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Magnolia Petroleum Plc (‘Magnolia’ or ‘the Company’)

Proposals Received for Six New Marathon Oil Operated Wells in North Dakota

Magnolia Petroleum Plc, the AIM quoted US focused oil and gas exploration and production company, is pleased to announce it has received proposals to participate alongside Marathon Oil in the drilling of six low risk, high impact wells to the Bakken and Three Forks Sanish formations in North Dakota. These new wells represent a step up in the level of opportunities the Company has been seeing recently, primarily due to their location on the same spacing unit as the Company’s best performing well, the Lazy DE 24-7H, and also the size of Magnolia’s potential interest.

All six wells have low exploration risk thanks to being located on or close to prolific producing units

- The new Marathon wells, which include two to be drilled to the Bakken and four to the Three Forks Sanish, will be drilled on the same spacing unit as two highly productive Bakken completions in Dunn County, North Dakota in which Magnolia has an interest in:
    - Lazy DE 24-7H, which as at March 2017 had recovered over 300,000 barrels of oil and 196,944 MCF of gas, is currently producing over 150 BOPD and 120 MCFD
    - Lazy DE 34-7H, which as at March 2017 had recovered 250,000 barrels of oil and 165,563 MCF of gas, is currently producing 135 BOPD and 100 MCFD
- The new Three Forks Sanish wells will be the first to be drilled in the unit however other Three Forks Sanish wells in the area have been highly productive, achieving initial production rates of over 1,700 BOPD and 700 MCFD (source North Dakota Oil & Gas Commission). For example:
    - The Marathon operated Krebs 34-20TFH well, which directly offsets the Lazy DE, tested the Three Forks with an initial production rate of 1,722 BOPD and 748 MCFD and over the last two years has recovered 124,000 barrels of oil - currently producing 85 BOPD and 83 MCFD
- The six new wells are in line with management’s strategy to minimise exploration risk - this includes the evaluation of drilling data gained by Magnolia through its participation in wells in which it has very small interests

Favourable operating environment to drill wells to the Bakken and Three Forks Sanish

- Drilling costs have come down from over US$10 million per well prior to the downturn to approximately US$6.5 million per well today
- Continued availability of suitable rigs and qualified labour

- Faster drilling time of approximately 14 days per well compared to 30 days previously
- The proposed Keystone XL Pipeline which will run through North Dakota when completed is expected to significantly reduce transportation costs

Attractive economics of drilling each well – potential to generate returns representing multiples of original investment

- Low drilling and transportation costs combined with strong flow rates will reduce payback on each well allowing capital to be recycled into further drilling activity and acquiring new leases
- Based on historic production of offset wells, industry software, IHS, calculates each of the six new wells may generate:
    - a Rate of Return of between 29.51% to 34.61%
    - a Return on Investment over life the time of each well of between 2.29 and 2.47 times
- New wells require oil prices of US$41 per barrel to breakeven
- Potential for Magnolia to gain a working / net revenue interest of up to 2% / 1.5% for three of the wells and up to 1% / 0.74% for the remaining three wells
- Intention to farm-out a portion of its interest in the wells to a third party which may result in Magnolia having a free- carry on a reduced interest in each well

Magnolia CEO, Rita Whittington said, “These six wells tick all the boxes: low risk due to being increased density wells; high impact as they are being drilled on leases which have already produced significant volumes of oil and gas; excellent address thanks to being located in the prolific Bakken and Three Forks Sanish formations; and highly attractive commercial returns as a result of having a low breakeven oil price of approximately US$40. Furthermore, the read across from an approximate halving in drilling costs in recent years is effectively a doubling of the potential Return on Investment. These wells therefore represent an excellent de-risked opportunity to rapidly scale up production and reserves, and we are looking to capitalise on this by either taking up our full participation rights or farming out a portion of our entitlement to interested parties. I look forward to updating the market in due course.”

Details of six Marathon operated wells in North Dakota:

Well Name	**Targeted Formation**	**Magnolia’s WI/NRI%**	**Net Cost to Magnolia**	**Status**
Kenneth 24-7 TFH	Three Forks Sanish, North Dakota	Up to 2%/ 1.5%	Up to US$125,564	Waiting on spud
Stroup 34-7 TFH	Three Forks Sanish, North Dakota	Up to 2%/ 1.5%	Up to US$126,361	Waiting on spud
Bethol 34-7H	Middle Bakken, North Dakota	Up to 2%/ 1.5%	Up to US$136,087	Waiting on spud

Arkin 44-12 TFH	Three Forks Sanish, North Dakota	Up to 1% / 0.74%	Up to US$64,861	Waiting on spud
Bronnett 14-7H	Middle Bakken, North Dakota	Up to 1% / 0.74%	Up to US$65,166	Waiting on spud
Ernst 14 7TFH	Three Forks Sanish, North Dakota	Up to 1 % / 0.74%	Up to US$128,471	Waiting on spud

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

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Notes

Magnolia Petroleum Plc is an AIM quoted, US focused, oil and gas exploration and production company. Its portfolio includes interests in 222 producing and non-producing assets, primarily located in the highly productive Bakken/Three Forks Sanish hydrocarbon formations in North Dakota as well as the oil rich Mississippi Lime and the substantial and proven Woodford and Hunton formations in Oklahoma.

Summary of Wells

Category	Number of wells
Producing	158
Being drilled / completed	13
Elected to participate / waiting to spud	51
TOTAL	222