

May 22, 2026

# Highwood Asset Management Ltd.

HAM-TSXV | Rating BUY | Price: May-20 \$515 | Target 75% \$9.00

## AGM Takeaways: Wilson Creek Infrastructure Update

### Bottom Line:

Yesterday we attended Highwood's AGM, at which management responded to shareholder Q&A and provided more color on a range of topics, particularly the infrastructure issues at Wilson Creek. The Company also highlighted its strong reserve book and growth in PDP reserves (an increase of 7% during 2025 as well as its strong RLI and excellent capital efficiencies.

### Key Points

**Strong netbacks.** At current strip prices netbacks are in the \$65-\$70/bbl range.

**Expanded lending syndicate.** Highwood has expanded its lending syndicate credit facility by adding Business Development Bank of Canada (BDC) as its fifth lender. The lending syndicate now includes the Royal Bank of Canada (RBC – lead lender), ATB Financial, the Canadian Imperial Bank of Commerce (CIBC) and Macquarie Bank Limited. The Company's credit facility was expanded to \$140 million in mid-2025.

**Disciplined risk management.** We believe that Highwood's disciplined risk management program gives lenders comfort and has helped it grow and strengthen the relationship with its lending syndicate, in our view.

**Wilson Creek infrastructure update.** The Company discussed the strong well performance from its recently completed (Mid-December 2025) 13-02 and 11-33 wells at Wilson Creek. These two wells were recognized by multiple third parties as two of the top performing net oil wells in Alberta in January 2026. The Company discussed the need to upgrade its infrastructure at Wilson Creek where land use restrictions have prevented the Company from following up with additional drilling. Highwood plans a direct pipeline interconnect (2-3 miles) to the Keyera pipeline system with expected completion in the third quarter of 2026. The capital cost for this direct interconnect is ~\$5 million.

**Lithium.** Management indicated that they would be open to considering a sale of their significant lithium position.

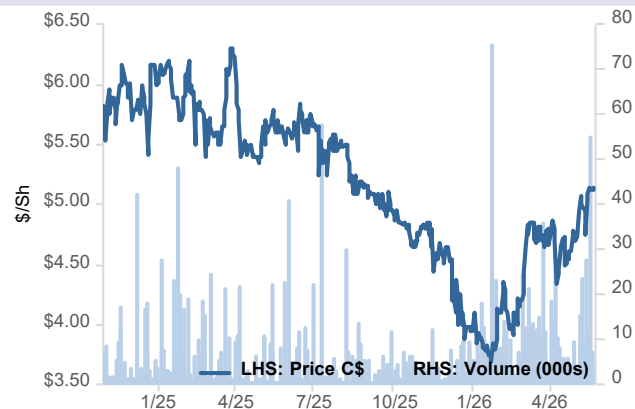
**Important Disclosures:** See pages 5-6



### Oil & Gas

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Source: FactSet

### Market Data

Dividend	\$0.00	Shares O/S (mm)	15.2
Yield	0.0%	Market Cap (mm)	\$78.3
EV (mm)	\$191.5	Net Debt (mm)	\$114.0

FYE Dec	2025A	2026E	2027E
Total Prod (boe/d)	5,296	5,826	6,425
Gas (%)	32	28	23
CFPS FD (C\$)	3.08	3.80	4.17
EV/BOEPD (C\$)	36,085	32,067	28,165
EV/DACF (x)	3.6	3.0	2.7
D/CF	2.2	1.8	1.7

### 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	63,542	70,815
DACF	53,286	62,266	66,576
EV/DACF	3.6x	3.0x	2.7x
EV/boe/d	\$36,085	\$32,067	\$28,165
D/CF	2.2x	1.8x	1.7x
EV/EBITDA	3.0x	2.9x	2.6x

Per Share	2025A	2026E	2027E
CFPS (FD)	\$3.08	\$3.80	\$4.17
CFPS (Basic)	\$3.18	\$3.88	\$4.30
Dividend/Share	-	-	-
Drip Participation	-	-	-

Production	2025A	2026E	2027E
Light Oil (bbls/d)	2,773	3,263	3,980
Medium/Heavy Oil (bbls/d)	-	-	-
NGL (bbls/d)	853	915	961
<b>Total Liquids (bbls/d)</b>	<b>3,626</b>	<b>4,178</b>	<b>4,941</b>
Natural Gas (mcf/d)	10,020	9,889	8,903
<b>Total (boe/d) (6:1)</b>	<b>5,296</b>	<b>5,826</b>	<b>6,425</b>
% Gas	32%	28%	23%

Growth / Key Metrics	2025A	2026E	2027E
CFPS Growth YY	(34%)	23%	10%
Production/Share Growth YY	(7%)	15%	12%
Simple Payout (Dividend)	-	-	-
Total Payout (Capex+Div)	114%	84%	80%
Cashflow Margin	52%	58%	56%
D/CF	2.2x	1.8x	1.7x
D/EBITDA	1.8x	1.8x	1.6x

Net Asset Value	\$/Share	P/NAV	
PDP	\$8.36	1.0x	n.a.
1P	\$23.52	0.4x	n.a.
2P	\$43.31	0.2x	n.a.
Risked	\$20.89	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	14,443	13,982	13,645
FD Shs. O/S (incl. anti-dilutive)	14,871	14,288	14,053
WAFD Shs. O/S	14,871	14,288	14,053

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	115	-
Current Assets	36,487	29,471	17,601
PP&E	255,406	237,683	200,756
Other	30,141	75,355	128,655
<b>Total Assets</b>	<b>322,034</b>	<b>342,509</b>	<b>347,012</b>
Total Debt	105,299	102,378	92,378
Total Liabilities	167,971	171,707	169,668
<b>Total Liabilities &amp; Equity</b>	<b>322,034</b>	<b>342,509</b>	<b>347,012</b>

Funds Flow (\$000)	2025A	2026E	2027E
Funds from Operation	56,397	49,595	58,613
Funds from Investments	(64,139)	(51,034)	(53,000)
Other Capital	(4,561)	1,006	-
Capital Expenditures	(59,578)	(52,040)	(53,000)
Funds from Financing	10,495	(3,010)	(13,912)
Equity Offering	-	-	-
Debt	14,580	(2,921)	(10,000)
Dividend	-	-	-
<b>Net Change in Cash</b>	<b>2,753</b>	<b>(4,449)</b>	<b>(8,299)</b>

Netback (\$/boe)	2025A	2026E	2027E
Revenue	\$50.73	\$52.84	\$54.12
Processing Income	-	-	-
Hedging	\$4.04	\$4.66	\$4.79
Royalties	(\$10.65)	(\$10.30)	(\$10.55)
Op. Costs	(\$14.41)	(\$13.52)	(\$13.00)
Transportation	-	-	-
<b>Operating Netback</b>	<b>\$29.71</b>	<b>\$33.68</b>	<b>\$35.35</b>
Op. Netback (Ex Hedges)	\$25.67	\$29.02	\$30.57
G&A	(\$3.80)	(\$3.31)	(\$3.24)
Interest	-	(\$2.86)	(\$3.40)
Cash Taxes/Other	-	-	-
<b>Cash Flow Netback</b>	<b>\$25.91</b>	<b>\$27.51</b>	<b>\$28.71</b>

Source: Company reports, Granite Point Research

## Financial Model Summary

### Exhibit 2: Financial Model Summary

	2025A	1Q/26E	2Q/26E	3Q/26E	4Q/26E	2026E	1Q/27E	2Q/27E	3Q/27E	4Q/27E	2027E
<b>Income Statement (\$000)</b>											
<b>Revenue</b>											
Net Revenue	\$82,937	\$27,158	\$20,700	\$24,583	\$25,396	\$97,839	\$25,593	\$26,461	\$27,731	\$28,183	\$107,967
Realized gain (loss) on commodity contracts	7,810	(904)	3,547	2,608	1,908	9,906	2,378	2,663	2,958	3,223	11,222
<b>Total Revenue</b>	<b>101,853</b>	<b>951</b>	<b>24,247</b>	<b>27,192</b>	<b>27,305</b>	<b>107,745</b>	<b>27,971</b>	<b>29,124</b>	<b>30,689</b>	<b>31,406</b>	<b>119,189</b>
<b>Expenses</b>											
Operating and Transportation	27,846	8,130	6,507	6,997	7,116	28,748	7,206	7,460	7,841	7,981	30,487
General and administrative	7,354	2,057	1,663	1,663	1,663	7,045	1,900	1,900	1,900	1,900	7,600
Depletion and depreciation	24,331	6,364	6,120	6,581	6,694	26,005	6,778	7,017	7,376	7,507	28,678
Interest	-	-	2,199	1,870	2,004	6,073	2,065	2,016	1,966	1,916	7,964
<b>Total Expenses</b>	<b>61,943</b>	<b>17,129</b>	<b>17,070</b>	<b>17,691</b>	<b>18,057</b>	<b>70,208</b>	<b>18,530</b>	<b>18,973</b>	<b>19,664</b>	<b>19,886</b>	<b>77,053</b>
<b>EBIT</b>	<b>39,910</b>	<b>(16,178)</b>	<b>7,177</b>	<b>9,500</b>	<b>9,248</b>	<b>37,537</b>	<b>9,441</b>	<b>10,150</b>	<b>11,025</b>	<b>11,520</b>	<b>42,137</b>
<b>EBITDA</b>	<b>64,241</b>	<b>(9,814)</b>	<b>13,298</b>	<b>16,082</b>	<b>15,942</b>	<b>63,542</b>	<b>16,219</b>	<b>17,167</b>	<b>18,401</b>	<b>19,028</b>	<b>70,815</b>
<b>Adjusted EBITDA</b>	<b>53,286</b>	<b>16,213</b>	<b>13,542</b>	<b>16,326</b>	<b>16,186</b>	<b>62,266</b>	<b>11,248</b>	<b>17,411</b>	<b>18,645</b>	<b>19,272</b>	<b>66,576</b>
Adj. EBITDA per share (FD)	3.58	1.15	0.94	1.14	1.13	4.36	0.79	1.24	1.33	1.38	4.74
Adj. Funds Flow per share (FD)	3.22	1.01	0.81	1.03	1.02	3.87	0.67	1.12	1.21	1.27	4.27
<b>Income (loss) before taxes</b>	<b>30,409</b>	<b>(18,585)</b>	<b>4,411</b>	<b>7,066</b>	<b>6,682</b>	<b>27,364</b>	<b>6,816</b>	<b>7,578</b>	<b>8,505</b>	<b>9,053</b>	<b>31,953</b>
Total Taxes	(8,702)	4,082	(1,037)	(1,660)	(1,570)	(185)	(1,602)	(1,781)	(1,999)	(2,128)	(7,509)
<b>Net Income</b>	<b>\$21,707</b>	<b>(\$14,503)</b>	<b>\$3,375</b>	<b>\$5,405</b>	<b>\$5,112</b>	<b>\$27,179</b>	<b>\$5,214</b>	<b>\$5,797</b>	<b>\$6,507</b>	<b>\$6,926</b>	<b>\$24,444</b>
Income (loss) per share:											
Basic	1.50	(1.03)	0.24	0.39	0.37	1.94	0.38	0.42	0.48	0.51	1.79
Diluted	1.46	(1.03)	0.23	0.38	0.36	1.90	0.37	0.41	0.46	0.50	1.74
<b>Balance Sheet (\$000)</b>											
<b>Assets</b>											
Total Current Assets	36,487	43,638	28,378	30,262	29,471	29,471	27,257	28,204	24,739	17,601	17,601
Property, Plant and Equipment	255,406	258,245	251,583	244,689	237,683	237,683	227,308	217,768	208,791	200,756	200,756
Other Non-Current Assets	30,141	35,388	46,994	60,098	75,355	75,355	83,831	94,689	110,455	128,655	128,655
<b>Total Assets</b>	<b>322,034</b>	<b>337,271</b>	<b>326,954</b>	<b>335,049</b>	<b>342,509</b>	<b>342,509</b>	<b>338,396</b>	<b>340,662</b>	<b>343,985</b>	<b>347,012</b>	<b>347,012</b>
<b>Liabilities</b>											
Total Current Liabilities	38,226	66,979	46,555	42,585	38,615	38,615	38,615	38,615	38,615	38,615	38,615
Bank Debt	105,299	105,829	88,399	95,664	102,378	102,378	99,878	97,378	94,878	92,378	92,378
Other Non-Current Liabilities	24,446	24,692	27,224	29,017	30,714	30,714	32,437	34,334	36,443	38,675	38,675
<b>Total Liabilities</b>	<b>167,971</b>	<b>197,500</b>	<b>162,178</b>	<b>167,265</b>	<b>171,707</b>	<b>171,707</b>	<b>170,930</b>	<b>170,327</b>	<b>169,936</b>	<b>169,668</b>	<b>169,668</b>
<b>Shareholders' Equity</b>	<b>154,063</b>	<b>139,771</b>	<b>164,777</b>	<b>167,784</b>	<b>170,802</b>	<b>170,802</b>	<b>167,466</b>	<b>170,335</b>	<b>174,049</b>	<b>177,343</b>	<b>177,343</b>
Basic Shares Outstanding (000)	14,443	14,118	14,019	13,936	13,853	13,982	13,770	13,687	13,604	13,520	13,645
Diluted Shares Outstanding (000)	14,871	14,118	14,427	14,344	14,261	14,288	14,178	14,095	14,012	13,928	14,053
<b>Cash Flow Statement (\$000)</b>											
<b>Net cash from (used) in operating activities</b>	<b>56,397</b>	<b>5,328</b>	<b>27,661</b>	<b>7,102</b>	<b>9,504</b>	<b>49,595</b>	<b>9,183</b>	<b>15,396</b>	<b>16,679</b>	<b>17,355</b>	<b>58,613</b>
<b>Cash from Investments</b>											
Capex	(59,578)	(10,414)	(10,437)	(14,563)	(16,626)	(52,040)	(6,591)	(10,227)	(16,273)	(19,910)	(53,000)
<b>Net cash used in investing activities</b>	<b>(64,139)</b>	<b>(9,408)</b>	<b>(10,437)</b>	<b>(14,563)</b>	<b>(16,626)</b>	<b>(51,034)</b>	<b>(6,591)</b>	<b>(10,227)</b>	<b>(16,273)</b>	<b>(19,910)</b>	<b>(53,000)</b>
<b>Cash from financing activities</b>	<b>10,495</b>	<b>(369)</b>	<b>(17,224)</b>	<b>7,461</b>	<b>7,122</b>	<b>(3,010)</b>	<b>(3,478)</b>	<b>(3,478)</b>	<b>(3,478)</b>	<b>(3,478)</b>	<b>(13,912)</b>
<b>Change in cash</b>	<b>2,753</b>	<b>(4,449)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,449)</b>	<b>(886)</b>	<b>1,691</b>	<b>(3,072)</b>	<b>(6,032)</b>	<b>(8,299)</b>
<b>Cash end of period</b>	<b>4,564</b>	<b>115</b>	<b>115</b>	<b>115</b>	<b>115</b>	<b>115</b>	<b>(771)</b>	<b>920</b>	<b>(2,152)</b>	<b>(8,184)</b>	<b>(8,184)</b>

Source: Company reports, Granite Point Research

## Key Metrics and Assumptions

### Exhibit 3: Key Assumptions and Metrics

	2025A	1Q/26E	2Q/26E	3Q/26E	4Q/26E	2026E	1Q/27E	2Q/27E	3Q/27E	4Q/27E	2027E
<b>Days in period</b>	365	90	91	92	92	365	90	91	92	92	365
<b>Assumptions - CPR Model</b>											
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	88.12	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	2.12	2.61	2.95	3.56	3.14	3.22	3.22	3.22	3.22	3.22
<b>Production</b>											
Oil & NGLs (boe/d)	3,626	4,187	3,700	4,370	4,450	4,178	4,742	4,849	5,041	5,128	4,941
Natural Gas (Mcf/d)	10,020	10,909	10,800	8,880	9,000	9,889	8,500	8,740	9,090	9,270	8,903
<b>Total Production (boe/d)</b>	<b>5,296</b>	<b>6,005</b>	<b>5,500</b>	<b>5,850</b>	<b>5,950</b>	<b>5,826</b>	<b>6,159</b>	<b>6,306</b>	<b>6,556</b>	<b>6,673</b>	<b>6,425</b>
% Gas	31.5%	30.3%	32.7%	25.3%	25.2%	28.3%	23.0%	23.1%	23.1%	23.2%	23.1%
YoY Growth	(8.3%)	14.1%	(2.3%)	11.4%	18.1%	10.0%	2.6%	14.6%	12.1%	12.2%	10.3%
% Liquids Hedged	16.6%	-	-	-	-	1.2%	-	-	-	-	-
% Natural Gas Hedged	43.8%	-	-	-	-	73.4%	-	-	-	-	47.9%
<b>Netbacks (\$/boe)</b>											
Realized Corporate Price	50.73	55.46	47.78	53.39	54.34	52.84	54.11	54.14	54.13	54.09	54.12
Realized Hedging Gain (Loss)	4.04	-	7.09	4.85	3.49	4.66	4.29	4.64	4.90	5.25	4.79
Royalties	10.65	7.82	9.32	10.41	10.60	10.30	10.55	10.56	10.56	10.55	10.55
<b>Net Revenue</b>	<b>36.04</b>	<b>47.64</b>	<b>31.37</b>	<b>38.14</b>	<b>40.26</b>	<b>37.88</b>	<b>39.27</b>	<b>38.95</b>	<b>38.67</b>	<b>38.30</b>	<b>38.78</b>
Operating & Transportation Costs	14.41	15.04	13.00	13.00	13.00	13.52	13.00	13.00	13.00	13.00	13.00
Less Midstream and Other Costs	-	(0.53)	-	-	-	-	-	-	-	-	-
<b>Field Netback</b>	<b>21.63</b>	<b>33.14</b>	<b>18.37</b>	<b>25.14</b>	<b>27.26</b>	<b>24.36</b>	<b>26.27</b>	<b>25.95</b>	<b>25.67</b>	<b>25.30</b>	<b>25.78</b>
Interest	-	-	4.39	3.47	3.66	2.86	3.73	3.51	3.26	3.12	3.40
SG&A	3.80	3.81	3.32	2.93	3.04	3.31	3.43	3.31	3.15	3.09	3.24
<b>Cash Netback (\$/boe)</b>	<b>17.83</b>	<b>0.37</b>	<b>3.58</b>	<b>4.19</b>	<b>3.88</b>	<b>18.19</b>	<b>6.33</b>	<b>9.19</b>	<b>9.49</b>	<b>9.81</b>	<b>19.14</b>
<b>Cash Flow Metrics</b>											
Cash Flow (\$000)	53,286	14,269	11,680	14,793	14,519	62,266	9,520	15,733	17,016	17,692	66,576
CFPS - Basic	3.18	1.01	0.81	1.04	1.02	3.88	0.67	1.12	1.23	1.28	4.30
CFPS - Diluted	3.08	1.01	0.79	1.01	0.99	3.80	0.65	1.09	1.19	1.25	4.17
Capital Expenditures	(60,632)	(10,414)	(10,437)	(14,563)	(16,626)	(52,040)	(6,591)	(10,227)	(16,273)	(19,910)	(53,000)
Dividend	-	-	-	-	-	-	-	-	-	-	-
<b>Free Cash Flow (\$000)</b>	<b>(12,701)</b>	<b>3,855</b>	<b>1,243</b>	<b>230</b>	<b>(2,107)</b>	<b>4,907</b>	<b>2,929</b>	<b>5,506</b>	<b>743</b>	<b>(2,217)</b>	<b>6,961</b>
<b>Valuation and Leverage Ratios</b>											
EV/EBITDA	2.97	-	-	-	-	2.94	-	-	-	-	2.56
EV/BOEPPD	36,085	-	-	-	-	32,067	-	-	-	-	28,165
EV/DACF	3.59	11.52	13.67	11.30	11.50	3.00	16.35	10.26	9.53	9.36	2.72
FCF Yield (% Market Cap)	(17.1%)	-	-	-	-	6.8%	-	-	-	-	9.9%
FCF Yield (% EV)	(6.6%)	-	-	-	-	2.6%	-	-	-	-	3.8%
Net Debt (\$000)	116,723	113,985	112,873	112,784	114,821	114,821	113,035	108,088	107,554	110,692	110,692
Net Debt/EBITDA	1.82	(11.61)	8.49	7.01	7.20	1.81	6.97	6.30	5.85	5.82	1.56
Net Debt/CF	2.19	7.99	9.66	7.62	7.91	1.84	11.87	6.87	6.32	6.26	1.66

Source: Company reports, Granite Point Research

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I, John Stephenson, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. Furthermore, I certify that (i) to the best of my knowledge, that I am not in receipt of material non-public information about the issuer, (ii) that I do not own common shares, options, or warrants in the company under coverage, and (iii) that I have adhered to the CFA Institute guidelines for analyst objectivity.

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RATING	COVERED COMPANIES
BUY	4
HOLD	
SELL	

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