

Magnolia Petroleum Plc ('Magnolia' or 'the Company')
Divestment of Wells

Magnolia Petroleum Plc, the AIM quoted US focused oil and gas exploration and production company, is pleased to announce the divestment of 19 new wells in North Dakota and Oklahoma via two separate transactions ('the Transactions') for a total of US\$411,000.

In addition to raising funds for the Company, the divestment assists Magnolia in realigning its forthcoming well investments into core counties in which Western Energy Development LLC ('WED') can invest to allow the Company to participate alongside the anticipated WED investments and, as a result, the carried interests the Company will receive.

Transaction#1: Farm out of six Marathon Oil-operated wells in North Dakota

Further to its announcement of 20 May 2017, Magnolia has agreed to farm-out ('the Farm-Out') its interest in six Marathon Oil-operated wells targeting the Bakken and Three Forks Sanish formations in North Dakota for an upfront cash consideration of US\$150,000. Magnolia did not incur any costs in relation to these interests.

In addition to receiving an upfront cash payment, Magnolia will retain an interest in all six wells via a back-in after payout arrangement, providing the Company with exposure to future production and cash flow. As a result of the Farm-Out, Magnolia will no longer be required to pay any of its share of the costs for drilling and completing the six wells.

Transaction#2: Divestment of 13 Continental Resources-operated wells in Oklahoma

The Company has additionally divested its interest in the thirteen Simpson wells, which it acquired in Q4 2015 and are only now being drilled/completed by Continental Resources in Oklahoma, for an upfront cash consideration of US\$261,000. To date Magnolia has incurred US\$200,000 in drilling costs in these wells and will no longer be required to meet any of its share of the future costs in drilling or completing these wells.

US\$210,000 of the cash consideration received will be used to reduce the Company's reserve based lending facility ('the Facility'), which will fall to US\$2,353,080 following the payment. The remaining funds will be used for working capital and for future investment.

Magnolia CEO, Rita Whittington said, “After securing what we regard as a game-changing agreement with WED to invest and manage on their behalf up to US\$18.5 million of foreign capital under the US Immigrant Investor Programme, today’s transactions are part of a re-evaluation and realignment of our portfolio to participate alongside WED. By providing Magnolia with an additional revenue stream based on asset management services as well as low risk expansion of our lease position and well count, WED represents an excellent platform with which to fast-track our objective to generate substantial value, and we intend to take full advantage of this opportunity.

“The WED agreement and the multiple opportunities within our existing leases and wells in Oklahoma are the building blocks we intend to use to transform Magnolia into the significant US onshore oil and gas company we believe it can become. This is an exciting period for Magnolia and I look forward to providing further updates on our progress.”

For further information on the WED capital management agreement and the additional revenue stream and assets it is expected to deliver to Magnolia, please refer to the Company’s announcement of 4 July 2017. In addition, the Company’s latest Investor Presentation has been uploaded onto the corporate website www.magnoliapetroleum.com

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

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