



**Building a significant onshore
US oil and gas production
company**



MAGNOLIA
PETROLEUM

Q3 2017



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OVERVIEW

Revenue generative, asset backed oil & gas exploration & production company



Existing Production, Reserves & Cash Flow

- Acquires leases in proven US onshore formations such as Bakken, Three Forks Sanish, Woodford / Mississippi Lime
- Commercial relationships with leading operators such as Devon & Marathon Oil
- Diversified portfolio of interests in 150+ plus producing wells
- Strong asset backing - Total net PDP oil and condensate reserves of 282.686 Mbbbl and gas reserves of 2,343.116 MMCF valued at US\$4.3 million
- Licensed operator with proven track record of drilling and operating wells economically
- Highly experienced management team skilled in the acquisition & development of leases secured at discounts to market value



Significant Development Potential

- Strategic position in highly active SCOOP & STACK plays in Oklahoma
- Multiple drilling locations including low risk, increased density wells
- Million-barrel wells being drilled to the Woodford and Mississippian formations with little to no water production



Value Accretive Deal With Western Energy

- Agreement to invest up to US\$18.5 million into the Oklahoma oil and gas market provides an additional revenue stream and rapid low risk, low cost asset growth
- Potential to generate significant value for shareholders in the near and long-term





BOARD OF DIRECTORS & SENIOR MANAGEMENT

The right mix of industry expertise covering lease acquisition, geology, engineering, and finance

Rita Whittington CEO

- Petroleum Landman with 37 years' experience in the US oil and gas industry
- Joined Magnolia as COO in January 2009 – oversaw acquisition of strategic lease position in highly active US onshore plays and subsequent growth in portfolio of producing wells to 150+ today
- Prior to this Rita was a senior member of the asset management team at Primary Natural Resources I and II - jointly responsible for company growth and the 3:1 return on equity upon divesting
- Highly skilled in acquisitions, negotiations, operations and management of oil and gas properties

Derec Norman CFO

- Nine years working in the oil & gas industry in Oklahoma
- Joined Magnolia in August 2014 – responsible for securing substantial annual costs savings for the Company by bringing all accounting functionality in-house
- Acquisition & Divestiture Supervisor at Chesapeake Energy Corporation (NYSE: CHK), a leading operator in Oklahoma, specialising in oil & gas accounting, acquisitions, divestitures, and mergers
- Managed deals totalling over US\$10billion
- Graduated from the University of Central Oklahoma with an honours degree in finance

Ronald Harwood Non-Executive Chairman

- Active involvement in originating and developing projects in oil and gas exploration and production since 1981
- Founded Bellwood Petroleum Corporation in 1985, Bellwood Petroleum, LLC in 2007 and Colony Petroleum, LLC in 1990 Secured US and international investors to participate in oil and gas exploration and production ventures for Colony Petroleum

Leonard Wallace Non-Executive Director

- Oil and gas engineer, specialising in drilling engineering, well construction and rig operation
- 50 years' experience within the oil & gas exploration and production industry
- Since 1999, Mr Wallace has acted as consultant to Tartan Petroleum Ltd, L.L.P during which time he has acted as a contractor for Chevron USA, Dovre Group and Alpha Deepwater Services
- Bachelor of Science in Mechanical Engineering from Oklahoma State University

Lanny Woods Technical Consultant

- 35 years' experience as an exploration and production geologist
- Currently Executive Vice President and part owner (2009-Present) of Jireh Resources responsibilities include technical evaluation of acquisitions and drilling opportunities in the Mid-Continent area
- Part of management team at Primary Natural Resources I and II, where he played a key role in the 3:1 return on equity achieved upon divestment



STRATEGY & INVESTMENT CRITERIA PROVEN TO CREATE VALUE

PROVEN US ONSHORE FORMATIONS

- ✓ Scope to improve recovery rates through application of advanced techniques such as horizontal drilling & fracking
- ✓ Lowers exploration risk



FOCUS ON LOW COST HIGHLY ACTIVE PLAYS

- ✓ Strategic position in prolific SCOOP & STACK plays



ATTRACTIVE ECONOMICS

- ✓ Profitable at today's oil prices
- ✓ Low overheads
- ✓ Attractive returns on investments & low break even oil price



EARLY STAGE ENTRY

- ✓ Acreage acquired at discount to market rates
- ✓ Enables acquisition of significant amount of leases with working interests

A Tried and Tested Low Risk Strategy



UNDERPINNED BY ACTIVE RISK MANAGEMENT

Full 360 Degree Review



Geological

Technical analysis of the geology to confirm existing prospectivity and identify additional upside



Engineering

Evaluation of existing producing wells to assess potential to increase recovery / flow rates



Land

Comprehensive investigation of leases and interests



Legal

Confirmation of ownership of title



Accounting

Verification of revenue streams and statistical analysis of cost base

Extensive due diligence underlays whole investment process

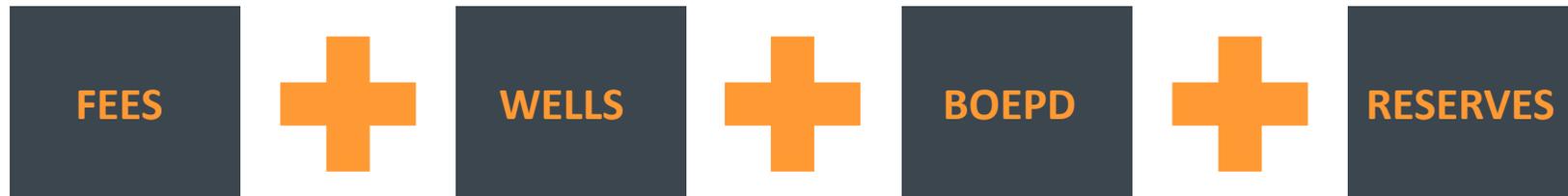


US\$18.5M CAPITAL MANAGEMENT AGREEMENT TO FAST TRACK STRATEGY

Agreement with Western Energy Regional Center LLC - authorised by the US Citizenship and Immigration Services to accept investment from foreign nationals in return for visas under the Immigrant Investor Programme

Provides Magnolia with additional revenue stream and low risk, low cost expansion of its asset base

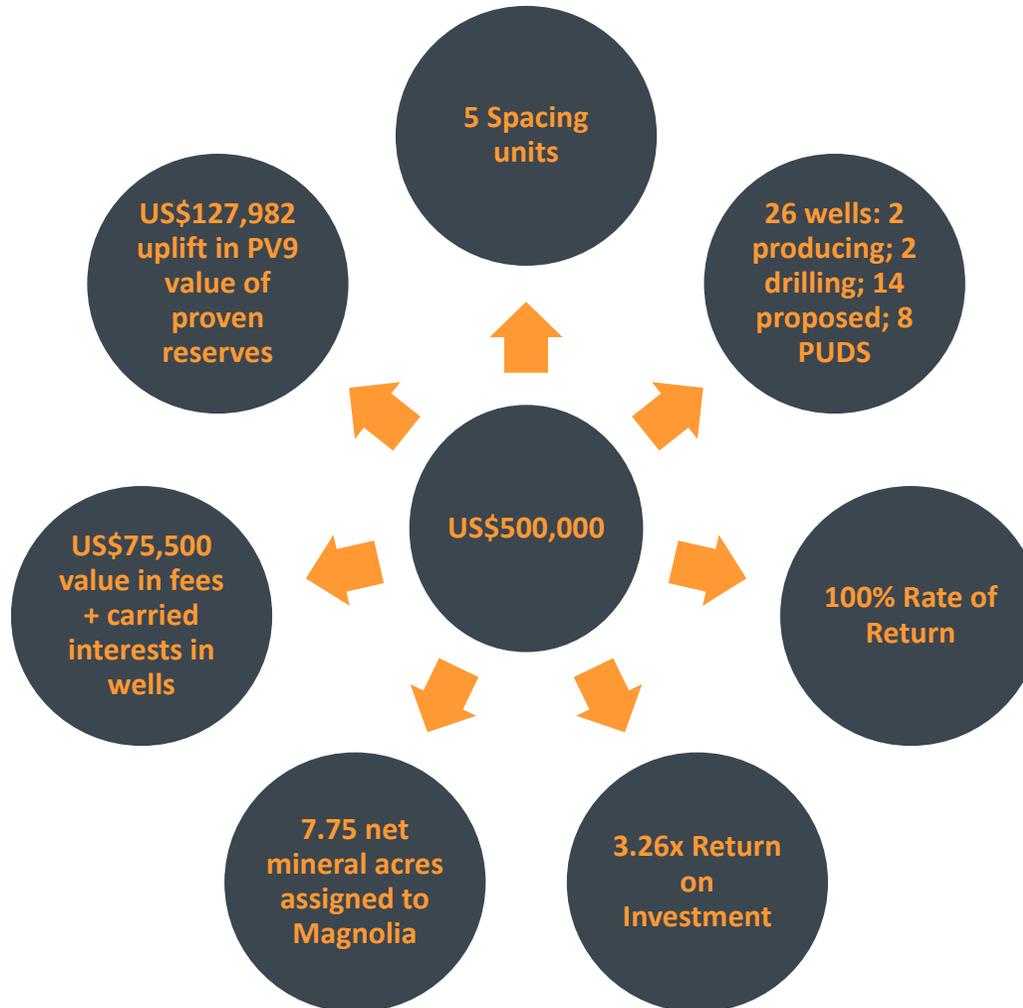
- Magnolia granted exclusive rights to earn fees and equity in new leases and wells in Oklahoma through the investment and management of up to US\$18.5 million
- Magnolia to acquire and manage oil & gas interests in Oklahoma and in return receives:
 - Acquisition fee of US\$500 per acre secured
 - 25% carried working interest in first well of spacing unit
 - Maintenance fee of US\$5,000 per US\$500,000 capital deployed
 - Sliding scale of a portion of the net revenue (revenue minus production tax & transportation) up to a ceiling of US\$200,000 per year
- The CMA provides for a minimum capital commitment to be provided by WED of US\$10,000,000 by 1 January 2020





HIGHLY VALUE GENERATIVE PILOT PROGRAMME

Since November 2016 over US\$200,000 value generated for Magnolia from US\$500,000 investment





EXTRAPOLATING THE PILOT PROGRAMME

Net benefit to Magnolia	Initial US\$500,000	Minimum US\$10,000,000	Maximum US\$18,500,000
No. of spacing units	5	100	185
No. of potential wells	26	520	962
Net minerals acres assigned to MAGP	7.75	155	286.75
Value generated (fees and free carry in initial wells)	US\$75,500	US\$1,510,000	US\$2,793,500
Uplift in value of PV₉ proven reserves	US\$127,982	US\$2,559,640	US\$4,735,334
Total realised & potential value for MAGP	US\$203,482	US\$4,069,640	US\$7,528,834

Based on results generated by pilot programme to date



FOCUSED ON A HYDROCARBON HOTSPOT

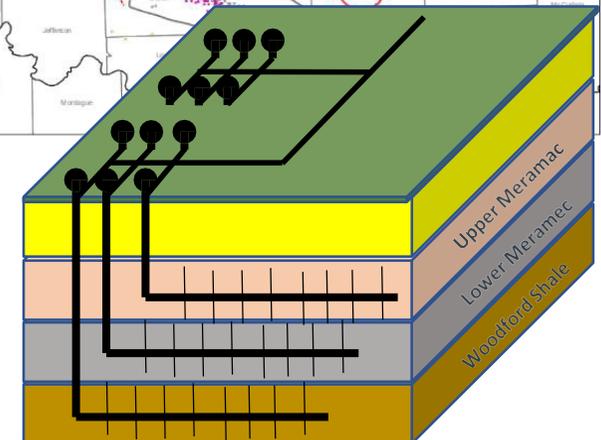
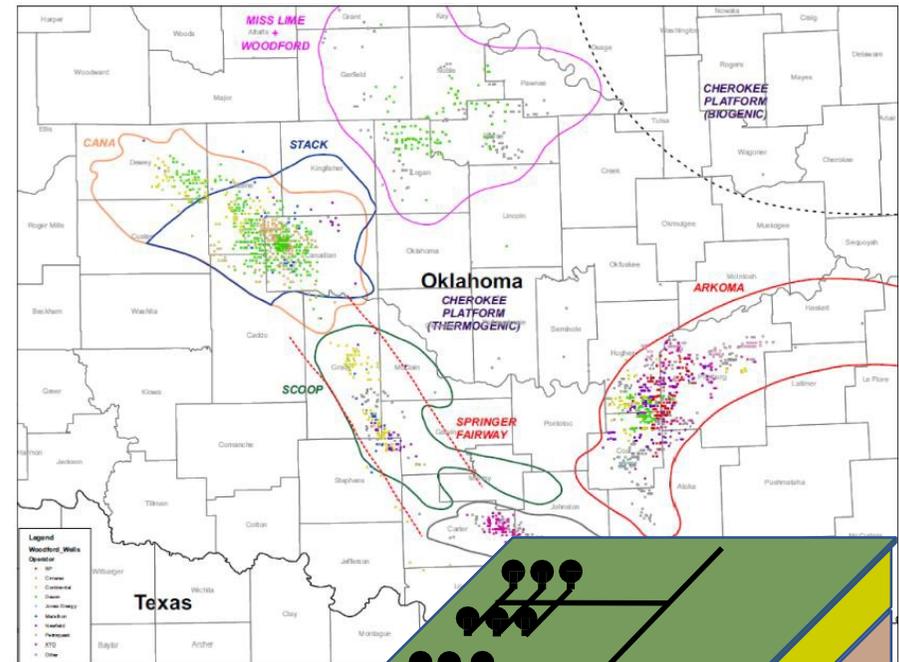
- **Leading operators including Marathon and Devon have committed billions of dollars to the SCOOP & STACK**
- **Low cost plays requiring between US\$30-40 per barrel oil price to breakeven**

South-Central Oklahoma Oil Province ('SCOOP')

- Est. 3.2 billion barrels of conventional oil recovered to date from 60 reservoirs
- Originally drilled with 5,000ft lateral horizontal wells today laterals greater than 10,000ft are drilled within a 1,280 acre unit

Sooner Trend Anadarko basin Canadian and Kingfisher counties ('STACK')

- “This is a special play... we’ve delivered a set of results that are pretty special for a play as young and immature as it is.” – Tony Vaughn, COO Devon Energy
- Multiple drilling objectives: Woodford; Upper Meramec (Miss); Lower Meramec; and Hunton
- Potential for up to four wells with 10,000ft laterals to be drilled per 1,280 acre unit – up to 12 wells or laterals per unit





MAGNOLIA IN THE SCOOP & STACK

Magnolia holds interests in a number of highly productive wells within both plays, including:

SCOOP play wells

- Continental Resources operated Chalfant 1-7H, Woodford Shale Completion, well has recovered 5.37 BCFG and 85 MBO - producing over 2.8 MMCF of gas and 30 bopd
- Continental Resources operated Condit 1-5H, Woodford Shale Completion, well has recovered 4.11 BCFG and 105 MBO - still producing over 2.2 MMCF of gas and 25 bopd
- Continental Resources operated Forrest 2-8H, Woodford Shale Completion, well has recovered 3.20 BCFG and 54 MBO - still producing over 1.9 MMCF of gas and 22 bopd

STACK play wells

- Newfield operated Bohlman 1H-34X well has recovered 135 MBO and 262 MMCF – currently producing 68 bopd and 268 MCFD
- Continental Resources operated Foree 1-18-7XH well has recovered 123 MBO and 589 MMCF – currently producing 175 bopd and 945 MCFD
- Newfield operated Maxine #1 well has recovered 104 MBO and 390 MMCF – currently producing 81 bopd and 451 MCFD
- Continental Resources operated Houses Quarter 10-7-6XH well has recovered 22 MBO and 60 MMCF – currently producing 475 bopd and 1,507 MCFD



EXISTING PORTFOLIO IN NUMBERS

Provides significant asset backing and extensive development potential

Interests in
157
producing
wells

35 wells
producing
from the
Mississippi
Lime

56 wells
producing
from the
Woodford

42 wells
producing
from the
Bakken

PDPs
282.686
Mbbl of oil +
2,343.116
MMCF of gas

US\$15.65M
non-
discounted
value of
PDPs

US\$4.3M
NPV₉
assigned to
PDPs

Multiple low
risk
increased
density well
locations



KEY DATA

AIM

quoted

£2.37M

Market cap

0.1p

Share price

2,633M

Shares in issue

Rita Whittington

CEO

Derec Norman

CFO

Ron Harwood

NEC

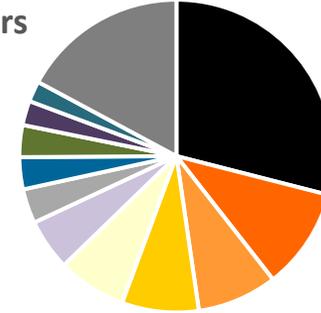
Leonard Wallace

NED

Lanny Woods

NED

Key Shareholders



- Western Energy Development 29%
- Hargreaves Lansdown 10.46%
- HDSL 8.24%
- TD Direct Investing 7.91%
- Vidacos 7.08%
- Barclayshare 5.30%
- Snead Family 3.56%
- Investor Nominees 3.31%
- SVS 3.30%
- HSBC Client Holdings 2.52%
- Share Nominees 2.13%
- Other Investors 17.13%

Share Price Performance





INVESTMENT CASE



Diversified revenue stream:

- Existing production from portfolio of interests in over 150 wells
- Fees generated from capital management agreement with WED



Asset backed:

- Total net PDP oil and condensate reserves of 282.686 Mbbl and gas reserves of 2,343.116 MMCF valued at US\$4.3 million



Low cost, low risk strategy to acquire US onshore leases & prove up reserves by drilling with leading operators

- Focused on highly active SCOOP & STACK plays in Oklahoma



US\$18.5 million agreement with WED promises to fast track roll-out of strategy



Led by management team with proven track record of creating significant value in the US onshore oil & gas sector



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