HIGHWOOD
ASSET MANAGEMENT LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2026	As at December 31, 2025
Assets			
Current assets			
Cash	14(a)	**$ 1,261**	$ 4,564
Accounts receivable	14(a)	**42,575**	17,094
Deposits and prepaid expenses		**9,768**	2,833
Commodity contracts	14(b)	**2,658**	11,996
Contingent consideration asset	4	**2,567**	-
Total current assets		**58,829**	36,487
Reclamation deposits		**18**	18
Commodity contracts	14(b)	**52**	507
Exploration and evaluation assets	3	**15,423**	11,528
Property, plant and equipment	4	**181,596**	255,406
Right-of-use assets	5	**1,605**	171
Deferred tax asset		**16,669**	17,917
Total assets		**$ 274,192**	$ 322,034
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 58,320**	$ 35,915
Commodity contracts	14(b)	**17,921**	-
Current portion of decommissioning liabilities	7	**2,100**	2,100
Current portion of lease liabilities	5	**-**	211
Total current liabilities		**78,341**	38,226
Commodity contracts	14(b)	**2,511**	-
Bank debt	6	**14,361**	105,299
Lease liabilities	5	**1,634**	-
Decommissioning liabilities	7	**18,412**	24,446
Total liabilities		**115,259**	167,971
Shareholders' Equity			
Share capital	8	**56,642**	58,281
Warrant reserve	9	**1,062**	1,062
Share-based compensation reserve	12	**9,634**	7,715
Retained earnings		**91,595**	87,005
Total equity		**158,933**	154,063
Total liabilities and shareholders' equity		**$ 274,192**	$ 322,034

Subsequent events (note 6, 8(d), 12(a), 12(b), 14(b))

Commitments (note 14(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, September 30, 2026	2025	Nine Months Ended, September 30, 2026	2025
Revenue					
Petroleum and natural gas sales	10	**$ 15,469**	$ 23,753	**$ 80,029**	$ 76,706
Royalties		**(4,061)**	(4,927)	**(16,379)**	(16,669)
Transportation pipeline revenues		**195**	462	**905**	1,638
Royalty and other income		**1,293**	849	**3,747**	2,643
		12,896	20,137	**68,302**	64,318
Realized gain (loss) on commodity contracts	14(b)	**(2,823)**	2,395	**(11,421)**	4,737
Unrealized gain (loss) on commodity contracts	14(b)	**(15,981)**	(4,206)	**(27,163)**	7,406
Total revenue, net of royalties and commodity contracts		**(5,908)**	18,326	**29,718**	76,461
Expenses					
Operating and transportation		**4,897**	6,914	**20,345**	20,588
General and administrative	4	**1,788**	1,677	**5,176**	5,474
Exploration and evaluation expenditures	3	**18**	-	**33**	87
Environmental remediation expense		**485**	-	**485**	-
Depletion and depreciation	4, 7	**2,880**	6,212	**14,721**	18,662
Share-based compensation	4, 12	**636**	594	**1,860**	1,770
Total expenses		**10,704**	15,397	**42,620**	46,581
Operating income (loss)		**(16,612)**	2,929	**(12,902)**	29,880
Other income (expenses)					
Gain (loss) on disposal of oil and natural gas properties	3, 4, 7	**(252)**	-	**21,892**	-
Gain on remeasurement of contingent consideration asset	4	**2,567**	-	**2,567**	-
Transaction costs		**-**	-	**(19)**	(10)
Finance expenses	11	**(704)**	(2,464)	**(5,507)**	(7,124)
Total other income (expenses)		**1,611**	(2,464)	**18,933**	(7,134)
Income (loss) before taxes		**(15,001)**	465	**6,031**	22,746
Deferred tax expense (recovery)		**(3,569)**	217	**1,248**	6,758
Income (loss) and comprehensive income (loss) for the period		**$ (11,432)**	$ 248	**$ 4,783**	$ 15,988
Income (loss) per share:	8(c)				
Basic		$ (0.82)	$ 0.02	$ 0.34	$ 1.10
Diluted		$ (0.82)	$ 0.02	$ 0.33	$ 1.07

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	12	102	-	(102)	-	-
Purchase of shares held in trust	8, 12	(2,019)	-	-	-	(2,019)
Share-based compensation	4, 12 (d)	-	-	2,150	-	2,150
Income and comprehensive income for the period		-	-	-	15,988	15,988
Balance, September 30, 2025		$ 58,933	$ 1,062	$ 6,925	$ 81,286	$ 148,206
Balance, January 1, 2026		**$ 58,281**	**$ 1,062**	**$ 7,715**	**$ 87,005**	**$ 154,063**
Exercise of restricted share units	**12**	**250**	**-**	**(250)**	**-**	**-**
Purchase of shares held in trust	**8, 12**	**(1,783)**	**-**	**-**	**-**	**(1,783)**
Release of shares held in trust on vesting of share awards	**8, 12**	**384**	**-**	**(384)**	**-**	**-**
Repurchase of common shares	**8(d)**	**(490)**			**(193)**	**(683)**
Share-based compensation	**4, 12 (c)**	**-**	**-**	**2,553**	**-**	**2,553**
Income and comprehensive income for the period		**-**	**-**	**-**	**4,783**	**4,783**
Balance, September 30, 2026		**$ 56,642**	**$ 1,062**	**$ 9,634**	**$ 91,595**	**$ 158,933**

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) (unaudited)	Note	Three months ended September 30, 2026	Three months ended September 30, 2025	Nine months ended September 30, 2026	Nine months ended September 30, 2025
Cash provided by (and used in)					
Operating activities					
Income (loss) for the period		**$ (11,432)**	$ 248	**$ 4,783**	$ 15,988
Items not involving cash:					
Unrealized loss (gain) on commodity contracts	14(b)	**19,043**	4,206	**30,225**	(7,406)
Gain on remeasurement of contingent consideration asset	4	**(2,567)**	-	**(2,567)**	-
Exploration and evaluation expenditures	3	**18**	-	**33**	87
Depletion and depreciation expense	4, 7	**2,880**	6,212	**14,721**	18,662
Finance expense	11	**371**	510	**1,270**	1,625
Deferred tax expense (recovery)		**(3,569)**	217	**1,248**	6,758
Share-based compensation	12	**596**	549	**1,686**	1,552
Other		**-**	-	**222**	64
Loss (gain) on disposal of oil and natural gas properties	4	**252**	-	**(21,892)**	
Cash abandonment expenditures	7	**(374)**	(337)	**(390)**	(426)
Change in non-cash working capital	13	**(4,658)**	(4,356)	**(6,849)**	2,681
Net cash from operating activities		**560**	7,249	**22,490**	39,585
Financing activities					
Payments of lease obligations		**(53)**	(86)	**(218)**	(273)
Bank debt	6	**6,850**	11,269	**(91,149)**	16,054
Debt issue costs	6	**(25)**	(35)	**(326)**	(519)
Purchase of common shares held in trust	8, 12	**(542)**	(707)	**(1,783)**	(2,019)
Repurchase and cancellation of common shares	8(d)	**(683)**	-	**(683)**	-
Changes in non-cash working capital	13	**148**	(460)	**155**	(12)
Net cash from (used) in financing activities		**5,695**	9,981	**(94,004)**	13,231
Investing activities					
Additions to property, plant and equipment	4	**(5,872)**	(6,740)	**(16,530)**	(46,497)
Additions to exploration and evaluation assets	3	**(394)**	(719)	**(5,462)**	(4,204)
Proceeds on disposition of oil and natural gas properties	3, 4, 7	**(252)**	-	**93,929**	-
Proceeds on disposition of assets held for sale		**-**	-	**-**	1,054
Transaction costs		**-**	-	**(19)**	(10)
Change in non-cash working capital	13	**(2,789)**	(7,373)	**(3,707)**	(2,844)
Net cash from (used in) investing activities		**(9,307)**	(14,832)	**68,211**	(52,501)
Change in cash		**$ (3,052)**	$ 2,398	$ (3,303)	$ 315
Cash (bank overdraft), beginning of period		**4,313**	(272)	4,564	1,811
Cash, end of period		**$ 1,261**	$ 2,126	$ 1,261	$ 2,126
Cash is comprised of:					
Balance with bank (USD Account)		**$ 1,261**	$ 1,721	**$ 1,261**	$ 1,721
Balance with bank – (CAD Account)		**$ -**	$ 405	**$ -**	$ 405
Supplemental cash flow information	13				

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

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 was 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 – 2nd Street SW, Calgary, Alberta, T2P 0C1.

The Company's common shares trade on the TSX Venture Exchange ("TSXV") under the symbol "HAM".

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries at September 30, 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 November 9, 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, other than as mentioned below:

(i) Contingent consideration

Contingent consideration asset arising from the acquisition or disposition of assets or businesses is recognized when the Company becomes party to the contractual arrangement and the amount can be reliably measured. Contingent consideration is initially measured at fair value based on the terms of the arrangement and management's best estimate of the expected future cash flows, including the probability, timing and amount of any receipts.

For asset acquisitions or dispositions, contingent consideration is included in the determination of the cost of the assets acquired or the proceeds on disposition when the consideration is probable and can be measured reliably. Where the contingent consideration is not probable or cannot be measured reliably at the transaction date, it is recognized when the contingency is resolved or when the amount becomes reliably measurable.

Subsequent changes in the fair value of contingent consideration assets determined to be derivatives are recognized in profit or loss as gains or losses on remeasurement of contingent consideration. Such amounts are presented with other income (expenses).

(ii) *Share capital*

Common shares are classified as equity.

When the Company repurchases its own common shares for cancellation, share capital is reduced by the average carrying value of the shares repurchased. If the net book value of the common shares exceeds the repurchase price, the difference is recognized within equity. If the repurchase price exceeds the net book value of the common shares, any previous amounts recognized within equity related to such transactions is reversed. To the extent there is none, the difference is recognized as a reduction to retained earnings. Shares repurchased are cancelled on the last business day of each calendar month.

(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.

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 nine months ended September 30, 2026 related to significant estimates and judgments used in the preparation of the condensed interim consolidated financial statements, other than as mentioned below:

(iii) Contingent consideration

The Company is entitled to contingent consideration from the disposition of the Wilson Creek properties, payable quarterly from the third quarter of 2026 to the second quarter of 2027 (note 4). The amount receivable depends on the average WTI Reference Price for each quarter relative to contractual minimum and maximum thresholds. The contingent consideration is a derivative financial asset measured at fair value through profit or loss.

The estimate of fair value requires management to make significant judgments and assumptions about forecasted WTI prices for each remaining measurement period, using published NYMEX forward prices at the reporting date.

Because the forecasted prices are exposed to commodity price volatility, the amounts ultimately received may differ significantly from the amount recognized.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets are comprised of the following:

	September 30, 2026	December 31, 2025
Balance, beginning of period	**$ 11,528**	$ 8,044
Additions	**5,462**	4,204
Acquisition	**-**	47
Disposition (note 4)	**(1,534)**	-
Transfers to property, plant and equipment (note 4)	**-**	(680)
Land lease expiries	**(33)**	(87)
Balance, end of period	**$ 15,423**	$ 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 nine months ended September 30, 2026 mainly related to undeveloped land and the renewal of undeveloped mineral leases.

During the nine months ended September 30, 2026, the Company recorded a disposition of $1.5 million related to its Wilson Creek property (note 4).

4. PROPERTY, PLANT AND EQUIPMENT

COSTS	**September 30, 2026**	December 31, 2025
Balance, beginning of period	**$ 319,815**	$ 262,994
Change in decommissioning liabilities (note 7)	**(2,624)**	(3,664)
Additions	**17,397**	57,883
Acquisitions (dispositions)	**(104,050)**	1,922
Transferred from exploration and evaluation assets (note 3)	**-**	680
Balance, end of period	**$ 230,538**	$ 319,815
ACCUMULATED DEPLETION, DEPRECIATION AND IMPAIRMENT		
Balance, beginning of period	**$ (64,409)**	$ (40,493)
Disposition	**29,869**	-
Depletion and depreciation	**(14,402)**	(23,916)
Balance, end of period	**$ (48,942)**	$ (64,409)
Net book value	**$ 181,596**	$ 255,406

During the three and nine months ended September 30, 2026, the Company capitalized $400 thousand and $1.2 million, respectively (three and nine months ended September 30 2025 - $280 thousand and $990 thousand) of general and administrative costs and $276 thousand and $867 thousand, respectively (three and nine months ended September 30, 2025 - $211 thousand and $599 thousand) of share-based compensation costs directly related to exploration and drilling activities.

Disposition of Wilson Creek Oil and Natural Gas Properties

On June 30, 2026, the Company closed the disposition of its Wilson Creek oil and natural gas properties for total consideration of up to $112 million. Consideration was made up of cash proceeds of $105 million, which was reduced to $98.3 million after interim closing adjustments from the effective date of April 1, 2026 to the closing date, as well as up to an aggregate of $7 million in contingent consideration. The disposed properties had a carrying value in property, plant and equipment of $74.4 million, exploration and evaluation assets of $1.5 million, deposits and prepaid expenses of $187 thousand, and decommissioning liabilities of $3.9 million. As a result of the disposition, the Company recognized a gain of $21.9 million during the nine months ended September 30, 2026. Transaction costs totaling $4.1 million were included and presented as a reduction to the gain recognized.

The contingent consideration shall be paid in four quarterly contingent payments for the third quarter of 2026, fourth quarter of 2026, first quarter of 2027 and second quarter of 2027 (each a "Relevant Quarter"), each up to an individual maximum of $1.75 million. For each Relevant Quarter, Highwood will receive an amount equal to $116.7 thousand multiplied by the number of whole US dollars per barrel (US$/bbl) that the WTI Reference Price (the arithmetic average of the daily closing settlement price for WTI Crude, expressed as US$/bbl of the New York Mercantile Exchange for all trading days during that relevant quarter) exceeds the minimum threshold amount up to the maximum threshold amount, in each case for the Relevant Quarter, as set out below:

Calendar Quarter	Minimum Threshold (US$/bbl)	Maximum Threshold (US$/bbl)
Q3 2026	$85.00	$100.00
Q4 2026	$80.00	$ 95.00
Q1 2027	$75.00	$ 90.00
Q2 2027	$72.50	$ 87.50

For the third quarter of 2026, the WTI Reference Price of US$84.96/bbl was less than US$85.00/bbl and therefore no contingent consideration was receivable at September 30, 2026.

At September 30, 2026, the contingent consideration asset relates to the Calendar Quarters Q4 2026, Q1 2027 and Q2 2027 and was remeasured to $2.6 million. Accordingly, a gain on remeasurement was recognized in other income of $2.6 million for the three and nine months ended September 30, 2026. The fair value of the contingent consideration asset was determined based on the forecasted WTI Reference Price for each relevant quarter, being US$87.97/bbl for Q4 2026, US$83.33/bbl for Q1 2027 and US$80.01/bbl for Q2 2027, as published by a reputable financial derivatives exchange.

The consideration received is subject to finalization of customary adjustments 180 days following the closing date. During the quarter ended September 30, 2026, the Company recognized a reduction in the consideration of $252 thousand.

Depletion

Future development costs of $353.5 million (December 31, 2025 - $445.7 million) associated with the development of the Company's proved plus probable reserves were included in the calculation of depletion for the three and nine months ended September 30, 2026. Future development costs are only included for CGUs with production.

Impairment and Impairment Reversal

As at September 30, 2026, no impairment losses or reversals were recognized.

5. LEASES

The Company has various lease contracts in place for office premises.

Right-of-use assets

	Total
At January 1, 2025	$ 456
Depreciation	(285)
At December 31, 2025	171
Additions	1,628
Depreciation	(194)
At September 30, 2026	**$ 1,605**

Lease liabilities

Lease liabilities are as follows:

	September 30, 2026	December 31, 2025
Balance, beginning of period	$ 211	$ 530
Accretion of lease obligations	13	39
Additions	1,628	-
Payment of lease obligations	(218)	(358)
Balance, end of period	$ 1,634	$ 211
Current portion	$ -	$ 211
Long term portion	$ 1,634	$ -

The discount rate used for the additional leases incurred during the nine months ended September 30, 2026 was 7%.

6. BANK DEBT

	September 30, 2026	December 31, 2025
Credit facilities		
Operating Facility	**$ 851**	$ -
Syndicated prime loans	**-**	3,000
Syndicated CORRA loans	**14,000**	103,000
Total loan facility	**$ 14,851**	$ 106,000
Deferred debt issuance costs	**(831)**	(1,745)
Amortization of debt issue costs (note 11)	**341**	1,044
Balance credit facilities, end of period	**$ 14,361**	$ 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 $75 million with a syndicate of banks. The ARCA is comprised of revolving credit facilities consisting of a $5 million operating facility and a syndicated loan facility to a maximum of $70 million. The ARCA allows the Company to enter into Letters of Credit up to a maximum of $10 million. During the second quarter of 2026, the term out date of the ARCA was amended from August 2, 2026 to August 2, 2027 as well as a decrease in the syndicated facility from a maximum of $130 million and the operating facility from a maximum of $10 million. The decrease in the ARCA occurred in congruence with the Wilson Creek disposition (note 4). Furthermore, the Company was granted permission under the ARCA to enter into an unsecured demand revolving letter of credit facility with Export Development Canada ("EDC Facility"). The EDC Facility allows the Company to enter in Letters of Credit up to a maximum of USD$30 million subject to limitations as outlined in the ARCA.

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% 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 September 30, 2026, the Company had an effective interest rate of prime plus 2.50% per annum on prime-based loans under the ARCA and CORRA plus 3.50% 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 $75 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 November 30, 2026. The ARCA includes operating restrictions on the Company, including (among other things), limitations on acquisitions, distributions, dividends, payments relating to the EDC Facility 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.

The maximum utilization allowed on the ARCA is 90% of the total commitments of the lenders, with the total commitment being $70 million at September 30, 2026. At September 30, 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 September 30, 2026, the Company is in compliance with these requirements. In conjunction with the disposition of oil and natural gas properties (note 4), the Company unwound several commodity contracts for proceeds of $1.3 million. The settlement proceeds have been included in realized gain (loss) on commodity contracts.

At September 30, 2026, the Company had $3.2 million denominated in Canadian dollars and $3.5 million denominated in United States dollar ("USD") of issued and outstanding letters of credit to suppliers of brokered commodities for a total of $8.2 million, of which $2.0 million expired subsequent to September 30, 2026 and a further $5.0 million will expire in 2026 and $1.2 million will expire in 2027. Subsequent to September 30, 2026, the Company amended its USD$3.5 million short term letter of credit to USD$4.0 million, which will expire in 2026. In addition, the USD short term letter of credit was drawn under the EDC Facility.

7. 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 $20.5 million as at September 30, 2026 (December 31, 2025 - $26.5 million) based on an undiscounted and uninflated total future liability of $44.4 million (December 31, 2025 - $51.3 million) and discounted using a long-term risk-free rate of 4.30% (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 September 30, 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:

	September 30, 2026	December 31, 2025
Balance, beginning of period	**$ 26,546**	$ 29,062
Change in discount rate	**(3,139)**	(5,411)
Change in cash flow estimates [(1)]	**597**	1,544
New development activity and acquisition	**43**	2,406
Disposition (note 4)	**(3,865)**	-
Abandonment expenditures	**(390)**	(2,054)
Accretion expense (note 11)	**720**	999
Balance, end of period	**$ 20,512**	$ 26,546
Expected to be settled within one year	**$ 2,100**	$ 2,100
Expected to be settled beyond one year	**$ 18,412**	$ 24,446

1 Change in estimates for the nine months ended September 30, 2026 was a result of minor changes in estimated future abandonment and reclamation costs.

8. 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 12(b))	(503)	(2,671)
Issued on exercise of restricted share units (note 12(a))	18	102
Balance, December 31, 2025	14,186	$ 58,281
Repurchase of common shares	(119)	(490)
Shares released from trust on vesting of share awards (note 12(b))	69	384
Repurchase of common shares held in trust (note 12(b))	(366)	(1,783)
Issued on exercise of restricted share units (note 12(a))	44	250
Balance, September 30, 2026	13,814	$ 56,642

c) Income (loss) per share

	Three months ended September 30, 2026			Three months ended September 30, 2025		
	Loss	**Common shares (000's)**	**Loss per share**	Income	Common shares (000's)	Income per share
Income (loss) - basic	**$ (11,432)**	**13,908**	**$ (0.82)**	$ 248	14,390	$ 0.02
Dilutive effect	**-**	**-**	**-**	-	408	-
Income (loss) - diluted	**$ (11,432)**	**13,908**	**$ (0.82)**	$ 248	14,798	$ 0.02

	Nine months ended September 30, 2026			Nine months ended September 30, 2025		
	Income	**Common shares (000's)**	**Income per share**	Income	Common shares (000's)	Income per share
Income - basic	**$ 4,783**	**14,012**	**$ 0.34**	$ 15,988	14,504	$ 1.10
Dilutive effect	**-**	**517**	**-**	-	408	-
Income - diluted	**$ 4,783**	**14,529**	**$ 0.33**	$ 15,988	14,912	$ 1.07

For the three months ended September 30, 2026, all share-based awards were excluded (three months ended September 30, 2025 - all options and warrants were excluded) as they were anti-dilutive.

For the nine months ended September 30, 2026, 652,556 options were excluded (nine months ended September 30, 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.

d) Normal Course Issuer Bid

On July 7, 2026, the Company announced that the TSX Venture Exchange approved the Company's normal course issuer bid ("NCIB"). Pursuant to the NCIB, the Company may purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 567,538 common shares of the Company between July 7, 2026 and July 6, 2027. As at September 30, 2026, the Company repurchased and cancelled 119,242 common shares at a weighted average price of $5.73 per share for a cost of $683 thousand. Subsequent to September 30, 2026, the Company repurchased and cancelled 50,812 common shares at a weighted average price of $6.02 per share for a cost of $306 thousand.

9. WARRANTS

Issued and outstanding	Number of Warrants (000's)	Exercise Price
Balance, December 31, 2025	3,150	$ 7.50
Expired and cancelled	(3,150)	$ 7.50
Balance, September 30, 2026	-	-

Each warrant entitled the holder thereof to purchase one Common Share at an exercise price of $7.50 and a term of three years. On August 3, 2026, the warrants expired unexercised.

10. 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.

The following table summarizes the Company's petroleum and natural gas sales.

	Three months ended September 30,		**Nine months ended September 30,**	
	2026	2025	**2026**	2025
Oil	**$ 13,611**	$ 21,157	**$ 68,842**	$ 65,220
Natural Gas Liquids	**1,149**	2,094	**6,963**	7,370
Natural Gas	**709**	502	**4,224**	4,116
Total	**$ 15,469**	$ 23,753	**$ 80,029**	$ 76,706

11. FINANCE EXPENSE

	Three months ended September 30,		**Nine months ended September 30,**	
	2026	2025	**2026**	2025
Interest on bank debt	**$ 402**	$ 1,983	**$ 4,329**	$ 5,557
Amortization of debt issue costs (note 6)	**145**	249	**537**	848
Interest income	**(69)**	(29)	**(92)**	(58)
Accretion of decommissioning liabilities (note 7)	**220**	252	**720**	745
Other	**6**	9	**13**	32
Total	**$ 704**	$ 2,464	**$ 5,507**	$ 7,124

12. 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 September 30, 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
Forfeited	(9)	-
Outstanding, September 30, 2026	934	$ 5.83
Exercisable, September 30, 2026	374	$ 6.39

Below is a summary of outstanding stock options at September 30, 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	275	$ 6.14
March 16, 2026	5 Years	281	$ 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[1]	50%
Option fair value (per option)	$ 2.15
Estimated forfeiture rate	0%
Expected dividend yield	0%

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

During the nine months ended September 30, 2026, 9,201 stock options were forfeited.

Restricted Share Units ("RSU's")

A summary of RSU's issued and outstanding at September 30, 2026 is as follows:

	Number of RSU's
Outstanding, January 1, 2025	215
Exercised	(18)
Granted	141
Outstanding, December 31, 2025	338
Exercised	(44)
Granted	105
Forfeited	(3)
Outstanding, September 30, 2026	396
Vested, September 30, 2026	155

Below is a summary of outstanding RSU's at September 30, 2026.

Grant Date	Number of RSU's (000's)
May 30, 2022	27
August 28, 2023	33
January 4, 2024	2
April 15, 2024	106
March 21, 2025	124
March 16, 2026	104

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 (September 30, 2025 – $6.14).

During the nine months ended September 30, 2026, 43,946 RSUs were exercised resulting in 43,946 common shares being issued. During the nine months ended September 30, 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 $5.23 per common share, for a total of $250 thousand, with a corresponding decrease to share-based compensation reserve.

During the nine months ended September 30, 2026, 3,737 RSUs were forfeited.

Subsequent to September 30, 2026, 15,966 were exercised resulting in 15,966 common shares being issued.

Deferred Share Units ("DSU's")

A summary of DSU's issued and outstanding at September 30, 2026 is as follows:

	Number of DSU's
Outstanding, January 1, 2025	50
Granted	40
Outstanding, December 31, 2025	90
Granted	22
Outstanding, September 30, 2026	112
Vested, September 30, 2026	70

Below is a summary of outstanding DSU's at September 30, 2026.

Grant Date	Number of DSU's (000's)	Vesting Date
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.

Subsequent to September 30, 2026, the Company approved to be granted 18,400 DSU's which vest one year from the grant date.

(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.

The fair value of the PSUs is determined on grant date based on the dollar value granted. PSUs issued to participants are held by the plan trustee and held in trust until such time the PSU's vest. Common shares, from time to time, are acquired in the open market by an independent trustee and are held in trust for the potential future settlement of award values and are netted out of share capital, including the cumulative purchase cost, until they are distributed for future settlement.

The award value of PSUs is adjusted for a payout multiplier which is approved by the Board of Directors and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period. The corporate performance measures are based upon certain financial and operating results of the Company as pre-determined by the Board, including shareholder returns relative to the Company's peer group and execution of the Company's corporate strategy

During the third quarter of 2026, it was determined by the Board of Directors that the performance criteria for the August 28, 2023 grant were met with a performance factor of 1.1. $250 thousand of the grant was forfeited after vesting, resulting in no shares being distributed with respect to the forfeited portion. As a result, 69,877 common shares that were held by the trustee were distributed to officers and employees at a weighted average price of $5.50 per common share.

During the nine months ended September 30, 2026, the trustee purchased 366,313 common shares for a total cost of $1.8 million.

As at September 30, 2026, the trustee held 1,282,031 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
Exercised		(359)
Forfeited		(250)
Balance, September 30, 2026	$	4,671

Below is a summary of outstanding PSU's at September 30, 2026:

Grant Date	Performance Date	Amount of PSU's (000's)
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

Subsequent to September 30, 2026, the Company granted $901 thousand worth of PSU's. The PSUs have a performance date three years from date of grant.

(c) Share-based Compensation Expense

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	**2026**	2025
Options	**$ 182**	$ 207	**$ 580**	$ 620
RSUs	**165**	204	**530**	572
PSUs	**474**	287	**1,287**	778
DSUs	**51**	62	**156**	181
ESPP	**40**	45	**174**	218
Total share-based compensation	**912**	805	**2,727**	2,369
Less: capitalized amounts (note 4)	**(276)**	(211)	**(867)**	(599)
Total share-based compensation expense	**$ 636**	$ 594	**$ 1,860**	$ 1,770

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.

13. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital is comprised of:

	Three months ended September 30,		Nine months ended September 30,	
Source/(use) of cash	**2026**	2025	**2026**	2025
Accounts receivable	**$ (11,031)**	$ 97	**$ (25,684)**	$ 4,085
Deposits and prepaid expenses	**(6,275)**	(350)	**(7,122)**	(2,373)
Accounts payable and accrued liabilities	**10,007**	(11,936)	**22,405**	(1,887)
Changes in non-cash working capital	**$ (7,299)**	$ (12,189)	**$ (10,401)**	$ (175)
The above figure relates to:				
Operating activities	**$ (4,658)**	$ (4,356)	**$ (6,849)**	$ 2,681
Financing activities	**148**	(460)	**155**	(12)
Investing activities	**(2,789)**	(7,373)	**(3,707)**	(2,844)
Changes in non-cash working capital	**$ (7,299)**	$ (12,189)	**$ (10,401)**	$ (175)
Interest paid	**$ 402**	$ 1,983	**$ 4,329**	$ 5,557
Taxes paid (recovered)	**$ -**	$ -	**$ -**	$ -

14. 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.

(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:

	September 30, 2026	December 31, 2025
Cash	**$ 1,261**	$ 4,564
Accounts receivable	**42,575**	17,094
Deposits	**7,048**	692
Commodity contracts	**2,710**	12,503
Reclamation deposits	**18**	18
Total	**$ 53,612**	$ 34,871

Cash

Cash consists 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 25th day of the month following production. At September 30, 2026, receivables from petroleum and natural gas marketers were approximately $7.1 million. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with credit-worthy purchasers. Approximately 59% (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 25th day of the month following when product was delivered. At September 30, 2026, receivables from brokered commodities and other related activities were approximately $34.2 million. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with credit-worthy purchasers. Approximately 77% (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 63% of accounts payable and accrued liabilities, with a net balance owing of approximately $10.5 million.

Joint interest receivables are typically collected within one to three months of the joint interest bill being issued to the partner. At September 30, 2026, receivables from joint interest partners were approximately $2.2 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.

The Company's accounts receivable are aged as follows:

	September 30, 2026	December 31, 2025
Current (less than 90 days)	**$ 37,902**	$ 15,125
Past due (more than 90 days)	**4,673**	1,969
Total	**$ 42,575**	$ 17,094

As at September 30, 2026, management believes all receivables net of provision for expected credit losses of $528 thousand (December 31, 2025 - $325 thousand) will be collected.

Deposits:

Deposits consist primarily of amounts held by utilities, service providers, landlords, and joint venture operators / marketing counterparties, and are included in deposits and prepaid expenses on the statement of financial position. The Company is exposed to credit risk on deposits in the event a counterparty fails to return the deposit or apply it against amounts owing. The Company manages this risk by transacting with established counterparties and monitoring amounts on deposit. At September 30, 2026, no deposits were past due or considered impaired, and the Company did not record an expected credit loss on deposits (December 31, 2025 – $nil).

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 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 September 30, 2026, the Company had $0.9 million in cash, $19.4 million in accounts receivable and $26.1 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 $14.9 million (note 6) would decrease or increase net income by approximately $86 thousand for the nine months ended September 30, 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.

The Company has the following commodity contracts outstanding as at September 30, 2026 as required under the ARCA (note 6):

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	1,500GJ/day	April 1, 2025 to March 31, 2027	$ 3.15 - $ 3.20	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	April 1, 2025 to December 31, 2026	$ 93.00	WTI - NYMEX
Crude Oil	200bbls/day	October 1, 2025 to December 31, 2026	$ 93.00 - $ 94.00	WTI - NYMEX
Crude Oil	200bbls/day	January 1, 2026 to December 31, 2026	$ 93.00 - $ 94.50	WTI – NYMEX
Crude Oil	100bbls/day	April 1, 2026 to December 31, 2026	$ 99.50	WTI – NYMEX

Product	Notional Volume	Term	Contract Price (USD/bbl)	Index
Crude Oil	100bbls/day	January 1, 2026 to December 31, 2026	$ 66.00	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	1,000bbls/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	200bbls/day	July 1, 2027 to December 31, 2027	$ 70.00 - $ 71.00	WTI – NYMEX
Crude Oil	900bbls/day	January 1, 2028 to December 31, 2028	$ 65.00 - $ 70.00	WTI – NYMEX
Crude Oil	100bbls/day	January 1, 2029 to December 31, 2029	$ 67.00	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
MSW Differential	300bbls/day	January 1, 2027 to December 31, 2027	$ 4.75	TMX-1A-SW

Product	Notional Volume	Term	Contract Price (USD/bbl)	Index
MSW Differential	200bbls/day	May 1, 2026 to December 31, 2026	$ (1.00)	TMR-FIN-SW
MSW Differential	650bbls/day	January 1, 2027 to December 31, 2027	$ 3.50 - $ 4.25	TMR-FIN-SW

In addition, the Company entered into the following commodity contracts to monetize a portion of the contingent consideration during the third quarter of 2026:

Product	Notional Volume	Term	Buy Contract Price (USD/bbl)	Sell Contract Price (USD/bbl)	Index
Crude Oil	116,840 bbls	October 1, 2026 to December 31, 2026	$ 80.00	$ 95.00	WTI - NYMEX
Crude Oil	114,300 bbls	January 1, 2027 to March 31, 2027	$ 75.00	$ 90.00	WTI - NYMEX
Crude Oil	115,570 bbls	April 1, 2027 to June 30, 2027	$ 72.50	$ 87.50	WTI - NYMEX

The Company received net premium proceeds of $3.1 million during the third quarter of 2026, which was recognized as the fair value of these contracts on inception.

The commodity contracts had a total fair value at September 30, 2026 of a net liability of $17.7 million (December 31, 2025 - asset of $12.5 million). The corresponding unrealized loss for the three and nine months ended September 30, 2026 was a loss of $16.0 million and a loss of $27.2 million (including the impact of the $3.1 million net premium), respectively (three and nine months ended September 30, 2025 – unrealized loss of $4.2 million and gain of $7.4 million), and is included in the statement of income (loss) and comprehensive income (loss). Total realized loss for the three and nine months ended September 30, 2026 was $2.8 million and $11.4 million, respectively (three and nine months ended September 30, 2025 - gain of $2.4 million and $4.7 million) and is also included in the statement of income (loss) and comprehensive income (loss).

For the nine months ended September 30, 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 $248 thousand.

Subsequent to September 30, 2026, the Company entered into the following commodity contracts:

Swaps:

Product	Notional Volume	Term	Contract Price (USD/bbl)	Index
Crude Oil	200bbls/day	January 1, 2029 to December 31, 2029	$ 68.00 - $ 70.00	WTI – NYMEX

(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 September 30, 2026, the Company had a working capital deficit of $4.7 million, excluding commodity contract asset and liability, current portion of decommissioning liability, current portion of lease liabilities, and contingent consideration asset. 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 September 30, 2026, was mainly driven by the capital program incurred during the first half of the year along with settlement of payables for brokered commodities activities. 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 1, 2028; 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 September 30, 2026.

The following table details the Company's financial liabilities, excluding commodity contracts, as at September 30, 2026:

	Total	**<1 year**	**1-5 years**	**>5 years**
Accounts payable and accrued liabilities	**$ 58,320**	$ 58,320	$ -	$ -
Bank debt	**14,361**	-	14,361	-
Lease liabilities	**1,634**	-	1,426	208
Total financial liabilities	**$ 74,315**	$ 58,320	$ 15,787	$ 208

15. 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 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 and nine months ended September 30, 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:

	September 30, 2026	December 31, 2025
Adjusted current assets[1]	**$ 53,604**	$ 24,491
Adjusted current liabilities[1]	**(58,320)**	(35,915)
Adjusted working capital	**(4,716)**	(11,424)
Bank debt	**(14,361)**	(105,299)
Total net debt	**$ (19,077)**	$ (116,723)

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

The decrease in net debt during the nine months ended September 30, 2026 is mainly due to the repayment of bank debt in conjunction with the disposition of the Company's Wilson Creek oil and natural gas properties during the second quarter of 2026 (note 4).

EBITDA, Adjusted Funds Flow, Free Funds Flow

EBITDA

The Company considers 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 capital changes, non-recurring environmental remediation expense, interest and decommissioning expenditures.

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.

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") and decommissioning expenditures.

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2026	2025	**2026**	2025
Cash flow from operating activities	**$ 560**	$ 7,249	**$ 22,490**	$ 39,585
Non-recurring environmental remediation expense	**485**	-	**485**	-
Gain on remeasurement of contingent consideration asset	**(2,567)**	-	**(2,567)**	-
Change in non-cash operating working capital	**4,658**	4,356	**6,849**	(2,681)
Net interest[1]	**333**	1,954	**4,237**	5,499
Decommissioning expenditures	**374**	337	**390**	426
EBITDA	**3,843**	13,896	**31,884**	42,829
Net interest[1]	**(333)**	(1,954)	**(4,237)**	(5,499)
Adjusted funds flow	**3,510**	11,942	**27,647**	37,330
Decommissioning expenditures	**(374)**	(337)	**(390)**	(426)
Capital expenditures, net	**(6,518)**	(7,459)	**71,937**	(49,647)
Free funds flow	**$ (3,382)**	$ 4,146	**$ 99,194**	$ (12,743)

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

The decrease in EBITDA and adjusted funds flow for the three and nine months ended September 30, 2026, compared to the same periods in 2025, is primarily due to losses on commodity contracts and the disposition of the Company's Wilson Creek oil and natural gas properties (note 4) during the second quarter of 2026 resulting in lower production.

During the nine months ended September 30, 2026, the Company realized strong overall commodity prices while also incurring losses on commodity contracts, and this contributed to the overall decrease in EBITDA, and adjusted funds flow, compared to the same period in 2025.

Increased free funds flow for the nine months ended September 30, 2026 was primarily due to the disposition of the Company's Wilson Creek oil and natural gas properties (note 4), compared to the same period last year.

Decreased free funds flow for the three months ended September 30, 2026 was primarily due to losses on commodity contracts and the disposition of the Company's Wilson Creek oil and natural gas properties (note 4) during the second quarter of 2026 resulting in lower production.