

Magnolia Petroleum Plc
(‘Magnolia’ or ‘the Company’)
Proposed Capital Reorganisation and Notice of General Meeting

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 23 October 2017 at the offices of Pray Walker P.C., 100 West Fifth Street, Suite 900, Tulsa, OK 74103, USA. 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.

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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

Leonard Wallace (*Non-executive Chairman*)
Rita Whittington (*Chief Executive Director*)
Derec Norman (*Chief Financial Officer*)
Lanny Woods (*Non-executive Director*)

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Proposed Capital Reorganisation and Notice of General Meeting

Dear Shareholder,

1. Introduction

It is proposed that at a forthcoming General Meeting, Shareholders will be asked to approve the Capital Reorganisation.

The Company currently has 2,633,556,370 Existing Ordinary Shares. The Directors consider that it is in the best interests of the Company's long term development as a public quoted company to have a more manageable number of issued ordinary shares and to have a higher share price.

The Capital Reorganisation, which comprises a consolidation and sub-division of shares, has been structured in such a way so that each of the New Ordinary Shares created pursuant to the Capital Reorganisation shall have a nominal value of 0.1 pence. This is achieved by a consolidation of every 100 Existing Ordinary Shares into one Consolidated Share followed by an immediate sub-division of each Consolidated Share into one New Ordinary Share of 0.1 pence and one Deferred Share of 9.9 pence.

All of the Existing Ordinary Shares are proposed to be consolidated, meaning that whilst the number of shares held will change, the proportion of issued ordinary shareholdings in the Company held by each Shareholder immediately before and immediately after the Consolidation will remain unchanged, save for fractional entitlements (which are described below).

The Capital Reorganisation is subject to Shareholders' approval at the General Meeting, notice of which is set out at the end of this document.

The purpose of this document is to provide Shareholders with details of the Capital Reorganisation and to explain why the Directors are recommending Shareholders vote in favour of this at the General Meeting.

2. Purpose of the Capital Reorganisation

The Company's issued ordinary share capital currently consists of 2,633,556,370 Existing Ordinary Shares. As a result of the number of shares in issue, which is significantly higher than many companies on AIM, the Board believes that the low share price affects investor perception of the Company and share price volatility. Further, a public quoted company is unable to issue shares for less than the nominal value of its ordinary shares. As the Company's share price has been trading at around its nominal value, the directors are also mindful that, without the Capital Reorganisation, the Company may not be able to raise funds as opportunities present themselves.

Accordingly, the objective of the Capital Reorganisation is to reduce the number of Existing Ordinary Shares to a level which is more in line with other comparable AIM-traded companies with the intention of also creating a higher share price per ordinary share in the capital of the Company. The Directors believe that the Capital Reorganisation should improve the liquidity and marketability of the ordinary shares. The purpose of the Sub-Division is to retain a low nominal value of the shares, similar to the Existing Ordinary Shares, whilst continuing to meet the statutory requirement of having £50,000 minimum nominal value of issued share capital.

3. Proposed Capital Reorganisation

The proposed Capital Reorganisation will comprise three elements:

- i. Adoption of revised memorandum and articles of association (the "**New Articles**").
- ii. Consolidation - Every 100 Existing Ordinary Shares will be consolidated into one Consolidated Share.
- iii. Sub-Division - Immediately following the Consolidation, each Consolidated Share will then be sub-divided into one New Ordinary Share of 0.1 pence and one Deferred Share of 9.9 pence.

The Capital Reorganisation requires the passing of the resolutions in relation to the adoption of the New Articles and the Capital Reorganisation, being resolutions numbered 1 and 2, at the General Meeting, which

is to be held at 15:30 p.m. BST on 23 October 2017. If the Resolutions are passed, the Capital Reorganisation will become effective immediately following close of business on that date.

4. The New Articles

The Company's current memorandum and articles of association were adopted by the Company in October 2009 (the "**Current Articles**") and have not been reviewed or updated since that time. Due to the proposed Share Capital Reorganisation the Company needs to adopt revised memorandum and articles of association to establish the Deferred Shares, and set out the rights and obligations attaching thereto.

Concurrent with the changes to the memorandum and articles of association to establish the Deferred Shares, it is proposed that new provisions are incorporated to also bring the Company's bye-laws into line with best practice and market standards on AIM. Resolution One to be considered at the General Meeting proposes that the New Articles are adopted by the Company. Below is a summary of the material differences between the Current Articles and the proposed New Articles:

(a) Removal of Authorised Share Capital

Under the New Articles the Company would have no limit on its authorised share capital. Under the Current Articles the Company's authorised share capital is £10,030,000.

(b) Established rights of Deferred Shares

The New Ordinary Shares arising upon implementation of the Capital Reorganisation will have the same rights as the Existing Ordinary Shares including voting, dividend, return of capital and other rights.

The Deferred Shares will have no dividend or voting rights and, upon a return of capital, the right only to receive the amount paid up thereon after the holders of the Ordinary Shares in the capital of the Company have received not only the aggregate amount paid up thereon, but also £1 million of return of capital per Ordinary Share.

The Deferred Shares will not be traded on AIM or any other market, and no share certificates will be issued in respect of the Deferred Shares, nor will the CREST accounts of holders of New Ordinary Shares be credited with any Deferred Shares.

No other changes to the Current Articles are included in the New Articles.

5. Consolidation

At the General Meeting, the Directors are inviting Shareholders to approve the Resolutions which will authorise the Consolidation pursuant to which every 100 Existing Ordinary Shares will be consolidated into one Consolidated Share.

In anticipation of the Resolutions being passed by the Shareholders, the Company will, immediately prior to the General Meeting, issue such number of additional Ordinary Shares as will result in the total number of Ordinary Shares in issue being exactly divisible by 100. Assuming no other Ordinary Shares are issued between the date of this document and immediately before the General Meeting, this will result in 30 additional Ordinary Shares being issued and will create 26,335,564 Consolidated Shares (subject to any revision to the Company's issued share capital between the date of this document and the Record Date).

These 30 additional Ordinary Shares will be issued to the Company's registrars, Neville Registrars Limited. Since these additional shares will only represent a fraction of a New Ordinary Share, this fraction would be sold pursuant to the arrangements for fractional entitlements described below.

As all of the Existing Ordinary Shares are proposed to be consolidated, the proportion of issued ordinary shareholdings in the Company held by each Shareholder immediately before and immediately after the Consolidation will, save for fractional entitlements, remain unchanged.

In the event that the number of Existing Ordinary Shares attributed to a Shareholder is not exactly divisible by 100, the Consolidation will generate an entitlement to a fraction of a Consolidated Share. On the Sub-Division, such fractional entitlements will be carried over to the relevant New Ordinary Shares but not the Deferred Shares, and the New Ordinary Shares which comprise fractional entitlements will then be sold on the open market (see further explanation at paragraph 7, Fractional Entitlements to Consolidated Shares, below).

Accordingly, following the implementation of the Capital Reorganisation, any Shareholder who as a result of the Consolidation, has a fractional entitlement to any New Ordinary Shares, will not have a proportionate shareholding of New Ordinary Shares exactly equal to their proportionate holding of Existing Ordinary Shares.

Furthermore, any Shareholders holding fewer than 100 Existing Ordinary Shares as at the Record Date will cease to be a shareholder of the Company. The minimum threshold to receive Consolidated Shares will be 100 Existing Ordinary Shares.

6. Sub-Division

Immediately following the Consolidation, each Consolidated Share will be sub-divided into one New Ordinary Share and one Deferred Share. The Sub-Division has been structured in such a way so that each of the New Ordinary Shares will have a nominal value of 0.2 pence each.

Where there are fractional entitlements to a Consolidated Share, the Board considers it fair that, upon Sub-Division, the same fractional entitlements to a Consolidated Share will apply to each New Ordinary Share but not a Deferred Share. The rights attached to the Deferred Shares are set out in Paragraph 10 below.

The Record Date for the Sub-Division will be the same as for the Consolidation, which is 18:00 p.m. on 19 October 2017.

7. Effects of the Capital Reorganisation

For purely illustrative purposes, examples of the effects of the proposed Capital Reorganisation (should it be approved by Shareholders) are set out below:

Number of Existing Ordinary Shares held	Number of New Ordinary Shares following the Capital Reorganisation	Number of Deferred Shares following the Capital Reorganisation
99	0	0
100	1	1
1,000	10	10

The example below shows a fractional entitlement, the value of which will depend on the market value of the New Ordinary Shares at the time of sale.

Number of Existing Ordinary Shares held	Number of New Ordinary Shares following the Capital Reorganisation	Number of Deferred Shares following the Capital Reorganisation	Fractional entitlement
2,680	26	26	0.8

8. Fractional Entitlements to Consolidated Shares

As set out above, the Consolidation will give rise to fractional entitlements to a Consolidated Share where any holding is not precisely divisible by 100. On Sub-Division of any such Consolidated Share which occurs immediately thereafter, the same fractional entitlement will apply to each New Ordinary Share but not a Deferred Share then arising. As regards the New Ordinary Shares, no certificates regarding fractional entitlements will be issued. Instead any New Ordinary Shares in respect of which there are fractional entitlements will be aggregated and sold in the market for the best price reasonably obtainable on behalf of Shareholders entitled to fractions (the “Fractional Shareholders”).

The Company will distribute the proceeds of sale in due proportion to any such Fractional Shareholders in accordance with article 36 of the Articles. In the event that the net proceeds of sale amount to £3.00 or less, the Board is of the view that, as a result of the disproportionate costs, it would not be in the best interests of the Company to distribute such proceeds of sale, which instead shall be retained for the benefit of the Company in accordance with article 36 of the Articles.

For the avoidance of doubt, the Company is only responsible for dealing with fractions arising on registered holdings. For Shareholders whose shares are held in the nominee accounts of UK stockbrokers, the effect of the Capital Reorganisation on their individual shareholdings will be administered by the stockbroker or nominee in

whose account the relevant shares are held. The effect is expected to be the same as for shareholdings registered in beneficial names, however, it is the stockbroker's or nominee's responsibility to deal with fractions arising within their customer accounts, and not that of the Company.

9. Resulting Share Capital

The issued share capital of the Company immediately following the Capital Reorganisation (assuming it is approved by the Shareholders) is expected to comprise 26,335,564 New Ordinary Shares and 26,335,564 Deferred Shares.

10. Admission of the New Ordinary Shares

Application will be made for the New Ordinary Shares to be admitted to trading on AIM in place of the Existing Ordinary Shares. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on 24 October 2017.

The Company has applied for a new ISIN and SEDOL which will become effective following the Capital Reorganisation. The new ISIN and SEDOL will be notified to the market via an RIS provider in due course.

Shareholders who hold Existing Ordinary Shares in uncertificated form will have such shares disabled in their CREST accounts on the Record Date, and their CREST accounts will be credited with the New Ordinary Shares following Admission, which is expected to take place on 24 October 2017.

Following the Capital Reorganisation, existing share certificates will cease to be valid and new share certificates are expected to be despatched to those Shareholders who hold their Existing Ordinary Shares in certificated form, on or around 31 October 2017. No share certificates will be issued in respect of Consolidated Shares or Deferred Shares.

11. Effects on Options, Warrants and Other Instruments

The entitlements to Ordinary Shares of holders of securities or instruments convertible into Ordinary Shares (such as share options and warrants) will be adjusted to reflect the Capital Reorganisation.

As at the date of this document the Company currently has 113,160,205 options in issue and 225,000,000 warrants in issue. The terms of the options and warrants will be adjusted to take effect of the Capital Reorganisation. In the event of completion of the Capital Reorganisation, the exercise price of all options and warrants over ordinary shares will be repriced in line with the Consolidation.

12. General Meeting

You will find set out at the end of this document a notice convening the General Meeting to be held at the offices of Pray Walker, P.C. at 100 West Fifth Street, Suite 900, Tulsa, OK 74103, USA at 15:30 p.m. BST (to be held at 10:30 a.m. local time) on 23 October 2017.

The Resolutions to be proposed at the General Meeting are as follows:

Resolution 1: Articles amendment

The Company is proposing to adopt new amended articles of association in substitution for the existing articles of association. The principal change introduced by the new articles of association are the establishment of a new class of deferred share with no voting rights and significantly reduced economic rights. Other material changes to the Articles are set out at paragraph 4 of this document.

A copy of the Company's existing articles of association and the proposed new articles of association will be available for inspection during normal business hours (excluding Saturdays, Sundays and bank holidays) at the offices of Hill Dickinson LLP, The Broadgate Tower, 20 Primrose Street, London EC2A 2EW from the date of this notice of meeting until the close of the meeting. The proposed New Articles will also be available for inspection at the General Meeting at least 15 minutes prior to the start of the meeting and up until the close of the meeting. This is a special resolution.

Resolution 2: Capital Reorganisation

An ordinary resolution to authorise the Company to undertake the Capital Reorganisation. The Board considers it desirable to effect the Capital Reorganisation as it should create a higher share price and in the Board's opinion, it should improve the liquidity and marketability of Ordinary Shares.

13. United Kingdom taxation in relation to the Capital Reorganisation

For the purposes of UK taxation of chargeable gains, a Shareholder should not be treated as making a disposal of all or part of his holding of Existing Ordinary Shares by reason of the Consolidation. The New Ordinary Shares should be treated as the same asset, and as having been acquired at the same time and at the same aggregate cost as, the holding of Existing Ordinary Shares from which they derive. On a subsequent disposal of the whole or part of the New Ordinary Shares comprised in the new holding, a Shareholder may, depending on his or her circumstances, be subject to tax on the amount of any chargeable gain realised.

If any shareholder is uncertain about his own tax position, he should seek independent financial advice.

14. Action to be taken

Holders of Existing Ordinary Shares will find enclosed with this document a Form of Proxy for use by them at the General Meeting.

Whether or not you are able to attend the General Meeting, you are requested to complete the enclosed Form of Proxy and return it to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA as soon as possible and, in any event, so as to arrive by 15:30 p.m. on 19 October 2017. The completion and return of a Form of Proxy will not prevent you from attending the General Meeting and voting in person if you subsequently wish to do so.

Shareholders are reminded that, if their Existing Ordinary Shares are held in the name of a nominee, only that nominee or its duly appointed proxy can be counted in the quorum at the General Meeting.

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your broker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser, immediately.

15. Recommendation

The Directors consider that the Capital Reorganisation is fair and reasonable and is in the best interests of the Company and its Shareholders as a whole and will promote the success of the Company. The Directors therefore recommend you to vote in favour of each of the Resolutions.

Yours faithfully

Leonard Wallace
Non-executive Chairman

DEFINITIONS

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

“Act”	the Companies Act 2006 (as amended)
“Admission”	admission of the New Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM Rules”	the AIM Rules for Companies and the AIM Rules for Nominated Advisers, as issued by the London Stock Exchange from time to time
“AIM”	the market of that name operated by the London Stock Exchange
“Articles”	the articles of association of the Company as at the date of this document
“Cairn”	Cairn Financial Advisers LLP, the Company’s Nominated adviser as at the date of this document
“Capital Reorganisation”	the Consolidation and the Sub-Division
“certificated” or “in certificated form”	a share or security which is not in uncertificated form (that is, not in CREST)
“Consolidated Shares”	the ordinary shares of 10 pence each in the Company to be created following the Consolidation
“Consolidation”	the proposed consolidation of every 100 Existing Ordinary Shares into one Consolidated Share
“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
“Deferred Shares”	the deferred shares of 9.9 pence each in the capital of the Company to be created following the Sub-Division
“Euroclear”	Euroclear UK & Ireland Limited
“Existing Ordinary Shares”	the 2,633,556,370 Ordinary Shares in issue at the date of this document
“General Meeting”	a general meeting of the Company to be held at 15:30 p.m. BST (09:30 a.m. local time) on 23 October 2017 at the offices of Pray Walker P.C., 100 West Fifth Street, Suite 900, Tulsa, OK 74103, USA or any adjournment thereof, notice of which is set out in the

	Notice of General Meeting
“Group”	the Company and its subsidiary undertakings
“Magnolia” or “the Company”	Magnolia Petroleum plc
“New Articles”	subject to the Resolutions being approved, the new memorandum and articles of association to be adopted by the Company at the General Meeting
“New Ordinary Shares”	the ordinary shares of 0.1 pence each in the capital of the Company to be created following the Sub-Division
“Notice of General Meeting”	the notice convening the General Meeting which is set out at the end of this document
“Ordinary Shares”	ordinary shares of 0.1 pence each in the share capital of the Company
“Record Date”	18:00 p.m. on 19 October 2017
“Regulatory Information Service” or “RIS”	the regulatory information services approved by the London Stock Exchange for the distribution of AIM announcements
“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
“Sub-Division”	the sub-division of each Consolidated Share into one New Ordinary Share and one Deferred Share
“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland.
“United States” or “US”	United States of America and its territories