

## Risk Factors Comparison 2024-02-15 to 2023-02-16 Form: 10-K

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The nature of Magnolia's business activities subjects the Company to certain hazards and risks. The following risks and uncertainties, together with other information set forth in this Annual Report on Form 10-K, should be carefully considered by current and future investors in the Company's securities. These risks and uncertainties are not the only ones Magnolia faces. Additional risks and uncertainties presently unknown to Magnolia, or currently deemed immaterial, also may impair the Company's business operations. The occurrence of one or more of these risks or uncertainties could materially and adversely affect the Company's business, its financial condition, and the results of Magnolia's operations, which in turn could negatively impact the value of the Company's securities. Risks Related to **Magnolia's Overall Business Operations Oil, natural gas, and NGL prices are volatile. A sustained period of low oil, natural gas, and NGL prices could adversely affect Magnolia's business, financial condition, results of operations, and ability to meet its expenditure obligations and financial commitments. The prices Magnolia receives for its oil, natural gas, and NGL production will heavily influence its revenue, profitability, access to capital, future rate of growth, and the carrying value of its properties. Oil, natural gas, and NGLs are commodities, and their Ongoing prices may fluctuate** widely in response to market uncertainty and to relatively minor changes in the supply of and demand for oil, natural gas, and NGLs. Historically, oil, natural gas, and NGL prices have been volatile. The prices Magnolia receives for its production and the levels of Magnolia's production depend on numerous factors beyond Magnolia's control, which include, without limitation, the following: ~~• the economic effects of the COVID-19 pandemic and actions taken by federal, state and local governments and other third parties in response to the pandemic;~~ • U.S. federal, state, local, and non-U.S. governmental regulation and taxes; • worldwide and regional economic conditions impacting the global supply and demand for oil, natural gas, and NGLs; • the price and quantity of foreign imports of oil, natural gas, and NGLs; • political and economic conditions in or affecting other producing regions or countries, including the Middle East, Africa, South America, and Russia; • actions of OPEC, its members, and other state-controlled oil companies relating to oil price and production controls; • the level of global exploration, development, **and production;** • **the impact on worldwide economic activity of an epidemic, pandemic, outbreak, or other public health event, such as COVID-19 Pandemic** Middle East, Africa, South America, and Russia; • actions of OPEC, its members, and other state-controlled oil companies relating to oil price and production controls; • the level of global exploration, development, and production; • the level of global inventories; • prevailing prices on local price indexes in the areas in which Magnolia operates; • the proximity, capacity, cost, and availability of gathering, transportation, and processing facilities; • localized and global supply, demand fundamentals, and transportation availability; • the cost of exploring for, developing, producing, and transporting reserves; • weather conditions and natural disasters; • inflation rates; • technological advances affecting energy consumption; • the price and availability of alternative fuels; • expectations about future commodity prices; and • other events that impact global market demand. Lower commodity prices may reduce Magnolia's cash flow and borrowing ability **and cause the Company to shut in wells or curtail production**. If Magnolia is unable to obtain needed capital or financing on satisfactory terms, its ability to acquire and develop future reserves could be adversely affected. Also, using lower prices in estimating proved reserves may result in a reduction in proved reserves volumes due to economic limits. In addition, sustained periods with lower oil and natural gas prices may adversely affect drilling economics and Magnolia's ability to raise capital, which may require it to re-evaluate and postpone or eliminate its development program, and result in the reduction of some proved undeveloped reserves and related standardized measure. If Magnolia is required to curtail its drilling program, Magnolia may be unable to hold leases that are scheduled to expire, which may further reduce reserves. As a result, a substantial or extended decline in commodity prices may materially and adversely affect Magnolia's future business, financial condition, results of operations, liquidity, and ability to finance planned capital expenditures. Inflation may adversely affect Magnolia's business, results of operations, and financial condition. Magnolia is in an industry that has experienced inflationary pressures on operating costs—namely fuel, steel (i.e., wellbore tubulars and facilities manufactured using steel), labor, and drilling and completion services. ~~Such~~ **Although for many years, inflationary— inflation pressures have resulted from in the United States had been relatively low, there was a significant increase in inflation beginning in the second half of 2021, which has continued into 2023, due to a substantial increase in money supply chain disruptions caused by the COVID-19 pandemic, increased a stimulative fiscal policy, a significant rebound in consumer demand as labor shortages and COVID-19 restrictions were** and other pandemic outbreaks could negatively impact Magnolia's business and results of operations. The Company may face additional risks related ~~relaxed to,~~ **the resurgence of Russia-Ukraine war and worldwide supply chain disruptions resulting from the economic contraction caused by COVID-19 or and lockdowns followed by a rapid recovery. According to the emergence Bureau of Labor Statistics, inflation rose to a peak of 9.1% in June 2022, and has since decreased to 3.4% as of December 2023. While supply chain disruptions and inflation have not materially affected Magnolia's operating results to date, if Magnolia is unable to work with its suppliers to limit or prevent increases in its costs of operations, it could adversely affect its operating results. In addition,** any projected future decreases in Magnolia's operating results due to inflation could adversely affect Magnolia's future business, financial condition, results of operations, liquidity, and ability to finance planned capital expenditures. Part of Magnolia's business strategy involves using some of the latest available horizontal drilling and completion techniques, which involve risks and uncertainties in their application. Magnolia's operations involve utilizing some of the latest drilling and completion ("D & C") techniques. The difficulties Magnolia faces drilling horizontal wells include landing its wellbore in the desired drilling zone, staying in the desired drilling zone while drilling horizontally through the

formation, running its casing the entire length of the wellbore, and being able to run tools and other **pandemic equipment consistently through the horizontal wellbore**. The difficulties Any preventative or protective actions that the Company, **Magnolia faces while completing its customers wells include the ability to fracture stimulate the planned number of stages** , of stages, the ability to run tools the entire length of the wellbore during completion operations, and the ability to successfully clean out the wellbore after completion of the final fracture stimulation stage. Use of new technologies may not prove successful and could result in significant cost overruns or delays or reductions in production, and, in extreme cases, the abandonment of a well. In addition, certain of the new techniques may cause irregularities or interruptions in production due to offset wells being shut in and the time required to drill and complete multiple wells before any such wells begin producing. Furthermore, the results of drilling in new or emerging **areas of certain** formations are more uncertain initially than drilling results in areas that are more developed and have a longer history of established production. Newer and emerging **areas of certain** formations and areas have limited or no production history and, consequently, Magnolia may be more limited in assessing future drilling results in these areas. If its drilling results are less favorable than anticipated, the return on investment ~~for or for~~ **governmental authorities a particular project** may take in response to COVID-19 **not be as attractive as anticipated, and Magnolia could incur material write - 19 or downs of unevaluated properties, and other -- the value** pandemics may result in a period of **undeveloped acreage** disruption, including with respect to the Company's financial reporting capabilities and its operations generally, and could **potentially impact decline in the future** Company's customers, distribution partners, and third parties. For example, **potential complications associated with China's strict lockdown measures as a result of COVID-19 have put downward pressure on the new D & C techniques that** demand for oil and gas, which may materially and adversely affect Magnolia's financial condition **utilizes may cause Magnolia to be unable to develop its assets in line with current expectations** and **projections. Further, Magnolia's recent well results may not** of operations. Any resulting impacts from the resurgence of the COVID-19 pandemic cannot be **indicative of its future well** reasonably estimated, and may materially affect the business and the Company's financial condition and results of operations. The extent and duration of such impacts will depend on future developments, which are highly uncertain and cannot be predicted, including, among others, new information which may emerge concerning the severity of, and the actions to contain or curb the impact of the resurgence of COVID-19 variants thereof, or any other pandemic. The marketability of Company production is dependent upon market demand, vehicles, transportation and storage facilities, and other facilities, most of which the Company does not control. If these vehicles or facilities are unavailable, or if the Company is unable to access such vehicles or facilities on commercially reasonable terms, operations could be interrupted, production could be curtailed or shut in, and revenues could be reduced. The marketing of oil, natural gas, and NGL production depends in large part on the availability, proximity, and capacity of trucks, pipelines, and storage facilities, natural gas gathering systems, and other transportation, processing, and refining facilities, as well as the existence of adequate markets. If there ~~is a resurgence~~ **are widespread public health crises, epidemics and outbreaks of the infectious diseases such as** COVID-19 outbreak, or if variants of COVID-19 continue to emerge, across the United States and other locations across the world and the related responsive measures ~~due to the pandemic~~ are ~~renewed or newly~~ imposed, and if such events reduce demand for oil and natural gas, available storage and transportation capacity for the Company's production may be limited or unavailable in the future. If there is insufficient capacity, if the capacity is unavailable to the Company, or if the capacity is unavailable on commercially reasonable terms, the prices Magnolia receives for its production could be significantly depressed. As a result of future storage and / or market shortages, the Company could be forced to temporarily shut in some or all of its production or delay or discontinue drilling plans and commercial production following a discovery of hydrocarbons while the Company constructs or purchases its own facilities or system or is able to locate necessary storage and transportation. If the Company is forced to shut in production, it may incur greater costs to bring the associated production back online. Potential cost increases associated with bringing wells back online may be significant enough that such wells may become non-economic at low commodity price levels, which may lead to decreases in proved reserve estimates and potential impairments and associated charges to earnings. If the Company is able to bring wells back online, there is no assurance that such wells will be as productive following recommencement as they were prior to being shut in. **Should sustained periods of lower oil and..... indicative of its future well results.** Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect Magnolia's business, financial condition, or results of operations. Magnolia's future financial condition and results of operations will depend on the success of its development, production, and acquisition activities, which are subject to numerous risks beyond its control, including the risk that drilling will not result in commercially viable oil and natural gas production. Magnolia's decisions to develop or purchase prospects or properties will depend, in part, on the evaluation of data obtained through geophysical and geological analysis, production data, and engineering studies, which are often inconclusive or subject to varying interpretations. For a discussion of the uncertainty involved in these processes, see **the risk factor** "Crude oil, natural gas, and NGL reserves are estimates, and actual recoveries may vary significantly." In addition, the cost of drilling, completing, and operating wells is often uncertain. Further, many factors may curtail, delay, or cancel scheduled drilling projects, including: • delays imposed by, or resulting from, permitting activities, compliance with regulatory requirements, including limitations on wastewater disposal, emission of **greenhouse gases ("GHGs")**, and hydraulic fracturing; • pressure or irregularities in geological formations; • sustained periods of low oil and natural gas prices; • shortages of or delays in obtaining equipment and qualified personnel; • access to water for hydraulic fracturing activities and waste disposal or recycling services at a reasonable cost and in accordance with applicable environmental regulations; • equipment failures, accidents, or other unexpected operational events; • lack of available gathering facilities or delays in construction of gathering facilities; • lack of available capacity on interconnecting transmission pipelines; • adverse weather conditions; • issues related to compliance with environmental regulations; • environmental or safety hazards, such as oil and natural gas leaks, oil spills, pipeline and tank ruptures, and unauthorized discharges of brine, well stimulation and completion fluids, toxic gases, or other pollutants into the surface and subsurface environment; • limited availability of financing on acceptable terms; • title

issues; • other market limitations in Magnolia's industry; • the **impact on worldwide economic effects activity of an epidemic, pandemic, outbreak, or the other public health event, such as COVID-19 pandemic and actions taken by federal, state and local governments and other third parties in response to the pandemic**; and • changes in the supply chain of the Company's vendors that may adversely impact the supply of key components. The process of estimating oil and natural gas reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to current and future economic conditions and commodity prices. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves. In order to prepare the reserve estimates, Magnolia must project production rates and timing of development expenditures. The Company must also analyze available geological, geophysical, production, and engineering data. The extent, quality, and reliability of this data can vary. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes **other than income taxes**, and availability of funds. Magnolia cannot assure you that its management team's assumptions with respect to projected production and / or the timing of development expenditures will not materially change in subsequent periods. Magnolia's management team and board may determine to secure and deploy development capital at a faster or slower pace than currently assumed. Actual future production, oil prices, natural gas prices, NGL prices, revenues, **taxes other than income** taxes, development expenditures, operating expenses, and quantities of recoverable oil and natural gas reserves may vary from Magnolia's estimates. For instance, initial production rates reported by Magnolia or other operators may not be indicative of future or long-term production rates, recovery efficiencies may be lower than expected, and production declines may be greater than anticipated and may be more rapid and irregular when compared to initial production rates. In addition, estimates of proved reserves may be adjusted to reflect additional production history, results of development activities, current commodity prices, and other existing factors. Any significant variance could materially affect the estimated quantities and present value of reserves. Moreover, there can be no assurance that reserves will ultimately be produced or that proved undeveloped reserves will be developed within the periods anticipated. Actual future prices and costs may differ materially from those used in the present value estimate. If spot prices are below such calculated amounts, using more recent prices in estimating proved reserves may result in a reduction in proved reserve volumes due to economic limits. The standardized measure of estimated reserves may not be an accurate estimate of the current fair value of estimated oil and natural gas reserves. The standardized measure is a reporting convention that provides a common basis for comparing oil and gas companies subject to the rules and regulations of the SEC. The standardized measure requires historical 12-month pricing as required by the SEC as well as operating and development costs prevailing as of the date of computation. Consequently, it may not reflect the prices ordinarily received or that will be received for oil and natural gas production because of varying market conditions, and it also may not reflect the actual costs that will be required to produce or develop the oil and natural gas properties. In addition, the Magnolia LLC Unit Holders are generally not subject to U. S. federal, state, or local income taxes other than certain state franchise taxes. Magnolia is subject to U. S. federal, state, and local income taxes. As a result, estimates included in this Annual Report on Form 10-K of future net cash flow may be materially different from the future net cash flows that are ultimately received. Therefore, the standardized measure of estimated reserves included in this Annual Report on Form 10-K should not be construed as accurate estimates of the current fair value of such proved reserves. Properties Magnolia has acquired or will acquire may not produce as projected, and Magnolia may be unable to determine reserve potential, identify liabilities associated with such properties, or obtain protection from sellers against such liabilities. Acquiring oil and natural gas properties requires Magnolia to assess reservoir and infrastructure characteristics, including recoverable reserves, future oil and natural gas prices and their applicable differentials, development and operating costs, and potential liabilities, including environmental liabilities. In connection with these assessments, Magnolia performs a review of the subject properties that it believes to be generally consistent with industry practices. Such assessments are inexact and inherently uncertain. For these reasons, the properties Magnolia has acquired or will acquire may not produce as expected. In connection with the assessments, Magnolia performs a review of the subject properties, but such a review may not reveal all existing or potential problems. In the course of due diligence, Magnolia may not review every well, pipeline, or associated facility. Magnolia cannot necessarily observe structural and environmental problems, such as groundwater contamination, when a review is performed. Magnolia may be unable to obtain or successfully enforce contractual indemnities from the seller for liabilities created prior to Magnolia's purchase of the property. Magnolia may be required to assume the risk of the physical condition of the properties in addition to the risk that the properties may not perform in accordance with its expectations. Additionally, the success of future acquisitions will depend on Magnolia's ability to integrate effectively the then-acquired business into its then-existing operations. The process of integrating acquired assets may involve unforeseen difficulties and may require a disproportionate amount of managerial and financial resources. Magnolia's failure to achieve consolidation savings, to incorporate the additionally acquired assets into its then-existing operations successfully, or to minimize any unforeseen operational difficulties, or the failure to acquire future assets at all, could have a material adverse effect on its financial condition and results of operations. Magnolia is not the operator on all of its acreage or drilling locations, and, therefore, is not able to control the timing of exploration or development efforts, associated costs, or the rate of production of any non-operated assets and could be liable for certain financial obligations of the operators or any of its contractors to the extent such operator or contractor is unable to satisfy such obligations. Magnolia conducts many of its exploration and production operations through joint operating agreements with other parties under which the Company may not control decisions, either because the Company does not have a controlling interest or is not an operator under the subject agreement. There is risk that these parties may at any time have economic, business, or legal interests or goals that are inconsistent with Magnolia's, and therefore decisions may be made that are not what the Company believes are in its best interest. Moreover, parties to these agreements may be unable or unwilling to meet their economic or other obligations, and Magnolia may be required to fulfill those obligations alone. In either case, the value of Magnolia's investment may be adversely affected. Magnolia's producing properties are predominantly located in South Texas, making

Magnolia vulnerable to risks associated with operating in a limited geographic area. Substantially all of Magnolia's producing properties are geographically concentrated in ~~the Karnes County portion of the Eagle Ford Shale in South Texas and the Giddings area of the Austin Chalk~~. As a result, Magnolia may be disproportionately exposed to various factors, including, among others: (i) the impact of regional supply and demand factors, (ii) delays or interruptions of production from wells in such areas caused by governmental regulation, (iii) processing or transportation capacity constraints, (iv) market limitations, (v) availability of equipment and personnel, (vi) water shortages or other drought related conditions, or (vii) interruption of the processing or transportation of oil, natural gas, or NGLs. The concentration of Magnolia's assets in a limited geographic area also increases its exposure to changes in local laws and regulations, certain lease stipulations designed to protect wildlife and unexpected events that may occur in the ~~regions~~ **region** such as natural disasters, severe weather events, seismic events, industrial accidents, or labor difficulties. The concentration of Magnolia's producing properties exposes Magnolia to disproportionate and adverse impacts from extreme regional weather events, which could affect the Company's suppliers or customers. For example, a significant hurricane or similar weather event could damage refining and other oil and natural gas-related facilities on the Gulf Coast ~~of Texas and Louisiana~~, which (if significant enough) could limit the availability of gathering and transportation facilities across Texas and could then cause production in the Eagle Ford Shale and Giddings area (including potentially Magnolia's production) to be curtailed or shut in or (in the case of natural gas) flared. Any of the above-referenced events could have a material adverse effect on Magnolia. Likewise, a weather event like the severe winter storms in Texas in February 2021 could reduce the availability of electrical power, road accessibility, and transportation facilities, which could have an adverse impact on Magnolia's production volumes. Any one of these factors has the potential to cause producing wells to be shut-in, delay operations, decrease cash flows, increase operating and capital costs, and prevent development of lease inventory before expirations. Any of the risks described above could have a material adverse effect on Magnolia's business, financial condition, results of operations, and cash flow. In addition, the effect of fluctuations on supply and demand may become more pronounced within specific geographic oil and natural gas producing areas such as ~~the Karnes County and Austin Chalk Giddings areas~~, which may cause these conditions to occur with greater frequency or magnify the effects of these conditions. Due to the concentrated nature of Magnolia's portfolio of properties, a number of its properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on its results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on Magnolia's financial condition and results of operations. Magnolia may incur losses as a result of title defects in the properties in which it invests. The existence of a material title deficiency can render a lease worthless and adversely affect Magnolia's results of operations and financial condition. While Magnolia typically obtains title opinions prior to commencing drilling operations on a lease or in a unit, the failure of title may not be discovered until after a well is drilled, in which case Magnolia may lose the lease and the right to produce all or a portion of the minerals under the property. Additionally, if an examination of the title history of a property reveals that an oil or natural gas lease or other developed right has been purchased in error from a person who is not the owner of the mineral interest desired, Magnolia's interest would substantially decline in value. In such cases, the amount paid for such oil or natural gas lease or leases would be lost. **Some** of Magnolia's properties are subject to land use restrictions, which could limit the manner in which Magnolia conducts business. **Some** of Magnolia's properties are subject to land use restrictions, including city ordinances, which could limit the manner in which Magnolia conducts business. Such restrictions could affect, among other things, access to and the permissible uses of facilities as well as the manner in which Magnolia produces oil and natural gas and may restrict or prohibit drilling in general. The costs incurred to comply with such restrictions may be significant in nature, and Magnolia may experience delays or curtailment in the pursuit of development activities and perhaps even be precluded from the drilling of wells. The development of proved undeveloped reserves may take longer and may require higher levels of capital expenditures than anticipated. Therefore, proved undeveloped reserves may not be ultimately developed or produced. As of December 31, ~~2022~~ **2023**, Magnolia's assets contained ~~31.34~~ **4.6** MMboe of proved undeveloped reserves consisting of ~~9.11~~ **0** MMBbls of oil, ~~73.4~~ **4** MMBbls of oil, ~~68.5~~ **6** Bcf of natural gas, and ~~10.11~~ **6.3** MMBbls of NGLs. Development of these proved undeveloped reserves may take longer and require higher levels of capital expenditures than anticipated. Magnolia's ability to fund these expenditures is subject to several risks. Magnolia may be unable to obtain required capital or financing on satisfactory terms, which could lead to a decline in its ability to access or grow production and reserves. Delays in the development of reserves, increases in costs to drill and develop such reserves, or decreases in commodity prices will reduce the value of the proved undeveloped reserves and future net revenues estimated for such reserves, and may result in some projects becoming uneconomic. In addition, delays in the development of reserves could cause Magnolia to have to reclassify proved undeveloped reserves as unproved reserves. Furthermore, there is no certainty that Magnolia will be able to convert proved undeveloped reserves to developed reserves, or that undeveloped reserves will be economically viable or technically feasible to produce. Certain factors could require Magnolia to write-down the carrying values of its properties, including commodity prices decreasing to a level such that future undiscounted cash flows from its properties are less than their carrying value. Accounting rules require that Magnolia periodically review the carrying value of its properties for possible impairment. Based on prevailing commodity prices, specific market factors, circumstances at the time of prospective impairment reviews, the continuing evaluation of development plans, production data, economics, and other factors, Magnolia may be required to write-down the carrying value of its properties. A write-down constitutes a non-cash impairment charge to earnings. **Long-term Declines declines** in commodity prices may adversely affect proved reserve values, which **may** ~~would likely~~ result in a proved property impairment of Magnolia's properties, which could have a material adverse effect on results of operations for the periods in which such charges are taken. Magnolia could experience material write-downs as a result of lower commodity prices or other factors, including low production results or high lease operating expenses, capital expenditures, or transportation fees. Unless Magnolia replaces its reserves with new reserves and develops those new reserves, its reserves and production will decline, which would adversely affect future cash flows and results of operations. Producing oil

and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Unless Magnolia conducts successful ongoing exploration and development activities or continually acquires properties containing proved reserves, proved reserves will decline as those reserves are produced. Magnolia's future reserves and production, and therefore future cash flow and results of operations, are highly dependent on Magnolia's success in efficiently developing current reserves and economically finding or acquiring additional recoverable reserves. Magnolia may not be able to develop, find, or acquire sufficient additional reserves to replace future production. If Magnolia is unable to replace such production, the value of its reserves will decrease, and its business, financial condition, and results of operations would be materially and adversely affected. Properties that Magnolia decides to drill may not yield oil or natural gas in commercially viable quantities. Properties that Magnolia decides to drill that do not yield oil or natural gas in commercially viable quantities will adversely affect its results of operations and financial condition. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of seismic data and other technologies and the study of producing fields in the same area will not enable Magnolia to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. Magnolia cannot ensure that the analogies drawn from available data from other wells, more fully explored prospects, or producing fields will be applicable to its drilling prospects. Further, Magnolia's drilling operations may be curtailed, delayed, or canceled as a result of numerous factors, including unexpected drilling conditions, title issues, pressure or lost circulation in formations, equipment failures or accidents, adverse weather conditions, compliance with environmental and other governmental or contractual requirements, and increases in the cost of, and shortages or delays in the availability of, electricity, supplies, materials, drilling or workover rigs, equipment, and services. Magnolia depends upon a small number of significant purchasers for the sale of most of its oil, natural gas, and NGL production. The loss of one or more of such purchasers could, among other factors, limit Magnolia's access to suitable markets for the oil, natural gas, and NGLs it produces. Magnolia normally sells its production to a relatively small number of customers, as is customary in the oil and natural gas business. In 2022-2023, there were four-three purchasers who accounted for an aggregate 61 % of the total revenue attributable to Magnolia's assets. The loss of any significant purchaser could adversely affect Magnolia's revenues in the short-term. Magnolia expects to depend upon these or other significant purchasers for the sale of most of its oil and natural gas production. Magnolia cannot ensure that it will continue to have ready access to suitable markets for its future oil and natural gas production. The unavailability or high cost of drilling rigs, equipment, supplies, personnel, and oilfield services could adversely affect Magnolia's ability to execute its development plans within its budget and on a timely basis. The demand for drilling rigs, pipe, and other equipment and supplies, as well as for qualified and experienced field personnel to drill wells and conduct field operations, geologists, geophysicists, engineers, and other professionals in the oil and gas industry, can fluctuate significantly, often in correlation-correlated with oil, natural gas, and NGL prices, causing periodic shortages of supplies and needed personnel. Magnolia's operations are concentrated in areas in which oilfield activity levels have increased rapidly, and as a result, demand for such drilling rigs, equipment, and personnel, as well as access to transportation, processing, and refining facilities in these areas, have increased, as have the costs for those items. To the extent that commodity prices continue to increase in the future, the demand for and prices of these goods and services are likely to increase, and Magnolia could encounter delays in securing, or an inability to secure, the personnel, equipment, power, services, resources, and facilities access necessary for it to resume or increase Magnolia's development activities, which could result in production volumes being below its forecasted volumes. In addition, any such negative effect on production volumes, or significant increases in costs, could have a material adverse effect on cash flow and profitability. Furthermore, if it Magnolia is unable to secure a sufficient number of drilling rigs at reasonable costs, Magnolia it may not be able to drill all of its acreage before its leases expire. Competition in the oil and gas industry is intense, making it more difficult for Magnolia to acquire properties, market oil or natural gas, and secure trained personnel. Magnolia's ability to acquire additional prospects to complement or expand the Company's current business and to find and develop reserves in the future will depend on its ability to evaluate and select suitable properties for acquisitions and to consummate transactions in a highly competitive environment for acquiring properties, marketing oil and natural gas, and securing trained personnel. However, there is no guarantee that Magnolia will be able to identify attractive acquisition opportunities. In the event it is able to identify attractive acquisition opportunities, Magnolia may not be able to complete the acquisition or do so on commercially acceptable terms. Competition for capital available for investment in the oil and gas industry, specifically for acquisitions, may also increase the cost of, or cause Magnolia to refrain from, completing acquisitions. Many other oil and gas companies possess and employ greater financial, technical, and personnel resources than Magnolia. Those companies may be able to pay more for productive properties and exploratory prospects and to evaluate, bid for, and purchase a greater number of properties and prospects than Magnolia's financial or personnel resources permit. Magnolia may not be able to compete successfully in the future in acquiring prospective reserves, developing reserves, marketing hydrocarbons, attracting and retaining quality personnel, and raising additional capital, which could have a material adverse effect on its business. The loss of senior management or technical personnel could adversely affect operations. Magnolia depends on the services of its senior management and technical personnel. Magnolia does not maintain, nor does Magnolia plan to obtain, any insurance against the loss of any of these individuals. The loss of the services of its senior management could have a material adverse effect on Magnolia's business, financial condition, and results of operations. Magnolia may not be able to keep pace with technological developments in its industry. The oil and gas industry is characterized by rapid and significant technological advancement and the introduction of new products and services using new technologies. As others use or develop new technologies, Magnolia may be placed at a competitive disadvantage or may be forced by competitive pressures to implement those new technologies at substantial cost. In addition, other oil and gas companies may have greater financial, technical, and personnel resources that allow them to enjoy technological advantages and that may in the future allow them to implement new technologies before

Magnolia can. Magnolia may not be able to respond to these competitive pressures or implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies it expects to use were to become obsolete, Magnolia's business, financial condition, or results of operations could be materially and adversely affected. Magnolia's business could be adversely affected by security threats, including cyber security threats, and related disruptions. Magnolia relies heavily on its information systems, and the availability and integrity of these systems is essential to conducting Magnolia's business and operations. Cyber security risks, including phishing- attacks, unauthorized access, malicious software, data **exfiltration, data** privacy breaches by employees or others with authorized access, ransomware, and other cyber security issues could compromise computer and telecommunications systems and result in disruptions to the Company's business operations or the access, disclosure, or loss of Company data and proprietary information. Additionally, as a producer of oil and natural gas, Magnolia faces various security threats that could render its information or systems unusable, and threats to the security of its facilities and infrastructure or the facilities and infrastructure of third parties, such as gathering and processing and other facilities, refineries and pipelines, or third party technology cloud providers. If any of these security breaches were to occur, they could lead to losses of, or damage to, sensitive information, facilities, infrastructure, and systems essential to its **Magnolia's** business and operations, as well as data corruption, communication interruptions, or other disruptions to its operations, which, in turn, could have a material adverse effect on its business, financial position, results of operations, and cash flows. Magnolia's implementation of various procedures and controls to monitor and mitigate such security threats and to increase security for its information, systems, facilities, and infrastructure may result in increased costs. Moreover, there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. **Potential future legislation may generally affect the..... financial condition and results of operations.** Risks Related to Environmental, **Regulatory,** and Political Conditions Magnolia's operations are subject to environmental and occupational health and safety laws and regulations that may expose the Company to significant costs and liabilities. Magnolia's operations are subject to stringent and complex federal, state, and local laws and regulations governing the discharge of materials into the environment, health and safety aspects of the Company's operations or otherwise relating to environmental protection. These laws and regulations may impose numerous obligations applicable to Magnolia's operations, including the acquisition of a permit or other approval before conducting regulated activities; the restriction of types, quantities, and concentration of materials that can be released into the environment; the limitation or prohibition of drilling activities on certain lands lying within wilderness, wetlands, and other protected areas; the application of specific health and safety criteria addressing worker protection; and the imposition of substantial liabilities for pollution resulting from the Company's operations. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal penalties. Certain environmental laws impose strict joint and several liability for costs required to remediate and restore sites where hazardous substances, hydrocarbons or solid wastes have been stored or released. Magnolia may be required to remediate contaminated properties currently or formerly operated by the Company or facilities of third parties that received waste generated by the Company. Magnolia may incur substantial losses and be subject to substantial liability claims as a result of operations. Additionally, Magnolia may not be insured for, or insurance may be inadequate to protect Magnolia against, these risks. Magnolia is not insured against all risks. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect its business, financial condition, or results of operations. Magnolia's development activities are subject to all of the operating risks associated with drilling for and producing oil and natural gas, including the possibility of environmental hazards, such as uncontrollable releases of oil, natural gas, brine, well fluids, toxic gas, or other pollution into the environment, including groundwater, air, and shoreline contamination, or the presence of endangered or threatened species; abnormally pressured formations; mechanical difficulties, such as stuck oilfield drilling and service tools and casing collapse; fires, explosions, and ruptures of pipelines; personal injuries and death; natural disasters; and terrorist attacks targeting oil and natural gas related facilities and infrastructure. Events that could adversely affect Magnolia's ability to conduct operations or result in substantial loss as a result of claims include injury or loss of life, damage to and destruction of property, natural resources, and equipment, pollution and other environmental damage, regulatory investigations and penalties, and repair and remediation costs. Magnolia may elect not to obtain insurance for any or all of these risks if it believes that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on **Magnolia's** business, financial condition, and results of operations. **Certain of Magnolia's properties..... be precluded from the drilling of wells.** Magnolia's operations are subject to a series of risks arising from the threat of climate change. The threat of climate change continues to attract considerable attention globally. In the United States, no comprehensive climate change legislation regulating the emission of **GHGs greenhouse gases** or directly imposing a price on carbon has been implemented at the federal level. However, President Biden has highlighted addressing climate change as a priority of his administration, and federal regulators, state and local governments, and private parties have taken (or announced that they plan to take) actions that have or may have a significant influence on the Company's operations. **In December** For example, on November 15, 2021 **2023**, the EPA published a **proposed final** rule to that would strengthen the existing emissions reduction requirements in Subpart OOOOa, **and create a Subpart OOOOb** to expand reduction requirements for new, modified and reconstructed oil and natural gas sources **in Subpart OOOOb**, and **would** impose methane emissions limitations on existing oil and natural gas sources nationwide for the first time. In addition, the **proposed final** rule **would establish establishes** "Emissions Guidelines," creating a Subpart OOOOc that **would require requires** states to develop plans to reduce methane emissions from existing sources that must be at least as effective as presumptive standards set by the EPA. **The** Under the proposed rule, states would have three years to develop their compliance plan for existing sources and the regulations for new sources would take effect immediately upon issuance of a final rule **also**. On November 11, 2022, the EPA issued a proposed rule supplementing the November 2021 proposed rule. Among other things, the November 2022 supplemental proposed rule removes an emissions monitoring exemption for small wellhead-only sites and creates a new third-

party monitoring program to flag large emissions events, referred to in the proposed rule as “super emitters”. **Notably, the EPA imposed a December 6, 2022 applicability date for Subparts OOOOb and OOOOc, meaning that sources constructed prior to that date will be considered existing sources with later compliance dates.** The EPA is expected to issue a final rule by August 2023 gives states, along with federal tribes that wish to regulate existing sources, two years to **develop and submit their plans for reducing methane emissions from existing sources. The final emissions guidelines under Subpart OOOOc provide three years from the plan submission deadline for existing sources to comply.**

Additionally, in August 2022, President Biden signed into law the Inflation Reduction Act of 2022. Among other things, the Inflation Reduction Act includes a methane emissions reduction program that amends the Clean Air Act to include a Methane Emissions and Waste Reduction Incentive Program for petroleum and natural gas systems. This program requires the EPA to impose a “waste emissions charge” on certain oil and gas sources that are already required to report **emissions** under EPA’s Greenhouse Gas Reporting Program. **To implement the program, the Inflation Reduction Act required revisions to GHG reporting regulations for petroleum and natural gas systems (Subpart W) by 2024. In July 2023, the EPA proposed to expand the scope of the Greenhouse Gas Reporting Program for petroleum and natural gas facilities, as required by the Inflation Reduction Act. Among other things, the proposed rule expands the emissions events that are subject to reporting requirements to include “other large release events” and applies reporting requirements to certain new sources and sectors. The rule is currently scheduled to be finalized in the spring of 2024 and is expected to take effect on January 1, 2025, in advance of the deadline for GHG reporting for 2024 (March 2025). In January 2024, the EPA proposed a rule implementing the Inflation Reduction Act’s methane emissions charge. The proposed rule includes potential methodologies for calculating the amount by which a facility’s reported methane emissions are below or exceed the waste emissions thresholds and contemplates approaches for implementing certain exemptions created by the Inflation Reduction Act. The methane emissions charge imposed under the Methane Emissions and Waste Reduction Incentive Program for 2024 would be \$ 900 per ton emitted over annual methane emissions thresholds, and would increase to \$ 1, 200 in 2025, and \$ 1, 500 in 2026.** As a result of these regulatory changes, the scope of any final methane regulations or the costs for complying with federal methane regulations are uncertain. Separately, a number of states have developed programs that are aimed at reducing GHG emissions by means of cap and trade programs, carbon taxes, or encouraging the use of renewable energy or alternative low- carbon fuels. Cap and trade programs typically require major sources of GHG emissions to acquire and surrender emission allowances in return for emitting those GHGs. In addition, efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues. For example, **President Biden has recommitted pursuant to the terms of the Paris Agreement, the United States has committed** to the Paris Agreement and, in April 2021, announced a goal of reducing **its GHG** the United States’ emissions by at least 50 % below 2005 levels by 2030. In addition, at the 26th conference of parties (“ COP26 ”) in September 2021, the United States and the European Union jointly announced the Global Methane Pledge, a pact that aims to reduce global methane emissions at least 30 % below 2020 levels by 2030, including “ all feasible reductions ” in the energy sector. COP26 concluded with the finalization of the Glasgow Climate Pact, which stated long- term global goals (including those in the Paris Agreement) to limit the increase in the global average temperature and emphasized reductions in GHG emissions. **At Most recently, at the 27th conference of parties in November 2022**, President Biden announced the EPA’s supplemental proposed rule to reduce methane emissions from existing oil and gas sources (discussed above), and agreed, in conjunction with the European Union and a number of other partner countries, to develop standards for monitoring and reporting methane emissions to help create a market for low methane- intensity natural gas, **and at the 28th conference of parties in December 2023, the Biden administration announced the final methane rule (discussed above). In addition, nearly 200 countries, including the United States, agreed to transition away from fossil fuels while accelerating action in this decade to achieve net zero GHG emissions by 2050.** To the extent that governmental entities in the United States or other countries implement or impose climate change regulations on the oil and gas industry, it could have a material adverse effect on the Company’s business, including by restricting Magnolia’s ability to execute on its business strategy, requiring additional capital, compliance, operating and maintenance costs, increasing the cost of Magnolia’s products and services, reducing demand for its products and services, reducing its access to financial markets, or creating greater potential for governmental investigations or litigation. Furthermore, climate change- related developments may result in negative perceptions of the traditional oil and gas industry and, in turn, reputational risks associated with exploration and production activities. Negative public perception regarding the Company and / or its industry resulting from, among other things, concerns raised by advocacy groups about climate change, emissions, hydraulic fracturing, seismicity, or oil spills may lead to increased litigation risk and regulatory, legislative and judicial scrutiny, which may, in turn, lead to new state and federal safety and environmental laws, regulations, guidelines and enforcement interpretations. These actions may cause operational delays or restrictions, increased operating costs, additional regulatory burdens and increased risk of litigation. Moreover, governmental authorities exercise considerable discretion in the timing and scope of permit issuance and the public may engage in the permitting process, including through intervention in the courts. Negative public perception could cause the permits Magnolia needs to conduct the Company’s operations to be withheld, delayed, or burdened by requirements that restrict the Company’s ability to profitably conduct the Company’s business. In addition, various officials and candidates at the federal, state, and local levels, have made climate- related pledges or proposed banning hydraulic fracturing altogether. More broadly, the enactment of climate change- related policies and initiatives across the market at the corporate level and / or investor community level may in the future result in increases in the Company’s compliance costs and other operating costs and have other adverse effects (e. g., greater potential for governmental investigations or litigation, **driving down demand for the Company’s products, or stimulating demand for alternative forms of energy that do not rely on combustion of fossil fuels**). Increasing attention from governmental and regulatory bodies, investors, consumers, industry, and other stakeholders on combating climate change,

together with changes in consumer and industrial / commercial behavior, societal expectations on companies to address climate change, investor and societal expectations regarding voluntary climate- related disclosures, preferences and attitudes with respect to the generation and consumption of energy, the use of hydrocarbons, and the use of products manufactured with, or powered by, hydrocarbons, may result in the enactment of climate change- related regulations, policies and initiatives (at the government, regulator, corporate and / or investor community levels), including alternative energy requirements, new fuel consumption standards, energy conservation and emissions reductions measures and responsible energy development; technological advances with respect to the generation, transmission, storage and consumption of energy (including advances in wind, solar and hydrogen power, as well as battery technology) ; increased availability of, and increased demand from consumers and industry for, energy sources other than oil and natural gas (including wind, solar, nuclear, and geothermal sources as well as electric vehicles) ; and development of, and increased demand from consumers and industry for, lower-emission products and services (including electric vehicles and renewable residential and commercial power supplies), as well as more efficient products and services. These developments may in the future adversely affect the demand for products manufactured with, or powered by, petroleum products, as well as the demand for, and in turn the prices of, the products that Magnolia sells. Such developments may also adversely impact, among other things, the Company' s stock price and access to capital markets, and the availability of necessary third- party services and facilities, which may increase the Company' s operational costs and adversely affect the Company' s ability to successfully carry out the Company' s business strategy. Climate change- related developments may also impact the market prices of or the Company' s access to raw materials such as energy and water and therefore result in increased costs to the Company' s business. Concern over climate change has also resulted in political risks in the United States, including climate- related pledges by certain candidates now in public office. Litigation risks are also increasing, as a number of cities and other local governments have sought to bring suit against the largest oil and gas companies in state or federal court, alleging, among other things, that such companies created public nuisances by producing fuels that contributed to climate change or alleging that the companies have been aware of the adverse effects of climate change for some time but failed to adequately disclose such impacts to their investors or customers. Private individuals or public entities may seek to enforce environmental laws and regulations against **us the Company** and could allege personal injury, property damages or other liabilities. While the Company' s business is not a party to any such litigation, Magnolia could be named in actions making similar allegations. An unfavorable ruling in any such case could significantly impact the Company' s operations and could have an adverse impact on the Company' s financial condition. Negative perceptions regarding the Company' s industry and reputational risks, including perceptions regarding the sufficiency of the Company' s ESG program (which may include policies, practices, and extralegal objectives related to climate change, environmental stewardship, social responsibility, and corporate governance), may also in the future adversely affect the Company' s ability to successfully carry out the Company' s business strategy by adversely affecting **its Magnolia' s** access to capital. There have been efforts in recent years, for example, to influence the investment community, including investment advisors, insurance companies, and certain sovereign wealth, pension and endowment funds and other groups, by promoting divestment of fossil fuel equities and pressuring lenders to limit funding and insurance underwriters to limit coverages to companies engaged in the extraction of fossil fuel reserves. Certain financial institutions and members of the investment community have shifted and others may elect in the future to shift some or all of their investment into non- fossil fuel related sectors. There is also a risk that financial institutions may be required to adopt policies that have the effect of reducing the funding provided to the fossil fuel sector. Certain investment banks and asset managers based both domestically and internationally have announced that they are adopting climate change guidelines for their banking and investing activities. Institutional lenders who provide financing to energy companies such as the Company **2-s** have also become more attentive to sustainable lending practices, and some may elect not to provide traditional energy producers or companies that support such producers with funding. Ultimately, this could make it more difficult to secure funding for exploration and production activities or adversely impact the cost of capital for both the Company and its customers, and could thereby adversely affect the demand and price of the Company' s securities. **Recent Lower** equity returns in the sector versus other industry sectors **have may led lead** to lower oil and natural gas representation in certain key equity market indices. Limitation of investments in and financings for energy companies could also result in the restriction, delay, or cancellation of infrastructure projects and energy production activities. Additionally, shareholder activism has been recently increasing in the oil and gas industry, and shareholders may attempt to effect changes to Magnolia' s business or governance, whether by shareholder proposals, public campaigns, proxy solicitations, or otherwise. Such actions could adversely impact the Company' s business by distracting management and other personnel from their primary responsibilities, require the Company to incur increased costs, and / or result in reputational harm. Activist shareholders have introduced proposals that may seek to force companies to adopt aggressive emission reduction targets or to shift away from more carbon- intensive industries. As noted above, activists may also pursue other means of curtailing oil and natural gas operations, such as through litigation. Such developments, including environmental activism and initiatives aimed at limiting climate change and reducing air pollution, could result in downward pressure on the stock prices of oil and gas companies, including Magnolia' s. This may also potentially result in a reduction of available capital funding for potential development projects, impacting the Company' s future financial results. **Many scientists have concluded Magnolia' s assets are located in areas** that **increasing concentrations of GHG in the earth' s atmosphere may be prone to severe** produce significant physical effects of adverse weather **events conditions that pose risks to Magnolia' s business**, such as increased frequency and severity of **due to climate change or otherwise, including hurricanes, winter** storms, droughts, and floods, among other climatic phenomena **and major tropical storms** . These **events physical effects** could adversely affect or delay demand for the Company' s products or cause **us the Company** to incur significant costs in preparing for, or responding to, the effects **thereof of climatic events themselves** . Energy needs could increase or decrease as a result of **extreme** weather conditions, depending on the duration and magnitude of any such **climate changes weather events,** and adversely impact Magnolia' s



operating costs or revenues. To the extent the frequency of extreme weather events increases, **due to climate change or otherwise**, this could impact operations in various ways, including damage to **or disruption of operations at** the Company's facilities, increased insurance premiums or increases to the cost of providing service, **reduced availability of electrical power, road accessibility, and transportation facilities, as well as impacts on personnel, supply chain, distribution chain or customers**. Any of these effects could have an adverse effect on the Company's assets and operations. **The Company's ability to mitigate the physical impacts of adverse weather conditions depends in part upon its emergency preparedness and response along with its business continuity planning.** See "Magnolia's producing properties are predominantly located in South Texas, making Magnolia vulnerable to risks associated with operating in a limited geographic area." New climate disclosure rules proposed by the SEC may increase Magnolia's costs of compliance and adversely impact its business. ~~On~~ **In** March ~~21,~~ 2022, the U. S. Securities and Exchange Commission proposed new rules relating to the disclosure of a range of climate- related risks ~~. Magnolia is currently assessing the proposed rule, but at this time cannot predict the costs of implementation or any potential adverse impacts resulting from the rule. According to the SEC's Fall 2022 regulatory agenda, the proposed climate disclosure rule is scheduled to be finalized in April 2023.~~ To the extent this rule is finalized as proposed, Magnolia could incur increased costs relating to the assessment and disclosure of climate- related risks, including increased legal, accounting and financial compliance costs, as well as making some activities more difficult, time- consuming and costly, and placing strain on Magnolia's personnel, systems and resources. Magnolia may also face increased litigation risks related to disclosures made pursuant to the rule if finalized as proposed. In addition, enhanced climate disclosure requirements could accelerate the trend of certain stakeholders and lenders restricting or seeking more stringent conditions with respect to their investments in certain carbon- intensive sectors. The SEC proposes certain phase- in compliance dates for disclosures under the proposed rules, including for GHG emissions metrics. Federal, state, and local legislative and regulatory initiatives relating to hydraulic fracturing as well as governmental reviews of such activities could result in increased costs, additional operating restrictions or delays in the completion of oil and natural gas wells, and adversely affect Magnolia's production. The hydraulic fracturing process involves the injection of water, proppants, and chemicals under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate production. It is typically done at substantial depths in formations with low permeability. Magnolia routinely uses fracturing techniques in the U. S. to expand the available space for oil and natural gas to migrate toward the wellbore. Hydraulic fracturing is typically regulated by state oil and natural gas commissions, but certain federal agencies have asserted regulatory authority over certain aspects of the process, including air emissions, fracturing fluid constituents, and wastewater disposal, among others. From time to time the U. S. Congress has considered proposals to regulate hydraulic fracturing under the U. S. Safe Drinking Water Act. While, to date, those proposals have not been enacted, such proposals may be considered again in the future. Several states have already enacted or are otherwise considering legislation to regulate hydraulic fracturing practices through more stringent permitting, fluid disclosure, and well construction requirements on hydraulic- fracturing operations or otherwise seek to ban fracturing activities altogether. Hydraulic fracturing of wells and subsurface water disposal via injection wells are also under public and governmental scrutiny due to potential environmental and physical impacts, including possible contamination of groundwater and drinking water and possible links to seismic events. In addition, some municipalities have significantly limited or prohibited drilling activities and / or hydraulic fracturing or are considering doing so. The adoption of any new federal, state, or local laws or the implementation of regulations regarding hydraulic fracturing in areas in which the Company operates could result in operational delays, increased compliance costs, or a decrease in Magnolia's production, which could have an adverse effect on the Company's business, financial condition, and results of operations. Potential future legislation may generally affect the taxation of oil and natural gas exploration and development companies and may adversely affect Magnolia's future cash flows and results of operations. From time to time, federal legislation has been proposed that would, if enacted into law, make significant changes to tax laws, including to certain key U.S. federal and state income tax provisions currently available to oil and natural gas exploration and development companies. Such legislative changes have included, but have not been limited to, (i) the repeal of the percentage depletion allowance for oil and natural gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, and (iii) an extension of the amortization period for certain geological and geophysical expenditures. Although these provisions were largely unchanged in recent federal tax legislation such as the Inflation Reduction Act of 2022 ~~(the "IRA")~~, Congress could consider, and could include, some or all of these proposals as part of future tax reform legislation. Moreover, other more general features of any additional tax reform legislation, including changes to cost recovery rules, may be developed that also would change the taxation of oil and gas companies. It is unclear whether these or similar changes will be enacted in future legislation and, if enacted, how soon any such changes could take effect. The passage of any legislation as a result of these proposals and other similar changes in U.S. federal income tax laws could adversely affect Magnolia's future cash flows and results of operations. Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of Magnolia's income or other tax returns could adversely affect its financial condition and results of operations. Magnolia is subject to taxes by U.S. federal, state, and local tax authorities. Magnolia's future effective tax rates could be subject to volatility or adversely affected by a number of factors, including changes in the valuation of Magnolia's deferred tax assets and liabilities, expected timing and amount of the release of any tax valuation allowances, tax effects of stock based compensation, or changes in tax laws, regulations, or interpretations thereof. In addition, Magnolia may be subject to audits of its income, sales, and other transaction taxes by U.S. federal, state, and local taxing authorities. Outcomes from these audits could have an adverse effect on the Company's financial **condition and results of operations.** Risks Related to Financing and Liquidity Magnolia may not be able to generate sufficient cash to service all of its indebtedness and may be forced to take other actions to satisfy debt obligations, which may not be successful. Magnolia's ability to make scheduled payments on or to refinance its indebtedness obligations depends on Magnolia's financial condition and operating performance, which are subject to financial, business, and other factors, many of which are beyond Magnolia's control. Magnolia may not be able to maintain a

level of cash flow from operating activities sufficient to permit Magnolia to service or repay its indebtedness. Failure to make required payments on its indebtedness will result in an event of default under the agreement governing the applicable indebtedness, entitling the requisite lenders of such indebtedness to accelerate the payment of obligations thereunder and to exercise other remedies, including in respect of collateral (if any) securing such indebtedness. As of December 31, 2022-2023, the Company had \$ 400. 0 million of principal debt related to the 2026 Senior Notes outstanding and no outstanding borrowings related to the RBL Facility and \$ 450. 0 million of borrowing capacity of the RBL Facility. If Magnolia is unable to fund its debt service obligations, Magnolia may be forced to reduce or delay investments and capital expenditures, sell assets, seek additional capital, or restructure or refinance existing indebtedness, all of which will depend on the condition of the capital markets and Magnolia' s financial condition at such time. Any refinancing of indebtedness may be at higher interest rates and may require Magnolia to comply with more onerous covenants, which could further restrict business operations. The terms of Magnolia' s existing or future debt instruments may restrict it from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on outstanding indebtedness on a timely basis would likely harm Magnolia' s ability to incur additional indebtedness. In the absence of sufficient cash flows and capital resources, Magnolia could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. The RBL Facility and the indenture governing the 2026 Senior Notes limit Magnolia' s ability to dispose of assets and use the proceeds from such dispositions. Magnolia may not be able to consummate those dispositions, and the proceeds of any such disposition may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit Magnolia to meet scheduled debt service obligations. Restrictions in Magnolia' s existing and future debt agreements could limit Magnolia' s growth and ability to engage in certain activities. Magnolia' s ability to meet its expenses and debt obligations and comply with the covenants and restrictions contained therein will depend on its future performance, which will be affected by financial, business, economic, industry, regulatory, and other factors, many of which are beyond Magnolia' s control. If market or other economic conditions deteriorate, Magnolia' s ability to comply with these covenants may be impaired. For example, Magnolia' s RBL Facility requires Magnolia to maintain quarterly compliance with a leverage and current ratio and the satisfaction of certain conditions, including the absence of defaults and events of default thereunder, to borrow money. The RBL Facility also limits Magnolia Operating' s ability to draw additional amounts under the RBL Facility if Magnolia Operating has a consolidated cash balance in excess of \$ 45. 0 million. Magnolia' s debt agreements may restrict the payment of dividends and distributions by certain of its subsidiaries to it, which could affect its access to cash. In addition, Magnolia' s ability to comply with the financial and other restrictive covenants in the agreements governing its indebtedness will be affected by the levels of cash flow from operations, future events, and other circumstances beyond Magnolia' s control. Breach of these covenants or restrictions will result in a default under Magnolia' s debt agreements, which if not cured or waived within the applicable grace period (if any), would permit the acceleration of all indebtedness outstanding thereunder by the requisite holders of such indebtedness. Upon acceleration, the indebtedness would become immediately due and payable, together with accrued and unpaid interest, and any commitments of a lender to make further loans to Magnolia may terminate. Even if new financing were then available, it may not be on terms that are acceptable to Magnolia. In addition to accelerating the indebtedness, the requisite group of affected lenders may exercise remedies upon the incurrence of an event of default, including through foreclosure, in respect of the collateral securing any such secured financing arrangements. Moreover, any subsequent replacement of Magnolia' s financing arrangements may require it to comply with more restrictive covenants, which could further restrict business operations. Any significant reduction in Magnolia' s borrowing base under the RBL Facility as a result of the periodic borrowing base redeterminations or otherwise may negatively impact Magnolia' s ability to fund its operations. The RBL Facility limits the amounts Magnolia can borrow up to a borrowing base amount, which the lenders determine, in good faith, in accordance with their respective usual and customary oil and natural gas lending criteria, based upon the loan value of the proved oil and natural gas reserves located within the geographic boundaries of the United States included in the most recent reserve report provided to the lenders. As of December 31, 2022-2023, the Company had \$ 450. 0 million of borrowing base capacity and no borrowings. The RBL Facility requires periodic borrowing base redeterminations based on reserve reports. Additionally, the borrowing base is subject to unscheduled reductions due to certain issuances of new junior lien indebtedness, unsecured indebtedness or subordinated indebtedness, certain sales or acquisitions of borrowing base properties, or early monetizations or terminations of certain hedge or swap positions. An unscheduled redetermination may also be requested by either the requisite lenders or by Magnolia once between scheduled redeterminations. A reduced borrowing base could render Magnolia unable to access adequate funding under the RBL Facility. Additionally, if the aggregate amount outstanding under the RBL Facility exceeds the borrowing base at any time, Magnolia would be required to repay any indebtedness in excess of the borrowing base or to provide mortgages on additional borrowing base properties to eliminate such excess. As a result of a mandatory prepayment and / or reduced access to funds under the RBL Facility, Magnolia may be unable to implement its drilling and development plan, make acquisitions, or otherwise carry out business plans, which would have a material adverse effect on its financial condition and results of operations. Magnolia' s development projects and acquisitions require substantial capital expenditures. Magnolia may be unable to obtain required capital or financing on satisfactory terms, which could lead to a decline in its ability to access or grow production and reserves. The oil and gas industry is capital- intensive. Magnolia makes, and expects to continue to make, substantial capital expenditures related to development and acquisition projects. Magnolia has funded, and expects to continue to fund, its capital budget with cash generated by operations and potentially through borrowings under the RBL Facility. However, Magnolia' s financing needs may require it to alter or increase its capitalization substantially through the issuance of debt or equity securities or the sale of assets. The issuance of additional indebtedness would require that an additional portion of cash flow from operations be used for the payment of interest and principal on its indebtedness, thereby further reducing Magnolia' s ability to use cash flow from operations to fund working capital, capital expenditures, and acquisitions. The issuance of additional equity securities would be dilutive to existing

stockholders. The actual amount and timing of future capital expenditures may differ materially from estimates as a result of, among other things: commodity prices; actual drilling results; the availability of drilling rigs and other services and equipment; and legislative, regulatory, technological, competitive, and other economic or industry developments. A reduction in commodity prices from current levels may result in a decrease in actual capital expenditures, which would negatively impact Magnolia's ability to grow production. Magnolia's cash flow from operations and access to capital is subject to a number of variables, including: • the prices at which Magnolia's production is sold; • proved reserves; • the amount of hydrocarbons Magnolia is able to produce from its wells; • Magnolia's ability to acquire, locate, and produce new reserves; • the amount of Magnolia's operating expenses; • Magnolia's ability to borrow under the RBL Facility; • restrictions in the instruments governing Magnolia's debt, and Magnolia's ability to incur additional indebtedness; and • Magnolia's ability to access the capital markets. If Magnolia's revenues or the borrowing base under the RBL Facility decrease as a result of lower oil, natural gas, and NGL prices, operational difficulties, declines in reserves or for any other reason, Magnolia may have limited ability to obtain the capital necessary to sustain operations at current levels. If additional capital is needed, Magnolia may not be able to obtain debt or equity financing on terms acceptable to it, if at all. If cash flow generated by Magnolia's operations or available borrowings under the RBL Facility are insufficient to meet Magnolia's capital requirements, the failure to obtain additional financing could result in a curtailment of the development of Magnolia's properties, which in turn could lead to a decline in reserves and production and could materially and adversely affect Magnolia's business, financial condition, and results of operations. If Magnolia incurs additional indebtedness, the operational risks that Magnolia faces could intensify, and Magnolia may be unable to service its existing debt service obligations.

**Risks Related to Magnolia's Class A Common Stock and Capital Structure**

Magnolia is a holding company. Magnolia's principal asset is its controlling equity interest in Magnolia LLC, and Magnolia is accordingly dependent upon distributions from Magnolia LLC to pay taxes and cover its corporate and other overhead expenses. Magnolia is a holding company and its principal asset is its controlling equity interest in Magnolia LLC. Magnolia has no independent means of generating revenue. To the extent Magnolia LLC has available cash, Magnolia intends to cause Magnolia LLC to make (i) generally pro rata distributions to its unitholders, including Magnolia, in an amount at least sufficient to allow Magnolia to pay its taxes and (ii) non-pro rata payments to Magnolia to reimburse it for its corporate and other overhead expenses. As of December 31, ~~2022~~ **2023**, the Company had \$ 450.0 million of borrowing base capacity and no borrowings during the year or outstanding at the end of the period, and therefore there were no restrictions under the RBL Facility on the ability of Magnolia LLC and its subsidiaries to transfer funds to Magnolia. To the extent that Magnolia needs funds and Magnolia LLC or its subsidiaries are restricted from making such distributions or payments under applicable law or regulation or under the terms of any financing arrangements, or are otherwise unable to provide such funds, Magnolia's liquidity and financial condition could be materially adversely affected. Magnolia's second amended and restated certificate of incorporation and bylaws, as well as Delaware law, contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of Magnolia's Class A Common Stock. Magnolia's second amended and restated certificate of incorporation authorizes its board of directors to issue preferred stock without stockholder approval. If Magnolia's board of directors elects to issue preferred stock, it could be more difficult for a third-party to acquire Magnolia. In addition, some provisions of Magnolia's second amended and restated certificate of incorporation and its bylaws could make it more difficult for a third-party to acquire control of Magnolia, even if the change of control would be beneficial to its stockholders, including limitations on the removal of directors, limitations on the ability of Magnolia's stockholders to call special meetings, providing that the board of directors is expressly authorized to adopt, or to alter or repeal, Magnolia's bylaws, and establishing advance notice and certain information requirements for nominations for election to its board of directors and for proposing matters that can be acted upon by stockholders at stockholder meetings. In addition, certain change of control events may have the effect of accelerating any payments due under Magnolia's RBL Facility, and could, in certain defined circumstances, require Magnolia to make an offer to repurchase its outstanding notes and / or result in the acceleration of payments required by the indenture governing its outstanding notes, which could be substantial and accordingly serve as a disincentive to a potential acquirer of the Company. Future sales of Magnolia's Class A Common Stock in the public market, or the perception that such sales may occur, could reduce Magnolia's stock price, and any additional capital raised by Magnolia through the sale of equity or convertible securities may dilute your ownership in the Company. Magnolia may sell additional shares of Class A Common Stock or securities convertible into shares of its Class A Common Stock in subsequent offerings. Magnolia cannot predict the size of future issuances of its Class A Common Stock or securities convertible into Class A Common Stock or the effect, if any, that such future issuances will have on the market price of its Class A Common Stock. Sales of substantial amounts of Magnolia's Class A Common Stock (including shares issued in connection with an acquisition or in connection with Magnolia's existing or future equity compensation plans), or the perception that such sales could occur, may adversely affect prevailing market prices of its Class A Common Stock.