

**Magnolia Petroleum Plc ('Magnolia' or 'the Company')**  
**Q2 2017 Operations Update**

Magnolia Petroleum Plc, the AIM quoted US focused oil and gas exploration and production company, is pleased to announce a quarterly update for Q2 2017 ('the Quarter') on its operations across proven and producing US onshore hydrocarbon formations, including the Bakken/Three Forks Sanish in North Dakota, and the Woodford, Mississippi Lime and the Hunton in Oklahoma.

**Q2 Highlights to 30 June 2017**

- 5 new wells commenced production during the Quarter - 159 producing wells in the Company's portfolio as at end of Q2 2017
- 42 new wells proposed – 3 wells currently at various stages of development including in the prolific SCOOP and STACK plays in Oklahoma
- 25% increase in the value ('NPV<sub>9</sub>') of total net PDP reserves as at April 2017 to US\$4,300,000 (1 July 2016: US\$3,445,180) – provides strong asset backing
  - PDP reserves as at 1 January 2017 stood at 282.686 Mbbbl (1 July 2016: 133.31 Mbbbl) and 2,343.116 MMCF gas (1 July 2016: 580.67 MMcf)
- Board and management team strengthened following appointment of Rita Whittington as CEO, highly experienced geologist Lanny Woods as a technical consultant and Derec Norman as CFO
  - Board continues to be remunerated in shares of the Company in lieu of cash as part of on-going strategy to minimise corporate and operating expenses - 33% reduction in full year operating costs reported

**Outlook**

- Entered into an exclusive agreement with Western Energy Development LLC ('WED') to invest, on behalf of WED, up to US\$18,500,000 into the Oklahoma oil and gas market as part of US Immigrant Investor Scheme
  - Provides additional revenue stream and rapid low risk, low cost expansion of its asset base
  - US\$500,000 pilot programme since November 2016 to present has generated in excess of US\$200,000 value net to Magnolia in terms of fees, equity in new wells, and uplift in reserves
  - Commencement of roll-out of WED agreement has the potential to fast-track the roll-out of Magnolia's strategy to acquire leases and prove up the reserves via drilling
- The Company continues to appraise its existing well portfolio to realign its forthcoming well investments into core counties in which WED can invest to allow Magnolia to participate alongside the anticipated WED investments

- Significant increase in proposals being received to drill new and infill wells on the Company's existing leases particularly within the SCOOP and STACK, two highly active plays in Oklahoma where wells are economic at oil prices around US\$40 per barrel

**Magnolia CEO, Rita Whittington said,** "Over the years, Magnolia has had great success acquiring and developing onshore US leases alongside leading operators, particularly when oil prices were trading at US\$90 per barrel. Since the downturn, we have worked hard to bring costs down and to focus more on areas which require low oil prices to breakeven so that we can have the same success at today's US\$40-50 oil prices. Our low cost, low risk model has generated substantial returns in the past for two previous companies I was a part of and, together with a highly experienced management team and Board, I am focused on doing the same with Magnolia. Thanks to the agreement we have signed with WED, I am confident we can start to make material progress towards this objective in the near term."

### Well Developments

The full list of well developments occurring in the quarter is set out below. A number of these include wells in which Magnolia has small interests. This is in line with management's strategy to minimise exploration risk, which includes the evaluation of drilling data gained through its participation in wells in which it has very small interests.

Well	Formation	Status	NRI %	Operator
Bishop North 2/14/11H	Woodford, Oklahoma	Producing (IPR: 6002 mcf/d)	0.010253 91	Bravo
Michelle Abel 1-11- 2XH	Springer, Oklahoma	Producing (IPR: 79 bopd; 13,066 mcf/d)	0.000527 78	Marathon
Foree 1-18-7XH	Woodford, Oklahoma	Producing (IPR: 1411 bopd; 3900 mcf/d)	0.000293 55	Continental Resources
Houses Quarter 10- 7-6XH	Woodford, Oklahoma	Producing (IPR: 716 bopd; 1702 mcf/d)	0.000293 55	Continental Resources
Fazio 1705 1-13MH	Mississippi Lime, Oklahoma	Producing: (IPR: 644 bopd; 1507 mcf/d)	0.001464 84	Oklahoma Energy Acq.
Crow 2	Woodford, Oklahoma	w/o spud	0.001953 13	BP
Crow 3	Woodford,	w/o spud	0.001953	BP

	Oklahoma		13	
Crow 4	Woodford, Oklahoma	w/o spud	0.001953 13	BP
Crow 5	Woodford, Oklahoma	w/o spud	0.001953 13	BP
Condit	Woodford, Oklahoma	w/o spud	0.000256 66	Continental Resources
TBD 36/25	Woodford Oklahoma	w/o spud	0.006539 06	Trinity
Veeder 4E MBH- ULW	Bakken, North Dakota	w/o spud	0.011644 15	BP
Gilchrist 2016 1- 36H	Mississippi, Oklahoma	w/o spud	0.003094 482	Sandridge
Andrews 23-2 (a/k/a Vergie)	Woodford, Oklahoma	w/o spud	0.002912 109	Comanche
Lohrmann 1-7- 18XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Lohrmann 2-7- 18XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Lohrmann 3-7- 18XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Lohrmann 4-7- 18XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Lohrmann 5-7- 18XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Lohrmann 6-7- 18XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Lohrmann 7-7- 18XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Houses Quarter 1-7- 6XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Houses Quarter 2-7- 6XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Houses Quarter 3-7- 6XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Houses Quarter 4-7- 6XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Houses Quarter 5-7- 6XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Houses Quarter 6-7- 6XH	Woodford, Oklahoma	w/o spud	0.000293 55	Continental Resources
Houses Quarter 7-7-	Woodford,	w/o spud	0.000293	Continental

6XH	Oklahoma		55	Resources
Pauline 1-24/25/36H	Woodford, Oklahoma	Drilling	0.002541797	Trinity
Pauline 2-24/25H	Woodford, Oklahoma	Drilling	0.003938672	Trinity
Pauline 3-24/25H	Woodford, Oklahoma	Drilling	0.005346094	Trinity
Pauline 4-24/25H	Woodford, Oklahoma	Drilling	0.00534375	Trinity
Jana 1-3/10H	Woodford, Oklahoma	Drilling	0.00585938	Trinity
Jordan 10_15-14N-9W 1HX	Mississippi, Oklahoma	Drilling	0.00109863	Devon
JoAnn 2H-18X	Woodford, Oklahoma	Drilling	0.00110315	Newfield
JoAnn 3H-18X	Woodford, Oklahoma	Drilling	0.00110315	Newfield
Engle 18-05-36	Mississippi, Oklahoma	Drilling	0.0015625	Chisholm Oil & Gas

Please note Magnolia has previously announced it had elected to participate in the drilling of the Pickle 2/9/4/33H well to the Woodford and Celesta 2 well to the Springer in Oklahoma. However, the Company is no longer participating in either of these two wells for the following reasons:

- Pickle 2/9/4/33H - verbal commitments to lease from mineral owner were not honoured
- Celesta 2 - upon re-evaluation of the economics, it was determined that estimated reserves were too small to warrant Magnolia participating in the well

As a result of Magnolia not participating in the above two wells, the Company will not be liable for its share of drilling costs, which have a combined total of US\$59,939.

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

## Glossary

‘M’ means Thousand

‘MBO’ means Thousand Barrels of Oil

‘Mcf/d’ 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 subcategorised 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 \*\***

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