Magnolia Petroleum Plc / Index: AIM / Epic: MAGP / Sector: Oil & Gas

16 January 2018

Magnolia Petroleum Plc ('Magnolia' or 'the Company')

Updated Reserves Report

Magnolia Petroleum Plc, the AIM quoted US onshore focused oil and gas exploration and production company, announces the results of an independent Reserves Report ('the Report') as part of the six-month bank debt redetermination process. The Report covers the Company's net proved developed producing reserves ('PDP') across its leases in US onshore formations such as the Woodford and Mississippi Lime, Oklahoma, and the Bakken and Three Forks Sanish, North Dakota.

Overview:

- Total net PDP oil and condensate reserves of 274.475 Mbbl as at 1 January 2018 (1 January 2017: 282.686 Mbbl of oil and condensate)
- Total net PDP gas reserves of 1,692.497 MMCF as at 1 January 2018 (1 January 2017: 2,343.116 MMcf gas)
- Change in total net PDP reserves due to:
    - the divestment of interests in the 13 Sympson Wells to align portfolio with counties that qualify for investment under the US$18.5m capital management agreement with Western Energy Development LLC ('WED') and to pay down debt – as these were increased density wells, all 13 had been included in the January 2017 report
    - the divestment of a number of non-core and low valued wells
- US$4,002,000 value ($NPV_9$) of total net PDP reserves as at 1 January 2018 (1 January 2017: US$4,026,000) provides strong asset backing to current market capitalisation
- The Reserves will be used to re-determine the borrowing base limit of the Company's US$6 million credit facility in February 2018
- The Report only covers proved developed producing reserves and does not include proved shut-in, proved undeveloped, probable and possible reserve classes as well as Magnolia's interests in undeveloped acreage

Rita Whittington, CEO of Magnolia, said, "The updated Reserves Report demonstrates the significant asset backing behind Magnolia, even after taking into account factors such as the realignment of our portfolio of producing wells over the period to those areas in Oklahoma where we will be focusing our activities under our US$18.5 million investment agreement with WED. These areas include the prolific SCOOP and STACK plays where operating costs are relatively low, recovery rates are high, and activity levels are increasing.

"Having recently received the first US$500,000 tranche of the WED Agreement, we are currently deploying these funds into new leases and wells which, as well as generating fees for Magnolia, will also provide us with a free carry on the first wells drilled. As a result, I am confident that going forward the value of our PDP reserves will rise significantly, and I look forward to providing updates on our progress."

Summary Table of Magnolia's Total Net PDP Reserves as at 1 January 2018:

		Net		PV_9
State	**Reserve Category**	**BBLs**	**MCF**	**US$**
Oklahoma	PDP	92,446	1,537,668	1,739,490
North Dakota	PDP	182,029	154,829	2,262,700
Total		**274,475**	**1,692,497**	**$4,002,190**

NPV_9 valuations are based on the current CME price deck for oil and the Henry Hub gas price deck as of January 2018 and take into account the future net cash flow which is defined as future net revenue, less estimated future net OPEX (well operating cost and production taxes) and future net capital. The total net PDP reserves are those defined as natural gas and liquid hydrocarbon reserves to Magnolia's interest after deducting all royalties, overriding royalties, and reversionary interests owned by outside parties that become effective upon pay-out of specified monetary balances. All reserves estimates have been prepared using standard engineering practices generally accepted by the petroleum industry and conform to the guidelines adopted by the 2007 SPE/SPEE/WPC PRMS Guidelines.

The information contained in this announcement regarding the reserves analysis has been reviewed and approved by Mike Mabry on behalf of Sycamore Resources. Mr Mabry has over 30 years of relevant experience in the oil industry and has a B.S. in Petroleum Engineering from the University of Tulsa. He has previously served as Chair of the SPE Improved Oil Recovery Symposium, presiding over 700 engineers from 65 counties. Over the course of his career, Mr Mabry has held the position of Senior Petroleum Engineer at Apache Corporation, Petrohawk Energy and MAPCO and is currently Managing Director of Sycamore Resources in Tulsa, Oklahoma.

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

**** ENDS ****

Glossary

'M' means Thousand
'MBO' means Thousand Barrels of Oil
'Mcfd' 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 * ***

For further information on Magnolia Petroleum Plc visit www.magnoliapetroleum.com or contact the following:

Rita Whittington	Magnolia Petroleum Plc	+01918449 8750
Jo Turner / Liam Murray	Cairn Financial Advisers LLP	+44207213 0880
Nick Bealer	Cornhill Capital Limited	+44207710 9610
Lottie Wadham	St Brides Partners Ltd	+44207236 1177
Frank Buhagiar	St Brides Partners Ltd	+44207236 1177