank debt facility.

The Board believes that a comparison of NTOG's last half year report covering the six months to end of June 2016 with Magnolia's provides a more plausible rationale behind NTOG's motives in acquiring the Snead Group's interest in Magnolia and working in concert with him to propose the removal of Ms Whittington from the Board and the appointment of two of its nominees as directors:

- For the six months to 30 June 2016, NTOG generated revenues of £133,000 (30 June 2015: £393,000) while Magnolia's revenues for the half year period came in at US\$633,585 (H1 2015: US\$1,083,998). Even after considering exchange rates, Magnolia's half year revenues were 3.5 times higher than NTOG's;
- As at 30 June 2016 Magnolia's non-current assets stood at US\$8,893,414 which included US\$7,217,415 of tangible assets comprised primarily of Magnolia's interests in producing wells. By contrast, NTOG's non-current assets were reported as being £2,124,000 at 30 June 2016, the vast majority of which (approximately £2 million) were intangibles as opposed to real assets. While Magnolia's total assets, inclusive of current assets were US\$9,884,324 as at 30 June 2016, NTOG's were £3,800,000 or approximately US\$5,054,000 (at an exchange rate of £1GBP: \$1.33USD being the closing exchange rate on 30 June 2016); and
- Both companies had similar total liabilities as at end of June 2016: Magnolia's total liabilities were reported as US\$3,350,252 or approximately £2,500,000 (using the exchange rate noted above).

Please note we have used the interim results to 30 June 2017 to compare both companies, as at the time of writing NTOG has delayed publishing its final results for the year ended 31 December 2017.

The Board believes that NTOG has an asset light balance sheet and only nominal revenues are

being generated. It would appear that, despite NTOG claiming that Magnolia's costs are too high and that the Company needs to be restructured, NTOG regularly has to raise funds just to cover its general corporate overheads let alone grow as evidenced by it recently raising £260,000 via a mobile application platform. In addition, there has been much written in the press regarding NTOG's financial position and its need to constantly raise funds to remain in business. Articles on this matter can easily be found on the internet and we advise our shareholders to read these to gain a fuller picture of both NTOG and its management team and practices.

We believe by agreeing to acquire the Snead family's interest in Magnolia and by proposing the removal of Ms Whittington and the election of two directors to the Board, NTOG is looking to strengthen its own balance sheet at the expense of Magnolia's shareholders by either acquiring Magnolia's portfolio of producing wells and incorporating them within NTOG or by disposing of them.

b. Resolution for the appointment of Kristian Ewen Ainsworth as a director of the Company

Mr Ainsworth is a chartered management accountant and the Non-executive Chairman of NTOG.

The Board notes that Mr Ainsworth's experience in the oil and gas sector has been as a financial controller, finance director and CFO at a number of companies. Further, the Board notes from his publically available biography that he states that he has not worked with companies with assets in the US and does not appear to have experience in the specialist discipline of securing oil and gas leases, managing a portfolio of developed and undeveloped properties, and dealing with, and participating in drilling alongside, oil and gas operators.

The Company's current CFO has specific experience of working in the oil and gas industry in Oklahoma and was hired from Chesapeake Energy Corporation, one of the operators with which Magnolia participates.

The Board notes that Mr Ainsworth's experience is neither comparative to or compensates for Ms Whittington's experience nor would his appointment add to the Company's finance capability. Noting further that Mr Ainsworth is not independent from NTOG, the Board is deeply concerned that his proposed appointment supports its view that the assets of the Company may be divested to NTOG.

It is not clear if it is the intention of the two parties for Mr Snead to assume a management role in Magnolia or NTOG, either on an interim or permanent basis, but even if this is the case, as mentioned earlier, the Board believes that Mr Snead does not have an interest in growing the business, let alone managing the Company's existing assets.

c. Resolution for the appointment of Donald Zac Phillips as a director of the Company

Mr Phillips is Senior Research Oil & Gas Analyst at SP Angel, a London-based broker and has previously worked as head of Oil & Gas research at a number of specialist resource sector investment banks. The Company recognises Mr Phillip's technical qualifications and industry and city experience. The Board also notes, however, that Mr Phillips is London-based and has little to no experience in the US onshore oil and gas sector, particularly in the specialist discipline of securing oil and gas leases, managing a portfolio of developed and undeveloped properties, and dealing with, and participating in drilling alongside, oil and gas operators.

Whilst the Board recognises Mr Phillips' experience, it is of the firm opinion that his experience does not make him a suitable replacement for Ms Whittington and, at this stage, his appointment would only bring additional administrative cost to the Company.

5. Summary

In consideration of the above the board of the Company strongly advises shareholders to **vote against** the proposed resolutions:

The Board believes your Company is being targeted by two parties, namely the Snead family and NTOG, to further their own specific aims and not those of all shareholders of Magnolia. In the case of the Snead

family, it is the Board's belief that they are looking to reduce Magnolia to a cash shell for their own ends, while NTOG is aiming to gain control of Magnolia's assets cheaply to shore up its own balance sheet. We firmly believe the hostile and unwanted actions of the Snead family and NTOG have already caused material damage to Magnolia and its shareholders by negatively impacting the share price, the Company's ability to raise funds to cover potential drilling commitments has been adversely affected.

Following the departure of Mr Snead, the Company has a team with the requisite skillset and experience to take advantage of the improving sentiment and market conditions. In Leonard Wallace, it has a highly experienced petroleum engineer, while in Lanny Woods it has a geologist with many years' experience working in the proven US onshore formations where Magnolia is focused. Together with Ms Whittington's proven expertise in acquiring and managing portfolios of leases and wells and the Company's CFO Derec Norman's specialist oil and gas finance experience, the Board and management team of Magnolia has never been stronger. The Company urges shareholders to reject all the above unwelcome resolutions and allow the team to focus on what it does best – building US onshore focused oil and gas companies and selling them at multiples of the invested capital. We believe that Magnolia now has the best management team, technical advisors and Board of Directors to move forward for the benefit of all shareholders.

6. Action to be taken by Shareholders in respect of the General Meeting

Shareholders will find enclosed with this document a form of proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are strongly encouraged to complete, sign and return the form of proxy in accordance with the instructions printed on it as soon as possible, but in any event so as to be received, by post or, during normal business hours only, by hand, by 3.30 p.m. (BST) on 14 July 2017 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).

The appointment of proxies or the giving of any instruction by the CREST system will be accepted for the purposes of the General Meeting.

Appointing a proxy in accordance with the instructions set out above will enable your vote to be counted at the General Meeting if you are unable to attend. The completion and return of the form of proxy will not prevent you from attending and voting in person at the General Meeting, or any adjournment, should you wish to do so.

7. Recommendation

The Directors believe that the resolutions to be proposed at the General Meeting are not in the best interests of the Company and Shareholders as a whole and recommend that you vote against them as they intend to do (or procure to be done) in respect of their own holdings totalling 138,788,080 Ordinary Shares, representing approximately 7.42 per cent. of the Share Capital.

Yours faithfully

Ronald Harwood
Non-executive Chairman

DEFINITIONS

The following definitions apply throughout this document (including the Notice of Annual General Meeting and General Meeting) and the forms of proxy unless the context requires otherwise:

“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange
“AIM”	the AIM market of the London Stock Exchange
“Business Day”	any day on which banks are generally open in England and Wales for the transaction of business, other than a Saturday, Sunday or public holiday
“CREST”	a relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended from time to time
“Directors” or “Board”	the existing directors of the Company whose names are set out on page 4 of this document
“Euroclear”	Euroclear UK & Ireland Limited
“Form of Proxy”	the form of proxy for use in connection with the General Meeting;
“General Meeting”	a general meeting of the Company to be held at 3:30 p.m. (BST) on 18 July 2017 at the offices of Hill Dickinson LLP on the 8 th Floor of The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW or any adjournment thereof, notice of which is set out in the Notice of General Meeting
“Magnolia” or “the Company”	Magnolia Petroleum plc
“Notice of General Meeting”	the notice convening the General Meeting which is set out at the end of this document
“Resolutions”	the resolutions to be proposed at the General Meeting, details of which are set out in the Notice of General Meeting
“Shareholder”	a holder of Ordinary Shares from time to time

