

Magnolia Petroleum Plc / Index: AIM / Epic: MAGP / Sector: Oil & Gas
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Magnolia Petroleum Plc ('Magnolia' or 'the Company')
Q1 2018 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 Q1 2018 ('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.

Q1 Highlights to 31 March 2018

- 119 producing wells in the Company's portfolio as at end of Q1 2018
- 11 new wells proposed – 8 wells currently at various stages of development including in the prolific SCOOP and STACK plays in Oklahoma
- Investment of first US\$500,000 of US\$18.5 million capital management agreement with Western Energy Development LLC ('WED') into Oklahoma leases that qualify under the US Immigrant Investor Programme
 - Generates fees and equity in new wells for Magnolia
- Updated Reserves Report ('Reserves Report') as at 1 January 2018 as part of six monthly redetermination of borrowing base limit of the Company's US\$6 million credit facility
- Total net proved developed producing reserves ('PDP') of 274.475 Mbbbl oil and condensate and 1,692.497 MMCF of gas (1 January 2017: 282.686 Mbbbl of oil and condensate and 2,343.116 MMcf gas)
- US\$4,002,000 value (NPV₉) of total net PDP reserves (1 January 2017: US\$4,026,000) provides strong asset backing
 - Change in total net PDP reserves due to the divestment of interests in 13 wells which were included in the January 2017 report
- Reserves Report does not include proved shut-in, proved undeveloped, probable and possible reserve classes as well as Magnolia's interests in undeveloped acreage
- Company is in the process of renegotiating its bank loan. The Company has previously announced that a request for an extension to its loan facility was being processed by the bank. Since the last extension, the Company's bank has been sold and negotiations are slower than previously experienced.
- Debt reduction programme ongoing and the Company is considering further non-core disposals.
- Working capital continues to be managed carefully in light of future planned participation in wells. Following the rise in the price of oil, the Company is producing positive cash flow from its existing operations and this is expected to increase further since revenues lag oil prices by a number of months.

Outlook

- Acquire additional leases via the ongoing investment of the first tranche of WED funds
- Based on successful pilot programme, each US\$500,000 tranche is expected to generate approximately 27 new drilling opportunities as well as fees net to Magnolia
 - US\$500,000 pilot programme generated in excess of US\$200,000 value net to Magnolia in terms of fees, equity in new wells, and uplift in reserves
- Receipt of additional US\$500,000 tranches from WED agreement which has the potential to fast-track the roll-out of Magnolia's strategy to acquire leases and prove up the reserves via drilling

Magnolia CEO, Rita Whittington said, "Activity during the quarter has been centred on investing the first US\$500,000 of our exclusive US\$18.5 million agreement with WED into qualifying leases in Oklahoma. As demonstrated by our successful pilot programme with WED, as well as fees, every US\$500,000 invested has the potential to generate 27 new drilling opportunities for Magnolia. Together with the pick-up in activity we are seeing in our core areas of focus, specifically the low cost and prolific SCOOP and STACK plays in Oklahoma, we are putting in place a pipeline of new wells which, once drilled and subject to the results, will enable us to add to our proven reserves and build value."

Well Developments

The full list of well developments occurring are still ongoing and a list will be provided in due course. A number of these include wells in which Magnolia has small interests and is being carried as part of the WED deal. 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.

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

'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 subcategorized 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.

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