

Highwood Asset Management Ltd.

HAM-TSXV	Rating	Price: Mar-23	Target	Total Rtn
	BUY	\$4.71	\$9.00	91%

Initiating Coverage With a Buy Rating: Liquids-Weighted Production at a Discount

Bottom Line:

Highwood Asset Management Ltd. trades at a discount to its junior exploration peers despite offering good liquids-weighted production growth. Production is expected to grow meaningfully over the next three-to-five years, more than doubling from its current level. Highwood’s production comes primarily from its Wilson Creek and Brazeau properties. The Company has a large land base of both booked and unbooked locations from which it can grow organically as well as through acquisition. **We rate Highwood as a Buy with a \$9.00 target price.**

Key Points

Production growth to 10,000-20,000 boe/d over the next 3-5 years.

Management expects to grow production both organically and through acquisition while also reducing leverage.

Liquids-weighted production. The current production is ~70% liquids volumes.

Rare combination of production growth and free cash flow yield. Most companies either prioritize free cash flow yield at the expense of production growth or vice versa — Highwood offers both to investors.

Intently focused on reducing leverage and shareholder returns. From 2024-2025 Proved Developed Reserves, Total Proved Reserves and Total Proved plus Probable reserves increased 7%, 7% and 9% respectively.

Recent drilling successes at Wilson Creek underscores the opportunity. The two most recent wells that came online in mid-December 2025 had the best liquids production of any Canadian wells in January 2026. The production rate on these wells is over three times the type curve.

High impact wells can move the needle substantially for a Company with a smaller production base. The two most recent wells at Wilson Creek that came online with initial production north of 1,000 boe/d each can positively impact Highwood (2025 production of 5,296 boe/d). Drilling successes such as these can materially move the needle on overall production and cash flow without adversely impacting capex.

High levels of insider ownership create alignment with shareholders. Management owns about 37% of Highwood’s common shares and total insider ownership is in excess of 50%.

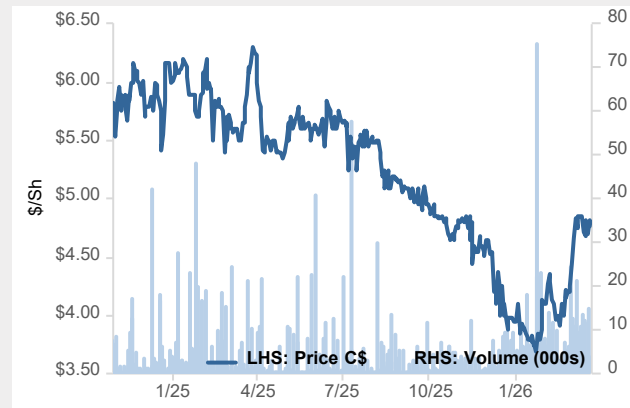
Undemanding valuation. The stock trades at a discount to its peers on most metrics and a significant discount to our risked NAV.

Important Disclosures: See pages 29-30

Oil & Gas

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Source: FactSet

Market Data

Dividend	\$0.00	Shares O/S (mm)	15.17
Yield	0.0%	Market Cap (mm)	\$71.5
EV (mm)	\$188.2	Net Debt (mm)	\$116.7

FYE Dec	2025A	2026E	2027E
Total Prod (boe/d)	5,296	5,925	6,425
Gas (%)	32	25	23
CFPS FD (C\$)	3.08	4.10	3.94
EV/BOEPD (C\$)	35,531	29,440	26,127
EV/DACF (x)	3.5	2.40	2.50
D/CF	2.2	1.5	1.5

Company Description

Highwood Asset Management is a Canadian junior oil and gas exploration and production company with sustainable oil-weighted assets. The Company’s primary areas of production are at Brazeau and Wilson Creek in west-central Alberta.

Our Thesis

Highwood is an oil-weighted producer (~70%) with key assets focused on the Wilson Creek and Brazeau areas. The Company has high insider ownership and is focused on doubling production through acquisition and/or organically in the next 3-5 years.

Operational and Financial Highlights

Exhibit 1: Operational and Financial Highlights

Valuation	2025A	2026E	2027E
EBITDA	64,241	68,252	71,346
DACF	53,286	71,493	66,904
EV/DACF	3.5x	2.4x	2.5x
EV/boe/d	\$35,531	\$29,440	\$26,127
D/CF	2.2x	1.5x	1.5x
EV/EBITDA	2.9x	2.6x	2.4x

Per Share	2025A	2026E	2027E
CFPS (FD)	\$3.08	\$4.10	\$3.94
CFPS (Basic)	\$3.18	\$4.21	\$4.05
Dividend/Share	-	-	-
Drip Participation	-	-	-

Production	2025A	2026E	2027E
Light Oil (bbls/d)	2,773	3,545	3,980
Medium/Heavy Oil (bbls/d)	-	-	-
NGL (bbls/d)	853	885	961
Total Liquids (bbls/d)	3,626	4,430	4,941
Natural Gas (mcf/d)	10,020	8,970	8,903
Total (boe/d) (6:1)	5,296	5,925	6,425
% Gas	32%	25%	23%

Growth / Key Metrics	2025A	2026E	2027E
CFPS Growth YY	(34%)	33%	(4%)
Production/Share Growth YY	(7%)	8%	11%
Simple Payout (Dividend)	-	-	-
Total Payout (Capex+Div)	114%	70%	79%
Cashflow Margin	52%	63%	56%
D/CF	2.2x	1.5x	1.5x
D/EBITDA	1.8x	1.5x	1.4x

Net Asset Value	\$/Share	P/NAV	
PDP	\$7.96	1.1x	n.a.
1P	\$22.39	0.4x	n.a.
2P	\$41.23	0.2x	n.a.
Risked	\$19.89	0.4x	n.a.

Reserves			
PDP (mmboe)	19.6		
1P (mmboe)	39.6		
2P (mmboe)	66.4		

Capital Structure (m)	2025A	2026E	2027E
Basic Shs. O/S	15,170	15,005	14,672
FD Shs. O/S (incl. anti-dilutive)	15,578	15,413	15,080
WAFD Shs. O/S	15,578	15,413	15,080

Pricing	2025A	2026E	2027E
WTI (US\$/bbl)	\$65.25	\$60.00	\$60.00
FX (C\$/US\$)	1.401	1.370	1.370
MSW (C\$/bbl)	\$99.28	\$83.10	\$81.71
AECO (C\$/mcf)	\$2.00	\$3.30	\$3.39

Balance Sheet (\$000)	2025A	2026E	2027E
Cash	4,564	3,768	-
Current Assets	36,487	33,463	22,452
PP&E	255,406	227,712	190,784
Other	30,141	75,128	128,178
Total Assets	322,034	336,303	341,415
Total Debt	105,299	95,299	85,299
Total Liabilities	167,971	168,360	166,571
Total Liabilities & Equity	322,034	336,303	341,415

Funds Flow (\$000)	2025A	2026E	2027E
Funds from Operation	56,397	63,116	59,471
Funds from Investments	(64,139)	(50,000)	(53,000)
Other Capital	(4,561)	-	-
Capital Expenditures	(59,578)	(50,000)	(53,000)
Funds from Financing	10,495	(13,912)	(13,912)
Equity Offering	-	-	-
Debt	14,580	(10,000)	(10,000)
Dividend	-	-	-
Net Change in Cash	2,753	(796)	(7,441)

Netback (\$/boe)	2025A	2026E	2027E
Revenue	\$50.73	\$53.66	\$54.12
Processing Income	-	-	-
Hedging	\$4.04	\$6.71	\$4.79
Royalties	(\$10.65)	(\$10.46)	(\$10.55)
Op. Costs	(\$14.41)	(\$13.00)	(\$13.00)
Transportation	-	-	-
Operating Netback	\$29.71	\$36.90	\$35.35
Op. Netback (Ex Hedges)	\$25.67	\$30.19	\$30.57
G&A	(\$3.80)	(\$3.08)	(\$3.24)
Interest	-	(\$3.87)	(\$3.17)
Cash Taxes/Other	-	-	-
Cash Flow Netback	\$25.91	\$29.95	\$28.94

Source: Company reports, Granite Point Research

Executive Summary

Liquids-Weight Production at a Discount

We are initiating coverage of Highwood Asset Management Ltd. with a Buy rating and a target price of \$9.00. We believe that Highwood offers strong identifiable production growth and is attractive on a risk/reward basis.

A liquids-weighted (~70%) producer with demonstrable drill bit success

Liquids-weighted production with recent drilling results well above type curve. Current production is ~70% liquids with its two most recent wells drilled at the Company's Wilson Creek property producing at around three times their type curve. These two wells, the 11-33 and 13-2, averaged gross production for the month of January of approximately 1,650 bbl/d of light oil and 2,500 boe/d (80% liquids) including associated gas and natural gas liquids (1,450 bbls/d and 2,225 boe/d net). In aggregate the Company expects these two wells to pay out in less than three months at current strip pricing. The principal areas of focus for the company are their Brazeau and Wilson Creek properties in Alberta.

High impact wells can have a material impact on the Company's production and cash flow. With the current production base of ~5,300 boe/d, prolific wells such as the two most recent Wilson Creek wells can substantially move the needle on cash flow and overall production without impacting capex in a meaningful way.

Production growth to 10,000-20,000 boe/d in the next 3-5 years. Management expects to grow through both acquisition and the drill bit delivering an exciting value creation opportunity.

Large land position acquired at an attractive purchase price (2.2x EV/TTM) provides a foundation for growth. Highwood has 227,350 acres of land of which 150,750 acres are undeveloped.

Strong free cash flow yields and capital efficiencies. The Company expects to generate free cash flow yields of 10-15% while capital efficiencies have been ~\$20,000/boe/d to date.

HAM shares offer the best of both worlds in a single security. Highwood offers both production growth and robust free cash flow yields rather than the typical trade-off of having strong production growth but little or no free cash flow or vice versa.

Experienced management team. Highwood has assembled a strong professional team that has a demonstrated record of successful acquisitions and field development. The Company has a deep bench of technical expertise which includes experience with multi-lateral development.

High levels of insider ownership create alignment with outside shareholders. Management owns about 37% of Highwood's common shares and total insider ownership is more than 50%.

Undemanding valuation. We believe that the current trading price does not reflect the fundamentals of the company, with Highwood trading below its peer group of junior oil and gas companies on most metrics.

Commodity hedging protects downside while preserving upside opportunities particularly for liquids. On our 2026E production numbers we calculate that Highwood's liquids production is ~54% hedged at attractive levels and its forecasted natural gas production is ~74% hedged.

Highwood offers both robust free cash flow yield and strong production growth — a rare combination

Total insider ownership of >50% creates alignment with other shareholders

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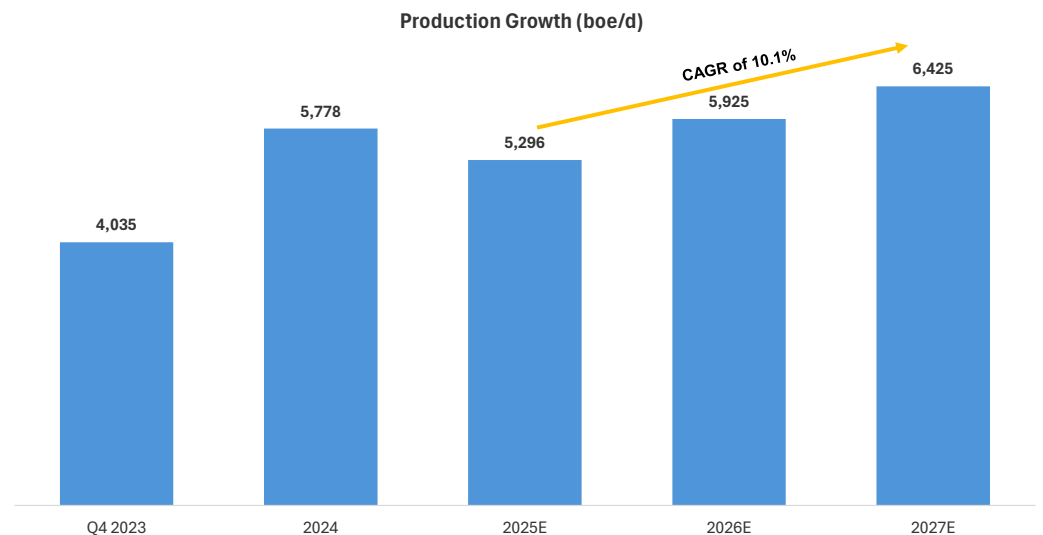
Investment Summary

Initiating Coverage with a Buy Rating

We are initiating coverage of Highwood Asset Management Ltd. with a Buy rating and a 12-month target price of C\$9.00 per share. The Company has a large portfolio of producing properties with good production growth and the possibility to grow production faster. The production is weighted toward liquids (~70% of production) with good netbacks and its most recent wells in the Wilson Creek area are the two best performing liquids wells in Western Canada.

We expect production to grow from an estimated 5,296 boe/d¹ in 2025 to 6,425 in 2027 at a CAGR of 10.1%.

Exhibit 2: Highwood's Production Growth Is Strong



Source: Company reports, Granite Point Research

Highwood offers a good blend of production growth and free cash flow yield — a rare combination

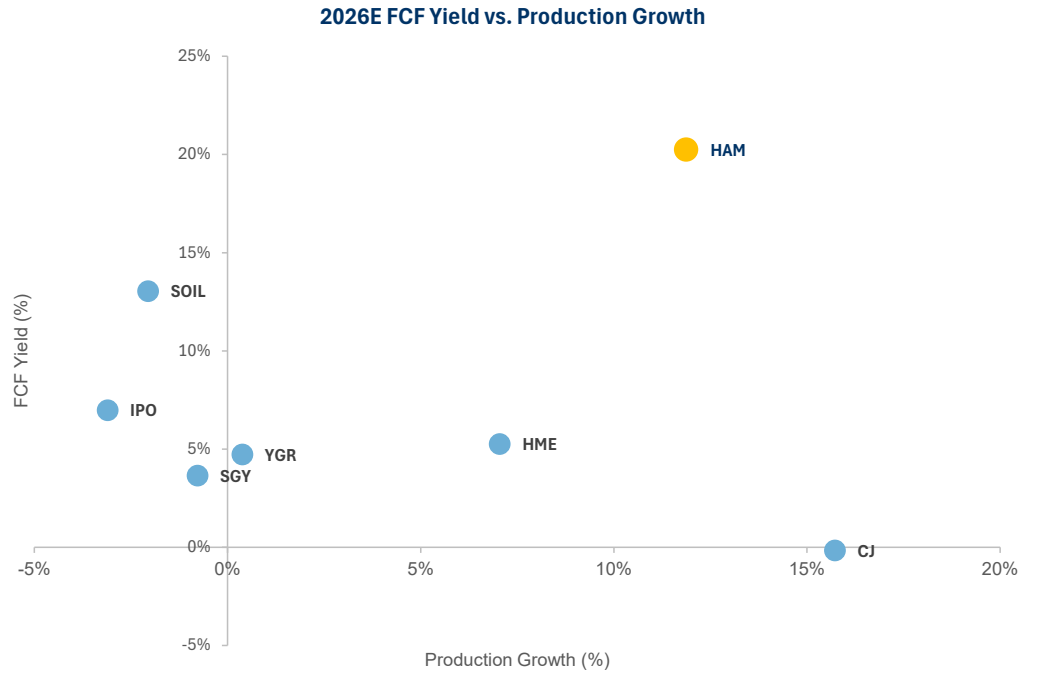
Highwood offers investors a good blend of production growth and free cash flow yield.

Generally, a tradeoff exists where either production growth is emphasized with little available free cash flow or free cash flow is the focus and production growth suffers. Rarely do you have both production growth and growth in free cash flow in a single security.

Production growth in 2025-2026 for Highwood is estimated to be 11.9% and free cash flow yield is expected to be 20.2% with production growth better than all its junior E&P peers except for Cardinal Energy Ltd. and with the best free cash flow yield (20.2% versus 5.7% for the peer group average). Production growth is expected to slow slightly to 10.9% in 2027 as Highwood is expected to focus on maintaining financial flexibility.

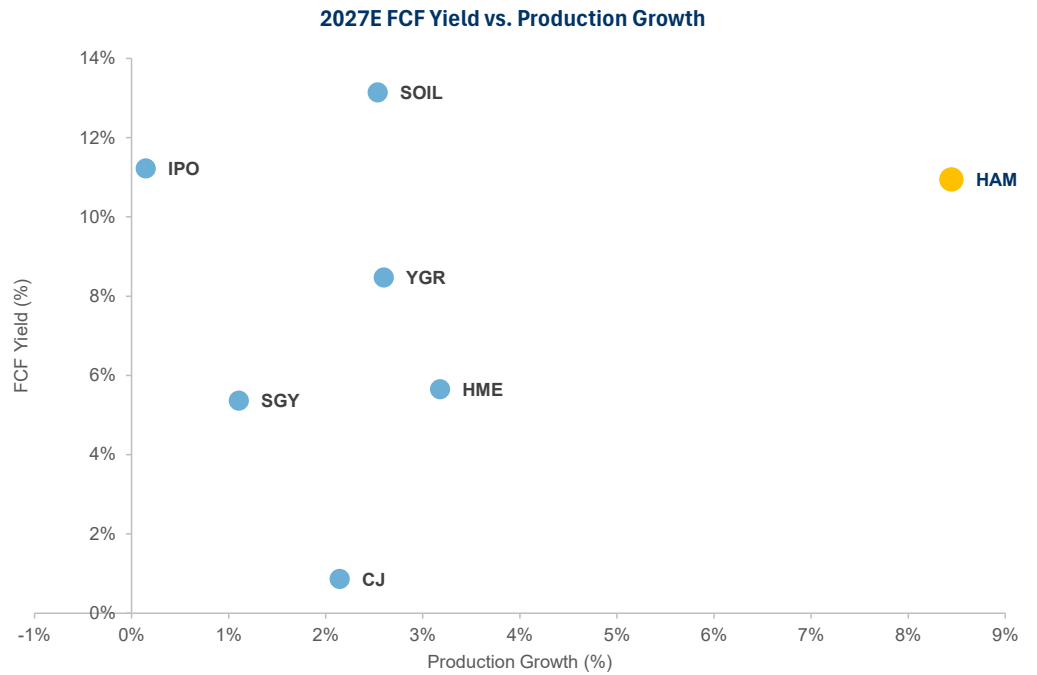
¹ Barrel of oil equivalent per day

Exhibit 3: HAM Has the Best Combination of Production Growth and FCF Yield in 2026



Source: Company reports, Granite Point Research

Exhibit 4: ...And Very Strong Production and Good FCF Yield in 2027



Source: Company reports, Granite Point Research

Recent well success at Wilson Creek and Brazeau. Highwood has seen very strong production at Brazeau and Wilson Creek with many recent wells producing well above their type curves. Highwood’s two most recent wells at Wilson Creek that came online late in the fourth quarter of 2025 are both currently producing at approximately three times their type curves. These two wells were the best performing liquids wells in Canada in January 2026.

High impact wells can have an outside impact on production growth and free cash flow in a smaller company. The two most recent wells (100/11-33-042-05W5/00 and 102/13-02-043-06W5/00 wells) at Wilson Creek have had extremely high production rates averaging more than three times their type curve.

Focus on shareholder value. Highwood’s top priority remains shareholder value creation with Proved Developed Reserves, Total Proved Reserves and Total Proved plus Probable reserves increasing 7%, 7% and 9% respectively on a year-over-year basis (2025 versus 2024).

Production growth to 10,000-20,000 boe/d in the next 3-5 years. Management expects to acquire additional high quality oil assets and continue to grow organically to more than 10,000-20,000 boe/d in the next three to five years.

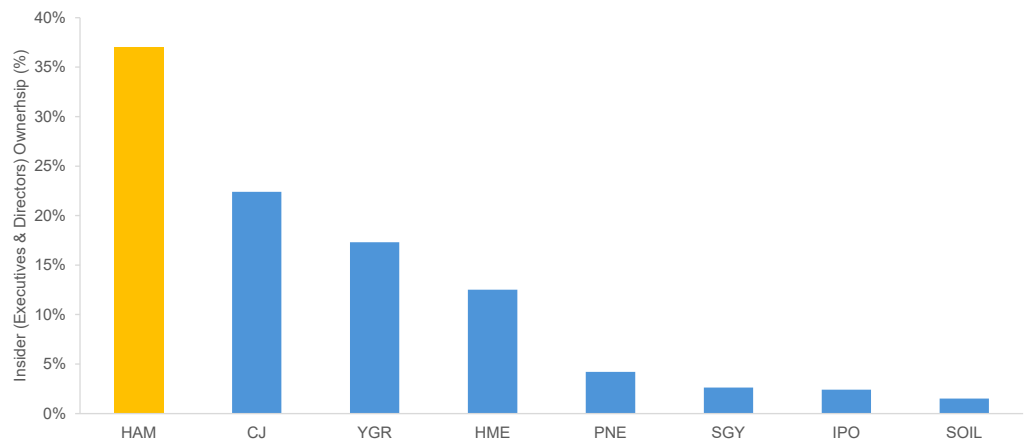
Strong operating metrics and possible return of capital to shareholders. Management expects the Company to generate approximately 10-15% free cash flow yields over the next several years and to redeploy free cash flow into its sizeable inventory at internal rates of return (IRRs) of approximately 100%. Highwood also expects to evaluate the return of capital to shareholders in the next 12-18 months.

Strong level of insider ownership. The strong level of insider ownership creates better alignment with shareholders. Collectively senior leadership and corporate directors own 36.4% of the shares outstanding. Joel MacLeod, Executive Chairman, owns 32.2% of the shares outstanding. Total insider ownership of Highwood is more than 50%. This places Highwood at the top of the junior peer universe for insider ownership.

A downside of strong insider ownership is that it reduces the Company’s float. This is reflected in an average daily trading volume of about 7,040 shares per day over the past three months.

Highwood has the strongest percentage of insider ownership of its junior oil and gas peers

Exhibit 5: Junior Peer Exploration and Production Insider Ownership



Source: FactSet, Granite Point Research

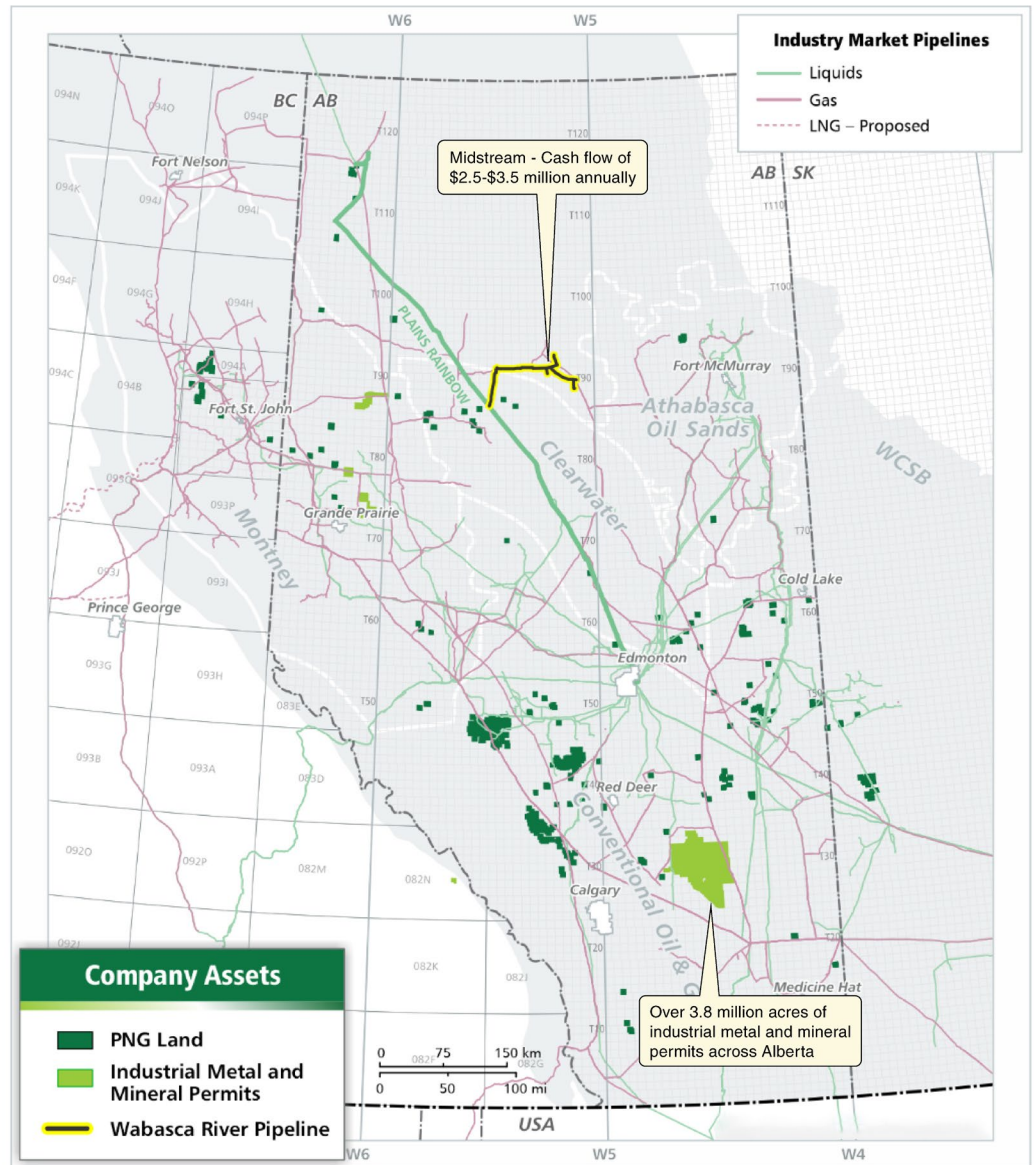
Highwood is focused on reducing leverage to maximize flexibility. Highwood trades at a 2026E EV/DACF of 2.4x with leverage (D/CF) reducing from 2.2x at year-end 2025 to 1.5x in 2027.

Underappreciated midstream assets. Highwood's midstream assets are a source of stable and steady cash flow. The key midstream assets are the Wabasca River pipeline and the Evi terminal. The cash flows from the midstream business are not tied to commodity prices but rather the pipeline operates under a tolling arrangement. This results in steadier and more stable cash flows which investors often reward with a higher multiple than those reflected in Highwood's current trading multiples. While the overall revenue contribution of these assets is small at only \$2.5-\$3.5 million per year, we believe that this is an overlooked component of the Company's valuation.

Asset Overview

Highwood’s current production comes primarily from its assets at Brazeau and at Wilson Creek, both assets that were acquired through its mid-2023 acquisitions. Through the acquisitions of three private companies (Boulder Energy, Castlegate Energy and Shale Petroleum) the Company acquired about 4,000 boe/d of production. The bulk of the production came from Brazeau (~2,500 boe/d) and Wilson Creek (~1,200 boe/d) which are the key focus areas for the Highwood moving forward. Highwood also has a 100% working interest in the Wabasca River Pipeline (~20,000 b/d capacity) in northern Alberta and over 3.8 million acres of prospective industrial metal and mineral permits across Alberta and British Columbia.

Exhibit 6: Highwood Asset Overview



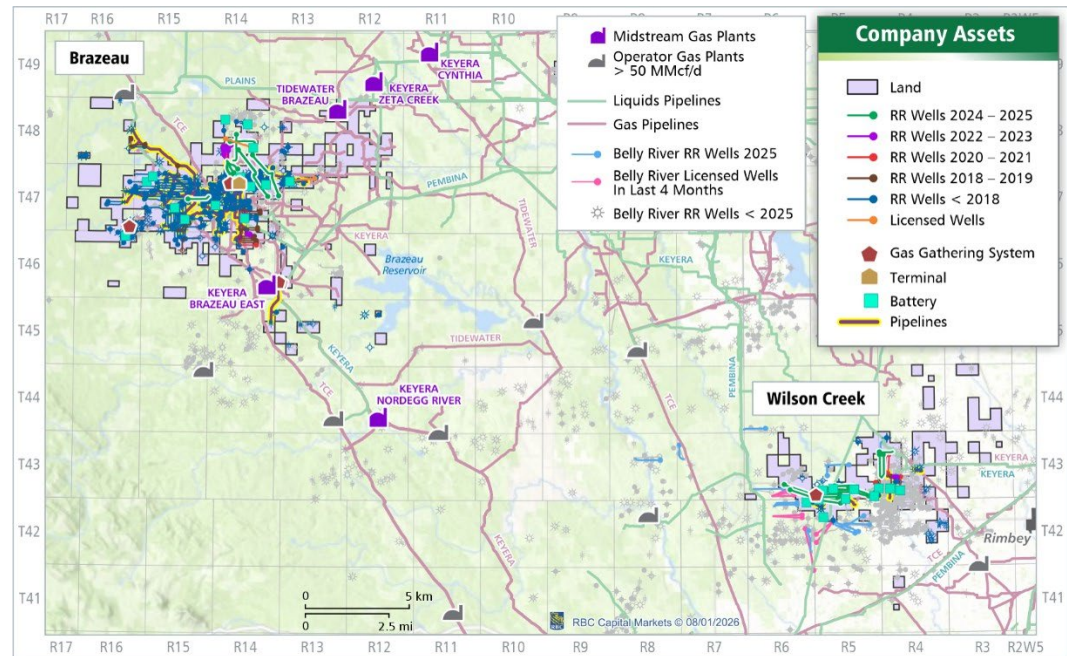
Source: Company Reports, Granite Point Research

With current production around 5,300 boe/d Highwood is on track to deliver around 6,000 boe/d in the first quarter of 2026.

Brazeau

Boulder Energy was acquired for \$98 million, which brought the Brazeau asset to Highwood. At the time of the acquisition, Brazeau had production of ~2,500 boe/d (~74% liquids) in west-central Alberta (primarily Late Cretaceous Belly River formation). The \$98 million purchase price consisted of \$75.1 million in cash, an unsecured promissory note for \$14 million and \$9 million in Highwood shares (1.5 million shares at \$6.00/share). Today the Company has 64 booked net drilling locations at Brazeau and 41 unbooked (areas identified by management) at Brazeau. The Company owns 90,176 net acres of land in the Brazeau area of Alberta, which is located approximately 350 kilometers northwest of Calgary. The focus of these assets is concentrated on the light oil Belly River formation.

Exhibit 7: Brazeau and Wilson Creek Assets



Source: Company reports, Granite Point Research

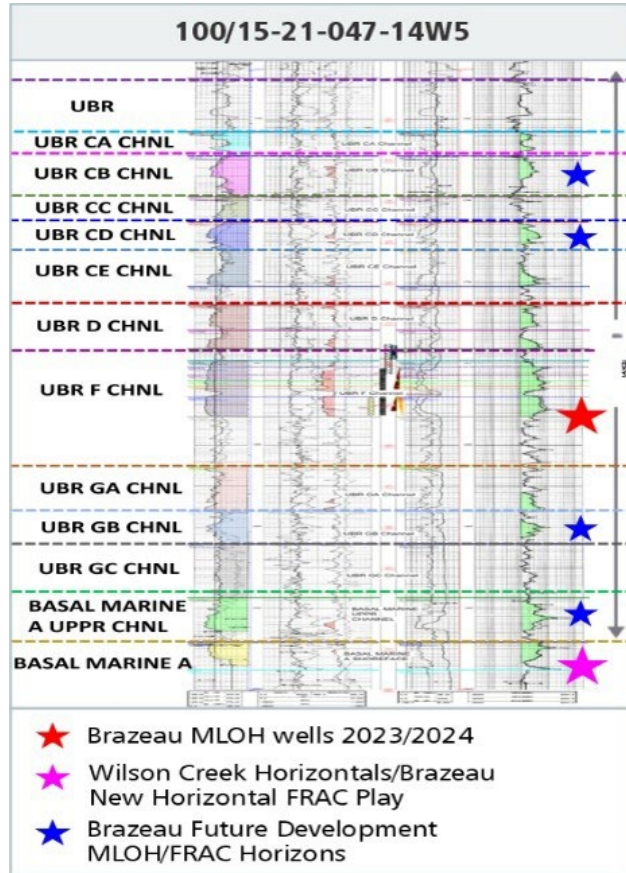
Recent Brazeau wells have shown strong production with some recent wells producing well above the type curve

There are many stacked pay zones within the Belly River formation which allow for the adoption of successful drilling and completion techniques across the asset base. For example, the 100/13-15-048—14W5 well that was drilled in the second quarter of 2025 in the Basal sand utilized a jet pump which resulted in the well cleaning up approximately six weeks faster than previous Basal sand wells at Brazeau. The company intends to utilize this technique on future Basal sand wells at Brazeau. The wells at Brazeau are fracture stimulated and in the first quarter of 2025 Highwood drilled four gross wells at Brazeau.

The Belly River formation is characterized by multiple stacked channel sand reservoirs. The current production focus is in the UBR F area, but the stacked pay concept allows for multiple wells to be drilled at different depths from the same well pad. The Brazeau Group of formations is often

characterized by meandering river channels and sand-filled channels separated by shale with laterally discontinuous reservoirs.

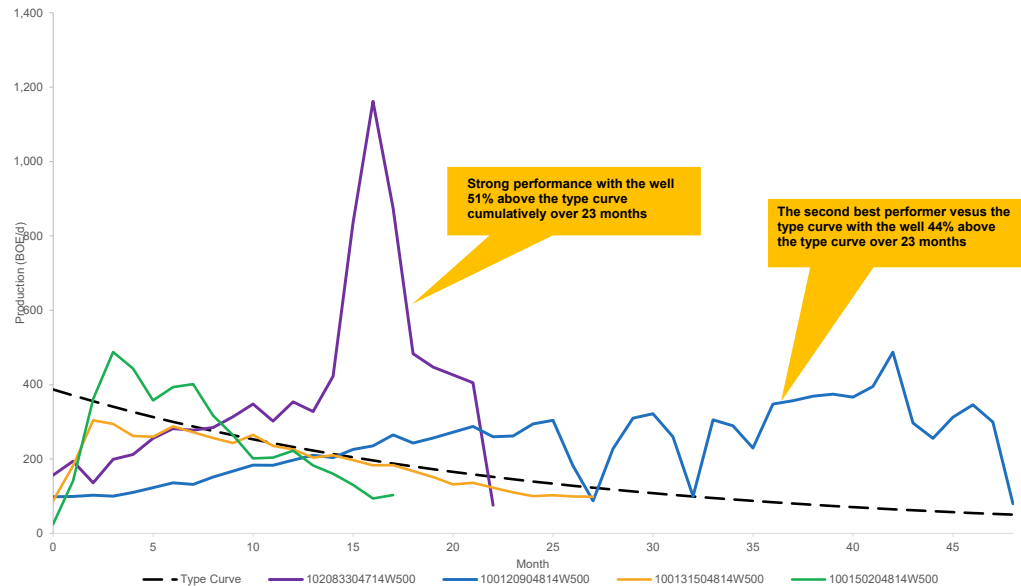
Exhibit 8: Belly River Log 100/15-21-047-14W5 Well



Source: Company Reports

The Brazeau area has seen some very strong well performance which in some cases has significantly outperformed our type curve. The 102/08-33-047-14W5/00 well which was spud on February 18, 2024, has produced 51% above the type curve on a cumulative basis over a 23-month period. The 100/12-09-048-14W/500 well which was spud on November 11, 2021, produced 44% above the type curve on a cumulative basis over a 49-month period. There are multiple benches in the Belly River formation at Brazeau which allows for a wide range of potential targets.

Exhibit 9: Brazeau Frac Wells – GPR Type Curve



Source: Company reports, geoLOGIC Systems, Granite Point Research

Wilson Creek

The Wilson Creek asset was acquired with the purchase of Castlegate Energy, a private company, acquired by Highwood for total consideration of \$33.7 million. The roughly \$34 million purchase price was funded by \$34 million in cash and the assumption of ~\$3 million in net positive working capital adjustments. The Wilson Creek assets at the time of the acquisition had production of roughly 1,200 boe/d weighted about 85% toward liquids production predominantly from the Belly River formation in west-central Alberta, south of the Brazeau assets.

Highwood has 14,838 net acres in the Wilson Creek area located about 250 kilometers northwest of Calgary. Production at year end 2024 was approximately 2,300 boe/d (~78% light and medium oil and NGLs²) of high netback oil-assets with attractive payback periods and recycle ratios. The focus area of these assets is concentrated in the Belly River formation while the Basal Belly River is exploited with the use of stage fracturing of the sands.

In the fourth quarter of 2025 Highwood drilled two gross (1.8 net) booked locations. Both wells were drilled at or under budget, with reservoir exposure through the horizontal sections exceeding expectations. The 102/13-02-043-06W5 well and the 100/11-33-042-05W5 wells achieved a cycle time of approximately 50 days with associated costs being around 10% below budget. These wells came in at roughly three times the type curve production rates and were the best performing liquids wells in January 2026 (see Exhibit 10). The 13-02 well and 11-33 well combined, averaged gross production of approximately 1,650 bbls/d light oil and 2,500 boe/d (80% liquids) including associated gas and natural gas liquids (1,450 bbls/d and 2,225 boe/d net). Both wells have

² Natural Gas Liquids

remained strong in February averaging gross total production of approximately 2,100 boe/d (76% liquids, 1,860 boe/d net).

The top two liquids wells in January 2026 were Highwood’s recently drilled wells at Wilson Creek

The production from these wells has been so strong that the Company has delayed follow-up drilling due to a lack of sufficient infrastructure capacity. The Company is currently working on egress options and infrastructure upgrades and hopes to have a solution in place in the near-term. These recent successes highlight the opportunity for Highwood with the Company currently carrying 16.5 net booked and 13 net unbooked locations in Wilson Creek. Highwood expects these two wells to pay out in less than three months at current strip pricing.

The Company drilled two gross wells (1.1 net wells), one at Brazeau (1.0 net) and the other at Wilson Creek (0.1 net) in the first quarter of 2026. Subject to market conditions, Highwood plans to drill 4-7 wells in the Belly River horizon for the remainder of 2026, with the next drills currently planned for the summer of 2026.

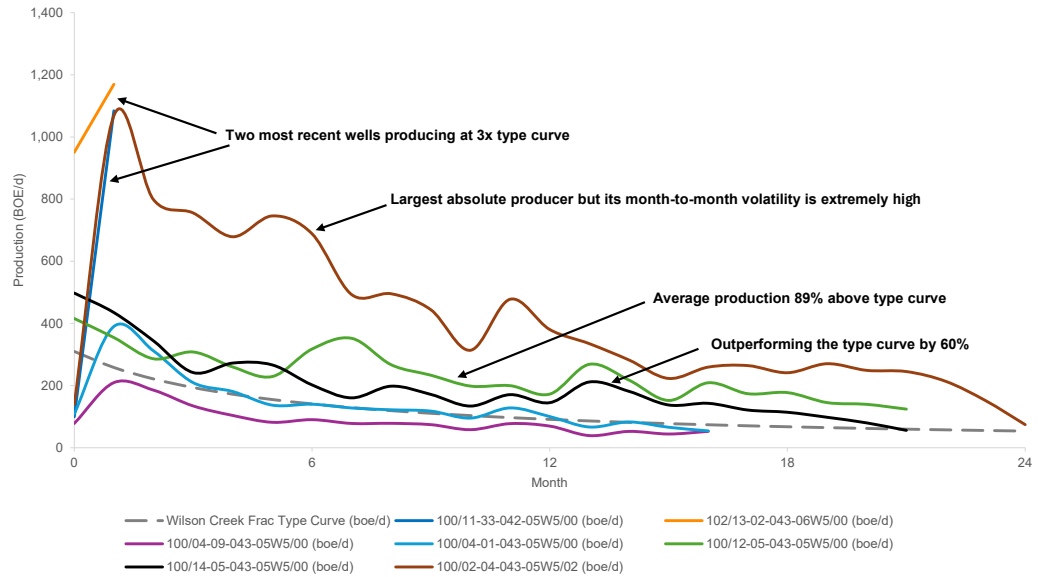
Exhibit 10: Highwood Had the Two Best Performing Liquids Wells in January 2026

#	Operator	Well UWI	Field name	Producing Formation	Monthly liquids production (bbl)	Monthly liquids rate (bbl/d)	Monthly associated gas (mcf/d)	On prod date	Monthly producing hours	Cumulative liquids (mbl)	Class
1	Highwood Asset Management	100/11-33-042-05W5/00	Pembina	Belly River	26,081	899	1,558	25-Dec	Confid.	29	DEV
2	Highwood Asset Management	102/13-02-043-06W5/00	Pembina	Belly River	25,301	893	2,278	25-Dec	680	46	DEV
3	Cdn Natural Resources Ltd	100/03-12-066-05W6/00	Karr	Dunvegan	18,311	631	3,059	25-Jul	Confid.	146	DEV
4	Cdn Natural Resources Ltd	100/08-12-066-05W6/00	Karr	Dunvegan	18,058	623	3,390	25-Jul	Confid.	126	DEV
5	Cdn Natural Resources Ltd	102/15-28-062-06W4/0	Cold Lake	Sparky	16,833	545	53	25-Nov	742	46	DEV
6	Cdn Natural Resources Ltd	100/03-15-062-07W4/0	Cold Lake	Sparky	16,813	563	35	25-Oct	717	48	DEV
7	Sifton Petroleum Inc	100/03-32-043-05W5/0	Pembina	Belly River	16,540	570	230	25-Dec	Confid.	17	DEV
8	Cdn Natural Resources Ltd	100/10-09-062-07W4/0	Cold Lake	Sparky	16,099	530	33	25-Oct	729	48	DEV
9	Cdn Natural Resources Ltd	103/02-33-062-06W4/0	Cold Lake	Sparky	15,761	510	49	25-Nov	742	40	DEV
10	Baytex Energy Ltd	100/08-04-062-07W4/02	Cold Lake	Sparky	15,731	507	27	25-Sep	744	65	DEV
11	Headwater Exploration Inc	103/03-19-079-22W4/0	Peerless	Wabiskaw	15,711	509	144	25-Dec	741	27	DEV
12	Lotus Creek Expl Inc	104/06-26-042-05W5/00	Pembina	Belly River	15,561	537	375	25-Apr	741	139	DEV
13	Headwater Exploration Inc	104/04-19-079-22W4/0	Peerless	Wabiskaw	15,356	497	432	25-Apr	741	139	DEV
14	Baytex Energy Ltd	100/09-04-062-07W4/0	Cold Lake	Sparky	14,643	472	15	25-Sep	744	48	DEV
15	Persist O&G	103/12-07-028-21W4/00	Wayne-Rosedale	Basal Quartz	14,528	483	1,106	25-Nov	722	35	DEV

Source: geoSCOUT, Granite Point Research

Other top wells at Wilson Creek include 100/12-05-043-005W5/00 (spud February 3, 2024) which has produced above the type curve in each month since it’s been on production averaging 89% above the type curve. The 100/14-05-043-05W5/00 well which was spud January 24, 2024, has been above the type curve 95% of the months it’s been on production averaging more than 60% outperformance relative to the type curve. The highest absolute producer which has averaged 253% above the type curve is the 100/02-04-043-05W5/02 well that was spud December 5, 2023. This well has the highest overall production however its month-over-month volatility is extremely high (140%), which may suggest that there has been irregular production from the well.

Exhibit 11: Wilson Creek Frac Wells – GPR Type Curve



Source: Company reports, geoLOGIC Systems, Granite Point Research

Bonnyville

On July 18, 2025, Highwood spudded well 100/02-034-061-09W4 in the Bonnyville, Alberta area. The well was the Company's first unbooked multi-lateral open hole well (MLOH) targeting the Stacked Mannville Sands. The Company is currently analyzing the results to determine next steps.

Illustrative Well Economics

The company is targeting Basal Belly River formations at 1,250-1,750 meters in depth while it's targeting the Mannville formations at 350-400 meters in depth. The high proportion of liquids content helps drive top decile netback while cycle times of ~45 days allow fast paybacks.

Exhibit 12: Illustrative Well Economics

		At \$65 WTI flat, \$13 WCS, \$3.25 MSW, \$2.50 AECO		
		Wilson Creek – Frac (3000m)	Brazeau – Frac (3000m)	Bonnyville
Target Formation		Basal Belly River	Belly River	Mannville
DCET	\$MM	5.00	5.25	2.10
IP30	boe/d	387	390	120
EUR	Mboe	292	285	120
BT IRR	%	129	97	79
BT Payback Period	months	11	12	15
NPV10	\$MM	5.6	5.1	2.2
Capital Efficiency (1 year)	\$/boe/d	20,000	18,885	24,137
F&D	\$/boe	16.37	18.68	17.50
12 Month Average Netback	\$/boe	57.83	60.55	56.79
Recycle Ratio	x	2.94x	2.55x	2.93x
Booked Locations	#	16.5	64	5
Unbooked Locations	#	13	41	~10

Source: Company reports, Granite Point Research

Other Assets

The Ricinus, Harmattan and Claresholm areas, which in total comprise approximately 27,125 net acres of land (average working interest of ~90%) came from the Company's 2023 acquisition of Shale Petroleum Ltd., a private company. At the time of the acquisition the Harmattan asset was producing around 300 b/d (37% liquids) of liquids-rich natural gas. The \$7 million purchase price was funded by \$9 million paid by the issuance of ~1.28 million Highwood shares from treasury and netting off of roughly \$2 million of net cash from Shale Petroleum. This asset is focused on the liquid-rich natural gas Cardium formation. The area has five booked locations and ~10 unbooked locations.

Highwood holds approximately 38 net sections of PNG rights across Saskatchewan, British Columbia and eastern Alberta with production of around 100 boe/d.

Midstream Operations - Wabasca River Pipeline and Evi Terminal

The Company has a 100% working interest in the Wabasca River Pipeline, a 210-kilometer open-access pipeline located in northwestern Alberta (450 km north of Edmonton). The 20,000 barrel-per-day (bbl/d) pipeline links the Alberta Red Earth Area to the Rainbow System operated by Plains Midstream Canada. This asset current generates about \$2.5-\$3.5 million of cash flow annually.

Highwood also has a 50% working interest in the Evi Terminal, which has a butane blending operation that generates revenues from the purchase and sale of butane. There is also a heavy oil trucking facility that is currently inactive, but the Company may choose to reassess those operations in the future.

Metallic Minerals

The Company owns industrial metallic and mineral rights for lithium and vanadium deposits across 3.8 million acres of British Columbia and Alberta. These assets remain in the early evaluation stage, and we assign no value to these assets in our NAV. A 2022 43-101 technical report on the Drumheller property identified 18.14 million metric tonnes of lithium carbonate equivalent (LCE) on the property.

Financial Outlook

2025 Year-End Results

Highwood reported its 2025 year-end on March 17, 2026. The Company reported fourth quarter production of 5,040 boe/d. It also reported Adjusted EBITDA of \$10.9 million (\$0.72 per share) and adjusted funds flow of \$10.6 million (\$0.70 per share) for the fourth quarter. Highwood expects that its first quarter production will be approximately 6,000 boe/d, which would represent an increase of approximately 20% for the fourth quarter of 2025. During the fourth quarter Highwood realized a hedging gain on commodity contracts of \$3.1 million.

2026 Guidance and Outlook

Highwood's top priority is delivering shareholder value. In its most recent reserves report, the Company achieved growth in all reserve categories, including the addition of 3,371 Mboe of new Proved Developed Producing (PDP) reserves. Overall, PDP reserves increased 7% to 19,594 Mboe, Total Proved (1P) reserves increased 7% to 39,600 Mboe and Total Proved plus Probable (2P) reserves increased 9% to 66,441 Mboe.

Capital expenditures. The capex guidance for 2026 is in the \$40-\$60 million range and is backend weighted as the Company is currently heading into spring breakup.

Drilling activity. In the first quarter of 2026, the Company drilled two booked gross wells (1.1 net), with one booked gross (1.0 net) in Brazeau and 1 booked gross (0.1 net) in Wilson Creek. The focus area for 2026 will remain on the Belly River wells (Brazeau and Wilson Creek). Subject to market conditions, Highwood plans to drill 4-7 wells in the Belly River horizon for the remainder of 2026, with the next drills currently planned for the summer of 2026. At Wilson Creek Highwood is planning to upgrade infrastructure in the area to support further development prior to resuming drilling in the summer of 2026.

Hedging program. The Company is actively engaged in hedging to help mitigate volatility in commodity pricing with approximately 2,400 bbls/day and 1,800 bbls/day of oil hedged throughout 2026 and 2027, respectively, at an average contract price of approximately C\$94.00/bbl and C\$92.50/bbl (WTI-NYMEX). The Company opportunistically used the recent conflict in the Middle East and the resulting increase in the price of oil to layer in approximately 350 bbls/day and 1,300 bbls/day of oil throughout 2026 and 2027 respectively, which is included in the volumes above. In addition, the Company has approximately 6,975 GJ/day of natural gas hedged in 2026 at an average contract price of roughly \$3.15/GJ (AECO).

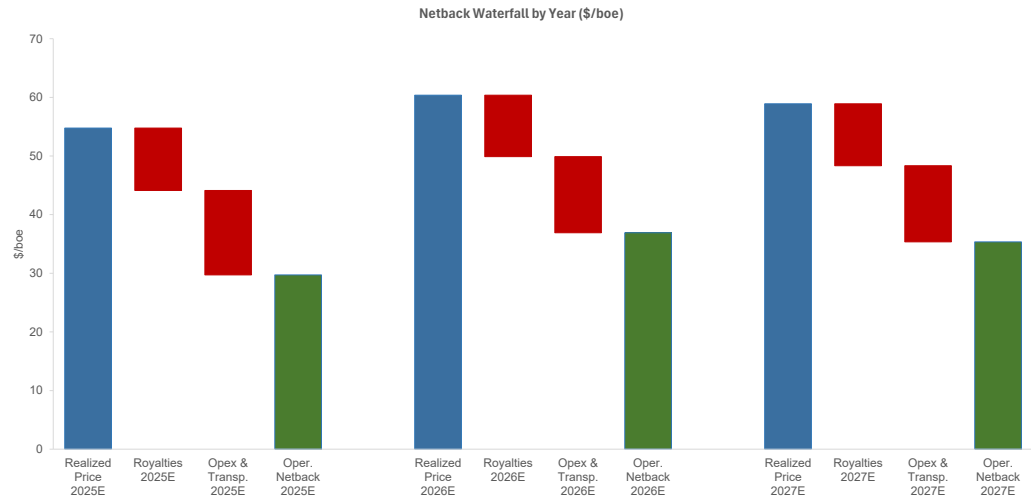
Focus on reducing Net Debt/EBITDA. The reduction of debt remains a priority for the Company with Highwood dedicated to growing free cash flow, on a per share basis. The Company is focused on maintaining maximum financial flexibility for future organic growth and/or other strategic M&A opportunities, with a longer-term goal of providing significant returns of capital to shareholders. Highwood will also continue to assess land offerings in strategic areas where the Company sees significant growth opportunities. Highwood had approximately \$325 million in tax pools, including more than \$100 million in non-capital losses on December 31, 2025. Highwood does not anticipate being cash taxable for approximately three to four years.

Netbacks

Based on our GPR price deck (WTI US\$60/bbl and AECO \$3.30/mcf in 2026E and WTI US\$60 and AECO \$3.39 in 2027E) we forecast an operating netback of \$36.90 in 2026E and \$35.35 in 2027E.

Netbacks of \$36.90/bbl and \$35.35/bbl are forecasted for 2026/2027 respectively.

Exhibit 13: Summary of Netbacks



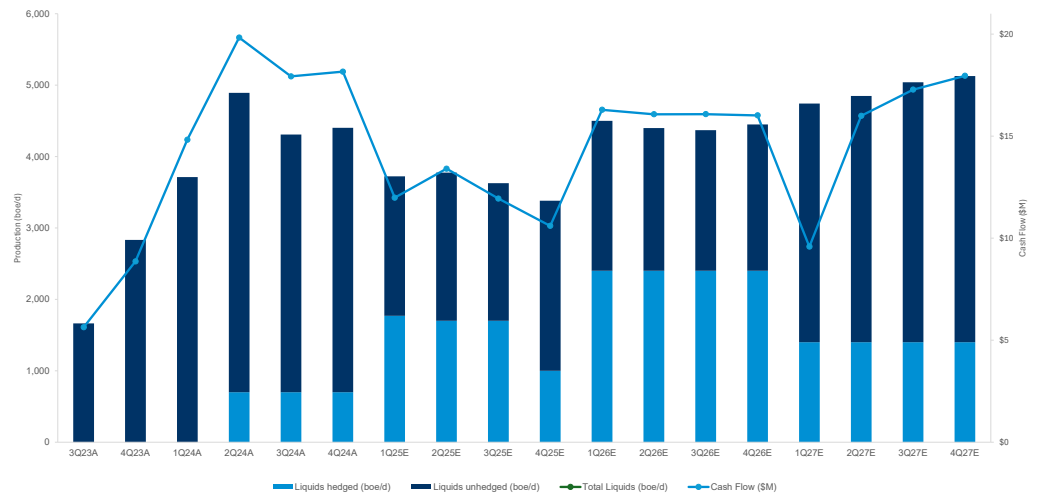
Source: Company reports, Granite Point Research

Hedging

Forecasted liquids production is ~54% hedged for 2026

Highwood proactively manages commodity risk by entering into a series of commodity hedges to protect its downside exposure. For 2026E, Highwood has hedged ~54% of its forecasted liquids production. With the recent conflict in the Middle East and resulting rise in oil prices, Highwood layered in approximately 350 bbls/day and 1,300 bbl./day of additional oil hedges throughout 2026 and 2027 respectively.

Exhibit 14: Highwood's Liquids Hedging

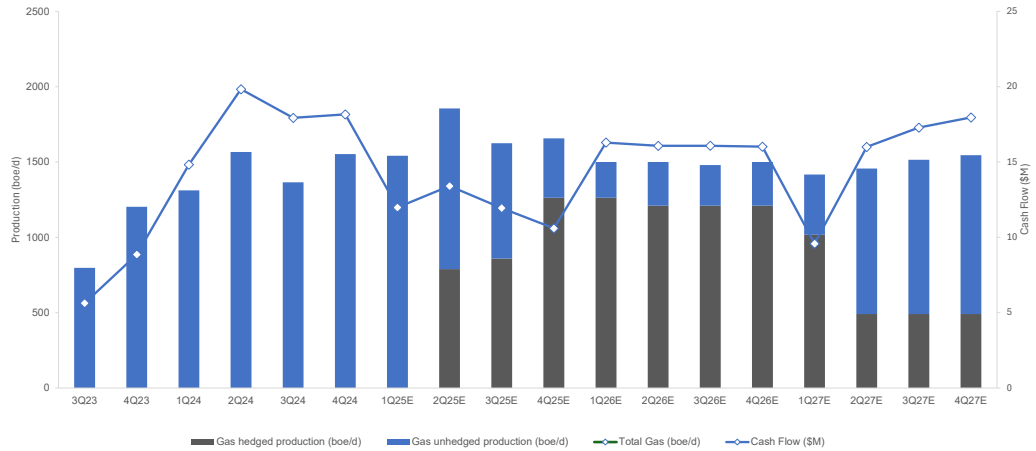


Source: Company reports, Granite Point Research

Forecasted natural gas production is ~74% hedged for 2026

Natural gas volumes have been hedged more aggressively given the volatility of the commodity with ~74% of forecasted 2026E natural gas production volumes hedged. We would expect to see both liquids and natural gas hedging volumes increase as we move forward in the year and the Company's hedge book grows.

Exhibit 15: Highwood's Natural Gas Hedging



Source: Company reports, Granite Point Research

Commodity Price Sensitivity

We examined Highwoods 2026E debt and cash flow sensitivities to changes in the underlying commodity price assumptions (summarized on Exhibit 16). Outlined are a range of sensitivities compared to our assumptions on production forecasts and capital spending.

Highwood's commodity hedging program preserves profitability even in lower commodity price environments

- **If WTI averages US\$55/bbl:** In this low case scenario, we estimate that Highwood would have an all-in payout ratio of 82.9% and would generate free cash flow of \$10,346m and free cash flow yield of 14.6% and year-end leverage (D/CF, TTM) of 1.8x.
- **If WTI averages US\$60.00/bbl:** In this mid case scenario, we estimate that Highwood would have an all-in payout ratio of 77.6 % and would generate free cash flow of \$14,464m, a free cash flow yield of 20.5% and year-end leverage (D/CF, TTM) of 1.6x.
- **If WTI averages US\$70/bbl:** In this high case scenario, we estimate that Highwood would have an all-in payout ratio of 68.8% and would generate free cash flow of \$22,701m and free cash flow yield of 32.1% and year-end leverage (D/CF, TTM) of 1.3x.

The significant degree of hedging that Highwood undertakes creates a significant buffer against commodity price volatility while still preserving upside opportunity in higher commodity price environments.

Exhibit 16: Highwood Commodity Price Sensitivities

Commodity Prices	2025E	2026E	2026E	2026E	2026E	2027E
	GPR deck	Low case	Mid case	High case	Futures	GPR deck
WTI (US\$/bbl)	\$65.25	\$55.00	\$60.00	\$70.00	\$63.00	\$60.00
Edm. Par (C\$/bbl)	\$95.98	\$71.23	\$78.08	\$91.78	\$82.19	\$76.71
AECO (C\$/mcf)	\$2.00	\$3.30	\$3.30	\$3.30	\$3.30	\$3.39
FX (C\$/US\$)	\$0.71	\$0.73	\$0.73	\$0.73	\$0.73	\$0.73
Cash Flow Overview						
Production (boe/d)	5,296	5,925	5,925	5,925	5,925	6,425
Percent Liquids	68.5%	74.8%	74.8%	74.8%	74.8%	76.9%
Revenue (pre-hedging, \$/boe)	\$50.73	\$50.14	\$53.66	\$60.69	\$55.77	\$54.12
Royalties (\$/boe)	\$10.65	\$9.78	\$10.46	\$11.84	\$10.87	\$10.55
Operating costs (\$/boe)	\$14.41	\$13.00	\$13.00	\$13.00	\$13.00	\$13.00
Transportation costs (\$/boe)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Field Netback (\$/boe)	\$25.67	\$27.36	\$30.19	\$35.86	\$31.89	\$30.57
G&A, interest, and other (\$/boe)	\$3.80	\$6.95	\$6.95	\$6.95	\$6.95	\$6.41
After-Tax Netback (\$/boe)	\$21.87	\$20.41	\$23.24	\$28.91	\$24.94	\$24.16
Hedging impact adj. (\$000)	\$0.00	\$2,007.50	\$0.00	(\$4,015.00)	(\$1,204.50)	\$0.00
Cash flow (\$000)	\$47,931	\$60,346	\$64,464	\$72,701	\$66,935	\$60,819
CFPS (\$/share)	\$3.22	\$3.92	\$4.18	\$4.72	\$4.34	\$4.03
Capital Expenditures						
Gross capex (\$000)	\$60,632	\$50,000	\$50,000	\$50,000	\$50,000	\$53,000
Net capex (\$000)	\$60,632	\$50,000	\$50,000	\$50,000	\$50,000	\$53,000
All-in payout ratio	126.5%	82.9%	77.6%	68.8%	74.7%	87.1%
Free Cash Flow Overview						
FCF, before dividends (\$000)	(\$12,701)	\$10,346	\$14,464	\$22,701	\$16,935	\$7,819
Yield	(17.8%)	14.6%	20.5%	32.1%	24.0%	11.3%
FCF, after dividends (\$000)	(\$12,701)	\$10,346	\$14,464	\$22,701	\$16,935	\$7,819
Yield	(17.8%)	14.6%	20.5%	32.1%	24.0%	11.3%
Valuation						
EVD/ACF	3.5x	2.5x	2.4x	2.0x	2.2x	2.5x
EV/boe/d	\$35,531	\$30,135	\$29,440	\$28,050	\$29,023	\$26,127
Balance Sheet						
Net debt (\$000)	\$116,723	\$107,868	\$103,749	\$95,512	\$101,278	\$90,380
D/CF (trailing)	2.4x	1.8x	1.6x	1.3x	1.5x	1.5x

Source: Company reports, Granite Point Research

Valuation and Recommendation

In arriving at our **\$9.00 price target**, we used a blended approach weighting our NAV estimate at 50% and a multiples-based approach at 50%. We believe that company NAV gives a better estimate of the Company's reserves value and its long-term potential whereas the multiples approach captures the value of the Company's near-term cash flow.

Relative Valuation to Peers

Highwood's 2026E EV/DACF peer multiple of 2.4x is significantly lower than the peer group average of 3.7x. Highwood's Debt/CF multiple of 1.5x versus the 2026E peer average of 1.04x is higher which could explain the discount to peers that Highwood receives. Based on our 2027 forecast, Highwood is expected to trade at a discount to its peers on an EV/DACF basis (2.5x vs. 3.8x for the peer group average) with its Debt/CF staying flat at 1.5x (vs. peer group average of 0.8x).

Exhibit 17: Valuation and Leverage – Highwood Versus Peers – GPR Estimates

Ticker	Company Name	2026E				2027E			
		Production Growth (%)	FCF Yield to	Production	FCF Yield to	Production Growth (%)	FCF Yield to	Production	FCF Yield to
		25E to 26E	Mkt.Cap (%)	EV/DACF	Debt/CF	26E to 27E	Mkt. Cap (%)	EV/DACF	Debt/CF
CJ-CA	Cardinal Energy Ltd.	15.7%	-0.2%	7.0x	1.1x	2.1%	0.9%	6.2x	1.3x
HME-CA	Hemisphere Energy Corp.	7.1%	5.3%	4.6x	(0.5x)	3.2%	5.7%	3.9x	(0.9x)
IPO-CA	InPlay Oil Corp.	11.4%	7.2%	3.4x	1.7x	(0.1%)	11.6%	3.2x	1.2x
PNE-CA	Pine Cliff Energy Ltd.	(2.1%)	#N/A	4.2x	0.7x	2.5%	#N/A	4.1x	0.2x
SOIL-CA	Saturn Oil & Gas Inc.	(3.1%)	13.4%	3.3x	1.7x	0.1%	13.5%	3.6x	1.4x
SGY-CA	Surge Energy Inc.	(0.8%)	3.8%	3.5x	1.0x	1.1%	5.5%	3.6x	1.0x
YGR-CA	Yangarra Resources Ltd.	0.4%	4.9%	2.5x	1.4x	2.6%	8.9%	2.3x	1.2x
Average		4.1%	5.7%	3.7x	1.04x	1.7%	7.7%	3.8x	0.8x
HAM-CA	Highwood Asset Management Ltd.	11.9%	20.2%	2.4x	1.5x	8.4%	10.9%	2.5x	1.5x

Source: FactSet, Granite Point Research

Highwood is also likely penalized because of its relatively smaller float despite having a higher growth rate than many of its peers over the 2025E-2027E period. We believe that Highwood's strong growth in production offsets the smaller company/float discount and supports a close-to-peer multiple on an EV/DACF basis.

Exhibit 18: Comparables – GPR Estimates

Ticker	Price Target	Market Rating	Market Cap (\$mm)	2025 Net Debt (\$mm)	2026E						2027E					
					EV (\$mm)	Total Prod (mboe/d)	% Liquids	Capex (\$mm)	FCF (\$mm)	FCF Yield (%)	Total Prod (mboe/d)	% Liquids	Capex (\$mm)	FCF (\$mm)	FCF Yield (%)	
					CJ-CA	\$10.67	Overweight	\$1,904	\$291	\$2,021	25.31	92%	\$167.3	-\$3.4	(0.2%)	25.85
HME-CA	\$2.90	Buy	\$248	(\$8)	\$234	3.90	99%	\$12.0	\$13.0	5.2%	4.03	99%	\$14.0	\$14.0	5.7%	
PNE-CA	\$0.85	Overweight	\$244	\$50	\$284	20.34	64%	\$16.6	#N/A	#N/A	20.85	65%	\$25.0	#N/A	#N/A	
SOIL-CA	\$4.75	Overweight	\$989	\$772	\$1,942	40.44	21%	\$213.0	\$128.9	13.0%	40.50	21%	\$244.4	\$130.0	13.1%	
IPO-CA	\$18.25	Buy	\$507	\$218	\$670	18.99	82%	\$69.9	\$35.3	7.0%	18.98	82%	\$77.0	\$56.9	11.2%	
SGY-CA	\$9.50	Buy	\$882	\$230	\$1,125	23.31	88%	\$155.5	\$32.1	3.6%	23.57	88%	\$161.0	\$47.3	5.4%	
YGR-CA	\$1.35	Hold	\$139	\$107	\$275	10.04	41%	\$61.3	\$6.6	4.7%	10.30	41%	\$63.8	\$11.8	8.5%	
HAM-CA	\$9.00	Buy	\$71	\$117	\$188	5.92	75%	\$50.0	\$14.5	20.2%	6.43	77%	\$53.0	\$7.8	10.9%	

Note: HAM metrics based on Granite Point Research numbers as opposed to consensus numbers

Source: FactSet, Granite Point Research

Net Asset Value

Our net asset value is based on a risked net asset value (NAV) with cash flows discounted using an industry standard 10% discount rate. Our risked NAV does not include a terminal value assumption.

Exhibit 19: Net Asset Value Summary

Highwood Asset Management Ltd. (HAM)	Reserves	Unrisked Value/boe	Risked Value	Risked Value/sh
Market-Implied Risked NAV	(mboe)	(\$/boe)	(\$M)	(\$/sh)
Risked Reserve Value				
PDP	14,515	\$6.97	\$101	\$6.66
Proved (non-PDP)	15,681	\$15.31	\$156	\$10.28
Probable	19,640	\$4.79	\$24	\$1.55
Unbooked	14,900	\$0.47	\$1	\$0.05
Total Risked Reserves	64,736	\$4.35	\$281	\$18.55
Other Assets/(Liabilities)				
Land (\$200/acre)			\$30	\$1.99
Net Debt			(\$117)	(\$7.69)
Midstream			\$11	\$0.72
Total Other			(\$76)	(\$4.99)
Risked NAV			\$206	\$13.56

Source: Company reports, Granite Point Research

Target Price Derivation

To derive our target price of \$9.00/share, we have used a blended approach, applying a 0.7x multiple to our NAV estimate, in-line with peer estimates and a 3.5x multiple (a slight discount to the peer group average of 3.7x) to our 2026 EV/DACF estimate and weighed each by 50%.

Exhibit 20: Highwood Target Price Derivation

NAV Weighting:	50%	EV/DACF Weighting:	50%
Target NAV multiple:	0.7x	Target 2026E EV/DACF:	3.5x
NAV/Share	\$13.56	2026E DACF (\$M):	\$71.5
		Net Debt (\$M):	\$116.7
Contribution to Target Price:	\$4.41	Contribution to Target Price:	\$4.40
Blended Target Price:	\$8.81	Target Price (Rounded):	\$9.00
Implied P/NAV Multiple:	0.7x	Implied 2026E EV/DACF:	3.5x

Source: Company reports, Granite Point Research

Corporate Overview

Highwood Asset Management was formed in January 2019 through the amalgamation of two predecessor companies, Highwood Oil Company Ltd. and Predator Blockchain Capital Corp. This amalgamation occurred by way of a reverse takeover with Highwood Oil Company, a private oil and gas exploration company acquiring Predator Blockchain Capital Corp. The resulting combination was subsequently renamed Highwood Asset Management Ltd (Highwood).

Highwood's common shares trade on the TSX-V under the symbol "HAM." The Company also has public warrants which trade on the TSX-V under the symbol "HAM-WT." The warrants can be exercised into one Common Share at an exercise price of \$7.50 per Warrant Share until August 3, 2026.

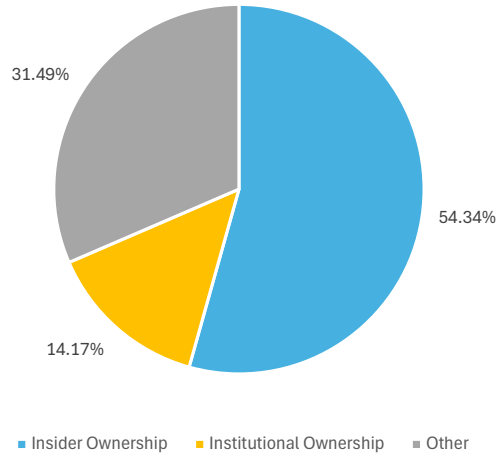
The key transformative acquisitions for Highwood occurred in mid-2023. On July 5, 2023, the Company announced the acquisition of Castlegate Energy Ltd., Shale Petroleum Ltd. and Boulder Energy Ltd. for a total gross purchase price of \$145 million. Collectively these three acquisitions added ~4.5 mboe/d of liquids-weighted (75% liquids) production to Highwood's existing production base. At the time of the acquisitions, there were 97 net locations identified with 67 booked in the reserve report and a further 30 unbooked locations. The closing of these three acquisitions was announced on August 3, 2023.

The acquisitions were financed by a new senior secured extendable revolving credit facility with a principal amount of up to \$100 million (now extended to \$140 million) which provided the cash portion of the acquisitions. The Company also announced a \$35 million marketed equity offering on July 5, 2023, for the issuance of 5.8 million subscription receipts (\$6.00 per receipt) which entitled the holders of the subscription receipts to one Offered Unit of Highwood. Each Offered Unit consisted of one common share and one-half of one common share warrant, with an exercise price of \$7.50 per warrant until August 3, 2026. A private equity placement for \$2.8 million was also arranged as part of this financing through a company owned by Joel MacLeod (Executive Chairman and Director). The \$2.8 million consisted of 466,600 common shares and 233,300 warrants (exercisable at \$7.50 per warrant until August 3, 2026). Highwood also issued a \$14 million promissory note as part of the Boulder acquisition.

Shareholder Base

Highwood has an experienced professional team with a demonstrated track record of successful transactions. The Highwood team has deep technical expertise, including multi-lateral development. Management is highly aligned with shareholders with the management group owning ~37% of Highwood’s common shares and total insider ownership of 54.34%.

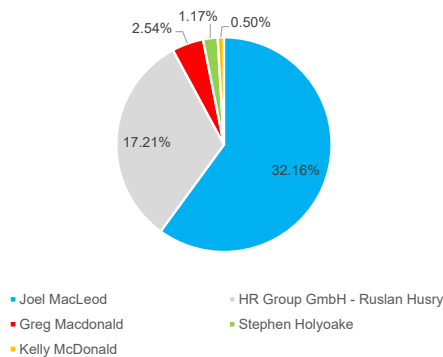
Exhibit 21: Management and Directors Own 54.34% of the Shares Outstanding



Source: FactSet, Granite Point Research

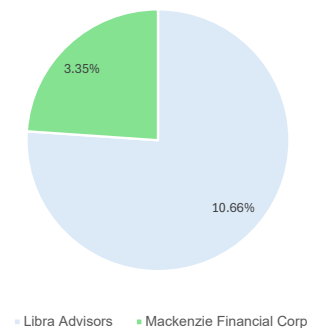
Joel MacLeod holds the single largest share position with 32.2% of the total shares outstanding amongst the insiders (management and board of directors) followed by HR Group GmbH at 17.2% and Greg Macdonald with 2.5%. The top institutional shareholder is Libra Advisors LLC, with 10.7% of the shares outstanding, followed by Mackenzie Financial Corp. with 3.35%.

Exhibit 22: Major Insider Share Ownership



Source: FactSet, Granite Point Research

Exhibit 23: Top Institutional Shareholders – % Shares Outstanding



Key Management

Joel MacLeod, CA, Executive Chairman and Director

Mr. MacLeod was the founding CEO of Highwood Asset Management and the Executive Chairman and director of Highwood since February 21, 2023. He brings a successful track record of generating significant shareholder returns at prior companies (including Predator Oil, Predator Midstream, Battle River and Fireweed). Mr. MacLeod has more than 20 years of oil and gas experience and has been involved in transactions totaling over \$5 billion in value. Previously he was Founding Chairman and CEO of Tidewater Midstream and Infrastructure Ltd. and Founding Executive Chairman and CEO of Tidewater Renewables Ltd.

Greg Macdonald, P.Eng., President, CEO, and Director

Mr. Macdonald is a Professional Engineer with over 20 years of oil and gas experience in Canada and the U.S. Prior to his current role at Highwood, Mr. Macdonald was the VP, Engineering of Tidewater Midstream and Infrastructure Ltd., a public oil and gas midstream company. Prior to his experience at Tidewater, he has worked in various engineering roles at both public and private oil and gas companies.

Chris Allchorne, CA, CFO

Mr. Allchorne is a Chartered Accountant with over 15 years with private and public enterprises. Prior to becoming the Chief Financial Officer of Highwood in September 2021, he held the position of Controller at Highwood since January 2017 and previously was a former manager with a mid-sized Calgary based accounting firm.

Kelly McDonald, VP Exploration

Mr. McDonald is a Professional Geologist with over 25 years of oil and gas experience in Canada, and the U.S. Mr. McDonald has been an officer in several oil and gas companies over the last 10 years and has been intricately involved in exploration and development of both conventional and unconventional assets across North America. He has been actively involved in over 30 oil and gas acquisitions ranging from \$100,000 to \$150 million. Mr. McDonald obtained a Bachelor of Science with a Specialization in Geology from the University of Calgary in 1955.

Ryan Petkau, VP Operations

Mr. Petkau joined Predator Oil Ltd. and Predator Midstream Ltd. in 2014 and was appointed Vice President Operations for Highwood Asset Management in September 2023. He was instrumental in Highwood's growth in the Clearwater of gross operated production from zero to around 2,000 bbls/day with the drilling and related production and optimization of approximately 20 Clearwater multilateral wells. Mr. Petkau has over 22 years of diverse industry experience in all aspects of operations including production, construction, optimization and safety. Prior to joining Predator/Highwood he held positions of increasing responsibility at Encana Corporation, Enterra Energy, Conoco Phillips Canada and Crew Energy.

Board of Directors

Joel MacLeod, CA, Executive Chairman, Director

Please refer to the key management section.

Greg Macdonald, P.Eng., President, CEO, and Director

Please refer to the key management section.

Stephen Holyoake, P.Eng., Director

Mr. Holyoake has over 20 years of operations, engineering and management experience to Highwood. He has worked in all disciplines of the oil and gas business from exploration to midstream operations. Mr. Holyoake is a Professional Engineer and obtained his degree in Petroleum Engineering from the Montana School of Mines in 1997 and a Petroleum Engineering Technology diploma from the Southern Alberta Institute of Technology in 1993. Mr. Holyoake currently serves as the President and CEO of Fireweed Energy Ltd.

David Gardner, Director

Mr. Gardiner has over 30 years of experience in the global oil and gas industry, initially as a geologist with Exxon and following his MBA he progressed his commercial career as a corporate executive with a growing focus on general management, strategy, business development and mergers & acquisitions. He spent nearly 17 years with BP, including the BP Corporate Center, M&A group and leading new exploration access globally and upstream business development across Europe and Africa. Mr. Gardner, also, was a Special Advisor with Kirk Longrove & Company Ltd in London since 2021. Since December 2021, Mr. Gardner has been the CEO of Shale Petroleum Ltd. He has a BS degree in Geology from the College of William and Mary in Virginia, an MS degree in Geology from the University of Wisconsin-Madison and an MBA degree from the University of California, Los Angeles.

Ryan Mooney, P.Eng., Director

Mr. Mooney is currently the Managing Director, Investment Banking for a capital markets firm in Calgary with a focus on origination and execution of capital markets transactions within energy and diversified industries across Canada. He is a professional engineer (P.Eng.) and is a CFA charterholder. He has extensive experience with senior roles in industry, research, institutional sales, and investment banking.

Ray Kwan, Director

Mr. Kwan is currently the founder and managing partner of AXO Capital Corp., an energy-focused family holding company. He was the Chief Financial Officer of Tidewater Renewables Ltd., a TSX-listed company engaged in the oil & gas and renewable energy business. From September 2022 to May 2024 Mr. Kwan was a Managing Director at BMO Capital Markets, where he worked from October 2015 to July 2022 in roles with progressively increasing responsibility.

Risk Factors

Commercial Price Risk

Oil and gas prices are determined by global and regional supply and demand trends as well as other factors. Downward fluctuations can have a material impact on operations, financial condition, reserve accounting and future development undertaken by the Company.

Currency Risk

Oil and gas prices are primarily quoted in U.S. dollars and thereby as a Canadian producer Highwood could be impacted by exchange rates particularly the USD/CAD rate as it fluctuates over time. Future exchange rates could impact on the future values of the Company's production, cash flow and reserves.

Well Performance Risk

Lower-than-expected production rates could have an impact on valuation although the very strong recent rates give us confidence in the Company's ability to deliver strong well results.

Operational Risk

Potential delays, the uncertainty of reserve estimates and health and safety issues can potentially increase operational risk. Also, changes in legislation or delays in government approvals could negatively impact operations.

Financial Risk

Changes in interest rates, royalties and taxes can all have a material impact on valuation. As well, the Company's ability to enter into or renew leases on acceptable terms poses a financial risk. The ability to manage, control and mitigate such risks is dependent on the Company's management team and their historical track record.

Trading/Liquidity Risk

Companies that have a high level of insider ownership may in turn have a small public float which limits the available liquidity for trading in public stock markets. This reduced liquidity can cause increased stock price volatility and share prices may not fully reflect positive performance in the Company given the perceived risk of higher volatility and reduced market participation, which could affect the growth potential of its valuation multiple.

Forecast Error

Factors such as drilling rig availability, weather and delays in tie-ins could have an impact on our production and cash flow estimates. If production becomes focused on a particular region that will increase the concentration risk leaving the Company more susceptible to pipeline and weather-related issues in that area.

Appendix 1: Financial Model Summary

Exhibit 24: Financial Model Summary

	2025A	1Q/26E	2Q/26E	3Q/26E	4Q/26E	2026E	1Q/27E	2Q/27E	3Q/27E	4Q/27E	2027E
Income Statement (\$000)											
Revenue											
Net Revenue	\$82,937	\$24,957	\$24,269	\$24,583	\$25,396	\$99,205	\$25,593	\$26,461	\$27,731	\$28,183	\$107,967
Realized gain (loss) on commodity contracts	7,810	4,355	4,685	4,295	3,440	14,510	2,378	2,663	2,958	3,223	11,222
Total Revenue	101,853	29,312	28,954	28,878	28,837	113,715	27,971	29,124	30,689	31,406	119,189
Expenses											
Operating and Transportation	27,846	7,020	6,980	6,997	7,116	28,113	7,206	7,460	7,841	7,981	30,487
General and administrative	7,354	1,663	1,663	1,663	1,663	6,650	1,900	1,900	1,900	1,900	7,600
Depletion and depreciation	24,331	6,603	6,565	6,581	6,694	26,444	6,778	7,017	7,376	7,507	28,678
Interest	-	2,168	2,119	2,070	2,020	8,377	1,933	1,883	1,833	1,784	7,433
Total Expenses	61,943	18,035	17,908	17,891	18,074	71,908	18,397	18,841	19,531	19,753	76,522
EBIT	39,910	11,277	11,046	10,987	10,763	41,808	9,573	10,283	11,158	11,653	42,668
EBITDA	64,241	17,880	17,612	17,569	17,457	68,252	16,351	17,300	18,534	19,160	71,346
Adjusted EBITDA	53,286	18,124	17,856	17,813	17,701	71,493	11,178	17,544	18,778	19,404	66,904
Adj. EBITDA per share (FD)	3.58	1.17	1.16	1.16	1.16	4.64	0.74	1.16	1.25	1.30	4.44
Adj. Funds Flow per share (FD)	3.22	1.05	1.04	1.05	1.05	4.18	0.63	1.06	1.15	1.20	4.03
Income (loss) before taxes	30,409	8,539	8,360	8,353	8,181	31,168	7,082	7,844	8,771	9,319	33,015
Total Taxes	(8,702)	(2,007)	(1,965)	(1,963)	(1,923)	(7,857)	(1,664)	(1,843)	(2,061)	(2,190)	(7,759)
Net Income	\$21,707	\$6,532	\$6,396	\$6,390	\$6,259	\$23,312	\$5,417	\$6,000	\$6,710	\$7,129	\$25,256
Income (loss) per share:											
Basic	1.50	0.43	0.43	0.43	0.42	1.55	0.37	0.41	0.46	0.49	1.72
Diluted	1.46	0.42	0.41	0.42	0.41	1.51	0.36	0.40	0.45	0.48	1.67
Balance Sheet (\$000)											
Assets											
Total Current Assets	36,487	42,477	42,200	38,677	33,463	33,463	31,311	32,524	29,325	22,452	22,452
Property, Plant and Equipment	255,406	248,490	241,611	234,718	227,712	227,712	217,337	207,797	198,819	190,784	190,784
Other Non-Current Assets	30,141	38,847	47,451	60,224	75,128	75,128	83,541	94,338	110,041	128,178	128,178
Total Assets	322,034	329,814	331,262	333,618	336,303	336,303	332,189	334,659	338,185	341,415	341,415
Liabilities											
Total Current Liabilities	38,226	38,615	38,615	38,615	38,615	38,615	38,615	38,615	38,615	38,615	38,615
Bank Debt	105,299	102,799	100,299	97,799	95,299	95,299	92,799	90,299	87,799	85,299	85,299
Other Non-Current Liabilities	24,446	28,201	30,302	32,397	34,446	34,446	36,232	38,191	40,363	42,657	42,657
Total Liabilities	167,971	169,615	169,216	168,811	168,360	168,360	167,646	167,105	166,777	166,571	166,571
Shareholders' Equity	154,063	160,199	162,046	164,807	167,943	167,943	164,544	167,554	171,409	174,844	174,844
Basic Shares Outstanding (000)	15,170	15,129	15,046	14,963	14,880	15,005	14,797	14,714	14,630	14,547	14,672
Diluted Shares Outstanding (000)	15,578	15,537	15,454	15,371	15,288	15,413	15,205	15,122	15,038	14,955	15,080
Cash Flow Statement (\$000)											
Net cash from (used) in operating activities	56,397	15,956	15,737	15,743	15,681	63,116	9,245	15,661	16,944	17,621	59,471
Cash from Investments											
Capex	(59,578)	(8,375)	(10,437)	(14,563)	(16,626)	(50,000)	(6,591)	(10,227)	(16,273)	(19,910)	(53,000)
Net cash used in investing activities	(64,139)	(8,375)	(10,437)	(14,563)	(16,626)	(50,000)	(6,591)	(10,227)	(16,273)	(19,910)	(53,000)
Cash from financing activities	10,495	(3,478)	(3,478)	(3,478)	(3,478)	(13,912)	(3,478)	(3,478)	(3,478)	(3,478)	(13,912)
Change in cash	2,753	4,103	1,822	(2,298)	(4,423)	(796)	(823)	1,956	(2,807)	(5,767)	(7,441)
Cash end of period	4,564	8,667	10,489	8,191	3,768	3,768	2,945	4,901	2,094	(3,672)	(3,672)

Source: Company reports, Granite Point Research

Appendix 2 – Key Metrics and Assumptions

Exhibit 25: Key Assumptions and Metrics

	2025A	1Q/26E	2Q/26E	3Q/26E	4Q/26E	2026E	1Q/27E	2Q/27E	3Q/27E	4Q/27E	2027E
Days in period	365	90	91	92	92	365	90	91	92	92	365
Assumptions - CPR Model											
WTI (US\$/bbl)	65.25	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00
NYMEX (US\$/Mcf)	3.53	4.00	3.25	3.50	4.00	3.70	3.55	3.55	3.55	3.55	3.55
Foreign Exchange (US\$/CS)	0.71	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73
WCS (US\$/bbl)	75.84	65.49	66.48	66.07	63.93	67.58	66.16	67.53	67.53	66.15	66.85
Edmonton C5+ (C\$/bbl)	99.28	83.08	83.08	83.08	83.15	83.10	81.71	81.71	81.71	81.71	81.71
AECO (C\$/Mcf)	2.00	3.50	2.75	3.10	3.75	3.30	3.39	3.39	3.39	3.39	3.39
Realized Oil Price (C\$/bbl)	92.14	74.96	74.96	74.96	74.96	74.96	73.64	73.64	73.64	73.64	73.64
Realized Gas Price (C\$/Mcf)	1.90	3.33	2.61	2.95	3.56	3.14	3.22	3.22	3.22	3.22	3.22
Production											
Oil & NGLs (boe/d)	3,626	4,500	4,400	4,370	4,450	4,430	4,742	4,849	5,041	5,128	4,941
Natural Gas (Mcf/d)	10,020	9,000	9,000	8,880	9,000	8,970	8,500	8,740	9,090	9,270	8,903
Total Production (boe/d)	5,296	6,000	5,900	5,850	5,950	5,825	6,159	6,306	6,556	6,673	6,425
% Gas	31.5%	25.0%	25.4%	25.3%	25.2%	25.2%	23.0%	23.1%	23.1%	23.2%	23.1%
YoY Growth	(8.3%)	14.0%	4.8%	11.4%	18.1%	11.9%	2.6%	6.9%	12.1%	12.2%	8.4%
% Liquids Hedged	16.6%	-	-	-	-	-	-	-	-	-	-
% Natural Gas Hedged	43.8%	-	-	-	-	81.8%	-	-	-	-	41.9%
Netbacks (\$/boe)											
Realized Corporate Price	50.73	54.08	52.80	53.39	54.34	53.66	54.11	54.14	54.13	54.09	54.12
Realized Hedging Gain (Loss)	4.04	8.07	8.73	7.98	6.28	6.71	4.29	4.64	4.90	5.25	4.79
Royalties	10.65	10.54	10.30	10.41	10.60	10.46	10.55	10.56	10.56	10.55	10.55
Net Revenue	36.04	35.47	33.77	35.00	37.46	36.48	39.27	38.95	38.67	38.30	38.78
Operating & Transportation Costs	14.41	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Less Midstream and Other Costs	-	-	-	-	-	-	-	-	-	-	-
Field Netback	21.63	22.47	20.77	22.00	24.46	23.48	26.27	25.95	25.67	25.30	25.78
Interest	-	4.02	3.95	3.85	3.69	3.87	3.49	3.28	3.04	2.91	3.17
SG&A	3.80	3.08	3.10	2.93	3.04	3.08	3.43	3.31	3.15	3.09	3.24
Cash Netback (\$/boe)	17.83	0.37	3.58	4.19	3.88	16.53	6.33	9.19	9.49	9.81	19.37
Cash Flow Metrics											
Cash Flow (\$000)	53,286	16,293	16,074	16,080	16,018	71,493	9,582	15,998	17,281	17,958	66,904
CFPS - Basic	3.18	1.05	1.05	1.05	1.05	4.21	0.62	1.06	1.16	1.21	4.05
CFPS - Diluted	3.08	1.03	1.02	1.02	1.03	4.10	0.61	1.04	1.13	1.18	3.94
Capital Expenditures	(60,632)	(8,375)	(10,437)	(14,563)	(16,626)	(50,000)	(6,591)	(10,227)	(16,273)	(19,910)	(53,000)
Dividend	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flow (\$000)	(12,701)	7,918	5,637	1,517	-608	14,464	2,992	5,771	1,008	-1,952	7,819
Valuation and Leverage Ratios											
EV/EBITDA	2.93	-	-	-	-	2.56	-	-	-	-	2.35
EV/BOEPD	35,531	-	-	-	-	29,440	-	-	-	-	26,127
EV/DACF	3.53	9.82	9.74	9.71	9.82	2.44	15.35	9.46	8.78	8.62	2.51
FCF Yield (% Market Cap)	(17.8%)	-	-	-	-	20.5%	-	-	-	-	11.3%
FCF Yield (% EV)	(6.7%)	-	-	-	-	8.3%	-	-	-	-	4.7%
Net Debt (\$000)	116,723	106,733	103,011	102,535	103,749	103,749	101,901	96,689	95,889	98,762	98,762
Net Debt/EBITDA	1.82	5.97	5.85	5.84	5.94	1.52	6.23	5.59	5.17	5.15	1.38
Net Debt/CF	2.19	6.55	6.41	6.38	6.48	1.45	10.63	6.04	5.55	5.50	1.48

Source: Company reports, Granite Point Research

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RATING	COVERED COMPANIES
BUY	3
HOLD	
SELL	

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