July 2, 2026

GRANITE POINT RESEARCH

Highwood Asset Management Ltd.

HAM-TSXV	Rating	Price: Jun-30	Target	Total Rtn
	BUY	**$4.74**	**$9.50** ↑	**100%**

Highwood Completes Sale of Wilson Creek Assets

Bottom Line:

Highwood Asset Management Ltd. (HAM – TSXV) closed (June 30) its previously announced sale of its Wilson Creek assets to Obsidian Energy (OBE – TSX, not covered) for total consideration of up to $112 million. The $112 million is comprised of $105 million in cash, which was reduced to $98 million after interim closing adjustments and up to $7 million in contingent consideration (paid 3Q2026, 4Q2026, 1Q2027 and 2Q2027 based on WTI prices). The cash proceeds were used to pay down the Company's debt, leaving approximately $15 million on Highwood's reduced ($75 million) credit facility. The increased financial flexibility offers Highwood the ability to pursue development of organic opportunities, acquisitions and return of capital to shareholders. **We view the debt reduction as positive, and we are raising our target price to $9.50.**

Key Points

Balance sheet significantly improved. Net debt moves to ~$15 million (down from $114 million pre-transaction) which affords Highwood significant flexibility to accelerate growth at Brazeau, consider strategic acquisitions and develop early-stage opportunities in its portfolio and/or return capital. The Company's syndicated credit facility was reduced to $75 million, and the facility was extended by one year to August 1, 2028.

Inaugural Normal Course Issuer Bid (NCIB) planned for H2/2026. Highwood intends to implement an NCIB in the second half of 2026, subject to approval by the Board of Directors and acceptance by the TSX Venture Exchange.

Focus shifts to Brazeau. Continued drilling success in the Basal Belly River at Brazeau coupled with the recently commenced waterflood should lower base declines and extend reserve life. Single well economics remain compelling with a ~2.6x Recycle Ratio and a 12-month before-tax payback at US$65 WTI at Brazeau.

Highwood's Mannville stack lands could offer further upside. Recent industry success proximal to Highwood's Mannville stack lands using horizontal technology is encouraging. These lands offer multiple opportunities, including steam-assisted gravity drainage (SAGD) projects. The Company intends to deploy capital to these assets before year end and continues to add to its position in the area through multiple Crown acquisitions.

The Company is exploring strategic options for its lithium, critical mineral, and rare earth element assets. Highwood has seen interest from potential strategic partners and believes there is strong potential to access government funding support.

Important Disclosures: See pages 5-6

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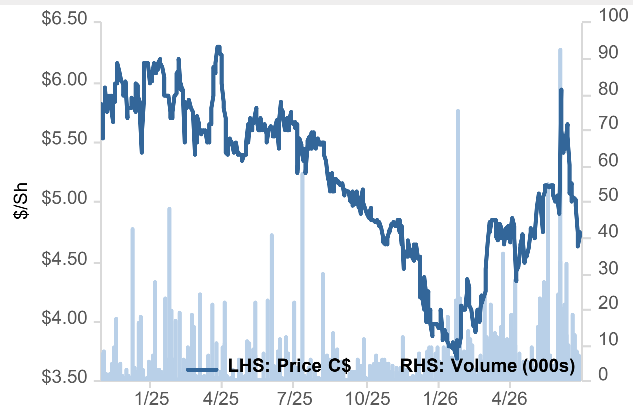

Source: FactSet

Market Data

Dividend	$0.00	Shares O/S (mm)	15.2
Yield	0.0%	Market Cap (mm)	$72.0
EV (mm)	$87.0	Net Debt (mm)	$15.0

FYE Dec	2025A	2026E	2027E
Total Prod (boe/d)	5,296	4,899	4,068
Gas (%)	32	27	16
CFPS FD (C$)	3.08	3.71	4.21
EV/BOEPD (C$)	35,643	20,704	20,356
EV/DACF (x)	3.50	1.80	1.40
D/CF	2.2	0.5	0.2

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 area of production is at Brazeau in west-central Alberta.

Our Thesis

Highwood is an oil-weighted producer (~70%) with key assets focused on the Brazeau area. The Company has high insider ownership and is focused on increasing production through acquisition and/or organically in the mid-term.

Operational and Financial Highlights

Exhibit 1: Operational and Financial Highlights

Valuation	2025A	2026E	2027E
EBITDA	64,241	59,094	59,303
DACF	53,286	57,818	60,279
EV/DACF	3.5x	1.8x	1.4x
EV/boe/d	$35,643	$20,704	$20,356
D/CF	2.2x	0.5x	0.2x
EV/EBITDA	2.9x	1.7x	1.4x

Per Share	2025A	2026E	2027E
CFPS (FD)	$3.08	$3.71	$4.21
CFPS (Basic)	$3.18	$3.79	$4.33
Dividend/Share	-	-	-
Drip Participation	-	-	-

Production	2025A	2026E	2027E
Light Oil (bbls/d)	2,773	2,887	3,056
Medium/Heavy Oil (bbls/d)	-	-	-
NGL (bbls/d)	853	676	351
Total Liquids (bbls/d)	**3,626**	**3,563**	**3,407**
Natural Gas (mcf/d)	10,020	8,016	3,966
Total (boe/d) (6:1)	**5,296**	**4,899**	**4,068**
% Gas	*32%*	*27%*	*16%*

Growth / Key Metrics	2025A	2026E	2027E
CFPS Growth Y/Y	(34%)	20%	14%
Production/Share Growth Y/Y	(7%)	(4%)	(16%)
Simple Payout (Dividend)	-	-	-
Total Payout (Capex+Div)	112%	83%	64%
Cashflow Margin	52%	60%	67%
D/CF	2.2x	0.5x	0.2x
D/EBITDA	1.8x	0.5x	0.2x

Net Asset Value	Memo: Pre-transaction $/Sh (FY20	P/NAV	
PDP	$8.13	1.1x	n.a.
1P	$22.53	0.4x	n.a.
2P	$41.34	0.2x	n.a.
Risked	$20.03	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
WA FD 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	6,828
Current Assets	36,487	24,117	26,732
PP&E	255,406	167,823	141,415
Other	30,141	65,005	102,438
Total Assets	**322,034**	**256,945**	**270,585**
Total Debt	105,299	11,586	1,586
Total Liabilities	167,971	87,227	86,556
Total Liabilities & Equity	**322,034**	**256,945**	**270,585**

Funds Flow ($000)	2025A	2026E	2027E
Funds from Operation	56,397	53,671	59,125
Funds from Investments	(64,139)	51,004	(38,500)
Other Capital	(4,561)	99,006	-
Capital Expenditures	(59,578)	(48,002)	(38,500)
Funds from Financing	10,495	(109,124)	(13,912)
Equity Offering	-	-	-
Debt	14,580	(93,713)	(10,000)
Dividend	-	-	-
Net Change in Cash	**2,753**	**(4,449)**	**6,713**

Netback ($/boe)	2025A	2026E	2027E
Revenue	$50.73	$54.50	$60.79
Processing Income	-	-	-
Hedging	$4.04	$5.54	$7.56
Royalties	($10.65)	($10.63)	($11.85)
Op. Costs	($14.41)	($13.62)	($13.00)
Transportation	-	-	-
Operating Netback	**$29.71**	**$35.79**	**$43.49**
Op. Netback (Ex Hedges)	$25.67	$30.25	$35.93
G&A	($3.80)	($3.94)	($5.12)
Interest	-	($1.62)	($0.78)
Cash Taxes/Other	-	-	-
Cash Flow Netback	**$25.91**	**$30.23**	**$37.60**

Source: Company reports, Granite Point Research

Financial Model Summary

Exhibit 2: Financial Model Summary

	2025A	1Q/26E	2Q/26E	3Q/26E	4Q26E	2026E	1Q/27E	2Q/27E	3Q/27E	4Q/27E	2027E
Income Statement ($000)											
Revenue											
Net Revenue	**$82,937**	**$27,158**	**$20,700**	**$18,710**	**$19,252**	**$85,821**	**$17,685**	**$19,300**	**$20,045**	**$21,433**	**$78,463**
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
Total Revenue	**101,853**	**951**	**24,247**	**21,318**	**21,160**	**95,727**	**20,063**	**21,963**	**23,003**	**24,656**	**89,685**
Expenses											
Operating and Transportation	27,846	8,130	6,507	4,866	4,846	24,347	4,351	4,728	4,943	5,282	19,304
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	4,577	4,559	21,865	4,093	4,447	4,650	4,968	18,158
Interest	-	-	2,199	494	210	2,903	363	313	264	214	1,154
Total Expenses	**61,943**	**17,129**	**17,070**	**12,180**	**11,858**	**58,498**	**11,287**	**11,969**	**12,338**	**12,945**	**48,540**
EBIT	**39,910**	**(16,178)**	**7,177**	**9,138**	**9,302**	**37,229**	**8,775**	**9,994**	**10,664**	**11,711**	**41,145**
EBITDA	**64,241**	**(9,814)**	**13,298**	**13,715**	**13,860**	**59,094**	**12,868**	**14,441**	**15,314**	**16,679**	**59,303**
Adjusted EBITDA	**53,286**	**16,213**	**13,542**	**13,959**	**14,104**	**57,818**	**13,112**	**14,685**	**15,558**	**16,923**	**60,279**
Adj. EBITDA per share (FD)	**3.58**	**1.15**	**0.94**	**0.97**	**0.99**	**4.05**	**0.92**	**1.04**	**1.11**	**1.22**	**4.29**
Adj. Funds Flow per share (FD)	**3.22**	**1.01**	**0.81**	**0.96**	**1.00**	**3.78**	**0.92**	**1.04**	**1.12**	**1.22**	**4.30**
Income (loss) before taxes	**30,409**	**(18,585)**	**28,411**	**8,080**	**8,530**	**54,226**	**7,853**	**9,124**	**9,847**	**10,946**	**37,770**
Total Taxes	(8,702)	4,082	(6,677)	(1,899)	(2,005)	(6,498)	(1,845)	(2,144)	(2,314)	(2,572)	(8,876)
Net Income	**$21,707**	**($14,503)**	**$21,735**	**$6,181**	**$6,526**	**$47,728**	**$6,008**	**$6,980**	**$7,533**	**$8,374**	**$28,894**
Income (loss) per share:											
Basic	1.50	(1.03)	1.55	0.44	0.47	3.41	0.44	0.51	0.55	0.62	2.12
Diluted	1.46	(1.03)	1.51	0.43	0.46	3.34	0.42	0.50	0.54	0.60	2.06
Balance Sheet ($000)											
Assets											
Total Current Assets	36,487	43,638	52,744	25,145	24,117	24,117	26,108	29,582	28,625	26,732	26,732
Property, Plant and Equipment	255,406	258,245	177,583	172,694	167,823	167,823	160,133	153,163	146,911	141,415	141,415
Other Non-Current Assets	30,141	35,388	40,404	51,845	65,005	65,005	71,062	78,657	89,758	102,438	102,438
Total Assets	**322,034**	**337,271**	**270,731**	**249,683**	**256,945**	**256,945**	**257,303**	**261,403**	**265,294**	**270,585**	**270,585**
Liabilities											
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	15,000	-	11,586	11,586	9,086	6,586	4,086	1,586	1,586
Other Non-Current Liabilities	24,446	24,692	32,864	34,895	37,026	37,026	38,993	41,253	43,677	46,354	46,354
Total Liabilities	**167,971**	**197,500**	**94,419**	**77,480**	**87,227**	**87,227**	**86,694**	**86,454**	**86,379**	**86,556**	**86,556**
Shareholders' Equity	**154,063**	**139,771**	**176,312**	**172,204**	**169,718**	**169,718**	**170,609**	**174,949**	**178,916**	**184,029**	**184,029**
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**
Cash Flow Statement ($000)											
Net cash from (used) in operating activities	**56,397**	**5,328**	**27,661**	**11,229**	**9,453**	**53,671**	**12,749**	**14,372**	**15,295**	**16,709**	**59,125**
Cash from Investments											
Capex	(59,578)	(10,414)	(9,487)	(13,138)	(14,963)	(48,002)	(4,416)	(7,327)	(11,923)	(14,835)	(38,500)
Net cash used in investing activities	**(64,139)**	**(9,408)**	**88,513**	**(13,138)**	**(14,963)**	**51,004**	**(4,416)**	**(7,327)**	**(11,923)**	**(14,835)**	**(38,500)**
Cash from financing activities	**10,495**	**(369)**	**(91,807)**	**(22,458)**	**5,510**	**(109,124)**	**(3,478)**	**(3,478)**	**(3,478)**	**(3,478)**	**(13,912)**
Change in cash	**2,753**	**(4,449)**	**24,367**	**(24,367)**	**-**	**(4,449)**	**4,855**	**3,567**	**(106)**	**(1,603)**	**6,713**
Cash end of period	**4,564**	**115**	**24,482**	**115**	**115**	**115**	**4,970**	**8,537**	**8,431**	**6,828**	**6,828**

Source: Company reports, Granite Point Research

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Key Metrics and Assumptions

Exhibit 3: Key Assumptions and Metrics

		2025A	1Q/26E	2Q/26E	3Q/26E	4Q26E	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 - GPR 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$/C$)	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$/Mcf)	1.90	2.12	2.61	2.95	3.56	3.14	3.22	3.22	3.22	3.22	3.22
Production												
Oil & NGLs	(boe/d)	3,626	4,187	3,700	3,164	3,215	3,563	3,089	3,354	3,457	3,721	3,407
Natural Gas	(Mcf/d)	10,020	10,909	10,800	5,428	5,020	8,016	3,777	3,857	4,056	4,169	3,966
Total Production	(boe/d)	**5,296**	**6,005**	**5,500**	**4,068**	**4,052**	**4,899**	**3,719**	**3,996**	**4,133**	**4,416**	**4,068**
% Gas		*31.5%*	*30.3%*	*32.7%*	*22.2%*	*20.6%*	*27.3%*	*16.9%*	*16.1%*	*16.4%*	*15.7%*	*16.2%*
YoY Growth		*(8.3%)*	*14.1%*	*(2.3%)*	*(22.5%)*	*(19.6%)*	*(7.5%)*	*(38.1%)*	*(27.3%)*	*1.6%*	*9.0%*	*(17.0%)*
% Liquids Hedged		*16.6%*					*1.4%*					-
% Natural Gas Hedged		*43.8%*					*90.6%*					*93.9%*
Netbacks	($/boe)											
Realized Corporate Price		50.73	55.46	47.78	57.28	59.32	54.50	60.26	60.97	60.74	61.10	60.79
Realized Hedging Gain (Loss)		4.04	-	7.09	6.97	5.12	5.54	7.11	7.32	7.78	7.93	7.56
Royalties		10.65	7.82	9.32	11.17	11.57	10.63	11.75	11.89	11.85	11.91	11.85
Net Revenue		**36.04**	**47.64**	**31.37**	**39.15**	**42.63**	**38.33**	**41.40**	**41.76**	**41.12**	**41.25**	**41.38**
Operating & Transportation Costs		14.41	15.04	13.00	13.00	13.00	13.62	13.00	13.00	13.00	13.00	13.00
Less Midstream and Other Costs		-	(0.53)	-	-	-	-	-	-	-	-	-
Field Netback		**21.63**	**33.14**	**18.37**	**26.15**	**29.63**	**24.71**	**28.40**	**28.76**	**28.12**	**28.25**	**28.38**
Interest		-	-	4.39	1.32	0.56	1.62	1.08	0.86	0.69	0.53	0.78
SG&A		3.80	3.81	3.32	2.93	4.46	3.94	5.68	5.22	5.00	4.68	5.12
Cash Netback ($/boe)		**17.83**	**0.37**	**3.58**	**4.19**	**3.88**	**19.15**	**6.33**	**9.19**	**9.49**	**9.81**	**22.48**
Cash Flow Metrics												
Cash Flow	($000)	53,286	14,269	11,680	13,803	14,232	57,818	13,086	14,709	15,632	17,046	60,279
CFPS - Basic		3.18	1.01	0.81	0.97	1.00	3.79	0.93	1.05	1.12	1.24	4.33
CFPS - Diluted		3.08	1.01	0.79	0.94	0.97	3.71	0.90	1.02	1.09	1.20	4.21
Capital Expenditures		(59,578)	(10,414)	-9,487	-13,138	-14,963	(48,002)	(4,416)	-7,327	-11,923	-14,835	(38,500)
Dividend		-	-	-	-	-	-	-	-	-	-	-
Free Cash Flow	($000)	(12,701)	3,855	2,193	665	-731	8,380	8,670	7,382	3,709	2,212	21,973
Valuation and Leverage Ratios												
EV/EBITDA		2.94					1.72					1.40
EV/BOEPD		35,643					20,704					20,356
EV/DACF		3.54	11.16	6.02	6.33	6.74	1.75	6.76	5.50	4.97	4.42	1.37
FCF Yield (% Market Cap)		(17.6%)					11.6%					30.5%
FCF Yield (% EV)		(6.7%)					8.3%					26.5%
Net Debt	($000)	116,723	113,985	15,107	22,237	29,382	29,382	23,392	15,918	12,875	10,769	10,769
Net Debt/EBITDA		1.82	(11.61)	1.14	1.62	2.12	0.50	1.82	1.10	0.84	0.65	0.18
Net Debt/CF		2.19	7.99	1.29	1.61	2.06	0.51	1.79	1.08	0.82	0.63	0.18

Source: Company reports, Granite Point Research

Important Disclosures

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RATING	COVERED COMPANIES
BUY	4
HOLD	
SELL	

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