



**HIGHWOOD**

**ASSET MANAGEMENT LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2026**

*(unaudited)*

**Highwood Asset Management Ltd.**  
**Condensed Interim Consolidated Statement of Financial Position**

(all tabular amounts expressed in thousands of Canadian dollars)

(unaudited)	Note	As at March 31, 2026	As at December 31, 2025
<b>Assets</b>			
Current assets			
Cash	13(a)	\$ 115	\$ 4,564
Accounts receivable	13(a)	41,029	17,094
Deposits and prepaid expenses		2,494	2,833
Commodity contracts	13(b)	-	11,996
Total current assets		43,638	36,487
Reclamation deposits		18	18
Commodity contracts	13(b)	310	507
Exploration and evaluation assets	3	12,954	11,528
Property, plant and equipment	4	258,245	255,406
Right-of-use assets		107	171
Deferred tax asset		21,999	17,917
Total assets		\$ 337,271	\$ 322,034
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 51,794	\$ 35,915
Commodity contracts	13(b)	12,953	-
Current portion of decommissioning liabilities	6	2,100	2,100
Current portion of lease liabilities		132	211
Total current liabilities		66,979	38,226
Bank debt	5	105,829	105,299
Commodity contracts	13(b)	157	-
Decommissioning liabilities	6	24,535	24,446
Total liabilities		197,500	167,971
<b>Shareholders' Equity</b>			
Share capital	7	57,755	58,281
Warrant reserve	8	1,062	1,062
Share-based compensation reserve	11	8,452	7,715
Retained earnings		72,502	87,005
Total equity		139,771	154,063
Total liabilities and shareholders' equity		\$ 337,271	\$ 322,034

Subsequent events (note 5, 13(b))

Commitments (note 13(c))

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

Approved by the Board: "Signed", Stephen J Holyoake, Director

"Signed", Ray Kwan, Director

**Highwood Asset Management Ltd.****Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)**

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

(unaudited)

	Note	Three Months Ended March 31, 2026	Three Months Ended March 31, 2025
<b>Revenue</b>			
Petroleum and natural gas sales	9	\$ 29,974	\$ 27,980
Royalties		(4,237)	(6,738)
Transportation pipeline revenues		365	599
Royalty and other income		1,056	866
		<b>27,158</b>	22,707
Realized loss on commodity contracts	13(b)	(904)	(115)
Unrealized loss on commodity contracts	13(b)	(25,303)	(1,582)
Total revenue, net of royalties and commodity contracts		<b>951</b>	21,010
<b>Expenses</b>			
Operating and transportation		8,130	6,970
General and administrative	4	2,057	1,865
Exploration and evaluation expenditures	3	14	87
Depletion and depreciation	4, 6	6,364	6,006
Share-based compensation	4, 11	564	475
Total expenses		<b>17,129</b>	15,403
Operating income (loss)		<b>(16,178)</b>	5,607
Other expenses			
Finance expenses	10	2,407	2,334
Total other expenses		<b>2,407</b>	2,334
Income (loss) before taxes		<b>(18,585)</b>	3,273
Deferred tax recovery (expense)		4,082	(918)
Income (loss) and comprehensive income (loss) for the period		<b>\$ (14,503)</b>	\$ 2,355
Income (loss) per share:			
Basic	7(c)	\$ (1.03)	\$ 0.16
Diluted		\$ (1.03)	\$ 0.16

*See the accompanying Notes to the Condensed Interim Consolidated Financial Statements*

**Highwood Asset Management Ltd.**  
**Condensed Interim Consolidated Statement of Changes in Shareholders' Equity**

(all tabular amounts expressed in thousands of Canadian dollars)

(unaudited)

	Note	Share capital, net of treasury shares	Warrant reserve	Share-based compensation reserve	Retained Earnings	Total equity
Balance, January 1, 2025		\$ 60,850	\$ 1,062	\$ 4,877	\$ 65,298	\$ 132,087
Exercise of restricted share units	11	7	-	(7)	-	-
Purchase of shares held in trust	7, 11	(610)	-	-	-	(610)
Share-based compensation	4, 11 (d)	-	-	604	-	604
<b>Income and comprehensive income for the period</b>		-	-	-	2,355	2,355
<b>Balance, March 31, 2025</b>		<b>\$ 60,247</b>	<b>\$ 1,062</b>	<b>\$ 5,474</b>	<b>\$ 67,653</b>	<b>\$ 134,436</b>
<b>Balance, January 1, 2026</b>		<b>\$ 58,281</b>	<b>\$ 1,062</b>	<b>\$ 7,715</b>	<b>\$ 87,005</b>	<b>\$ 154,063</b>
<b>Exercise of restricted share units</b>	<b>11</b>	<b>94</b>	<b>-</b>	<b>(94)</b>	<b>-</b>	<b>-</b>
<b>Purchase of shares held in trust</b>	<b>7, 11</b>	<b>(620)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(620)</b>
<b>Share-based compensation</b>	<b>4, 11 (d)</b>	<b>-</b>	<b>-</b>	<b>831</b>	<b>-</b>	<b>831</b>
<b>Loss and comprehensive loss for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,503)</b>	<b>(14,503)</b>
<b>Balance, March 31, 2026</b>		<b>\$ 57,755</b>	<b>\$ 1,062</b>	<b>\$ 8,452</b>	<b>\$ 72,502</b>	<b>\$ 139,771</b>

*See the accompanying Notes to the Condensed Interim Consolidated Financial Statements*

**Highwood Asset Management Ltd.**  
**Condensed Interim Consolidated Statement of Cash Flows**

(all tabular amounts expressed in thousands of Canadian dollars)		<b>Three Months Ended March 31,</b>	
(unaudited)	Note	<b>2026</b>	<b>2025</b>
<b>Cash provided by (and used in)</b>			
<b>Operating activities</b>			
Income (loss) for the period		\$ (14,503)	\$ 2,355
Items not involving cash:			
Unrealized loss on commodity contracts	13(b)	25,303	1,582
Exploration and evaluation expenditures	3	14	87
Depletion and depreciation expense	4, 6	6,364	6,006
Finance expense	10	448	548
Deferred tax expense (recovery)		(4,082)	918
Share-based compensation	11	522	433
Other		203	55
Cash abandonment expenditures	6	(15)	(80)
Change in non-cash working capital	12	(8,926)	4,348
<i>Net cash from operating activities</i>		<b>5,328</b>	<b>16,252</b>
<b>Financing activities</b>			
Payments of lease obligations		(83)	(93)
Bank debt	5	334	3,054
Debt issue costs	5	-	(14)
Purchase of shares held in trust	7, 11	(620)	(610)
Changes in non-cash working capital	12	-	(14)
<i>Net cash from (used in) financing activities</i>		<b>(369)</b>	<b>2,323</b>
<b>Investing activities</b>			
Additions to property, plant and equipment	4	(8,974)	(32,669)
Additions to exploration and evaluation assets	3	(1,440)	(1,557)
Proceeds on disposition of assets held for sale		-	1,054
Change in non-cash working capital	12	1,006	18,019
<i>Net cash used in investing activities</i>		<b>(9,408)</b>	<b>(15,153)</b>
<b>Change in cash</b>		<b>\$ (4,449)</b>	<b>\$ 3,422</b>
<b>Cash, beginning of period</b>		<b>4,564</b>	<b>1,811</b>
<b>Cash, end of period</b>		<b>\$ 115</b>	<b>\$ 5,233</b>
Supplemental cash flow information	12		

*See the accompanying Notes to the Condensed Interim Consolidated Financial Statements*

**Highwood Asset Management Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**

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Three months ended March 31, 2026 and 2025

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

(unaudited)

**1. REPORTING ENTITY**

Highwood Asset Management Ltd. (the “Company”) is a public company engaged in the ownership and oversight of various operations with a primary focus on oil and gas production, with operations also in midstream energy and land holdings of metallic minerals. The Company incorporated in Alberta, Canada on August 24, 2012. The Company conducts its operations in Western Canada, primarily in the province of Alberta. The Company’s principal place of business is located at 1100, 250 – 2<sup>nd</sup> Street SW, Calgary, Alberta, T2P 0C1.

The Company’s common shares and warrants trade on the TSX Venture Exchange (“TSX-V”) under the symbol “HAM” and “HAM.WT”.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries at March 31, 2026, Castlegate Energy Partnership, 2312882 Alberta Ltd., Cataract Creek Environmental Ltd., Renewable EV Battery Cleantech Corp. and 2339364 Alberta Ltd. Cataract Creek Environmental Ltd., Renewable EV Battery Cleantech Corp. and 2339364 Alberta Ltd. are currently inactive.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 13, 2026.

**2. BASIS OF PREPARATION**

(a) Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34, “Interim Financial Reporting”, under IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). Certain information and disclosures normally included in the annual consolidated financial statements have been condensed or omitted.

The condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2025 and the notes thereto.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except as detailed in the material accounting policy information disclosed in note 3 of the Company’s audited consolidated financial statements for the year ended December 31, 2025. All material accounting policy information and methods of computation followed in the preparation of these condensed interim consolidated financial statements are consistent with those of the previous financial year.

(b) Management’s significant accounting judgments, estimates and assumptions

The timely preparation of the condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts of income and expenses during the reporting period. Estimates are more difficult to determine and the range of potential outcomes can be wider, in periods of higher volatility and uncertainty. The impact of various events such as the Middle East conflicts and the United States interventions in Venezuela along with the imposition of United States tariffs on Canadian imported goods and their impact on energy markets and general market conditions have created a higher level of volatility and uncertainty. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**Highwood Asset Management Ltd.**  
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Significant estimates, judgments and assumptions made by management in the preparation of these condensed interim financial statements can be found in note 2(d) of the Company's annual consolidated financial statements for the year ended December 31, 2025. There have been no changes during the three months ended March 31, 2026 related to significant estimates and judgments used in the preparation of the condensed interim consolidated financial statements.

**3. EXPLORATION AND EVALUATION ASSETS**

Evaluation and evaluation assets are comprised of the following:

	<b>March 31, 2026</b>	December 31, 2025
Balance, beginning of period	<b>\$ 11,528</b>	\$ 8,044
Additions	<b>1,440</b>	4,204
Acquisition	-	47
Transfers to property, plant and equipment (note 4)	-	(680)
Land lease expiries	<b>(14)</b>	(87)
<b>Balance, end of period</b>	<b>\$ 12,954</b>	\$ 11,528

Exploration and evaluation assets include undeveloped lands, seismic, mineral leases and unproved properties where management has not fully evaluated for technical feasibility and commercial viability.

Additions during the three months ended March 31, 2026 mainly related to the renewal of undeveloped mineral leases.

**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>March 31, 2026</b>	December 31, 2025
<b>COSTS</b>		
Balance, beginning of period	<b>\$ 319,815</b>	\$ 262,994
Change in decommissioning liabilities (note 6)	<b>(93)</b>	(3,664)
Additions	<b>9,283</b>	57,883
Acquisition	-	1,922
Transferred from exploration and evaluation assets (note 3)	-	680
<b>Balance, end of period</b>	<b>\$ 329,005</b>	\$ 319,815
<b>ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT</b>		
Balance, beginning of period	<b>\$ (64,409)</b>	\$ (40,493)
Depletion and depreciation	<b>(6,351)</b>	(23,916)
<b>Balance, end of period</b>	<b>\$ (70,760)</b>	\$ (64,409)
<b>Net book value</b>	<b>\$ 258,245</b>	\$ 255,406

During the three months ended March 31, 2026, the Company capitalized \$390 thousand (three months ended March 31, 2025 - \$410 thousand) of general and administrative costs and \$309 thousand (three months ended March 31, 2025 - \$171 thousand ) of share-based compensation costs directly related to exploration and drilling activities.

Depletion

Future development costs of \$440.9 million (March 31, 2025 - \$419.5 million) associated with the development of the Company's proved plus probable reserves were included in the calculation of depletion for the three months ended March 31, 2026. Future development costs are only included for CGUs with production.

**Highwood Asset Management Ltd.**  
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*Impairment and Impairment Reversal*

As at March 31, 2026, no impairment losses or reversals were recognized.

**5. BANK DEBT**

	<b>March 31, 2026</b>	December 31, 2025
<u>Credit facilities</u>		
Syndicated prime loans	\$ 1,000	\$ 3,000
Syndicated CORRA loans	105,000	103,000
Total Syndicated loan facility	\$ 106,000	\$ 106,000
Operating facility	334	-
Total draw, end of period	\$ 106,334	\$ 106,000
Deferred debt issuance costs	(701)	(1,745)
Amortization of debt issue costs (note 10)	196	1,044
Balance credit facilities, end of period	\$ 105,829	\$ 105,299

The Company has an Amended and Restated Credit Agreement (the “ARCA”). The ARCA is comprised of senior secured extendible revolving credit facilities in the aggregate principal amount of up to \$140 million with a syndicate of banks. The ARCA is comprised of revolving credit facilities consisting of a \$10 million operating facility and a syndicated loan facility to a maximum of \$130 million. The ARCA allows the Company to enter into Letters of Credit up to a maximum of \$20 million. The term out date of the ARCA is August 2, 2026.

The ARCA bears interest which is payable monthly at the Bank’s prime rate plus an applicable margin of 2.50% to 5.00% on prime rate loans and 3.50% to 6.00% on margin on SOFR loans, margin on Canadian Overnight Repo Rate Average (“CORRA”) loans and issue fees for letters of credit, as determined by reference to the Company’s consolidated total debt to EBITDA ratio (as defined in the credit facility agreement). At March 31, 2026, the Company had an effective interest rate of prime plus 3.25% per annum on prime-based loans under the ARCA and CORRA plus 4.25% on CORRA-based loans under the ARCA.

The ARCA has a revolving period of 365 days, extendible annually at the request of the Company, subject to approval of the lenders thereunder. If not extended, the ARCA is anticipated to automatically convert to a term loan and all outstanding obligations will be repayable one year after the expiry of the revolving period and the Company will not be entitled to any further drawdowns. The borrowing base for the ARCA is \$140 million, and is subject to semi-annual redeterminations based on the production profile of the borrowing base properties and other relevant matters as determined by the lenders, including a review of the Company’s annual reserve report, prepared by the Company’s independent qualified reserves evaluator and internally prepared updates thereto. If after a borrowing base determination or re-determination, a borrowing base shortfall exists, the Company would be required to repay any amounts borrowed in excess of the borrowing base within 60 days. The ARCA is secured by a first priority security interest including a general security agreement and floating charge demand debenture over all the Company’s present and future property, assets and undertakings. The next semi-annual redetermination is scheduled for May 31, 2026. The ARCA includes operating restrictions on the Company, including (among other things), limitations on acquisitions, distributions, dividends and hedging arrangements. The ARCA includes industry standard reporting requirements and financial covenants. With respect to financial covenants, the Company is required to be in material compliance with all applicable laws, directives, orders and liability assessments of each relevant Energy Regulator. The Company is also required to meet minimum annual spend requirements as set by each relevant Energy Regulator. The Company is in compliance with all applicable laws, directives and other regulatory requirements.

**Highwood Asset Management Ltd.**  
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The maximum utilization allowed on the ARCA is 90% of the total commitments of the lenders, with the total commitment being \$130 million at March 31, 2026. At March 31, 2026, the Company is in compliance with this requirement.

The Company is required to enter into commodity contracts with an aggregate notional quantity of at least 50% of the next 6 months expected production and rolling monthly from proved developed producing properties, on a boe/day basis, and thereafter, the Company is required to enter into commodity contracts with an aggregate notional quantity of at least 30% of the next 7 to 12 months expected production and rolling monthly from proved developed producing properties, on a boe/day basis. At March 31, 2026, the Company is in compliance with these requirements.

At March 31, 2026, the Company had \$80 thousand in issued and outstanding letters of credit to suppliers of brokered commodities. Subsequent to March 31, 2026, the Company entered into an additional short term letter of credit in the amount of \$6.2 million to a supplier of brokered commodities, which will expire during the second quarter of 2026.

**6. DECOMMISSIONING LIABILITIES**

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas properties including well sites, pipelines and facilities. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning liabilities to be \$26.6 million as at March 31, 2026 (December 31, 2025 - \$26.5 million) based on an undiscounted and uninflated total future liability of \$51.4 million (December 31, 2025 - \$51.3 million) and discounted using a long-term risk-free rate of 3.88% (December 31, 2025 - 3.85%) and an inflation rate of 2.00% (December 31, 2025 - 2.00%). The expected timing of decommissioning expenditures extends to 2074. As at March 31, 2026, no funds have been specifically set aside to settle these obligations. Management expects future expenditures to be funded from cash flows from operating activities.

The following table summarizes changes in the decommissioning liabilities:

	<b>March 31, 2026</b>	December 31, 2025
Balance, beginning of period	\$ 26,546	\$ 29,062
Change in discount rate	(458)	(5,411)
Change in cash flow estimates <sup>(1)</sup>	271	1,544
New development activity and acquisition	43	2,406
Abandonment expenditures	(15)	(2,054)
Accretion expense (note 10)	248	999
<b>Balance, end of period</b>	<b>\$ 26,635</b>	<b>\$ 26,546</b>
Expected to be settled within one year	\$ 2,100	\$ 2,100
Expected to be settled beyond one year	\$ 24,535	\$ 24,446

<sup>1</sup> Change in estimates for the three months ended March 31, 2026 was a result of minor changes in estimated future abandonment and reclamation costs.

**Highwood Asset Management Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**

Three months ended March 31, 2026 and 2025

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**7. SHARE CAPITAL**

**a) Authorized**

Unlimited number of voting common shares and unlimited number of preferred shares issuable in series.

**b) Issued and outstanding common shares**

	Number of Shares (000's)	Stated Value
Balance, January 1, 2025	14,671	\$ 60,850
Repurchase of common shares held in trust (note 11(b))	(503)	(2,671)
Issued on exercise of restricted share units (note 11(a))	18	102
Balance, December 31, 2025	14,186	\$ 58,281
Repurchase of common shares held in trust (note 11(b))	(140)	(620)
Issued on exercise of restricted share units (note 11(a))	15	94
Balance, March 31, 2026	14,061	\$ 57,755

**c) Income (loss) per share**

	March 31, 2026			March 31, 2025		
	Loss	Common shares (000's)	Loss per share	Income	Common shares (000's)	Income per share
Income (loss) - basic	\$ (14,503)	14,118	\$ (1.03)	\$ 2,355	14,616	\$ 0.16
Dilutive effect	-	-	-	-	425	-
Income (loss) - diluted	\$ (14,503)	14,118	\$ (1.03)	\$ 2,355	15,041	\$ 0.16

For the three months ended March 31, 2026, all RSU's, options and warrants were excluded as they were anti-dilutive. For the three months ended March 31, 2025, all options and warrants were excluded as they were anti-dilutive. The weighted average number of common shares is adjusted for treasury shares purchased and held by the trustee.

**8. WARRANTS**

	Number of Warrants (000's)	Exercise Price
Issued and outstanding		
Balance, December 31, 2025 and March 31, 2026	3,150	\$ 7.50
Exercisable, December 31, 2025 and March 31, 2026	3,150	\$ 7.50

Each warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$7.50 and a term of three years. At March 31, 2026, the remaining life of the warrants is 0.34 years.

**9. REVENUE**

*Petroleum and natural gas sales:*

The Company sells its production pursuant to variable-price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. Revenue is recognized when a unit of production is delivered to the customer and control of the product transferred.

**Highwood Asset Management Ltd.**  
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The following table summarizes the Company's petroleum and natural gas sales.

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Oil	\$ 25,276	\$ 23,341
Natural Gas Liquids	2,619	2,706
Natural Gas	2,079	1,933
<b>Total</b>	<b>\$ 29,974</b>	<b>\$ 27,980</b>

**10. FINANCE EXPENSE**

	<b>Three Months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Interest on bank debt	\$ 1,967	\$ 1,803
Amortization of debt issue costs (note 5)	196	299
Interest income	(8)	(17)
Accretion of decommissioning liabilities (note 6)	248	236
Other	4	13
<b>Total</b>	<b>\$ 2,407</b>	<b>\$ 2,334</b>

**11. SHARE-BASED PAYMENTS**

**(a) Omnibus Incentive Plan (Incentive Plan)**

The Company has an Omnibus Incentive Plan that limits the total number of common shares that may be issued on exercise of all share-based compensation arrangements outstanding at any time to 10% of the number of common shares issued and outstanding for Options, 5% of the number of common shares issued and outstanding for RSU's and 1% of the number of common shares issued and outstanding for DSU's. The Incentive Plan is administered by the Corporate Governance, Environmental, Health and Safety Committee ("CGEHS"), subject to the limits imposed by the Incentive Plan.

**Options**

A summary of the stock options issued and outstanding as at March 31, 2026 are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, January 1, 2025	415	\$ 7.26
Expired	(37)	(16.50)
Granted	280	6.14
Outstanding, December 31, 2025	658	6.26
Granted	285	4.82
Outstanding, March 31, 2026	943	\$ 5.83
Exercisable, March 31, 2026	262	\$ 6.56

**Highwood Asset Management Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**

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Below is a summary of outstanding stock options at March 31, 2026:

Grant Date	Term	Number of Options ('000)	Exercise Price
May 30, 2022	5 Years	27	\$ 11.00
August 28, 2023	5 Years	65	\$ 6.00
January 4, 2024	5 Years	9	\$ 6.00
April 15, 2024	5 Years	277	\$ 6.00
March 21, 2025	5 Years	280	\$ 6.14
March 16, 2026	5 Years	285	\$ 4.82

On March 16, 2026, the Company granted 285,240 options at an exercise price of \$4.82 per option. The options granted vest 1/3 on each of March 16, 2027, March 16, 2028 and March 16, 2029 and have a five-year term.

The fair value of the stock options granted were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 16, 2026
Number of options (#000's)	285
Exercise price (\$/share)	\$ 4.82
Stock price on grant date (\$/share)	\$ 4.69
Expected life (years)	5.0
Risk-free interest rate	2.99%
Expected volatility <sup>1</sup>	50%
Option fair value (per option)	\$ 2.15
Estimated forfeiture rate	0%
Expected dividend yield	0%

<sup>1</sup> Expected volatility was determined based on an average of volatilities of similar publicly traded entities in the Company's peer group.

**Restricted Share Units ("RSU's")**

A summary of RSU's issued and outstanding at March 31, 2026 is as follows:

	Number of RSU's
Outstanding, January 1, 2025	215
Exercised	(18)
Granted	141
Outstanding, December 31, 2025	338
Exercised	(15)
Granted	105
Outstanding, March 31, 2026	428
Vested, March 31, 2026	120

**Highwood Asset Management Ltd.**  
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Below is a summary of outstanding RSU's at March 31, 2026.

<b>Grant Date</b>	<b>Number of RSU's (000's)</b>
May 30, 2022	27
August 28, 2023	49
January 4, 2024	2
April 15, 2024	118
March 21, 2025	127
March 16, 2026	105

On March 16, 2026, the Company granted 105,400 RSU's which vest 1/3 on each of March 16, 2027, March 16, 2028 and March 16, 2029.

The Company's weighted average share price for the grant in 2026 was \$4.69 (March 31, 2025 – \$6.14).

During the three months ended March 31, 2026, 15,649 RSUs were exercised resulting in 15,649 common shares being issued. During the three months ended March 31, 2026, share capital was increased by the fair value of the RSU's on the day they were exercised, at a weighted average price of \$4.65 per common share, for a total of \$94 thousand, with a corresponding decrease to share-based compensation reserve.

**Deferred Share Units ("DSU's")**

A summary of DSU's issued and outstanding at March 31, 2026 is as follows:

	<b>Number of DSU's</b>
Outstanding, January 1, 2025	50
Granted	40
Outstanding, December 31, 2025	90
Granted	22
Outstanding, March 31, 2026	112
Vested, March 31, 2026	70

Below is a summary of outstanding DSU's at March 31, 2026.

<b>Grant Date</b>	<b>Number of DSU's (000's)</b>	<b>Vesting Date</b>
August 28, 2023	15	August 28, 2024
April 15, 2024	15	April 15, 2025
November 22, 2024	20	November 22, 2025
March 21, 2025	20	March 21, 2026
November 14, 2025	20	November 14, 2026
March 16, 2026	22	March 16, 2027

The Company's weighted average share price for the grant in 2026 was \$4.69.

**(b) Performance Share Units ("PSU's")**

The Company has a PSU plan, for officers, employees and consultants "the PSU Plan". The PSU Plan is administered by the CGEHS Committee, subject to the limits imposed by the PSU Plan. Under the PSU Plan, the CGEHS Committee sets the vesting terms and conditions for each PSU grant.

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For the three months ended March 31, 2026, the trustee purchased 140,146 common shares for a total cost of \$620 thousand and as at March 31, 2026, the trustee held 1,125,741 common shares to be distributed under the PSU plan. PSU's will be settled in equity in the amount equal to the fair value of the PSU on the date they vest.

Below is a summary of outstanding PSU's, based on their historical fair value at grant date:

Balance, January 1, 2025	\$	2,415
Granted		1,960
Balance, December 31, 2025		4,375
Granted		905
Balance, March 31, 2026	\$	5,280

Below is a summary of outstanding PSU's at March 31, 2026:

Grant Date	Performance Date	Amount of PSU's (000's)
August 28, 2023	August 3, 2026	\$ 609
January 4, 2024	January 4, 2027	22
April 15, 2024	April 15, 2027	802
October 10, 2024	October 10, 2027	982
March 21, 2025	March 21, 2028	980
November 14, 2025	November 14, 2028	980
March 16, 2026	March 16, 2029	905

**(c) Share-based Compensation Expense**

	Three months ended March 31,	
	2026	2025
Options	\$ 207	\$ 190
RSUs	196	152
PSUs	373	208
DSUs	55	54
ESPP	42	42
Total share-based compensation	873	646
Less: capitalized amounts (note 4)	(309)	(171)
Total share-based compensation expense	\$ 564	\$ 475

A forfeiture rate of 0% was used when recording share-based compensation for all share-based payments as it is expected that all eligible persons and non-employee directors will continue with the Company over the vesting period, and/or, all share-based awards will be exercised.

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**12. SUPPLEMENTAL CASH FLOWS INFORMATION**

Changes in non-cash working capital is comprised of:

Source/(use) of cash	Three months ended March 31,	
	2026	2025
Accounts receivable	\$ (24,138)	\$ 5,506
Deposits and prepaid expenses	339	113
Accounts payable and accrued liabilities	15,879	16,734
<b>Changes in non-cash working capital</b>	<b>\$ (7,920)</b>	<b>\$ 22,353</b>
The above figure relates to:		
Operating activities	\$ (8,926)	\$ 4,348
Financing activities	-	(14)
Investing activities	1,006	18,019
<b>Changes in non-cash working capital</b>	<b>\$ (7,920)</b>	<b>\$ 22,353</b>
Interest paid	\$ 1,967	\$ 1,803
Taxes paid (recovered)	\$ -	\$ -

**13. FINANCIAL RISK MANAGEMENT**

The Board of Directors has the overall responsibility for the establishment and oversight and execution of the Company's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor those risks.

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- market risk; and
- liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. There were no changes to the Company's risk management policies or processes since the year ended December 31, 2025.

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**(a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk at period end is as follows:

	<b>March 31, 2026</b>	December 31, 2025
Cash	\$ 115	\$ 4,564
Accounts receivable	41,029	17,094
Deposits	692	692
Commodity contracts	310	12,503
Reclamation deposits	18	18
<b>Total</b>	<b>\$ 42,164</b>	<b>\$ 34,871</b>

*Cash*

Cash consist of amounts on deposit with Canadian chartered banks. The Company manages exposure of cash, if any, by selecting financial institutions with high credit ratings.

*Accounts receivable:*

Substantially all of the Company's oil and natural gas production, pipeline transportation revenues and other revenues are carried out under standard industry terms.

Receivables from petroleum and natural gas marketers are normally collected on the 25<sup>th</sup> day of the month following production. At March 31, 2026, receivables from petroleum and natural gas marketers were approximately \$12.5 million. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with credit-worthy purchasers. Approximately 47% (December 31, 2025 – 50%) of amounts due from petroleum and natural gas marketers is due from one counterparty, which is a reputable multi-national entity with investment grade credit ratings.

Receivables from brokered commodities and other related activities are normally collected on the 25<sup>th</sup> day of the month following when product was delivered. At March 31, 2026, receivables from brokered commodities and other related activities were approximately \$27 million. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with credit-worthy purchasers. Approximately 83% (December 31, 2025 – 4%) of amounts due from brokered commodities and other related activities is due from one counterparty, which is a reputable multi-national entity with investment grade credit ratings. In addition this same counterparty makes up approximately 44% of accounts payable and accrued liabilities, with a net balance owing of approximately \$2.0 million.

Joint interest receivables are typically collected within one to three months of the joint interest bill being issued to the partner. At March 31, 2026, receivables from joint interest partners were approximately \$1.6 million. Receivables from partners are typically collected within one to three months of the bill being issued to the partner. The Company attempts to mitigate the risk from receivables with partners by obtaining partner approval of significant capital expenditures prior to the expenditure. The receivables, however, are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint asset partners as disagreements occasionally arise that increase the potential for non-collection. To further mitigate collection risk, the Company has the ability to obtain the partners' share of capital expenditures in advance of a project. The Company does not typically obtain collateral from joint asset partners; however, the Company does have the ability to withhold production from partners in the event of non-payment.

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The Company's accounts receivable are aged as follows:

	<b>March 31, 2026</b>	December 31, 2025
Current (less than 90 days)	\$ 38,866	\$ 15,125
Past due (more than 90 days)	<b>2,163</b>	1,969
<b>Total</b>	<b>\$ 41,029</b>	<b>\$ 17,094</b>

As at March 31, 2026, management believes all receivables net of provision for expected credit losses of \$528 thousand (December 31, 2025 - \$325 thousand) will be collected.

*Commodity contracts:*

The Company is exposed to losses in the event of non-performance by counterparties to commodity contracts. All of the Company's commodity contracts are with Canadian chartered banks as the counterparty. The Company manages the exposure of commodity contract risk, if any, by selecting financial institutions with high credit ratings.

**(b) Market risk**

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates, will affect the Company's cash flow, income (loss) or the value of its financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return. Numerous factors beyond Highwood's control influence the marketability and pricing of commodities, which may experience significant volatility. These factors include uncertainties in supply and demand driven by government policies, global economic conditions, sanctions and tariffs, shifts in global trade flows, changes in interest rate and inflation, actions by OPEC+, political and geopolitical instability, regulatory changes, ongoing conflicts, and other macroeconomic or political developments. Specifically, adverse changes in U.S.-Canada-Mexico trade relations, particularly regarding tariffs and energy, could negatively affect Highwood given the integration of North American energy markets.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's financial instruments are indirectly exposed to currency risk as the underlying commodity prices in Canada for oil and natural gas are impacted by changes in exchange rates between the Canadian and United States dollar. The Company has United States dollar ("USD") receivables and payables along with commodity contracts, with future cash payments directly impacted by the exchange rate in effect at the time of payment. At March 31, 2026, the Company had \$128 thousand in cash, \$17.3 million in accounts receivable and \$17.8 million accounts payable denominated in USD (December 31, 2025 - \$1.3 million in cash, \$197 thousand in accounts receivable and \$8.6 million accounts payable).

*Interest rate risk*

Interest rate risk is the risk that future cashflows will fluctuate as result in changes in market interest rates. The Company is subject to interest rate risk related to its exposure to interest rate fluctuations on its ARCA, which bears a floating rate of interest. A 1% interest rate increase or decrease on the full amount outstanding of \$106 million (note 5) would decrease or increase net income by approximately \$205 thousand for the three months ended March 31, 2026.

*Commodity price risk*

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also North American and global economic events that dictate the levels of supply and demand. The nature of the Company's operations results in exposure to fluctuations in commodity prices. The Company's production is sold using "spot" pricing with prices fixed at the time of transfer of custody or on the basis of a monthly average market price.

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The Company has the following commodity contracts outstanding as at March 31, 2026 as required under the ARCA (note 5):

Swaps:

Product	Notional Volume	Term	Contract Price (CAD/GJ)	Index
Natural Gas	1,500GJ/day	April 1, 2025 to December 31, 2026	\$ 3.13 - \$ 3.20	AECO
Natural Gas	3,000GJ/day	April 1, 2025 to March 31, 2027	\$ 3.15 - \$ 3.40	AECO
Natural Gas	400GJ/day	May 1, 2025 to March 31, 2028	\$ 3.00	AECO
Natural Gas	400GJ/day	July 1, 2025 to March 31, 2028	\$ 3.05	AECO
Natural Gas	1,200GJ/day	November 1, 2025 to March 31, 2028	\$ 3.00 - \$ 3.02	AECO
Natural Gas	400GJ/day	October 1, 2025 to March 31, 2028	\$ 3.01	AECO
Natural Gas	400GJ/day	January 1, 2027 to March 31, 2028	\$ 3.09	AECO

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
Crude Oil	100bbls/day	February 1, 2025 to December 31, 2026	\$ 93.00	WTI - NYMEX
Crude Oil	300bbls/day	April 1, 2025 to December 31, 2026	\$ 93.00 - \$ 93.31	WTI - NYMEX
Crude Oil	200bbls/day	March 1, 2026 to May 31, 2026	\$ 105.00 - \$ 127.00	WTI - NYMEX
Crude Oil	100bbls/day	March 9, 2026 to December 31, 2026	\$ 110.00	WTI - NYMEX
Crude Oil	100bbls/day	March 6, 2026 to December 31, 2026	\$ 99.50	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2025 to June 30, 2026	\$ 91.50	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2025 to September 30, 2026	\$ 93.00	WTI - NYMEX
Crude Oil	400bbls/day	October 1, 2025 to December 31, 2026	\$ 92.00 - \$ 94.00	WTI - NYMEX
Crude Oil	600bbls/day	January 1, 2026 to December 31, 2026	90.50 - \$ 96.00	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2027 to December 31, 2027	100.00	WTI - NYMEX

Product	Notional Volume	Term	Contract Price (USD/bbl)	Index
Crude Oil	200bbls/day	January 1, 2026 to December 31, 2026	\$ 66.00	WTI - NYMEX
Crude Oil	100bbls/day	March 1, 2026 to March 31, 2027	\$ 66.25	WTI - NYMEX
Crude Oil	400bbls/day	April 1, 2026 to March 31, 2027	\$ 65.00 - \$ 66.20	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2027 to June 30, 2027	\$ 65.00	WTI - NYMEX
Crude Oil	1,100bbls/day	January 1, 2027 to December 31, 2027	\$ 65.00 - \$ 70.00	WTI - NYMEX
Crude Oil	300bbls/day	April 1, 2027 to December 31, 2027	\$ 67.00 - \$ 68.00	WTI - NYMEX
Crude Oil	400bbls/day	July 1, 2027 to December 31, 2027	\$ 70.00 - \$ 71.00	WTI - NYMEX
Crude Oil	700bbls/day	January 1, 2028 to December 31, 2028	\$ 65.00 - \$ 70.00	WTI - NYMEX

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
MSW Differential	1,000bbls/day	January 1, 2026 to December 31, 2026	\$ 5.50 - \$ 6.75	TMX-1A-SW
MSW Differential	500bbls/day	April 1, 2026 to December 31, 2026	\$ 4.75	TMX-1A-SW

Product	Notional Volume	Term	Contract Price (USD/bbl)	Index
MSW Differential	450bbls/day	May 1, 2026 to December 31, 2026	\$ 2.45 - \$ 2.95	TMX-1A-SW

Electricity:

Product	Notional Volume	Term	Contract Price (CAD/MWh)	Index
Electricity	500 MWh/month	September 1, 2024 to July 31, 2026	\$ 55.75	Alberta Power Pool – AESO (Flat)

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The commodity contracts had a total fair value at March 31, 2026 of an asset of \$310 thousand and a liability of \$13.1 million (December 31, 2025 - asset of \$12.5 million). The corresponding unrealized loss for the three months ended March 31, 2026 was \$25.3 million (three months ended March 31, 2025 - loss of \$1.6 million), and is included in the statement of income (loss) and comprehensive income (loss). Total realized loss for the three months ended March 31, 2026 was \$904 thousand (three months ended March 31, 2025 - loss of \$115 thousand) and is also included in the statement of income (loss) and comprehensive income (loss).

For the three months ended March 31, 2026, a \$0.10/bbl increase/decrease in oil prices and a \$0.10/GJ in natural gas prices would have a negative/positive impact on net income of approximately \$434 thousand.

Subsequent to March 31, 2026, the Company entered into the following commodity contracts:

Swaps:

Product	Notional Volume	Term	Contract Price (USD/bbl)	Index
Crude Oil	100bbls/day	January 1, 2028 to December 31, 2028	\$ 69.00	WTI – NYMEX

  

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
MSW Differential	200bbls/day	May 1, 2026 to September 30, 2026	\$ ( 2.30)	TMX-1A-SW
MSW Differential	200bbls/day	May 1, 2026 to December 31, 2026	\$ (1.00)	TMX-1A-SW

**(c) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities as they become due.

At March 31, 2026, the Company had a working capital deficit of \$8.2 million, excluding commodity contract asset and liability, current portion of decommissioning liability, and current portion of lease liabilities. The capital-intensive nature of the Company's operations may create a working capital deficiency position during periods with high levels of capital investment. The working capital deficit at March 31, 2026, was mainly driven by the capital program incurred during the first quarter. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows and available capacity on the Company's ARCA. The maturity date of the bank debt is August 2, 2027; therefore, all bank debt has been classified as long-term.

The Company monitors liquidity risk through cost control, debt and equity management policies. Strategies include continuously monitoring of forecast and actual cash flows, financing activities and available credit available under the ARCA. The nature of the oil and gas industry is very capital intensive. The Company prepares annual capital expenditure budgets and utilizes authorizations for expenditures and capital committees for projects to manage capital expenditures.

The Company may need to conduct asset sales, equity issues or issue debt if liquidity risk increases in a given period. Liquidity risk may increase as a result of potential revisions to the Company's ARCA, which is subject to semi-annual reviews. The Company also maintains and monitors a certain level of cash flow which is used to partially finance all operating and capital expenditures. The Company believes it has sufficient funds and operating cash flows to meet foreseeable obligations by actively monitoring its credit facilities and coordinating payment and revenue cycles each month. However, there are no assurances that the lender will maintain the borrowing base at the current level, which may result in a borrowing base shortfall. If the Company cannot generate sufficient funds to meet the borrowing base shortfall it would constitute an event of default under the loan agreement and the bank could demand immediate repayment of the outstanding loan amount. The Company actively monitors covenants associated with the credit facilities and was in compliance as at March 31, 2026.

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The following table details the Company's financial liabilities, excluding commodity contracts, as at March 31, 2026:

	<b>Total</b>	<b>&lt;1 year</b>	<b>1-3 years</b>
Accounts payable and accrued liabilities	\$ 51,794	\$ 51,794	\$ -
Bank debt	105,829	-	105,829
Lease liabilities	132	132	-
<b>Total financial liabilities</b>	<b>\$ 157,755</b>	<b>\$ 51,926</b>	<b>\$ 105,829</b>

In addition to the financial liabilities above, the Company entered into a new lease for its existing office space. The agreement takes effect in 2026 and has a term of five years. Gross payment obligations related to the new lease, excluding occupancy costs, are approximately \$600 thousand annually.

**14. CAPITAL MANAGEMENT**

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and
- To maximize shareholder return through enhancing share value.

The Company's capital structure may be adjusted by issuing or repurchasing equity and/or debt instruments, modifying capital spending programs and disposing of assets. Management continually reviews its approach to capital management, particularly when there are major changes to the Company such as major acquisitions and believes this approach is appropriate. The Company's key capital management measures include adjusted EBITDA, adjusted funds flow, free funds flow and net debt, which are calculated and described below. There have been no changes to the Company's capital management strategies during the three months ended March 31, 2026. These capital management measures are not standardized and therefore may not be comparable with the calculation of similar measures by other entities.

**Net Debt**

The Company considers net debt a key capital management measure in assessing the Company's liquidity.

The following table outlines the Company's calculation of net debt:

	<b>March 31, 2026</b>	<b>December 31, 2025</b>
Adjusted current assets <sup>1</sup>	\$ 43,638	\$ 24,491
Adjusted current liabilities <sup>1</sup>	(51,794)	(35,915)
Adjusted working capital	(8,156)	(11,424)
Bank debt	(105,829)	(105,299)
<b>Total net debt</b>	<b>\$ (113,985)</b>	<b>\$ (116,723)</b>

*Note 1: Adjusted current assets and current liabilities excludes current portion of commodity contracts, current portion of lease liabilities and current portion of decommissioning obligations.*

The decrease in net debt during the three months ended March 31, 2026 is mainly due to increase in cash flows realized during the current quarter.

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**EBITDA, Adjusted EBITDA, Adjusted Funds Flow, Free Funds Flow**

**EBITDA and Adjusted EBITDA**

The Company considers EBITDA and adjusted EBITDA to be a key capital management measure as it demonstrates the Company's profitability, operating and financial performance with respect to cash flow generation, adjusted for interest related to its capital structure. EBITDA is calculated by adjusting cash flows from operating activities for changes in non-cash working changes, interest and decommissioning expenditures. Adjusted EBITDA is calculated by adjusting cash flows from operating activities for changes in non-cash working changes and interest.

**Adjusted funds flow**

The Company considers adjusted funds flow to be a key capital management measure as it demonstrates the Company's ability to generate required funds to manage production levels and fund future capital investment. Management believes that this measure provides an insightful assessment of the Company's operations on a continuing basis by removing certain non-cash charges, decommissioning expenditures, of which the nature and timing of expenditures may vary based on the stage of the Company's assets and operating areas, and transaction costs which vary based on the Company's acquisition and disposition activity. The Company calculates adjusted funds flow as adjusted EBITDA less net interest and adjusting for decommissioning expenditures incurred

**Free funds flow**

The Company considers free funds flow to be a key capital management measure as it is used to measure liquidity and efficiency of the Company by measuring the funds available after capital investment available for debt repayment, to pursue acquisitions and shareholder distributions. The Company calculates free funds flow as adjusted funds flow less expenditures on property, plant and equipment and exploration and evaluation assets (collectively, the "capital expenditures").

The following table outlines the Company's calculation of adjusted EBITDA, adjusted funds flow and free funds flow to cash flow from operating activities:

	<b>Three months ended March 31,</b>	
	<b>2026</b>	<b>2025</b>
Cash flow from operating activities	\$ 5,328	\$ 16,252
Change in non-cash operating working capital	8,926	(4,348)
Net interest <sup>1</sup>	1,959	1,786
Adjusted EBITDA	16,213	13,690
Decommissioning expenditures	16	80
EBITDA	16,229	13,770
Net interest <sup>1</sup>	(1,959)	(1,786)
Adjusted funds flow	14,270	11,984
Capital expenditures, net	(10,414)	(33,172)
Free funds flow	\$ 3,856	\$ (21,188)

*Note 1: Net interest is interest on bank debt less interest income*

The increase in EBITDA, Adjusted EBITDA, Adjusted funds flow and Free funds flow for the three months ended March 31, 2026, compared to the same period in 2025, is primarily due to higher production.