



HIGHWOOD

ASSET MANAGEMENT LTD.

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2024**

March 21, 2025

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CERTAIN DEFINITIONS

Terms used in this Annual Information Form and not otherwise defined have the meanings set forth below:

Selected Defined Terms

"2022 Base Shelf Prospectus" means the short form base shelf prospectus dated December 21, 2022 filed with the securities commissions or similar regulatory authorities in Alberta, British Columbia, Saskatchewan, and Ontario, allowing the Company to offer and issue, from time to time, Base Shelf Prospectus Securities of up to \$70 million aggregate initial offering price of Base Shelf Prospectus Securities (or the equivalent thereof in one or more foreign currencies or composite currencies, including U.S. dollars) during the 25-month period that the 2022 Base Shelf Prospectus is valid (including any amendments), which Base Shelf Prospectus Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of the sale and set forth in one or more shelf prospectus supplements;

"2023 A&R Base Shelf Prospectus" means the amended and restated short form base shelf prospectus dated May 19, 2023 (for the provinces of Alberta, British Columbia, Saskatchewan, and Ontario) and the short form base shelf prospectus dated May 19, 2023 (for the provinces of Manitoba and New Brunswick) allowing the Company to offer and issue, from time to time, Base Shelf Prospectus Securities of up to \$80 million aggregate initial offering price of Base Shelf Prospectus Securities (or the equivalent thereof in one or more foreign currencies or composite currencies, including U.S. dollars) during the 25-month period that the 2022 Base Shelf Prospectus (including any amendments) is valid, which Base Shelf Prospectus Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of the sale and set forth in one or more shelf prospectus supplements;

"2023 Prospectus Offering" has the meaning ascribed thereto under "*General Development of the Business — Three Year History*";

"2023 Subscription Receipts" has the meaning ascribed thereto under "*General Development of the Business — Three Year History*";

"2023 Warrants" has the meaning ascribed thereto under "*General Development of the Business — Three Year History*";

"2024 A&R Base Shelf Prospectus" means the amended and restated short form base shelf prospectus dated January 17, 2024 (amending and restating the short form base shelf prospectus dated May 19, 2023, for the provinces of Manitoba and New Brunswick) and second amended and restated short form base shelf prospectus dated January 17, 2024 (amending and restating the short form base shelf prospectus dated December 21, 2022, as amended and restated by the amended and restated short form base shelf prospectus dated May 19, 2023, for the provinces of Alberta, British Columbia, Saskatchewan, and Ontario), filed with the securities commissions or similar regulatory authorities in each such Province, allowing the Company to offer and issue, from time to time, Base Shelf Prospectus Securities of up to \$150 million aggregate initial offering price of Base Shelf Prospectus Securities (or the equivalent thereof in one or more foreign currencies or composite currencies, including U.S. dollars) during the 25-month period that the 2022 Base Shelf Prospectus (including any amendments) is valid, which Base Shelf Prospectus Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of the sale and set forth in one or more shelf prospectus supplements;

"ABCA" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"Acquisitions" has the meaning ascribed thereto under "*General Development of the Business — Three Year History*";

"Amalgamation" means the amalgamation of Predecessor Highwood and PBC on January 23, 2019 under the ABCA to form the Company, being a new corporation also named "Highwood Oil Company Ltd.", which amalgamation constituted PBC's Qualifying Transaction and whereby (i) initially, PBC completed a consolidation of its 10,000,000 outstanding common shares at a ratio of approximately 1:53, and (ii) after such consolidation, PBC issued

approximately 5,753,004 post-consolidation common shares to shareholders of Predecessor Highwood at a deemed value of \$9.00 per share, which implied an entity value for Predecessor Highwood of approximately \$52 million;

"**Annual Information Form**" means this Annual Information Form;

"**Base Shelf Prospectus Securities**" means, collectively, (i) Common Shares; (ii) preferred shares of the Company; (iii) debt securities, (iv) subscription receipts of the Company; (v) warrants; (vi) share purchase contracts of the Company; or (vii) units comprising any combination of the foregoing;

"**Board**" means the board of directors of Highwood;

"**Boulder**" has the meaning ascribed thereto under "*General Development of the Business — Three Year History*";

"**Boulder Note**" has the meaning ascribed thereto under "*General Development of the Business — Three Year History*";

"**Brazeau Acquisition**" has the meaning ascribed thereto under "*General Development of the Business — Three Year History*";

"**Brazeau Share Purchase Agreement**" has the meaning ascribed thereto under "*General Development of the Business — Three Year History*";

"**Capital Pool Company**" or "**CPC**" means a company:

- (a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with Policy 2.4; and
- (b) in regard to which a final bulletin has not yet been issued by the TSX Venture Exchange;

"**Castlegate**" has the meaning ascribed thereto under "*General Development of the Business — Three Year History*";

"**Castlegate Acquisition**" has the meaning ascribed thereto under "*General Development of the Business — Three Year History*";

"**Castlegate Share Purchase Agreement**" has the meaning ascribed thereto under "*General Development of the Business — Three Year History*";

"**Common Shares**" means common voting shares in the capital of Highwood;

"**Company**" or "**Highwood**" means Highwood Asset Management Ltd., and, when used in the context of describing the Company's assets and business, includes its predecessor, Predecessor Highwood;

"**Evi Terminal**" means the butane blending operation 50% owned by the Company near Evi, Alberta for which the Company is responsible for operations;

"**GAAP**" means generally accepted accounting principles in Canada, which for Canadian reporting issuers is IFRS, as in effect from time to time;

"**Gambit**" means Gambit Oil Corp., a corporation previously existing under the ABCA;

"**GLJ**" means GLJ Ltd., independent qualified petroleum consultants of Calgary, Alberta;

"**GLJ Report**" means the report prepared by GLJ and dated March 7, 2025 evaluating the light and medium crude oil, heavy oil, conventional natural gas, shale gas, and natural gas liquids reserves attributable to Highwood's properties at December 31, 2024;

"HR Board Nomination Agreement" has the meaning ascribed thereto under *"General Development of the Business — Three Year History"*;

"HR Exploration" has the meaning ascribed thereto under *"General Development of the Business — Three Year History"*;

"IFRS" means International Financial Reporting Standards as issued by the International Accounting Standards Board, as adopted by the Canadian Accounting Standards Board;

"New Credit Agreement" means the amended and restated credit agreement dated December 19, 2021, amending and restating the credit agreement dated August 17, 2023, as amended by the first amending agreement made effective June 26, 2024, and the second amending agreement made effective on November 12, 2024, between the (i) Company, (ii) Royal Bank of Canada (as agent for the lenders), and (iii) Royal Bank of Canada, ATB Financial, Canadian Imperial Bank of Commerce, Macquarie Bank Limited, and such other persons as become parties thereto (as lenders), regarding provision of the New Credit Facilities to the Company by the lenders thereunder;

"New Credit Facilities" has the meaning ascribed thereto under *"General Development of the Business — Three Year History"*;

"NI 51-101" means National Instrument 51-101 — *Standard of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators;

"PBC" means Predator Blockchain Capital Corp., a company incorporated pursuant to the provisions of the ABCA on January 25, 2018, which completed its initial public offering as a CPC on April 3, 2018 and that amalgamated with Predecessor Highwood pursuant to the Amalgamation;

"PBC Share" means a common voting share in the capital of PBC;

"Policy 2.4" means the TSX Venture Exchange's Policy 2.4 entitled *"Capital Pool Companies"*;

"Predecessor Highwood" means Highwood Oil Company Ltd., the private, Calgary, Alberta, based oil and gas exploration, development and production company incorporated under the ABCA on August 24, 2012 that amalgamated with PBC pursuant to the Amalgamation;

"Predecessor Highwood Share" means a common voting share in the capital of Predecessor Highwood;

"Previous Credit Agreement" means the third amended and restated credit agreement dated December 7, 2021, as amended by a first amending agreement made as of August 31, 2022 and a second amending agreement made as of April 27, 2023, between the Company and the senior secured lenders for the Previous Credit Facility;

"Previous Credit Facility" means the Company's \$2.92 million operating facility pursuant to the Previous Credit Agreement;

"Qualifying Transaction" means a transaction whereby a CPC acquires "Significant Assets" (as defined in Policy 2.4), other than cash, by way of purchase, amalgamation, merger or arrangement with another Company or by other means;

"Shale" has the meaning ascribed thereto under *"General Development of the Business — Three Year History"*;

"Shale Acquisition" has the meaning ascribed thereto under *"General Development of the Business — Three Year History"*;

"Shale Share Purchase Agreement" has the meaning ascribed thereto under *"General Development of the Business — Three Year History"*;

"Shareholder" means a holder of record of one or more Common Shares;

"SN 51-324" means Staff Notice 51-324 — *Glossary to 51-101 Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators, as amended or replaced from time to time;

"WCSB" means the Western Canadian Sedimentary Basin; and

"West Lake" has the meaning ascribed thereto under *General Development of the Business — Three Year History*.

Selected NI 51-101 Terms

The following is a glossary of certain technical terms that appear in this Annual Information Form related to the Company's oil and gas operations. Certain other terms used in this Annual Information Form but not defined herein are defined in NI 51-101 and SN 51-324 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 and SN 51-324:

"**abandonment and reclamation costs**" means all costs associated with the process of restoring a reporting issuer's property that has been disturbed by oil and gas activities to a standard imposed by applicable government or regulatory authorities;

"**associated gas**" means the gas cap overlying a crude oil accumulation in a reservoir;

"**basin**" means a large natural depression on the earth's surface in which sediments generally brought by water accumulate;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time;

"**conventional natural gas**" means natural gas that has been generated elsewhere and has migrated as a result of hydrodynamic forces and is trapped in discrete accumulations by seals that may be formed by localized structural, depositional or erosional geological features;

"**crude oil**" means a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons but does not include liquids obtained from the processing of natural gas;

"**developed non-producing reserves**" are those reserves that either have not been on production, or have previously been on production but are shut-in and the date of resumption of production is unknown;

"**developed producing reserves**" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

"**developed reserves**" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing;

"**development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems;

"development well" means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive;

"exploration costs" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as **"prospecting costs"**) and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as **"geological and geophysical costs"**);
- (b) costs of carrying and retiring unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells;

"exploration well" means a well that is not a development well, a service well or a stratigraphic test well;

"field" means an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata or laterally by local geologic barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to denote localized geological features, in contrast to broader terms such as "basin", "trend", "province", "play" or "area of interest". The field name refers to the surface area, although it may refer to both the surface and the underground productive formations;

"forecast prices and costs" means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future; and
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the reporting issuer is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a);

"formation" means a layer of rock which has distinct characteristics that differ from nearby rock;

"future income tax expenses" means expenses estimated (generally, year-by-year):

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;
- (b) without deducting estimated future costs that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances; and
- (d) applying to the future pre-tax net cash flows relating to the reporting issuer's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated;

"future net revenue" means a forecast of revenue, estimated using forecast prices and costs or constant prices and costs, arising from the anticipated development and production of resources, net of the associated royalties, operating costs, development costs, and abandonment and reclamation costs;

"gross" means:

- (a) in relation to the corporation's interest in production or reserves, its "company gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the corporation;
- (b) in relation to wells, the total number of wells in which the corporation has an interest; and
- (c) in relation to properties, the total area of properties in which the corporation has an interest;

"heavy crude oil" means crude oil with a relative density greater than 10° API gravity and less than or equal to 22.3° API gravity;

"light crude oil" means crude oil with a relative density greater than 31.1° API gravity;

"medium crude oil" means crude oil with a relative density that is greater than 22.3° API gravity and less than or equal to 31.1° API gravity;

"natural gas" means a naturally occurring mixture of hydrocarbon gases and other gases;

"natural gas liquids" or **"NGLs"** means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus, and condensates;

"net" means:

- (a) in relation to the corporation's interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interest in production or reserves;
- (b) in relation to the corporation's interest in wells, the number of wells obtained by aggregating the corporation's working interest in each of its gross wells; and
- (c) in relation to the corporation's interest in a property, the total area in which the corporation has an interest multiplied by the working interest owned by the corporation;

"operating costs", see "production costs";

"possible reserves" means those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves;

"probable reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

"production" means the cumulative quantity of petroleum that has been recovered at a given date. Recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas;

"production costs" (or **"operating costs"**) means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. Lifting costs become part of the cost of oil and gas produced. Examples of production costs are:

- (a) costs of labour to operate the wells and related equipment and facilities;
- (b) costs of repairs and maintenance;
- (c) costs of materials, supplies and fuel consumed, and supplies utilized, in operating the wells and related equipment and facilities;
- (d) costs of well services; and
- (e) taxes, other than income and capital taxes;

"property acquisition costs" means costs incurred to acquire a property (directly by purchase or lease, or indirectly by acquiring another corporate entity with an interest in the property), including:

- (a) costs of lease bonuses and options to purchase or lease a property;
- (b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee; and
- (c) brokers' fees, recording and registration fees, legal costs and other costs incurred in acquiring properties;

"proved property" means a property or part of a property to which reserves have been specifically attributed;

"proved reserves" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

"reserves" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates being "proved reserves", "probable reserves" and "possible reserves";

"reservoir" means a subsurface rock unit that contains an accumulation of petroleum;

"resources" means petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced. Total resources is equivalent to total petroleum initially-in-place;

"service well" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion;

"**solution gas**" means natural gas dissolved in crude oil;

"**stratigraphic test well**" means the drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as:

- (a) "exploratory type" if not drilled into a proved property; or
- (b) "development type", if drilled into a proved property. Development type stratigraphic wells are also referred to as "evaluation wells";

"**support equipment and facilities**" means equipment and facilities used in oil and gas activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices;

"**undeveloped reserves**" are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned. In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status;

"**unproved property**" means a property or part of a property to which no reserves have been specifically attributed; and

"**working interest**" means the net interest held in an oil and natural gas property which normally bears its proportionate share of the costs of exploration, development and operations as well as any royalties or other production burdens.

ABBREVIATIONS AND CONVERSION

In this Annual Information Form, the following abbreviations and terms have the meanings set forth below:

Oil and Natural Gas Liquids		Natural Gas	
bbbl	barrel	Mcf	thousand cubic feet
Mbbl	one thousand barrels	MMcf	million cubic feet
MMbbl	one million barrels	Mscf	thousand standard cubic feet
bbbl/d	barrels per day	Bcf	billion cubic feet
bopd	barrels of oil per day	Mcf/d	thousand cubic feet per day
NGL	natural gas liquids	MMcf/d	million cubic feet per day
		MMscf/d	million standard cubic feet per day
		MMBTU	million British Thermal Units
		MMBTU/d	million British Thermal Units per day
Other			
BOE or boe	barrel of oil equivalent is derived by converting natural gas to oil in the ratio of six Mcf of natural gas to one bbl of oil. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of six Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.		
boe/d	barrels of oil equivalent per day		
Mboe	one thousand barrels of oil equivalent		
MMboe	one million barrels of oil equivalent		
M	thousand		

Other

ft	feet
m	square
m ²	square metre
m ³	cubic metre
km	kilometre
km ²	square kilometres
API	American Petroleum Institute
° API	is a measure of how heavy or light a petroleum liquid is compared to water. If a petroleum liquid's API gravity is greater than 10, it is lighter and floats on water; if less than 10, it is heavier than water and sinks. API gravity is thus a measure of the relative density of a petroleum liquid and the density of water, but it is used to compare the relative densities of petroleum liquids
\$000s or M\$	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade
/day	per day

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units):

To convert from	To	Multiply by
BOE	Mcf	6.0
Mcf	m ³	28.174
m ³	cubic feet	35.315
bbl	m ³	0.159
m ³	bbl	6.290
ft	metres	0.305
metres	ft	3.281
miles	km	1.609
km	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
tones	tonnes	0.907
ounces	grams	34.286

INFORMATION

Except where otherwise indicated, all information in this Annual Information Form is presented as at the end of the Company's most recently completed financial year, being December 31, 2024.

All dollar amounts set forth in this Annual Information Form are in Canadian dollars unless otherwise indicated. References to "\$", "CAD" or "C\$" are to Canadian dollars and references to "US\$" and "USD" are to U.S. dollars.

A reference made in this Annual Information Form to other documents or to information or documents available on a website does not constitute the incorporation by reference into this Annual Information Form of such other documents or such other information or documents available on such website, unless otherwise stated.

NON-GAAP AND SPECIFIED FINANCIAL MEASURES

This Annual Information Form refers to certain financial measures that are not determined in accordance with GAAP. Since non-GAAP measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies, securities regulations require that non-GAAP measures are clearly defined, qualified and reconciled to their nearest GAAP measure. Except as otherwise indicated, these non-GAAP measures are calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

The intent of non-GAAP measures is to provide additional useful information with respect to Highwood's operational and financial performance to investors and analysts though the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate these non-GAAP measures differently.

In particular, the term "netback" is used in this Annual Information Form and readers should be cautioned that netback is not defined by GAAP and may not be comparable to similar measures presented by other companies. Management believes this is a useful metric in providing a comparison of relative overall performance between companies as it is a common metric used by other companies operating in the oil and gas industry. Management uses the metric to assess the Company's overall performance relative to that of its competitors and for internal planning purposes.

"**Netback**" is a non-GAAP financial measure and is calculated as revenues net of royalties, less transportation and processing charges and operating expenses and then divided by BOE or Mcf sold.

"**Capital Efficiency**" is a supplementary financial measure that represents the capital spent to add new or incremental production divided by the current rate of the new or incremental production. It is expressed as a dollar amount per flowing volume of a product (\$/bbl/d or \$/boe/d). The Company considers capital efficiency a key measure in evaluating its performance, as it demonstrates the efficiency of the Company's capital investments. The Company believes Capital Efficiency can provide useful information to investors and shareholders in understanding the incremental cost of increasing production.

"**Capital Expenditures**" or "**Capex**" is comprised of property, plant and equipment expenditures and exploration and evaluation asset expenditures and excludes any corporate or property acquisitions, respectively. Highwood uses capital expenditures to monitor its capital investments relative to those budgeted by the Company on an annual basis. Highwood's capital budget excludes acquisition and disposition activities as well as the accounting impact of any accrual changes or payments under certain lease arrangements. The most directly comparable GAAP measure for capital expenditures is cash flow used in investing activities. Capital Expenditures is calculated as cash flow from (used in) investment activities, adding back changes in non-cash working capital, property acquisitions expenditures or property disposition proceeds.

"**Cash Flow**" is used to assess the Company's ability to generate the necessary funds to manage production levels and fund future development. The most directly comparable GAAP measure is cash flow from (used in) operating activities. Cash flow is calculated as cash flow from (used in) operating activities, adding back changes in non-cash working capital, decommissioning obligation expenditures, transaction costs, less office lease expenses and cash taxes.

"**Corporate FCF Breakeven**" is calculated as the WTI price in US dollars in which Free Cash Flow is approximately zero under the currently contemplated development plan and interest. Other prices are held constant at WCSB differential: US\$14.00/bbl; MSW differential: US\$3.50/bbl; AECO: C\$2.00/GJ; 0.73 CAD/USD. The Company believes that Corporate Free Cash Flow breakeven can provide useful information to investors and shareholders in understanding sensitivity to commodity pricing and understanding at what the minimum WTI price in US dollars would be to execute the Company's contemplated development plan.

"**EBITDA**" is used as an alternative measure of profitability and attempts to represent the cash profit generated by the Company's operations. The most directly comparable GAAP measure is cash flow from (used in) operating activities. EBITDA is calculated as cash flow from (used in) operating activities, adding back changes in non-cash working capital, decommissioning obligation expenditures and interest expense.

"**Free Cash Flow**" or "**FCF**" is used as an indicator of the efficiency and liquidity of the Company's business, measuring its funds after capital expenditures available to manage debt levels, pursue acquisitions and assess the optionality to pay dividends and/or return capital to shareholders through activities such as share repurchases. The most directly comparable GAAP measure is cash flow from (used in) operating activities. Free Cash Flow is calculated as cash flow from (used in) operating activities, less interest, office lease expenses, cash taxes and capital expenditures.

For more information with respect to financial measures which have not been defined by GAAP, including reconciliations to the closest comparable GAAP measure, see the "*Non-GAAP Measures*" section of the Company's management discussion and analysis accompanying its most recent audited annual financial statements which are available on SEDAR+ at www.sedarplus.ca under the Company's profile .

TECHNICAL INFORMATION

The oil and gas reserves estimates contained in this Annual Information Form have been prepared in accordance with the requirements of NI 51-101. See "*Statement of Reserves Data and Other Oil and Gas Information*".

The securities regulatory authorities in Canada have adopted NI 51-101, which prescribes oil and gas disclosure standards for Canadian public issuers engaged in oil and gas activities. The Company is required to disclose reserves in accordance with Canadian securities law requirements, and the disclosure contained in this Annual Information Form include reserves designated as proved and probable reserves.

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved and probable reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of oil, natural gas liquids ("NGL") and natural gas reserves contained in this Annual Information Form are estimates only. Actual reserves may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the disclosed oil, NGL and natural gas reserves does not represent the fair market value of these reserves.

There is no assurance that any forecast prices and costs assumptions in this Annual Information Form will be attained, and variances could be material. The recovery and reserve estimates of reserves and resources provided in this Annual Information Form are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater or less than the estimates provided in this Annual Information Form. The estimates of reserves and future net revenue for individual properties in this Annual Information Form may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

For additional information regarding the presentation of the Company's reserves and other oil and gas information see "*Statement of Reserves Data and Other Oil and Gas Information*".

FORWARD LOOKING STATEMENTS

Certain statements contained in this Annual Information Form, and in certain documents incorporated by reference into this Annual Information Form, constitute forward-looking statements. These statements relate to future events of our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek," "anticipate," "budget," "plan," "continue," "estimate," "expect," "forecast," "may," "will," "project," "predict," "potential," "target," "intend," "could," "might," "should," "believe," and similar expressions. In addition, there are forward-looking statements in this Annual Information Form.

All statements other than statements of historical fact contained in this Annual Information Form and the documents incorporated by reference herein are forward-looking statements, including, without limitation, statements regarding: our strategies, objectives and goals; future prices and price volatility for oil, natural gas and petroleum products that we produce or plan to produce; demand for and supply of oil, natural gas and petroleum products that we produce or plan to produce; expected receipt of regulatory approvals and the expected timing thereof; expectations regarding our ability to maintain and renew existing licences, permits and leases for our properties; the development of our proved undeveloped oil and gas reserves and probable undeveloped oil and gas reserves; our future development activities, forward contracts and transportation commitments, reclamation and abandonment obligation, tax horizon, exploration and development activities and production estimates; the performance characteristics of our crude oil and natural gas properties; crude oil and natural gas production levels; the size of the crude oil and natural gas reserves, possible failure to realized the anticipated benefits of the Acquisitions; unexpected costs or liabilities related to the Acquisitions; projections of market prices and costs; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; treatment under governmental regulatory regimes and tax laws; impacts of current commodity prices on the Company, including with respect to abandonment and reclamation obligations; budget expectations; capital expenditure programs; estimates of future production; development of emergency response teams and preparedness plans to effectively respond to environmental incidents; undertaking environmental assessments for new projects or when acquiring new properties or facilities; conducting audits of operations; maintaining documentation to support internal accountability and measuring operational performance; development of the Company's remaining proved undeveloped reserves and probable undeveloped

reserves; funding of development costs of the Company's reserves; future income taxes payable by the Company in the proved producing category; declaration of future cash dividends; production of crude oil, natural gas and NGLs in Canada; lack of regulatory certainty influencing investment decisions for major projects in Canada; the ability for improved access to global markets to alleviate the downward pressures affecting commodity prices; the impact of the Canada-United States-Mexico Agreement on western Canada's crude oil and natural gas industry, including the Company's business; the impact of the lack of available infrastructure for the offshore export of crude oil and natural gas on the ability of Canadian crude oil and natural gas producers to benefit from trade agreements; impacts of current and future changes to environmental legislation; the impact of political, legal and regulatory developments in Canada on the Company's results; the Company's intent to build a growing portfolio of recurring free funds flow that will provide maximum flexibility for growth and/or other strategic merger and acquisition opportunities in a non-dilutive fashion; the Company's intention to eventually oversee various operations including ESG and other clean energy transition subsectors, which include clean energy technologies, upstream and midstream oil and gas production and processing; the Company's anticipation regarding additional volumes coming onto the Wabasca River Pipeline; the Company's anticipations regarding crude oil price volatility; the Company's forecasts and plans regarding its ability to continue to meet its obligations under the New Credit Facilities; the Company's evaluation of opportunities in the mergers and acquisitions market; and management assessing ways to maximize operating netback. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Annual Information Form should not be unduly relied upon. These statements speak only to estimates as of the date of this Annual Information Form or as of the date specified in the documents incorporated by reference into this Annual Information Form, as the case may be.

Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. In addition, these risks and uncertainties are material factors affecting the success of our business. Such factors include, but are not limited to: declines in crude oil and natural gas prices; enacted and proposed export and import restrictions, tariffs, export taxes or curtailment on exports; adverse economic conditions, geopolitical instability and the escalation and expansion of conflict globally; inflation, cost management and rising interest rates; political uncertainty in Canada and the United States; various pipeline constraints; the payment of dividends, if any; variations in foreign exchange rates; stock market volatility; impact of public health crises, similar to the COVID-19 pandemic, including weakness and volatility of crude oil and other petroleum products prices from decreased global demand resulting from public health crises; uncertainties relating to market valuations; refinancing risk for existing debt and debt service costs; access to external sources of capital; risks associated with our hedging activities; third-party credit risk; risks associated with the exploitation of our properties and our ability to acquire reserves; government regulation, policy and control and changes in governmental legislation; changes in income tax laws, royalty rates and other incentive programs; uncertainties associated with estimating crude oil and natural gas reserves and resources; risks associated with acquiring, developing and exploring for crude oil and natural gas and other aspects of our operations; our reliance on hydraulic fracturing; risks associated with large projects or expansion of our activities; the failure to realize anticipated benefits of acquisitions and dispositions or to manage growth; changes in climate change laws and other environmental regulations; competition in the oil and gas industry for, among other things, acquisitions of reserves, undeveloped lands, skilled personnel and drilling and related equipment; risks of non-cash losses as a result of the application of accounting policies; our operating activities and ability to retain key personnel; depletion of our reserves; risks associated with securing and maintaining title to our properties; risks for United States ("US") and other non-resident Shareholders; risks described in further detail under "*Risk Factors*" herein; and other factors, many of which are beyond our control.

The actual results could differ materially from those results anticipated in these forward-looking statements, which are based on assumptions, including as to the market prices for crude oil and natural gas; the continuation of the present policies of the Board relating to management of Highwood, and the payment of dividends, capital expenditures and other matters; the continued availability of capital and skilled personnel, acquisitions of reserves and undeveloped lands; the continuation of the current tax and regulatory regime and other assumptions contained in this Annual Information Form.

Statements relating to "reserves" and "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves and resources described can be profitably produced in the future.

The estimates of future production may be considered to be future-oriented financial information or a financial outlook for the purposes of applicable Canadian securities laws. Financial outlook and future-oriented financial information contained in this Annual Information Form about prospective financial performance, financial position or cash flows are based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available, and to become available in the future. In particular, this Annual Information Form contains projected operational information for 2025. These projections contain forward-looking statements and are based on a number of material assumptions and factors. Actual results may differ significantly from the projections presented herein. These projections may also be considered to contain future-oriented financial information or a financial outlook. The actual results of Highwood's operations for any period could vary from the amounts set forth in these projections, and such variations may be material. See above for a discussion of the risks that could cause actual results to vary. The future-oriented financial information and financial outlooks contained in this Annual Information Form have been approved by management as of the date of this Annual Information Form. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. Highwood and its management believe that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, Highwood's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

Management of the Company has included the above summary of assumptions and risks related to forward-looking information provided in this Annual Information Form in order to provide Shareholders with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Company will derive therefrom. These forward-looking statements are made as of the date of this Annual Information Form and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

NOTE REGARDING DRILLING LOCATIONS

The references to drilling locations that are contained herein have been prepared by qualified reserves evaluators from Highwood as at the date hereof.

Area	Proved Gross (Net)	Probable Gross (Net)	Unbooked Probable (Net)
Alberta	83 (73.6)	38 (33.3)	202 (185.1)
British Columbia	2 (1.0)	1 (0.7)	28 (16.8)
Saskatchewan	1 (1.0)	2 (1.5)	4 (4.0)

Proved locations and probable locations are derived from the GLJ Report and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on 3-D seismic response within interpreted channel sequences. Unbooked locations do not have attributed reserves or resources. There is no certainty that Highwood will drill any or all booked or unbooked drilling locations and, if drilled, there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which Highwood actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

CORPORATE STRUCTURE

Name, Address and Incorporation

Highwood was formed by amalgamation under the ABCA.

Effective January 23, 2019, Predecessor Highwood and PBC completed the Amalgamation to form the Company, being a new corporation also named "Highwood Oil Company Ltd." The Amalgamation constituted PBC's Qualifying Transaction. On January 29, 2019, the Common Shares began trading on the TSX Venture Exchange under the symbol "HOCL". The Amalgamation was a reverse takeover and Predecessor Highwood was the acquiror. PBC was incorporated pursuant to the provisions of the ABCA on January 25, 2018. Predecessor Highwood was incorporated under the ABCA on August 24, 2012.

On April 29, 2019, the Company acquired all of the issued and outstanding shares of Gambit. Immediately following the acquisition, the Company vertically amalgamated with Gambit under the ABCA. See "*General Development of the Business — Three Year History*".

On July 16, 2021, after evaluating various energy, energy transition and cleantech ventures for five years, the Company announced its plans to immediately transition to an asset management company with a focus on energy, energy transition and related technologies.

Effective July 20, 2021, the Company obtained shareholder and regulatory approval to change its name from "Highwood Oil Company Ltd." to "Highwood Asset Management Ltd." In conjunction with the change in name, the Common Shares began trading under the new symbol "HAM" on the TSX Venture Exchange.

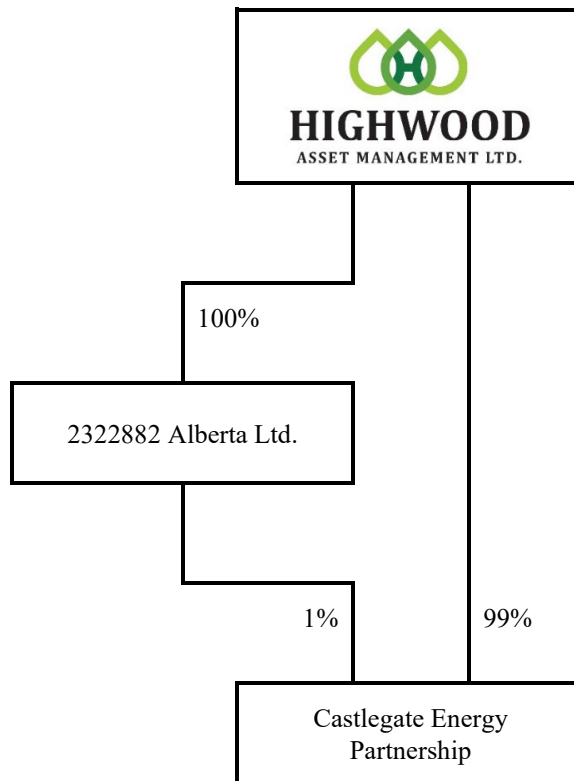
On August 3, 2023, the Company completed the Acquisitions. Immediately following the Acquisitions, the Company vertically amalgamated with each of Boulder, Castlegate and Shale under the ABCA. See "*General Development of the Business — Three Year History*".

The Company is a reporting issuer in the provinces of British Columbia, Alberta, Ontario, Saskatchewan, Manitoba and New Brunswick.

Highwood's head office is located at 1100, 250 – 2nd Street SW, Calgary, Alberta, T2P 0C1 and its registered office is located at 1000, 250 – 2nd Street SW, Calgary, Alberta, T2P 0C1.

Intercorporate Relationships

The following chart sets forth the Company's relationship with its subsidiaries and the percentage of votes attaching to all voting securities of such subsidiaries owned by the Company. The jurisdiction of incorporation or organization for each entity is Alberta. The chart does not include certain subsidiaries of Highwood. The assets and revenues of excluded subsidiaries did not, individually exceed 10%, and in the aggregate exceed 20% of the total consolidated assets or total consolidated revenues of Highwood as at December 31, 2024.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

During the second quarter of 2022, the Company disposed of 50% of its 100% working interest in the Company's Evi Terminal to an arm's length private Canadian midstream company for gross proceeds of \$2.25 million. The Company and the purchaser each own 50% of the terminal with the Company remaining as operator. During the third quarter of 2022, the Company and the other 50% working interest in owner in the Evi Terminal deployed capital funds to reactive the terminal, which was commissioned on October 2, 2022.

On December 21, 2022, the Company filed the 2022 Base Shelf Prospectus with the securities commissions or similar regulatory authorities in Alberta, British Columbia, Saskatchewan, and Ontario. The 2022 Base Shelf Prospectus allows the Company to offer and issue, from time to time, Base Shelf Prospectus Securities of up to \$70 million aggregate initial offering price of Base Shelf Prospectus Securities during the 25-month period that the 2022 Base Shelf Prospectus (including any amendments) is valid, which Base Shelf Prospectus Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of the sale and set forth in one or more shelf prospectus supplements.

On February 21, 2023, Joel MacLeod was appointed Executive Chairman and a director of Highwood.

On May 19, 2023, the Company filed the 2023 A&R Base Shelf Prospectus. The 2023 A&R Base Shelf Prospectus amended and restated the 2022 Base Shelf Prospectus. The 2023 A&R Base Shelf Prospectus added the provinces of Manitoba and New Brunswick as offering jurisdictions and increased the allowable aggregate offering size thereunder from \$70 million to \$80 million.

On August 3, 2023, Highwood completed the acquisition (the "**Brazeau Acquisition**") of all of the issued and outstanding common shares of Boulder Energy Ltd. ("**Boulder**"), a corporation existing under the laws of the Province of Alberta and a privately held oil and gas producer, pursuant to the share purchase agreement between Highwood and West Lake Energy Corp. ("**West Lake**"), the sole shareholder of Boulder, dated July 5, 2023 (the "**Brazeau Share Purchase Agreement**"). Pursuant to the terms of the Brazeau Share Purchase Agreement, the consideration for the

Brazeau Acquisition was: (i) \$75.1 million in cash; (ii) the issuance of 1,500,000 common shares in the capital of the Company; and (iii) a \$14 million note payable to West Lake (the "**Boulder Note**").

On November 26, 2024, Highwood announced the early repayment of the Boulder Note. The Boulder Note matured on July 1, 2025 and provided for payments, equal to \$3.5 million, commencing October 1, 2024 and thereafter on January 1, 2025, April 1, 2025 and July 1, 2025, with the outstanding principal (if any) due in full on maturity. The Boulder Note paid interest at 13% per annum payable quarterly on October 1, 2024, January 1, 2025, April 1, 2025 and July 1, 2025; all payments/repayments (of both principal and interest) by Highwood under the Boulder Note were subject to the following conditions: (a) senior debt to EBITDA must be less than 0.8x under the New Credit Facilities (as defined below), and (b) the amount drawn on the New Credit Facilities must be 65% or less of the total commitment under the New Credit Facilities (the commitment was then \$100 million, requiring Highwood to be drawn \$65 million or less). All obligations under the Boulder Note were fully and unconditionally personally guaranteed by Joel MacLeod, the Executive Chairman of the Company, in an amount limited to \$3 million, plus costs and expenses of enforcement plus interest. For a description of the assets acquired pursuant to the Brazeau Acquisition, see "*Highwood Assets — Upstream Oil and Gas Assets — Alberta — Brazeau*".

On August 3, 2023, Highwood completed the acquisition (the "**Castlegate Acquisition**") of all of the issued and outstanding common shares of Castlegate Energy Ltd. ("**Castlegate**"), a corporation existing under the laws of the Province of Alberta and a privately held oil and gas producer, pursuant to the share purchase agreement among Highwood and the shareholders of Castlegate dated July 5, 2023 (the "**Castlegate Share Purchase Agreement**"). Pursuant to the terms of the Castlegate Purchase Agreement, the consideration for the Castlegate Acquisition was \$37.6 million in cash, plus a cash payment for working capital in the amount of \$4.2 million. For a description of the assets acquired pursuant to the Castlegate Acquisition, see "*Highwood Assets — Upstream Oil and Gas Assets — Alberta — Wilson Creek*".

On August 3, 2023, Highwood completed the acquisition (the "**Shale Acquisition**" and, together with the Brazeau Acquisition and the Castlegate Acquisition, the "**Acquisitions**") of: (a) all of the common shares in the capital of Shale Petroleum Ltd. ("**Shale**") owned by certain shareholders of Shale pursuant to the share purchase agreement dated July 5, 2023 among the Company and certain shareholders of Shale (the "**Shale Share Purchase Agreement**"); and (ii) all of the common shares in the capital of Shale owned by the other shareholders of Shale pursuant to the binding offer to purchase made by the Highwood to each of the shareholders of Shale not party to the Shale Share Purchase Agreement with respect to the common shares in the capital of Shale owned by such shareholders of Shale (the "**Shale Offer**"). Pursuant to the terms of the Shale Purchase Agreement and the Shale Offer, the consideration for the Shale Acquisition was 1,277,025 Common Shares. For a description of the assets acquired pursuant to the Shale Acquisition, see "*Highwood Assets — Upstream Oil and Gas Assets — Alberta — Ricinus, Harmattan and Claresholm*".

The cash portion of the purchase price for each of the Brazeau Acquisition and the Castlegate Acquisition was funded through the application of proceeds from: (i) the new senior secured extendible revolving credit facilities of the Company in the aggregate principal amount of up to \$100 million (the "**New Credit Facilities**"), drawn \$74,900,000 at closing of the Acquisitions; (ii) the "best efforts" marketed offering of 5,833,333 subscription receipts of the Company ("**2023 Subscription Receipts**") at a price of \$6.00 per 2023 Subscription Receipt for gross proceeds of approximately \$35 million which closed on July 27, 2023 (the "**2023 Prospectus Offering**"); and (iii) the private placement of the aggregate amount of \$2.8 million in units of the Company comprised of one Common Share and one-half of one common share purchase warrant of the Company (each full warrant, a "**2023 Warrant**") by 1080766 Alberta Ltd., a company controlled by Joel MacLeod, the Executive Chairman of the Company.

The New Credit Facilities replaced the Previous Credit Facility in connection with the completion of the Acquisitions.

The 2023 Prospectus Offering was completed by way of a prospectus supplement dated July 12, 2023 to the 2023 A&R Base Shelf Prospectus. Each 2023 Subscription Receipt converted into one Common Share and one-half of one 2023 Warrant in connection with the completion of the Acquisitions.

In connection with the closing of the Brazeau Acquisition, the Company and West Lake entered into a board nomination agreement whereby West Lake was, for so long as it and its affiliates owned or exercised control or direction over, directly or indirectly, not less than 9% of the issued and outstanding Common Shares, entitled to designate for election or appointment to the Board, as applicable, one nominee. The board nomination agreement with West Lake terminated on April 25, 2024 according to its terms.

In connection with the closing of the Shale Acquisition, HR Exploration & Energy GMBH ("**HR Exploration**") received approximately 943,742 Common Shares of the Company in exchange for the purchase of the Shale Shares held by it at the time of the Shale Acquisition. Additionally, in connection with the Shale Acquisition, HR Exploration agreed to purchase a minimum amount of \$10 million in 2023 Subscription Receipts pursuant to the 2023 Prospectus Offering and pursuant to the terms and subject to the conditions set forth in a strategic investment agreement entered into between the Company and HR Exploration.

Pursuant to the strategic investment by HR Exploration, the Company and HR Exploration entered into a board nomination agreement ("**HR Board Nomination Agreement**") whereby HR Exploration shall, for so long as it and its affiliates together shall own or control or exercise discretion over, directly or indirectly, not less than 10% of the issued and outstanding Common Shares, be entitled to nominate for election or appointment to the Board, as applicable, the greater of: (i) one nominee and (ii) such number of nominees that, when compared to the authorized number of directors on the Board at such time, is closest to but not less than proportional to the total number of Common Shares which HR Exploration and its affiliates together own or exercise control or direction over, directly or indirectly, relative to the total number of Common Shares then issued and outstanding. The Company agreed to use commercially reasonable efforts to ensure that the nominee(s) of HR Exploration shall be elected or appointed to the Board. The HR Board Nomination Agreement further provides HR Exploration with participation rights for future offerings to maintain its percentage ownership interest in the issued and outstanding Common Shares of the Company up to a maximum of a percentage ownership interest of 17% of the issued and outstanding Common Shares. HR Exploration also has the right to appoint an observer to the Board for so long as it is entitled to designate a Board nominee for election or appointment under the HR Board Nomination Agreement. Mr. David Gardner is the current nominee pursuant to the HR Board Nomination Agreement.

On December 19, 2023, the credit agreement that was entered into in connection with the New Credit Facilities was amended and restated by the New Credit Agreement, which re-affirmed the Company's borrowing base at \$100 million.

On January 8, 2024, the Company filed an amended and restated material change report dated January 8, 2024, amending and restating the material change report of Highwood dated July 17, 2023 with respect to supplementing the disclosure of pro forma reserves information therein.

On January 17, 2024, the Company filed the 2024 A&R Base Shelf Prospectus. The 2024 A&R Base Shelf Prospectus amended and restated the 2023 A&R Base Shelf Prospectus, which amended and restated the 2022 Base Shelf Prospectus. The 2024 A&R Base Shelf Prospectus increased the allowable aggregate offering size thereunder from \$80 million to \$150 million.

On April 25, 2024, the Company was advised by Libra Advisors, LLC that it had acquired 1,500,000 Common Shares held by West Lake. As a result of such acquisition, the WL Board Nomination Agreement terminated as of such date according to its terms.

On June 26, 2024, the Company entered into a first amending agreement with respect to the New Credit Agreement, which amending agreement, among other things, increased the Company's borrowing base from \$100 million to \$110 million.

On October 31, 2024, Raymond Kwan was appointed as a director of Highwood.

On November 12, 2024, the Company entered into a second amending agreement with respect to the New Credit Agreement, which amending agreement, among other things, increased the Company's borrowing base from \$110 million to \$120 million. The Company's borrowing base is anticipated to be re-determined by the lenders on May 31, 2025.

On November 26, 2024, Highwood announced the early repayment of the Boulder Note.

Significant Acquisitions

The Company did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under National Instrument 51-102 — *Continuous Disclosure Obligations*.

Potential Acquisitions, Issuance of Securities and Financings

The Company continues to evaluate potential acquisitions of oil and gas related assets and/or companies and other strategic acquisitions as part of its ongoing acquisition program. The Company regularly evaluates potential acquisitions, which individually or together could be material. Highwood has been actively involved in several mergers and acquisitions processes. Highwood remains committed to pursuing only those opportunities that are accretive with low to moderate liability profiles.

The Company may, in the future, issue securities in connection with acquisitions or otherwise and complete financings of equity or debt (which may be convertible into equity) for purposes that may include financing of acquisitions, The Company's operations and capital expenditures and repayment of indebtedness. In selecting which capital projects and acquisitions to pursue, The Company pays close attention to both the macro trends that affect its business, as well as the particular needs of customers and potential customers. See "*Risk Factors — General Risks — Future Acquisitions*".

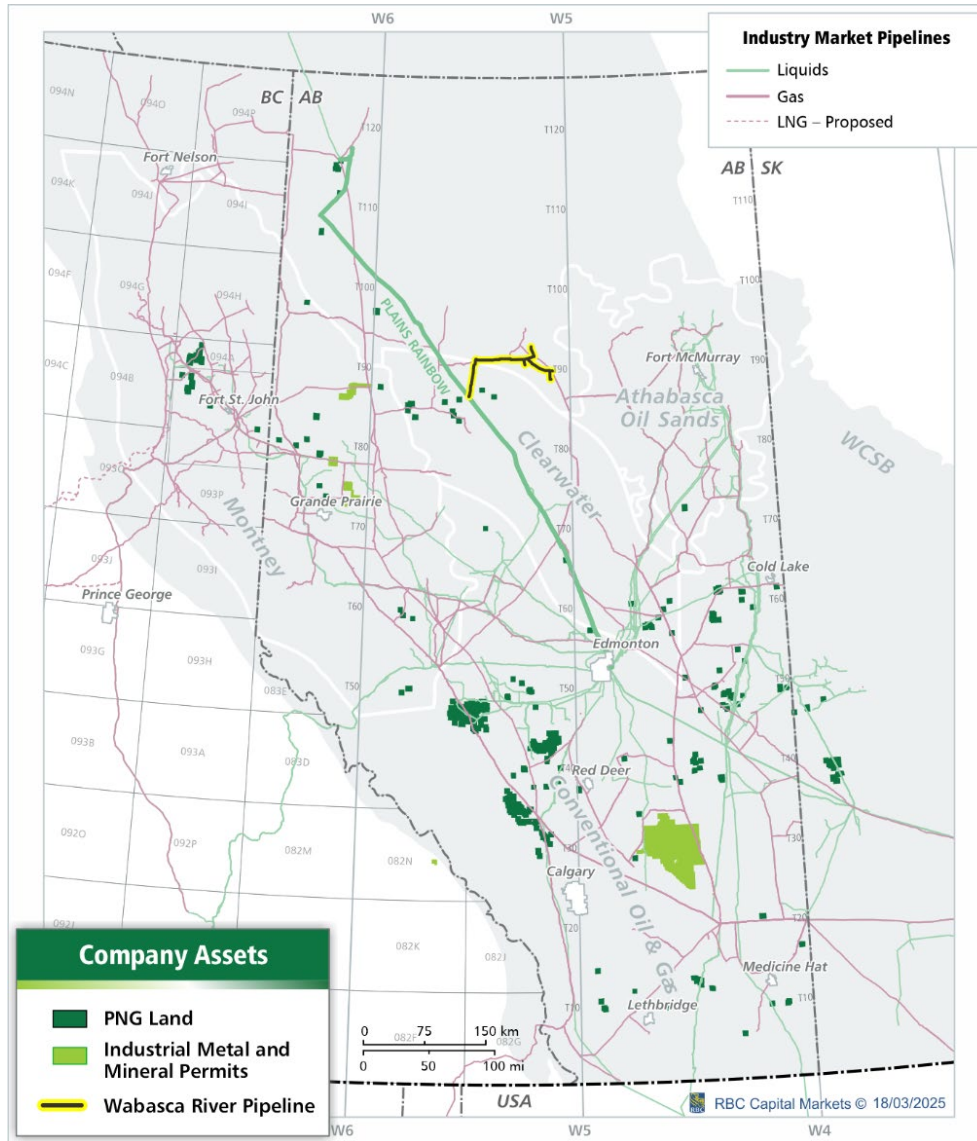
DESCRIPTION OF THE BUSINESS

General

Highwood is a public company engaged in the ownership and oversight of various operations, including oil and gas production and midstream energy operations. The Company's current focus is the exploration and development of its oil and natural gas properties in Alberta.

Pursuant to the Acquisitions, Highwood is positioned as a growth-focused, oil-weighted oil and gas producer with strong insider ownership which remains committed to supporting the Company's long-term growth trajectory and prudent use of debt capital.

Asset Portfolio



Exploration and Development of Oil and Natural Gas Reserves

The Company's upstream oil and gas operations are comprised of its land position and oil and gas production in the WCSB, with operations in each of Alberta, British Columbia and Saskatchewan.

In August 2023, the Company completed three transformational acquisitions (the Acquisitions) and corresponding equity financing (the 2023 Prospectus Offering) and debt financing (the New Credit Facilities). The Acquisitions brought a combined approximately 4,500+ boe/d (approximately 75% light and medium crude oil and NGLs) of expected average production for the 12-month period commencing July 1, 2023. See "General Development of the Business — Three Year History".

Highwood achieved record corporate average production of 5,781 boe/d in the year ended December 31, 2024. See "Highwood Assets — Upstream Oil and Gas Assets" and "Statement of Reserves Data and Other Oil and Gas Information".

During the first quarter of 2025, the Company has a planned capital program which includes seven gross (5.2 net) additional wells. These seven wells consisted of fracture stimulated wells, four in Brazeau and three in Wilson Creek.

Ownership and Operation of Midstream Oil and Gas Infrastructure

The Company's midstream oil and gas operations are comprised of its 100% working interest in the Wabasca River Pipeline System. Revenues related to the Wabasca River Pipeline System are generated from a tariff charged to vendors who transport product on the pipeline. See "*Highwood Assets — Midstream Oil and Gas Assets*".

Business Strategy

The Company's long-term business strategy is to increase Shareholder value by continuing to build a growing profile of recurring free cash flow that will provide maximum flexibility for growth and/or other strategic merger and acquisition opportunities in a non-dilutive fashion.

The Company's goal is to increase shareholder value through its growth strategy — a strategy that is focused on taking advantage of the distressed valuations of conventional energy assets in Western Canada.

Highwood's investment and capital allocation strategy is focused on investments with the highest cash on cash returns, while maintaining significant insider ownership and participation to ensure alignment with capital providers.

Upstream and Midstream Oil and Gas

The Company's oil and gas strategy is focused on growing its asset base in the WCSB and to exploit and develop this area to increase reserves, production and cash flows at an attractive return on invested capital.

The Company is focused on multiple conventional energy production acquisitions, while incorporating its industry-leading midstream, downstream, energy transition expertise in reducing carbon intensity and most importantly, increasing realized pricing of all products. The Company is also focused on (i) drilling and developing its undeveloped land position; (ii) adopting and employing advanced drilling and completion techniques; and (iii) enhancing returns by focusing on operational and cost efficiencies.

Operating Segments

The Company has one reportable operating segment. After completing the Acquisitions on August 3, 2023, the Company changed the composition of its reportable segments from four to a single segment.

Principal Products

Highwood principal products are focused on the following two categories:

- (a) the exploration and development of oil and natural gas (through its land position and oil and gas production in the WCSB) — 2024 revenue: \$138.7 million; 2023 revenue: \$42.9 million (see "*Highwood Assets — Upstream Oil and Gas Assets*" and "*Statement of Reserves Data and Other Oil and Gas Information*"); and
- (b) the operation of midstream oil and gas infrastructure (through its 100% working interest in the Wabasca River Pipeline System) — 2024 revenue: \$2.7 million; 2023 revenue: \$3.0 million (see "*Highwood Assets — Midstream Oil and Gas Assets*").

Competitive Advantages

Management believes the Company has several competitive advantages that will help it execute its business strategy successfully:

- ***Significant free cash flow generation potential at a range of commodity prices***
 - *Low sustaining capital and capital efficiency drives free cash flow conversion at strip pricing*
 - *Self-funded growth plan on strip pricing with further upside potential on rising oil prices*

- **High netback oil-weighted assets with low capital efficiency**
 - Ability to hold production flat for >10 years of high confidence drilling inventory
 - Net inventory drilling locations provide significant running room for development of assets
- **Prudent use of leverage has material impact to driving outsized equity returns**
 - Acquired assets in Acquisitions near all-time low cash flow multiples supported by traditional Canadian credit facility
- **Downside protected with low WTI free cash flow breakeven and commodity hedges**
 - 2025E WTI corporate FCF breakeven of ~US\$45–50/bbl including interest and growth capital
 - 65% net after royalty PDP production expected to insulate Highwood from downside commodity environment (Illustrative hedges for total of 65% of net after royalty PDP production. See "Non-GAAP and Specified Financial Measures")
- **Committed management team with track record of creating value for shareholders**
 - High degree of alignment with management owning ~35% of the Common Shares (and total insider ownership in excess of 50%)
 - Deep technical expertise, including multi-lateral development, with ~75 years of combined experience
- **At December 31, 2024, Highwood had over \$300 million in tax pools, including more than \$100 million in non-capital losses**
 - Tax horizon of ~2.5–3 years at US\$70/bbl WTI(2)
 - Ability to increase pools with follow-on tuck in acquisitions

Royalties

Highwood must pay royalties to the owners of the mineral rights of the lands on which Highwood produces its products from, primarily the provincial governments of Alberta and British Columbia. Each province has legislation and regulation in place to govern Crown royalties and establish the royalty rates that crude oil and natural gas producers must pay in respect of the production of Crown resources. The royalty regime in a given province is in addition to applicable federal and provincial taxes and can be a significant factor in the profitability of crude oil, condensate, NGLs, and natural gas production. Royalties payable on production from lands where the Crown does not hold the mineral rights are negotiated between the freehold mineral owner and the lessee, though certain provincial taxes and other charges on production or revenue may still be payable.

Marketing and Risk Management

Highwood sells its production pursuant to fixed and variable-priced contracts. The transaction price for variable-priced 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. Under these contracts, the Company is required to deliver a fixed volume of crude oil, natural gas, condensate, or NGLs to the contract counterparty.

Highwood's financial results are largely dependent on commodity prices received for its crude oil and natural gas production. To manage exposure to fluctuations in commodity prices Highwood utilizes a variety of risk management

contracts. For a summary of Highwood's financial contracts in respect of hedging activities, see "*Statement of Reserves Data and Other Oil and Gas Information — Other Oil and Natural Gas Information — Forward Contracts*".

Specialized Skill and Knowledge

The Company employs individuals with various professional skills in the course of pursuing its business plan. In addition, the Company has available to it various specialized consultants to assist it in various areas where it feels it does not need full time employees. These professional skills include, but are not limited to, geology, geophysics, engineering, financial and business skills, which are widely available in the industries in which Highwood operates. Drawing on significant experience in the oil and natural gas business, the Company believes its management team has a demonstrated track record of bringing together all of the key components to a successful exploration and production company: strong technical skills; expertise in planning and financial controls; ability to execute on business development opportunities; capital markets expertise; and an entrepreneurial spirit that allows the Company to effectively identify, evaluate and execute on value added initiatives. In order to attract and retain personnel with such skills and knowledge, Highwood maintains competitive remuneration and compensation packages. To date, it has been able to locate and retain such professionals in Canada, and management believes the Company will be able to continue to do so. See also "*Risk Factors — General Risks — Reliance on Key Personnel*".

Competitive Conditions

The oil and natural gas industry is very competitive, and the Canadian Association of Petroleum Producers estimates that there are over 1,000 exploration and production companies in Canada. The Company believes that it has a strong competitive position in the areas in which it operates, see "*Highwood Reserves — Disclosure of Reserves Data — Other Oil and Natural Gas Information — Principal Oil and Natural Gas Properties*", and "*Highwood Assets*". The Company's business strategy is to develop and grow production in core areas to enable it to have operating cost advantages and operating efficiencies in each core area.

Companies operating in the oil and gas industry and the mining industry must manage risks which are beyond the direct control of company personnel. Among these risks are those associated with exploration, environmental damage, commodity prices, foreign exchange rates and interest rates.

The oil and gas industry is intensely competitive and the Company is required to compete with a substantial number of other entities which may have greater technical or financial resources. In particular, with the maturing nature of the WCSB, the access to new prospects in the oil and gas industry is becoming more and more competitive and complex.

As a result of the competitors in the oil and gas industry, many of whom have greater financial resources than Highwood, the Company may be unable to acquire attractive oil and gas assets, or oil and gas properties in the future on terms it considers acceptable. The Company must also compete with other companies when it comes to: (a) raising the capital necessary to fund its operations and the potential development of its properties; and (b) obtaining the resources to conduct exploration and development activities on its properties.

The Company attempts to enhance its competitive position by operating in areas where it believes its technical personnel are able to reduce some of the risks associated with exploration, production and marketing because they are familiar with the areas of operation. Management believes that the Company will be able to explore for and develop new production and reserves with the objective of increasing its cash flow and reserve base. See also "*Risk Factors — Oil and Gas: Exploration, Development, Production and Operational Risks — Competition*".

Cycles

The Company's business is generally not cyclical. The exploration for, and the development of oil and natural gas may be dependent on seasonal access to areas where drilling and other exploration activities are to be conducted. Seasonal weather variation, including "freeze-up" and "break-up", affect access in certain circumstances.

Generally, the demand for natural gas increases during the winter months and decreases during the summer months. Seasonal anomalies such as mild winters or hot summers may impact general seasonal changes in natural gas demand.

See *"Risk Factors — Oil and Gas: Exploration, Development, Production and Operational Risks — Seasonality and Extreme Weather Conditions"*.

Environmental Protection

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Compliance with such legislation may require significant expenditures or result in operational restrictions. Breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and the imposition of material fines and penalties, all of which might have a significant negative impact on earnings and overall competitiveness of the Company. For a description of the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Company see *"General Description of the Business — Regulation"* and *"Risk Factors — Oil and Gas: Exploration, Development, Production and Operational Risks — Environmental"*.

Employees

As at the date of this Annual Information Form, Highwood had 17 full time employees and four contractors located at its office in Calgary.

Regulation

The crude oil and natural gas industry in the provinces of British Columbia and Alberta is extensively regulated at the federal, provincial, and municipal levels. Regulations affecting elements of the energy sector in these jurisdictions are under constant review for amendment or expansion and frequently more stringent requirements are imposed. Various federal and provincial agencies, including the Alberta Energy Regulator, the British Columbia Energy Regulator, and the Canadian Energy Regulator have, or may have in the future, legal and regulatory authority and oversight over Highwood's exploration and development activities and operations. In addition, regulations imposed in jurisdictions other than where Highwood has operations, may influence those jurisdictions where Highwood does operate.

Canadian environmental regulation is the responsibility of both the federal and provincial governments. While provincial governments and their delegates are responsible for most environmental regulation, the federal government can regulate environmental matters where they impact matters of federal jurisdiction or when they arise from projects that are subject to federal jurisdiction, such as interprovincial transportation undertakings, including pipelines and railways, and activities carried out on federal lands. Where there is a direct conflict between federal and provincial environmental legislation in relation to the same matter, the federal law prevails.

Ensuring compliance with the rules, regulations, and orders promulgated by such entities requires extensive effort and incremental costs to comply, which may affect Highwood's profitability. As public policy changes are commonplace, and existing laws and regulations are frequently amended, Highwood is unable to predict the future cost or impact of compliance. However, Highwood does not expect that any of these laws and regulations will affect its operations materially differently than they would affect other companies with similar operations, size, and financial position. The following are significant areas of government control and regulation affecting Highwood's crude oil and natural gas activities. See also *"Risk Factors — General Risks — Regulatory Uncertainty"*.

Environmental, Health and Safety Policies

The Company supports environmental protection and employee health and safety by integrating the essential principles and practices through its environmental management systems and employee occupational health and safety programs. The Company promotes safety and environmental awareness and protection through the implementation and communication of the Company's environmental management and employee occupational health and safety programs, policies and procedures. Committee structures are established in the Company's operations which are designed to allow for employee participation and development of policies and programs which provide employees with job orientation, training, instruction and supervision to assist them in conducting their activities in an environmentally responsible and safe manner.

The Company develops emergency response teams and preparedness plans in conjunction with local authorities, emergency services and the communities in which it operates in order to effectively respond to an environmental incident should it arise. Environmental assessments are undertaken for new projects or when acquiring new properties or facilities in order to identify, assess and minimize environmental risks and operational exposures. The Company conducts audits of operations, once it begins operating the assets, to confirm compliance with internal standards and to stimulate improvement in practices where needed. Documentation is maintained to support internal accountability and measure operational performance against recognized industry indicators to assist in achieving the objectives of the described policies and programs.

The Company also faces environmental, health and safety risks in the normal course of its operations due to the handling and storage of hazardous substances. The Company's environmental and occupational health and safety management systems are designed to manage such risks in the Company's business and allow action to be taken to mitigate the extent of any environmental, health or safety impacts from such operations. A key aspect of these systems is the performance of annual environmental and occupational health and safety audits.

Over time, the trend in laws and regulations impacting crude oil and natural gas production operations has been to place more restrictions and limitations on these activities. If existing legal requirements change or new legislative, regulatory, or executive initiatives are developed and implemented in the future, Highwood may be required to make significant, unanticipated expenditures. See also "*Risk Factors — Oil and Gas: Exploration, Development, Production and Operational Risks — Environmental*".

Exploration and Development Activities

Highwood's crude oil and natural gas operations are subject to laws and regulations that relate to matters including: the acquisition of seismic data; location, drilling, and casing of wells; hydraulic fracturing; well production operations; disposal of produced water; regulation of transportation and sale of crude oil, condensate, NGLs, and natural gas; surface land usage; calculation and disbursement of royalty payments; and restoration of lands disturbed for crude oil and natural gas operations.

Development and production operations are subject to various regulations, including regulations requiring permits for the drilling and completion of wells, the posting of security in connection with development and production activities and the filing of reports related to production operations. Alberta and British Columbia, and certain municipalities in which Highwood operates also regulate one or more of the following: the location of wells; the method of drilling and casing wells; the method and ability to fracture stimulate wells; the surface use and restoration of lands upon which wells are drilled and infrastructure and equipment are located; the disposal of produced water; the plugging and abandoning of wells; and notices to surface land owners and other third parties.

Many of the wells drilled by Highwood are completed and stimulated through the use of hydraulic fracturing technology. Hydraulic fracturing involves the injection of water, sand, and small amounts of additives under high pressure into tight rock formations to stimulate the production of crude oil and natural gas. While the majority of the sand remains underground to hold open the fractures, a significant amount of the water and chemical additives flow back and are then either reused or safely disposed of at sites that are approved and permitted by provincial regulatory authorities.

Hydraulic fracturing is regulated at the provincial level through permitting and other compliance requirements. Regulatory scrutiny of hydraulic fracturing has generally focused on issues related to water storage, management and handling, increased seismicity in the areas in which hydraulic fracturing takes place, and local stakeholder engagement. Regulatory authorities actively monitor and investigate hydraulic fracturing activities in their jurisdictions and have imposed, or have considered imposing, various conditions and restrictions on drilling and completions activities involving hydraulic fracturing. Such restrictions, conditions, or prohibitions could lead to operational delays and increased operating and compliance costs, and could delay or prevent the development of crude oil, condensate, NGLs, and natural gas from formations which would not be economically viable without the use of hydraulic fracturing. See also "*Risk Factors — Oil and Gas: Exploration, Development, Production and Operational Risks — Exploration, Development and Production Risks*".

Project Approvals

Approvals and licenses from relevant government and regulatory bodies are required to carry out or make modifications to Highwood's crude oil and natural gas production activities. The project approval process can involve environmental assessment, stakeholder and Indigenous consultation, and inputs regarding project concerns and public hearings and may include various conditions and commitments arising throughout the consultation and review process.

In 2019, the *Canadian Energy Regulator Act* (Canada) and *Impact Assessment Act* (Canada) ("IAA") came into force. The IAA was later amended in 2024 following a Supreme Court of Canada decision that found certain aspects of the IAA were unconstitutional largely on the basis that it represented significant federal overreach into provincial affairs. These laws and their amendments, and the legal and political responses of provincial governments to these laws, impact the way large energy-related projects are approved and have created uncertainty concerning the governmental approval processes, timelines and designation criteria associated with large infrastructure projects. Though Highwood does not typically own, operate, permit, or construct projects which would appear to fall under the scope of the IAA, aspects of Highwood's crude oil and gas natural operations may rely on these projects being owned, operated, permitted, and constructed by others.

The Canadian federal and provincial governments have a duty to consult with Indigenous Peoples when contemplating actions that may adversely affect the asserted or proven Indigenous or treaty rights and, in certain circumstances, accommodate their concerns. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of ongoing litigation. The fulfillment of the duty to consult Indigenous People and any associated accommodations may adversely affect Highwood's ability to, or increase the timeline to, obtain or renew, permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals. For example, regulatory authorities in British Columbia ceased granting approvals, and in some cases, revoked existing approvals, for among other things, crude oil and natural gas activities relating to drilling, completions, testing, production, and transportation infrastructure following a British Columbia Supreme Court decision that the cumulative impacts of government-sanctioned industrial development on the traditional territories of an Indigenous group in northeast British Columbia breached that group's treaty rights. Following that decision, the Government of British Columbia signed an implementation agreement with that Indigenous group to address cumulative effects of development on that group's claim area through restoration work, establishment of areas protected from industrial development, and a constraint on development activities. These measures, which have and are expected to continue to form the basis of similar arrangements with other Indigenous groups in British Columbia, are expected to remain in place while a long-term cumulative effects management regime is implemented. The long-term impacts of, and associated risks with, the court decision and arrangements with Indigenous groups to address the cumulative effects of development on claimed lands on the crude oil and natural gas industry and Highwood remain uncertain. See also "*Risk Factors — General Risks — Political Uncertainty*".

Climate Change and Greenhouse Gas Emissions

Greenhouse gases, which include among other items, methane, carbon dioxide, nitrous oxide and various fluorinated gases ("**GHGs**") are typically emitted throughout all phases of the crude oil and natural gas supply chain and in end user consumption through activities such as power generation and motorized transportation. The Government of Canada and the provincial governments of Alberta and British Columbia have been increasingly focused on GHG emissions and climate change issues in recent years, resulting in new laws and regulations designed to limit existing emissions of GHGs, and to restrict or eliminate future GHG emissions. Some of these laws and regulations are in effect, while others remain in various phases of review, discussion, or implementation.

In December 2023, the Government of Canada announced plans to implement a national emissions cap-and-trade model. Subsequent to this announcement, the Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations were proposed in November 2024, with the final regulations set to be published in 2025. The proposed regulations would phase in a cap-and-trade system between 2026 and 2030 and have it apply to operators of upstream crude oil and natural gas facilities and LNG facilities that undertake certain industrial activities specified under the proposed regulations. Industrial activities would include, among other things, production of LNG, processing of natural gas or natural gas condensates and bitumen and other crude oil production. Operators of existing regulated facilities would be required to register prior to January 1, 2026, to satisfy reporting deadlines in 2027 for 2026 emissions, or otherwise be prohibited from emitting any direct or indirect GHGs from industrial activities.

The emissions cap and distribution of emissions allowances would come into effect on January 1, 2029. The 2030 emissions cap would be set for each year of the first compliance period at 27% below emissions levels reported for 2026, which is estimated to align with 35% below 2019 emission levels. The emissions cap will also inform the number of emissions allowances issued to each operator of regulated facilities. Emissions allowances would be issued to operators annually and be pro-rated across all of an operator's regulated facilities based on historical production volumes.

Under the proposed regime, operators must remit emissions allowances to cover their emissions. These remittance obligations would come into effect on January 1, 2030. Operators that emit more than the allowances allocated would have some flexibility to compensate for a limited quantity of additional emissions, up to a certain level, which for 2030, would be 19% below 2019 emission levels.

The Government of Canada has committed to regularly reviewing the emissions cap trajectory, the emissions trading market, and access to compliance flexibilities in setting the allowance level and legal upper bound for the post-2030 period with a view to its long-term objective of achieving net-zero GHG emissions by 2050.

Many of the federal government initiatives have, by legislative design, caused the provincial governments of Alberta and British Columbia to evaluate, and in some cases, enact their own laws and regulations in response to federal government initiatives focused on GHG emissions, particularly in the areas of output-based pricing systems and the regulation of methane emissions from crude oil and natural gas operations. It is not clear how the proposed cap-and-trade model will interact with other federal and provincial regulatory regimes for reducing GHG emissions. The Government of Alberta has indicated that it will launch a constitutional challenge once the cap-and-trade system comes into effect. See "*Risk Factors — Oil and Gas: Exploration, Development, Production and Operational Risks — Environmental*".

Output-Based Pricing Systems

On January 1, 2019, the *Greenhouse Gas Pollution Pricing Act* (the "**GGPPA**") came into force in Canada. This federal regime implemented an output-based pricing system which imposes a price (cost) on CO_{2e} emissions for large industry and a fuel charge system. To ensure there is a uniform price on emissions across Canada, the GGPPA regime applies in provinces and territories that request it, and those jurisdictions that do not have their own equivalent emissions pricing systems in place meeting the federal standards, commonly referred to as the "federal backstop program".

In 2019, the fuel charge element of the federal backstop program took effect in Alberta. The carbon tax payable in Alberta will continue to increase at a rate of \$15 per year, currently \$95 per tonne, until it reaches \$170 per tonne in 2030. Also in 2019, the federal government approved Alberta's *Technology Innovation and Emissions Reduction* ("**TIER**") regulation which applies to facilities that emitted 100,000 tonnes or more of CO_{2e} per year in 2016, or any subsequent year, or those that import more than 10,000 tonnes of hydrogen annually. The TIER regulation satisfies the federal benchmark stringency requirements for emissions sources covered in the regulation, however, the federal backstop program continues to apply to emissions sources not covered by the regulation. The provincial carbon pricing system in British Columbia satisfies all requirements of the GGPPA and applies in the place of the federal regime in all respects.

Methane Regulations

In 2020, the Government of Canada's *Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector)* (the "**Federal Methane Regulations**") came into force to reduce emissions of methane from the crude oil and natural gas sector by using new control measures intended to reduce unintentional leaks and the intentional venting of methane, and ensuring that crude oil and natural gas operations use low-emission equipment and processes. Among other things, the Federal Methane Regulations limit how much methane upstream crude oil and natural gas facilities are permitted to vent. The regulations aim to reduce the crude oil and natural gas sector's methane emissions by 40% to 45% by 2025, relative to 2012 emissions. Proposed amendments to the Federal Methane Regulations are expected to come into force in 2027. These amendments introduce, among other items, new prohibitions and limits on certain intentional emissions, a new risk-based approach around unintentional emissions, and a new performance-based approach for compliance that relies on continuous emissions monitoring systems.

The governments of Alberta and British Columbia have enacted provincial regulations designed to lower annual methane emissions from the crude oil and natural gas sector 45% by 2025, in line with the federal methane regulations and effective January 1, 2020. Accordingly, the Government of Canada announced equivalency agreements with each of these provinces regarding the regulation of methane emissions from the crude oil and natural gas sector such that the federal methane regulations would not apply in these jurisdictions.

Russian Invasion of Ukraine

In response to Russian aggression in Ukraine, Canada, in coordination with its NATO allies, issued an array of sanctions targeting Russia, Belarus, and the separatist-controlled territories of Ukraine. These restrictions on trade and financial transactions have had significant consequences for the price of oil globally. Crude oil prices are expected to remain volatile for the next several years, in part due to the global economic sanctions imposed on Russia and other geopolitical tensions and events, including war, international conflict, military action, regional hostilities, terrorism and trade disputes.

Effective March 10, 2022, persons in Canada, or Canadian citizens or entities operating outside Canada are prohibited from importing, purchasing or acquiring petroleum oil, petroleum gas, or other gaseous hydrocarbons from Russia or any person in Russia. Moreover, as of June 7, 2022 Canada amended the Special Economic Measures (Russia) Regulations ("**SER**") to ban the supply of key services to certain Russian industries. Canadians and persons in Canada are now prohibited from providing a wide range of services, such as mining and oil & gas extraction support services, energy distribution, repairs and research & development, to Russia or to any person in Russia in specified industries.

On July 14, 2022, Canada further expanded its services ban to Russian operators of oil and gas pipelines including businesses that manufacture metal products, computers, electronics and optical devices, electrical equipment, machinery, motor vehicles, trailers and semi-trailers, transport equipment. Two additional categories of support services for manufacturing were added to the schedule. The July 14 amendments were subject to a 60-day wind down period for contracts entered into before that date.

On December 7, 2022, Canada amended the SER, barring Canadians from providing services related to maritime transportation of Russian crude oil, unless that oil was purchased pursuant to the pricing set out in the G7+ Coalition Oil Price Cap List. While the Company does not have any operations or transactions impacted directly by Russian sanctions, the ongoing conflict in Ukraine and resultant sanctions imposed from time to time are expected to have a continued effect on the volatility of crude oil prices. See also "*Risk Factors — Oil and Gas: Exploration, Development, Production and Operational Risks — Prices, Markets and Marketing*" and "*Risk Factors — Oil and Gas: Exploration, Development, Production and Operational Risks — Adverse Economic Conditions*".

Canada-United States-Mexico Agreement

On July 1, 2020, the Canada-United States-Mexico Agreement ("**CUSMA**") entered into force, replacing the North American Free Trade Agreement ("**NAFTA**"). Under CUSMA, the rule of origin applicable to heavy oil containing diluent has been relaxed to allow up to 40% of non-originating diluent that is added for the purpose of transportation in pipelines without affecting the originating status of the product, which will allow Canadian products to more easily qualify for duty-free treatment when imported into the U.S. Further, CUSMA does not include the "energy proportionality clause" which was contained in NAFTA, and there are no more customs duties on U.S. imports of Canadian heavy oil mixed with diluent in CUSMA.

The investor-state dispute settlement provisions of NAFTA will no longer be available to protect future investments of Canadians in the U.S. or U.S. investments in Canada, meaning Canadian investors with U.S. investments must now seek recourse through U.S. law, or by having the Canadian government initiate a state-to-state claim on their behalf against the U.S. government.

CUSMA is subject to a formal joint review in 2026 and Canada and the United States are commencing public consultation with respect to CUSMA in preparation of the review. Following the United States presidential election in November 2024, the timing of the formal joint review of CUSMA may occur earlier than 2026 and may result in significant changes. See also "*Risk Factors — Oil and Gas: Exploration, Development, Production and Operational Risks — Prices, Markets and Marketing*" and "*Risk Factors — General Risks — International Developments and Geopolitical Risks*".

HIGHWOOD ASSETS

Highwood's assets are comprised of:

1. **Upstream Oil and Gas Assets** (see also, "*Statement of Reserves Data and Other Oil and Gas Information*")
 - (a) Alberta (see "*Highwood Assets — Upstream Oil and Gas Assets — Alberta*"); and
 - (b) British Columbia (see "*Highwood Assets — Upstream Oil and Gas Assets — British Columbia*").
2. **Midstream Oil and Gas Assets**
 - (a) Wabasca River Pipeline System (see "*Highwood Assets — Midstream Oil and Gas Assets — Wabasca River Pipeline System*").

The Company also holds a number of non-material mineral properties in its land portfolio, including an early-stage lithium-brine project located near Drumheller in southcentral Alberta. No company has commercially produced lithium from hypersaline brine collected from deep-subsurface oil and gas reservoirs. In addition, there are no production agreements regarding lithium or any other minerals at Highwood's mineral properties.

Upstream Oil and Gas Assets

Alberta

Brazeau

The Company owns 90,176 net acres of land in the Brazeau area of Alberta, located approximately 350 km northwest of Calgary. These assets were purchased pursuant to the Brazeau Acquisition and consist of approximately 2,800 boe/d (~75% light and medium crude oil and NGLs) of low decline, high netback oil-weighted assets that are expected to deliver strong returns and approximately 12-month payback periods.

The focus of these assets is concentrated in the light oil Belly River Formation. The approximately 300 m stacked pay section of the Belly River Formation is primarily exploited with both multilateral open hole wells and stage fractured wells.

At December 31, 2024, these assets were assigned 26,317 Mboe of proved reserves and a total proved reserve value of \$327,796,100 (10% NPV). See "*Statement of Reserves Data and Other Oil and Gas Information*".

The Company owns the majority of the infrastructure it requires in this area, which results in efficient operations and assists in providing industry-leading cycle times.

Wilson Creek

The Company owns 14,838 net acres of land in the Wilson Creek area of Alberta, located approximately 250 km northwest of Calgary. These assets were purchased pursuant to the Castlegate Acquisition and consist of approximately 2,300 boe/d (~78% light and medium crude oil and NGLs) of high netback oil-weighted assets with attractive recycle ratios and payback periods.

The focus of these assets is concentrated in the light oil Belly River Formation. The predictable Basal Belly River member is exploited with the use of stage fracturing the sands.

At December 31, 2024, these assets were assigned 6,967 Mboe of proved reserves and a total proved reserve value of \$150,037,600 (10% NPV). See "*Statement of Reserves Data and Other Oil and Gas Information*".

The area has been developed for the Belly River along with other horizons that provide good access to third party infrastructure.

Ricinus, Harmattan and Claresholm

The Company owns over 51,668 net acres of land in the Ricinus, Harmattan and Claresholm areas of Alberta, located approximately 150 km northwest of Calgary. These assets were purchased pursuant to the Shale Acquisition and consist of approximately 300 boe/d (~37% light and medium crude oil and NGLs) of moderate decline, capital-efficient production.

The focus of these assets is concentrated on the liquids-rich natural gas naturally fractured Cardium.

At December 31, 2024, these properties were assigned 2,404 Mboe of proved reserves and a total proved reserve value of \$9,143,900 (10% NPV). See "*Statement of Reserves Data and Other Oil and Gas Information*".

Miscellaneous Producing Assets

The Company owns other assets within provinces of Alberta and Saskatchewan that produces approximately 125 bbl/d of light and medium sweet crude oil.

At December 31, 2024, this property was assigned 431 Mboe of proved reserves and a total proved reserve value of \$11,435,200 (10% NPV). See "*Statement of Reserves Data and Other Oil and Gas Information*".

British Columbia

Fireweed

The Company has a 55% average working interest in 53.4 sections of Doig lands in Fireweed, British Columbia. There is no current production from the field.

At December 31, 2024, the field was assigned 613 MBoe of proved reserves and a total proved reserve value of \$3,122,000 (10% NPV).

Conditional on anticipated economics and access to capital, the Company plans on developing these oil and gas interests over the next five years.

The Doig lands were obtained in a related party transaction in September 2017 for consideration of \$650,000. All assigned reserves in British Columbia are undeveloped as of December 31, 2024. The locations with reserves assigned will be drilled from surface with existing pipeline connection.

Midstream Oil and Gas Assets

Wabasca River Pipeline System

Throughout 2018, the Company acquired a 100% working interest in a 210 km crude oil sales line in northwestern Alberta (the "**Wabasaca River Pipeline System**"). The Wabasca River Pipeline System is located 450 km north of Edmonton and has capacity to deliver 20,000 bbl/d of crude to the Rainbow System operated by Plains Midstream Canada. The system consists of 112 km of 8" pipeline, 30 km of 6" pipeline and 66 km of 4" pipeline and provides egress for producers in the Red Earth Area of Alberta.

The Wabasca River Pipeline System is an open access carrier with set published tolls. Revenues are generated from a tariff charged to vendors who transport product on the pipeline. Transportation pipeline revenues are generated on a tariff of \$24.50/m³ of crude oil that is flowed through the pipeline.

The Wabasca River Pipeline System was constructed in 1987 to gather and transport light conventional crude oil volumes from the Senex, Trout Mountain, Kidney, Ogston and Swan Lake oil fields to Rainbow Pipeline in the Evi area of northwestern Alberta.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Statement of Reserves Data and Other Oil and Gas Information

The statement of reserves data and other oil and gas information is set forth below (the "**Statement**"). The effective date of the Statement is December 31, 2024. The reserves data conforms to the requirements of NI 51-101.

The reserves data set forth below is based upon an evaluation by GLJ and contained in the GLJ Report dated March 7, 2025. The preparation date of the GLJ Report is March 7, 2025. The reserves data summarizes the Company's light and medium crude oil, heavy oil, conventional natural gas, shale gas, and natural gas liquids reserves and the net present values of future net revenues for these reserves, using forecast prices and costs prior to provision for interest, general and administrative expenses, the impact of any hedging activities or the liability associated with the abandonment and reclamation of certain wells, pipelines and facilities. Future net revenues have been presented on a before-tax and after-tax basis. The Company engaged GLJ to provide an independent evaluation of proved and proved plus probable reserves.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and cost assumptions will be attained, and variances could be material. The recovery and reserves estimates of light and medium crude oil, heavy oil, conventional natural gas, shale gas, and natural gas liquids reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual light and medium crude oil, heavy oil, conventional natural gas, shale gas, and natural gas liquids reserves may be greater than or less than the estimates provided herein. Readers should review the definitions contained in "*Certain Definitions — Selected NI 51-101 Terms*" in conjunction with the following tables and notes. For more information as to the risks involved, see "*Risk Factors — Oil and Gas: Exploration, Development, Production and Operational Risks*".

The Report on Reserves Data by GLJ on Form 51-101F2 is attached as Schedule A to this Annual Information Form. The Report of Management and Directors on Form 51-101F3 is attached as Schedule B to this Annual Information Form.

As per NI 51-101 product type definitions, Highwood has provided reserves data for reserves classified as Shale Gas. Highwood's gas reserves and resources in the Doig siltstone are classified as Shale Gas under NI 51-101.

Disclosure of Reserves Data

Table FP-1A – Summary of December 31, 2024 Oil and Gas Reserves – Based on Forecast Prices and Costs

	Light & Medium Oil		Heavy Oil		Conventional Natural Gas		Shale Gas		Natural Gas Liquids ⁽¹⁾		Oil Equivalent	
	Company Gross	Company Net	Company Gross	Company Net	Company Gross	Company Net	Company Gross	Company Net	Company Gross	Company Net	Company Gross	Company Net
	(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(Mbbbl)	(Mbbbl)	(MBOE)	(MBOE)
Proved Developed Producing	6,463	5,026	15	14	50,774	41,855	-	-	3,302	2,499	18,243	14,515
Proved Developed Non-Producing	314	223	-	-	3,641	2,718	-	-	243	155	1,164	831
Proved Undeveloped	10,323	8,485	188	153	26,713	24,550	2,087	1,900	2,203	1,804	17,513	14,850
Total Proved	17,100	13,734	203	167	81,127	69,123	2,087	1,900	5,748	4,458	36,920	30,196
Total Probable	9,504	7,280	406	329	54,650	47,643	2,574	2,299	4,833	3,707	24,280	19,639
Total Proved + Probable	26,604	21,014	609	496	135,777	116,766	4,661	4,199	10,581	8,165	61,200	49,836

Note:

(1) NGL including field condensate.

Table FP-2 – Summary of Net Present Value of Future Net Revenue – Based on Forecast Prices and Costs

	Before Present Value						After Tax Present Value						Unit Value Before Income Tax	
	0%	5%	8%	10%	15%	20%	0%	5%	8%	10%	15%	20%	Discounted at 10%/year ⁽¹⁾	
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(\$/ BOE)	(\$/ Mcfe)
Proved Developed Producing	488,356	335,139	286,380	262,454	219,878	191,554	448,129	317,646	274,749	253,357	214,621	188,305	18.08	3.01
Proved Developed Non-Producing	23,303	15,510	12,800	11,438	8,987	7,357	17,931	12,226	10,255	9,265	7,475	6,267	13.76	2.29
Proved Undeveloped	518,437	340,991	275,133	240,808	176,959	133,462	398,528	257,424	205,027	177,773	127,276	93,124	16.22	2.70
Total Proved	1,030,096	691,640	574,313	514,700	405,824	332,373	864,588	587,297	490,032	440,396	349,372	287,696	17.05	2.84
Total Probable	784,700	455,447	353,349	304,632	221,659	170,212	603,253	347,418	268,002	230,124	165,721	125,962	15.51	2.59
Total Proved + Probable	1,814,797	1,147,087	927,661	819,332	627,483	502,584	1,467,841	934,715	758,034	670,519	515,092	413,658	16.44	2.74

Note:

(1) Unit values are based on Company Net Reserves.

Table FP-3 – Total Future Net Revenue (Undiscounted) – Based on Forecast Prices and Costs

Reserves Category	Revenue M\$	Royalties M\$	Operating Costs M\$	Capital Development Costs M\$	Aband. & Recl. Costs M\$	Future Net Revenue Before Income Taxes M\$	Income Tax M\$	Future Net Revenue After Income Taxes M\$
Proved Producing	1,151,246	240,695	393,337	1,200	27,658	488,356	40,227	448,129
Proved Developed Non-Producing	63,405	20,172	17,463	1,518	950	23,303	5,372	17,931
Proved Undeveloped	1,341,395	225,635	270,012	312,217	15,094	518,437	119,909	398,528
Total Proved	2,556,047	486,502	680,812	314,935	43,702	1,030,096	165,508	864,588
Total Probable	1,682,093	370,123	366,244	147,641	13,384	784,700	181,447	603,253
Total Proved Plus Probable	4,238,140	856,625	1,047,056	462,576	57,086	1,814,797	346,955	1,467,841

Table FP-4 – Future Net Revenue by Production Group – Based on Forecast Prices and Costs

	Future Net Revenue Before Income Taxes ⁽³⁾ Discounted at 10% per year		
	M\$	\$/boe	\$/Mcfe
Proved Producing			
Light & Medium Oil ⁽¹⁾	258,117	19.01	3.17
Heavy Oil ⁽¹⁾	485	33.81	5.63
Conventional Natural Gas ⁽²⁾	3851	4.16	0.69
Total: Proved Producing	262,454	18.08	3.01
Total Proved			
Light & Medium Oil ⁽¹⁾	495,089	18.43	3.07
Heavy Oil ⁽¹⁾	4,469	26.77	4.46
Conventional Natural Gas ⁽²⁾	12,019	4.55	0.76
Shale Gas ⁽²⁾	3,122	6.03	1.01
Total: Total Proved	514,700	17.05	2.84
Total Proved Plus Probable			
Light & Medium Oil ⁽¹⁾	754,201	19.08	3.18
Heavy Oil ⁽¹⁾	13,641	27.52	4.59
Conventional Natural Gas ⁽²⁾	43,386	5.00	0.83
Shale Gas ⁽²⁾	8,104	7.15	1.19
Total: Total Proved Plus Probable	819,332	16.44	2.74

Notes:

- (1) Including solution gas and other by-products.
- (2) Including by-products but excluding solution gas.
- (3) Other company revenue and costs not related to a specific production group have been allocated proportionately to production groups. Unit values are based on Company Net Reserves.

Pricing Assumptions

The forecast cost and price assumptions above assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. The following crude oil and natural gas benchmark reference pricing, inflation and exchange rates were utilized in the GLJ Report.

International Crude Oil Price Forecast Effective January 1, 2025

Table FP-5 (Oil) – International Crude Oil Price Forecast (Effective January 1, 2025)

Year	United States		Europe	Latin America		Mideast Gulf and Mediterranean						Africa	Asia-Pacific		Russia / C.I.S.		
	Cushing, OK WTI	Louisiana LLS ⁽¹⁾	UK Brent	Mexico Maya	Colombia Vasconia	Oman DME	OPEC Basket	Abu Dhabi Murban	Iran Light	Algeria Saharan	Iraq Basrah Medium	Kuwait Export Blend	Nigeria Bonny Light	Indonesia Minas	Malaysia Tapis	Russia ESPO ⁽²⁾	Russia Sokol
	39.6 API	35.6 API	38.3 API	21.8 API	24.5 API	34 API	32.7 API	40.2 API	33.6 API	45.3 API	27.9 API	31.4 API	33.4 API	35.3 API	45.2 API	34.8 API	34.8 API
	0.24% S	0.37% S	0.37% S	3.33% S	0.95% S	2.00% S	1.77% S	0.79% S	1.46% S	0.09% S	3% S	2.52% S	0.16% S	0.09% S	0.03% S	0.62% S	0.29% S
	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl	USD/bbl
2025	71.58	74.25	75.58	66.66	69.59	74.96	74.39	76.34	75.10	76.27	74.83	74.72	76.89	73.21	78.17	63.52	70.29
2026	74.48	77.14	78.51	69.38	72.24	77.87	77.30	79.30	78.01	79.21	77.72	77.63	79.51	76.08	81.15	66.44	78.51
2027	75.81	78.49	79.89	70.55	73.51	79.24	78.66	80.69	79.37	80.61	79.09	79.00	80.91	77.39	82.59	68.90	80.69
2028	77.66	80.39	81.82	72.26	75.28	81.16	80.57	82.64	81.28	82.56	81.01	80.93	82.87	79.25	84.58	70.61	82.64
2029	79.22	81.99	83.46	73.70	76.79	82.78	82.18	84.29	82.90	84.21	82.63	82.54	84.52	80.84	86.28	72.03	84.29
2030	80.80	83.64	85.13	75.18	78.33	84.44	83.83	85.98	84.56	85.89	84.28	84.19	86.21	82.45	88.00	73.47	85.98
2031	82.42	85.31	86.83	76.68	79.89	86.13	85.51	87.70	86.26	87.62	85.97	85.88	87.94	84.10	89.77	74.94	87.70
2032	84.06	87.01	88.57	78.21	81.49	87.85	87.21	89.45	87.98	89.36	87.68	87.59	89.70	85.78	91.56	76.44	89.45
2033	85.75	88.72	90.31	79.75	83.09	89.58	88.92	91.21	89.71	91.12	89.40	89.31	91.46	87.47	93.36	77.93	91.21
2034	87.46	90.47	92.08	81.32	84.73	91.34	90.67	93.00	91.48	92.92	91.16	91.07	93.26	89.19	95.20	79.46	93.00
2035	89.21	92.28	93.93	82.95	86.42	93.17	92.49	94.86	93.31	94.77	92.99	92.69	95.12	90.97	97.10	81.05	94.86
2036	90.99	94.13	95.81	84.60	88.15	95.03	94.34	96.76	95.17	96.67	94.85	94.75	97.07	92.79	99.04	82.67	96.76
2037	92.82	96.01	97.72	86.30	89.91	96.96	96.23	98.70	97.07	98.60	96.74	96.65	98.96	94.65	101.02	84.33	98.70
2038	94.67	97.93	99.68	88.02	91.71	98.87	98.15	100.67	99.02	101.57	98.68	98.58	100.94	96.54	103.04	86.01	100.67
2039	96.57	99.89	101.67	89.78	93.54	100.85	100.11	102.69	101.00	102.59	101.65	100.55	102.96	98.47	105.11	87.73	102.69
2040+	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr

Notes:

- (1) LLS – Light Louisiana Sweet
- (2) ESPO – Eastern Siberian Pacific Ocean Blend
- (3) GLJ Forecasts a variety of other benchmarks that may not be presented and can be obtained upon request.

**Crude Oil and Natural Gas Liquids
Effective January 1, 2025**

Table FP-5 (Gas) – Crude Oil and Natural Gas Liquids Price Forecast (Effective January 1, 2025)

Year	Inflation %	CAD/USD Exchange Rate USD/CAD	Crude Oil										Alberta Natural Gas Liquids (Then Current Dollars)			
			Constant 2025S USD/bbl	Then Current USD/bbl	Then Current USD/bbl	Then Current CAD/bbl	Then Current CAD/bbl	Then Current CAD/bbl	Then Current CAD/bbl	Then Current CAD/bbl	Then Current CAD/bbl	Then Current CAD/bbl	Then Current CAD/bbl	Then Current CAD/bbl	Then Current CAD/bbl	Then Current CAD/bbl
2025	0.00	0.712	71.58	71.58	75.58	94.79	82.69	75.85	81.04	83.4	93.68	91.30	7.54	33.56	51.15	100.14
2026	2.00	0.728	73.02	74.48	78.51	97.04	84.27	77.56	82.59	85.24	95.62	93.48	10.76	32.78	49.98	100.72
2027	2.00	0.743	72.87	75.81	79.89	97.37	83.81	77.12	82.13	84.02	96.23	93.79	11.32	32.81	50.16	100.24
2028	2.00	0.743	73.18	77.66	81.82	99.80	85.70	78.81	83.98	86.02	98.63	96.14	12.02	33.63	51.41	102.73
2029	2.00	0.743	73.18	79.22	83.46	101.79	87.46	80.44	85.71	87.80	100.60	98.05	12.26	34.30	52.44	104.79
2030	2.00	0.743	73.18	80.80	85.13	103.83	89.25	82.12	87.46	89.63	102.61	100.02	12.51	34.99	53.49	106.89
2031	2.00	0.743	73.18	82.42	86.83	105.91	91.04	83.77	89.21	91.42	104.67	102.02	12.77	35.69	54.56	109.00
2032	2.00	0.743	73.18	84.06	88.57	108.02	92.85	85.45	91.00	93.25	106.76	104.06	13.03	36.40	55.65	111.19
2033	2.00	0.743	73.18	85.75	90.31	110.19	94.71	87.17	92.82	95.11	108.90	106.14	13.30	37.13	56.76	113.41
2034	2.00	0.743	73.18	87.46	92.08	112.39	96.61	88.91	94.68	97.07	111.07	108.26	13.57	37.87	57.90	115.69
2035	2.00	0.743	73.18	89.21	93.93	114.64	98.54	90.69	96.57	98.96	113.29	110.43	13.84	38.63	59.05	118.01
2036	2.00	0.743	73.18	90.99	95.81	116.93	100.51	92.51	98.50	100.94	115.56	112.64	14.12	39.40	60.24	120.37
2037	2.00	0.743	73.18	92.82	97.72	119.27	102.52	94.36	100.47	102.96	117.87	114.89	14.40	40.19	61.11	122.77
2038	2.00	0.743	73.18	94.67	99.68	121.65	104.57	96.24	102.48	105.01	120.23	117.19	14.69	41.00	62.67	125.23
2039	2.00	0.743	73.18	96.57	101.67	124.09	106.66	98.17	104.53	107.11	122.63	119.53	14.98	41.82	63.92	127.73
2040+	2.00	0.743	73.18	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr

Notes:

- (1) AWB – Access Western Blend.
- (2) Historical futures contract price is an average of the daily settlement price of the near month contract over the calendar month.

**Natural Gas and Sulphur
Effective January 1, 2025**

Table FP-5 (Gas) – Natural Gas and Sulphur Forecast (Effective January 1, 2025)

Year	NYMEX Henry Hub Near Month Contract		Midwest Price at Chicago	AECO/NIT	Dawn Price at Ontario	Alberta Plant Gate			Saskatchewan Plant Gate			British Columbia			Sulphur @ Alberta Plant Gate	
	Constant 2025 \$ USD/ MMBtu	Then Current USD/ MMBtu	Then Current USD/MMBtu	Then Current CAD/MMBtu	Then Current USD/MMBtu	Spot Constant 2025 \$ CAD/MMBtu	Spot Then Current CAD/MMBtu	ARP CAD/MMBtu	SaskEnergy CAD/MMBtu	Spot CAD/MMBtu	Huntingdon/ Sumas Spot USD/MMBtu	Westcoast Station 2 CAD/MMBtu	Spot Plant Gate CAD/MMBtu	Sulphur FOB Vancouver USD/lt	CAD/lt	
2025	3.31	3.31	3.05	2.36	3.01	2.15	2.15	2.15	2.58	2.17	3.01	2.15	1.82	95.84	39.96	
2026	3.65	3.73	3.53	3.33	3.49	3.05	3.11	3.11	3.55	3.14	3.79	3.15	2.81	105.25	45.70	
2027	3.70	3.85	3.66	3.48	3.61	3.13	3.26	3.26	3.70	3.29	3.94	3.29	2.96	122.12	64.41	
2028	3.71	3.93	3.73	3.69	3.69	3.26	3.46	3.46	3.90	3.50	4.02	3.50	3.16	124.60	66.70	
2029	3.70	4.01	3.82	3.76	3.77	3.26	3.53	3.53	3.97	3.57	4.10	3.57	3.23	127.09	69.04	
2030	3.70	4.09	3.89	3.83	3.85	3.26	3.60	3.60	4.05	3.64	4.18	3.64	3.30	129.63	71.42	
2031	3.70	4.17	3.97	3.91	3.93	3.26	3.68	3.68	4.13	3.72	4.26	3.71	3.37	132.22	73.85	
2032	3.70	4.26	4.05	3.99	4.02	3.27	3.75	3.75	4.21	3.80	4.35	3.79	3.45	134.87	76.32	
2033	3.70	4.34	4.13	4.07	4.10	3.27	3.83	3.83	4.29	3.88	4.44	3.87	3.52	137.56	78.85	
2034	3.70	4.43	4.21	4.15	4.18	3.27	3.91	3.91	4.37	3.96	4.53	3.94	3.60	140.32	81.43	
2035	3.70	4.52	4.30	4.24	4.27	3.27	3.99	3.99	4.46	4.04	4.62	4.02	3.67	143.12	83.06	
2036	3.70	4.61	4.39	4.32	4.36	3.27	4.07	4.07	4.55	4.12	4.71	4.10	3.74	145.98	84.72	
2037	3.70	4.70	4.48	4.41	4.45	3.27	4.15	4.15	4.64	4.21	4.81	4.19	3.82	148.90	86.41	
2038	3.70	4.79	4.56	4.49	4.54	3.27	4.23	4.23	4.74	4.29	4.91	4.27	3.89	151.88	88.14	
2039	3.70	4.89	4.65	4.58	4.63	3.27	4.32	4.32	4.83	4.38	5.00	4.35	3.97	154.92	89.90	
2040+	3.70	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	3.27	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr

Notes:

- (1) Unless otherwise stated, the gas price reference point is the receipt point on the applicable provincial gas transmission system known as the plant gate.
- (2) The plant gate price represents the price before raw gathering and processing charges are deducted.

Reserves Reconciliation

Table FP-6A – Reconciliation of Company Gross Reserves by Principal Product Type – Forecast Prices and Costs – Company Total Gross – December 31, 2024

FACTORS	Total Light and Medium Crude			Total Heavy Crude			Total Natural Gas			Total Natural Gas Liquids			BOE		
	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable
	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(Mbbl)	(MMcf)	(MMcf)	(MMcf)	(Mbbl)	(Mbbl)	(Mbbl)	(Mboe)	(Mboe)	(Mboe)
December 31, 2023	15,219	8,994	24,213	0	0	0	72,533	46,722	119,255	4,539	4,071	8,610	31,847	20,852	52,699
Category Transfers ⁽¹⁾	0	-320	-320	0	320	320	0	0	0	0	0	0	0	0	0
Discoveries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Extensions and Improved Recovery	3,408	1,365	4,773	188	402	589	5,495	2,987	8,482	488	311	799	5,000	2,576	7,575
Technical Revisions	-291	-545	-836	21	-315	-294	7,324	7,145	14,469	839	397	1,236	1,790	727	2,517
Acquisitions	34	10	44	0	0	0	1,168	359	1,528	172	53	225	400	123	523
Dispositions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Economic Factors	13	0	12	0	0	0	-122	11	-111	-8	1	-7	-16	3	-13
Production	-1,283	0	-1,283	-6	0	-6	-3,184	0	-3,184	-283	0	-283	-2,102	0	-2,102
December 31, 2024	17,100	9,504	26,604	203	406	609	83,214	57,224	140,438	5,748	4,833	10,581	36,920	24,280	61,200

Note:

(1) An immaterial volume of heavy crude was included as light and medium crude in the previous year-end report.

Table FP-6A – Reconciliation of Company Gross Reserves by Principal Product Type – Forecast Prices and Costs – Conventional Reservoirs – December 31, 2024

FACTORS	Light and Medium Crude			Heavy Crude			Natural Gas			Associated Natural Gas Liquids			BOE		
	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable	Proved	Probable	Proved + Probable
	(Mbbl)	(Mbbl)	(Mbbl)	(MMcf)	(Mbbl)	(Mbbl)	(Mbbl)	(MMcf)	(MMcf)	(Mbbl)	(Mbbl)	(Mbbl)	(Mboe)	(Mboe)	(Mboe)
December 31, 2023	15,219	8,994	24,213	0	0	0	70,447	44,148	114,595	4,274	3,744	8,018	31,234	20,097	51,330
Category Transfers ⁽²⁾	0	-320	-320	0	320	320	0	0	0	0	0	0	0	0	0
Discoveries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Extensions and Improved Recovery	3,408	1,365	4,773	188	402	589	5,495	2,987	8,482	488	311	799	5,000	2,576	7,575
Technical Revisions	-291	-545	-836	21	-315	-294	7,324	7,145	14,469	839	397	1,236	1,790	727	2,517
Acquisitions	34	10	44	0	0	0	1,168	359	1,528	172	53	225	400	123	523
Dispositions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Economic Factors	13	0	12	0	0	0	-122	11	-111	-8	1	-7	-16	3	-13
Production	-1,283	0	-1,283	-6	0	-6	-3,184	0	-3,184	-283	0	-283	-2,102	0	-2,102
December 31, 2024	17,100	9,504	26,604	203	406	609	81,127	54,650	135,777	5,483	4,506	9,988	36,307	23,524	59,831

Note:

(1) An immaterial volume of heavy crude was included as light and medium crude in the previous year-end report.

Table FP-6A – Reconciliation of Company Gross Reserves by Principal Product Type – Forecast Prices and Costs – Shale & Tight Reservoirs – December 31, 2024

FACTORS	Shale Gas			Associated Natural Gas Liquids			BOE		
	Proved (MMcf)	Probable (MMcf)	Proved + Probable (MMcf)	Proved (Mbbl)	Probable (Mbbl)	Proved + Probable (Mbbl)	Proved (Mboe)	Probable (Mboe)	Proved + Probable (Mboe)
December 31, 2023	2,087	2,574	4,661	265	327	592	613	756	1,369
Discoveries	0	0	0	0	0	0	0	0	0
Extensions and Improved Recovery	0	0	0	0	0	0	0	0	0
Infill Drilling ⁽¹⁾	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0	0	0	0
Economic Factors	0	0	0	0	0	0	0	0	0
Production	0	0	0	0	0	0	0	0	0
December 31, 2024	2,087	2,574	4,661	265	327	592	613	756	1,369

Note:

(1) An immaterial volume of heavy crude was included as light and medium crude in the previous year-end report.

Changes in Reserves

Proved Reserves

The changes in proved reserves were mainly driven by the impact of drilling activity during 2024.

Probable Reserves

The increase in probably reserves were mainly driven by the impact of drilling activity in 2024.

Undeveloped Reserves

Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty to be recoverable where significant expenditure is required to render them capable of production. Probable undeveloped reserves are those additional reserves that are less certain to be recovered than proved reserves where significant expenditure is required to render them capable of production. The GLJ Report contains proved and probable undeveloped reserves that have been estimated in accordance with the procedures and standards contained in the COGE Handbook. The remaining undeveloped reserves are currently scheduled to be developed by the Company within the next five years.

There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). For more information, see "*Risk Factors*".

The following tables set forth the gross proved undeveloped reserves and the gross probable undeveloped reserves, each by product type, that were first attributed in each of the three most recent financial years and in the aggregate before such time, based on forecast prices and costs.

Table FP-7 – Proved Undeveloped Reserves Attributed in Current Year

Proved Undeveloped	Light & Medium Oil (Mbbbl)		Heavy Oil (Mbbbl)		Conventional Natural Gas (MMcf)		Natural Gas Liquids (Mbbbl)		Shale Gas (MMcf)		BOE (Mboe)	
	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End
2024	2,790	10,323	188	188	4,561	26,712	419	2,203	0	2,087	4,156	17,513
2023	8,464	9,168	0	0	18,974	19,026	1,469	1,737	0	2,087	13,095	14,423
2022	0	120	0	0	0	0	0	265	0	2,087	0	733

Probable Undeveloped	Light & Medium Oil (Mbbbl)		Heavy Oil (Mbbbl)		Conventional Natural Gas (MMcf)		Natural Gas Liquids (Mbbbl)		Shale Gas (MMcf)		BOE (Mboe)	
	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End
2024	1,517	7,107	402	402	3,049	37,952	335	3,564	0	2,574	2,762	17,916
2023	6,634	7,063	0	0	35,908	35,856	3,210	3,535	0	2,574	15,829	17,003
2022	0	164	0	0	0	0	0	327	0	2,574	0	921

It is anticipated that most of the remaining proved undeveloped will be developed within the next five years. Access to infrastructure, takeaway capacity & market conditions could be factors preventing the Company from developing this reserve category within the next two years.

It is anticipated that most of the remaining probable undeveloped reserves will be developed within the next five years. Similar to the proved undeveloped reserves, infrastructure, takeaway capacity & market conditions could be factors preventing the Company from developing probable undeveloped reserves within the next two years. In general, once proved and/or probable undeveloped reserves are identified, they are scheduled into the Company's development plans. Normally, the Company plans to develop its current proved and probable undeveloped reserves within five years. A number of factors that could result in delayed or cancelled development are as follows: changing economic conditions (due to pricing, operating and capital expenditure fluctuations); changing technical conditions (production anomalies such as water breakthrough or accelerated depletion); multi-zone developments (delay of a prospective formation completion until the initial completion is no longer economic); a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and surface access issues (landowners, weather conditions and/or regulatory approvals). See "Risk Factors" and "General Development of the Business — Regulation".

Significant Factors or Uncertainties Affecting Reserves Data

The process of estimating reserves is complex. It requires significant judgements and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserves estimates contained herein are based on current production forecasts, prices and economic conditions.

As circumstances change and additional data becomes available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and natural gas prices and reservoir performance. Such revisions can be either positive or negative.

Degradation in future commodity price forecasts relative to the forecast in the GLJ Report would also have a negative impact on the economics and timing of the development of undeveloped reserves, unless significant reduction in the future costs of development are realized.

Other than as discussed above and the various risks and uncertainties that participants in the oil and natural gas industry are exposed to generally, the Company is unable to identify any important economic factors or significant uncertainties that will affect any particular components of the reserves data disclosed in this Annual Information Form. See "*Risk Factors*" and "*General Development of the Business — Regulation*".

GLJ's forecast of well abandonment and reclamation costs for all wells with reserves assigned are included in their report and therefore in their estimate of future net revenue. Specifically, provisions for the abandonment and reclamation of all of the Company's existing and future wells to which reserves have been attributed have been included based on regional values sourced from the AER for purposes of calculating GLJ's estimate of future net revenue, all other abandonment and reclamation costs were not included.

The following table sets forth information respecting future abandonment and reclamation costs recognized in our audited consolidated financial statements for the year ended December 31, 2024 for surface leases, wells, facilities and pipelines for properties to which reserves have been attributed.

Year	Abandonment and Reclamation Costs (Undiscounted) (M\$)	Abandonment and Reclamation Costs (Discounted at 10%) (M\$)
Total as at December 31, 2024	48,119	3,887
Anticipated to be paid in 2025	1,600	1,455
Anticipated to be paid in 2026	1,600	1,322
Anticipated to be paid in 2027	1,600	1,202

Note:

(1) Excludes abandonment and reclamation costs for properties with no attributed reserves.

For more information with respect to our reclamation and abandonment obligations for properties with no attributed reserves, see "*Statement of Reserves Data and Other Oil and Gas Information — Properties with no Attributable Reserves*" in this Annual Information Form.

Future Development Costs

The following table sets forth development costs deducted in the estimation of the future net revenue attributable to the reserve categories noted below for the Company.

Table FP-8 – Company Annual Capital Expenditures (M\$)

Entity Description	Year											Totals			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Sub-total	Rem- ainder	Total	10% Discounted
Proved Developed Producing	1,200	0	0	0	0	0	0	0	0	0	0	1,200	0	1,200	1,131
Proved Developed Non-Producing	952	507	26	0	0	0	0	34	0	0	0	1,518	0	1,518	1,422
Proved Undeveloped	55,369	109,956	63,259	57,006	26,628	0	0	0	0	0	0	312,218	0	312,218	256,227
Total Proved	57,521	110,462	63,284	57,006	26,628	0	0	34	0	0	0	314,935	0	314,935	258,780
Total Probable	6,765	19,947	5,8769	24,090	38,071	0	0	0	0	0	0	147,641	0	147,641	112,124
Total Proved + Probable	64,286	130,409	122,053	81,096	64,698	0	0	34	0	0	0	462,576	0	462,576	370,904

Table FP-8A – Company Annual Capital Expenditures (M\$)

Entity Description	Year												Totals			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	Sub-total	Re- mai- nder	Total	10% Discou- nted
Proved Developed Producing																
Brazeau	1,200	0	0	0	0	0	0	0	0	0	0	0	1,200	0	1,200	1,131
Total:	1,200	0	0	0	0	0	0	0	0	0	0	0	1,200	0	1,200	1,131
Proved Developed Non-Producing																
Brazeau	317	507	26	0	0	0	0	34	0	0	0	0	883	0	883	790
Wilson Creek	635	0	0	0	0	0	0	0	0	0	0	0	635	0	635	632
Total:	952	507	26	0	0	0	0	34	0	0	0	0	1,518	0	1,518	1,422
Proved Developed Non-Producing																
Total Proved Undeveloped																
Bonnyville	3,600	0	0	0	0	0	0	0	0	0	0	0	3,600	0	3,600	3,460
Brazeau	33,883	67,914	40,645	57,006	26,628	0	0	0	0	0	0	0	226,077	0	226,077	181,109
Deer Mountain	0	1,160	0	0	0	0	0	0	0	0	0	0	1,160	0	1,160	1,005
Fireweed (BC)	0	5,252	1,798	0	0	0	0	0	0	0	0	0	7,050	0	7,050	6,172
Ricinus	0	11,824	2,983	0	0	0	0	0	0	0	0	0	14,807	0	14,807	12,599
Tilston	0	812	0	0	0	0	0	0	0	0	0	812	0	812	704	
Wilson Creek	17,886	22,994	17,833	0	0	0	0	0	0	0	0	0	58,712	0	58,712	5,1179
Total:	55,369	109,956	63,259	57,006	26,628	0	0	0	0	0	0	0	312,217	0	312,217	256,227
Total Proved Undeveloped																
Total Proved																
Bonnyville	3,600	0	0	0	0	0	0	0	0	0	0	0	3,600	0	3,600	3,460
Brazeau	35,400	6,8421	40,671	57,006	26,628	0	0	34	0	0	0	0	228,159	0	228,159	183,029
Deer Mountain	0	1,160	0	0	0	0	0	0	0	0	0	0	1,160	0	1,160	1005
Fireweed (BC)	0	5,252	1,798	0	0	0	0	0	0	0	0	0	7,050	0	7,050	6,172
Ricinus	0	11,824	2,983	0	0	0	0	0	0	0	0	0	14,807	0	14,807	12,599
Tilston	0	812	0	0	0	0	0	0	0	0	0	0	812	0	812	704
Wilson Creek	18,521	22,994	17,833	0	0	0	0	0	0	0	0	0	59,347	0	59,347	51,811
Total:	57,521	110,462	63,284	57,006	26,628	0	0	34	0	0	0	0	314,935	0	314,935	258,780
Total Proved																
Total Probable																
Bonnyville	5,400	0	0	0	0	0	0	0	0	0	0	0	5,400	0	5,400	5,190
Brazeau	0	4,872	33,111	11,048	27,149	0	0	0	0	0	0	0	76,180	0	76,180	55,908
Deer Mountain	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fireweed (BC)	0	0	5,296	0	0	0	0	0	0	0	0	0	5,296	0	5,296	4,173
Ricinus	0	0	18,729	10,708	10,922	0	0	0	0	0	0	0	40,358	0	40,358	29,541
Tilston	0	1,218	0	0	0	0	0	0	0	0	0	0	1,218	0	1,218	1,055
Wilson Creek	1,365	13,857	1,633	2,334	0	0	0	0	0	0	0	0	19,190	0	19,190	16,257
Total:	6,765	19,947	58,769	24,090	38,071	0	0	0	0	0	0	0	147,641	0	147,641	112,124
Total Probable																

Entity Description	Year												Totals			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	Sub-total	Re- mai- nder	Total	10% Discou- nted
Total Proved + Probable																
Bonnyville	9,000	0	0	0	0	0	0	0	0	0	0	0	9,000	0	9,000	8,650
Brazeau	35,400	73,293	73,782	68,054	53,777	0	0	34	0	0	0	0	304,339	0	304,339	238,937
Deer Mountain	0	1,160	0	0	0	0	0	0	0	0	0	0	1,160	0	1,160	1,005
Fireweed (BC)	0	5,252	7,094	0	0	0	0	0	0	0	0	0	12,3464	0	12,3464	10,3454
Ricinus	0	11,824	21,711	10,708	10,922	0	0	0	0	0	0	0	55,165	0	55,165	42,140
Tilston	0	2,029	0	0	0	0	0	0	0	0	0	0	2,029	0	2,029	1,759
Wilson Creek	19,886	36,851	19,466	2,334	0	0	0	0	0	0	0	0	78,537	0	78,537	68,068
Total Proved + Probable	64,286	130,409	122,053	81,096	64,698	0	0	34	0	0	0	0	462,576	0	462,576	370,904

The Company expects to fund the development costs of these reserves through a combination of internally generated cash flow, equity issuances and debt. There can be no guarantee that funds will be available or that the Board will allocate funding to develop all of the reserves attributed to the Company in the GLJ Report. Failure to develop those reserves could have a negative impact on the Company's future cash flow.

The interest or other costs of external funding are not included in the reserves and future net revenue estimates set forth above and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. The Company does not anticipate that interest or other funding costs would make development of any of the properties uneconomic.

Other Oil and Natural Gas Information

Principal Oil and Natural Gas Properties

For a general description of the Company's important properties, see "*Highwood Assets — Upstream Oil and Gas Assets*".

Oil and Natural Gas Wells

The following table sets forth the number and status of wells in which the Company had a working interest in effective as of the date of this Annual Information Form. Highwood's oil and gas properties are all located in the Western Canadian Sedimentary Basin and onshore within the Canadian provinces of British Columbia, Alberta and Saskatchewan.

	Well Count		Gross			Net		
	Gross	Net	Oil	Gas	Non-Producing	Oil	Gas	Non-Producing
Operated	348	327	172	24	152	169	26	132
Non-Operated	53	14	24	6	23	6	3	5
Total	401	341	196	30	175	175	29	137

Properties with no Attributable Reserves

The following table sets forth the gross and net hectares of unproved properties held by the Company as at December 31, 2024 and the maximum net area of unproved properties for which the Company expects the rights to explore, develop and exploit to expire during 2025. There are no material work commitments necessary to maintain these properties.

	Unproved Properties		
	Gross Hectares	Net Hectares	2025 Expiring Net Hectares
Canada	137,510	82,946	4,977

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

For information with respect to the Company's reclamation and abandonment obligations for the properties to which reserves have been attributed, see "Additional Information Relating to Reserves Data — Significant Factors or Uncertainties".

The following table sets forth the Company's estimate of reclamation and abandonment obligations for the properties to which no reserves have been attributed.

Year	Abandonment and Reclamation Costs (Undiscounted) (M\$)	Abandonment and Reclamation Costs (Discounted at 10%) (M\$)
2025	1,600	1,455
2026	1,600	1,322
2027	1,600	1,202
Thereafter	14,722	5,676
Total	19,522	9,655

Forward Contracts

The Company has various hedging commitments in place with a Canadian Chartered Bank in order to mitigate exposure to changing commodity prices in the future. The outstanding hedge commitments at December 31, 2024 are as follows:

Product	Notional Volume	Term	Fixed Price (CAD/GJ) or (CAD/bbl)	Term
Natural Gas	4,600GJ/day	Sept 1, 2023 to March 31, 2025	\$3.00–3.05	AECO
Natural Gas	1,500GJ/day	April 1, 2025 to December 31, 2026	\$3.13–3.20	AECO
Natural Gas	300GJ/day	November 1, 2025 to March 31, 2026	\$3.50	AECO
Natural Gas	3,000GJ/day	April 1, 2025 to March 31, 2027	\$3.15–3.40	AECO
Crude Oil	200bbls/day	April 1, 2024 to September 30, 2025	\$95.75–100.00	WTI – NYMEX
Crude Oil	200bbls/day	May 1, 2024 to October 31, 2025	\$102.50–104.00	WTI – NYMEX
Crude Oil	300bbls/day	May 1, 2024 to December 31, 2025	\$105.00–106.00	WTI – NYMEX
Crude Oil	100bbls/day	October 1, 2024 to September 30, 2025	\$95.50	WTI – NYMEX
Crude Oil	100bbls/day	October 1, 2024 to December 31, 2025	\$101.00	WTI – NYMEX
Crude Oil	100bbls/day	October 1, 2024 to March 31, 2026	\$96.50	WTI – NYMEX
Crude Oil	100bbls/day	November 1, 2024 to March 31, 2026	\$95.00	WTI – NYMEX
Crude Oil	100bbls/day	November 1, 2024 to July 31, 2025	\$95.00	WTI – NYMEX
Crude Oil	870bbls/day	January 1, 2025 to March 31, 2025	\$95.55–103.15	WTI – NYMEX
Crude Oil	200bbls/day	January 1, 2025 to December 31, 2025	\$92.00–92.23	WTI – NYMEX
Crude Oil	100bbls/day	February 1, 2025 to December 31, 2026	93.00	WTI – NYMEX
Crude Oil	500bbls/day	April 1, 2025 to September 30, 2025	\$94.00–95.00	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	\$96.00	WTI – NYMEX
Crude Oil	100bbls/day	October 1, 2025 to December 31, 2026	\$93.00	WTI – NYMEX
MSW Differential	100bbls/day	April 1, 2024 to September 30, 2025	\$4.75	TMX-1A-SW
MSW Differential	500bbls/day	June 1, 2024 to September 30, 2025	\$3.75	TMX-1A-SW
MSW Differential	600bbls/day	January 1, 2025 to December 31, 2025	\$4.75–5.75	TMX-1A-SW

Tax Horizon

The Company anticipates that income taxes are not payable by the Company until 2027 in the total proved reserves category and until 2026 in the total proved plus probable reserves category.

Costs Incurred

During the year ended December 31, 2024, the Company incurred costs of \$66.5 million mainly related to the drilling activity primarily in Brazeau and Wilson Creek. (see "*Highwood Assets*").

The following table summarizes certain expenditures for the Company during the year ended December 31, 2024.

	Property Acquisition Costs			
	Proved Properties	Unproved Properties	Exploration Costs	Development Costs
2024	\$nil	\$nil	\$8.5 million	\$58 million

Development Activity

11 wells were drilled in 2024. See "*Highwood Assets — Upstream Oil and Gas Assets*" for further discussion of the Company's development activity in 2024.

The Company drilled and plans to bring six additional new wells on production within the first 120 days of 2024. The Company plans to drill three wells in Brazeau and three wells in Wilson Creek.

See "*Highwood Assets*" and "*Description of the Business*" for a description of the Company's exploration and development plans.

Production Estimates

The following table sets out the volumes of working interest production before royalties, using forecast prices and costs, estimated for the period of January 1, 2025 to December 31, 2025, as evaluated by GLJ which is reflected in the estimate of future net revenue disclosed in the tables above.

Summary of First Year Production – 2025 Average Daily Production

	Light & Medium Oil		Heavy Oil		Conventional Natural Gas		Shale Gas		Natural Gas Liquids		Oil Equivalent	
	Company Gross (bbl/d)	Company Net (bbl/d)	Company Gross (bbl/d)	Company Net (bbl/d)	Company Gross (Mcf/d)	Company Net (Mcf/d)	Company Gross (Mcf/d)	Company Net (Mcf/d)	Company Gross (bbl/d)	Company Net (bbl/d)	Company Gross (BOE/d)	Company Net (BOE/d)
Proved Developed Producing												
Brazeau	1,598	1,241	0	0	5,450	4,605	0	0	285	205	2,792	2,213
Deer Mountain	22	14	0	0	0	0	0	0	0	0	22	14
Ricinus	15	14	0	0	1,130	1,070	0	0	91	72	394	264
Tilston	80	63	0	0	0	0	0	0	0	0	80	63
Viking Kinsella	0	0	12	11	0	0	0	0	0	0	12	11
Wilson Creek	1,172	822	0	0	3,087	2,633	0	0	454	333	2,141	1,594
Wilson Creek (Harvest)	8	8	0	0	404	392	0	0	59	51	135	124
Wilson Creek (Jayhawk)	4	3	0	0	18	17	0	0	3	2	9	9
Proved Developed Producing Total	2,899	2,165	12	11	10,089	8,717	0	0	893	663	5,484	4,292
Proved Developed Non-Producing												
Brazeau	2	1	0	0	6	5	0	0	0	0	3	2
Wilson Creek	35	33	0	0	207	188	0	0	30	23	100	88
Proved Developed Non-Producing Total	37	34	0	0	213	193	0	0	31	24	103	91
Proved Undeveloped												
Bonnyville	0	0	103	92	0	0	0	0	0	0	103	92
Brazeau	679	621	0	0	1,408	1,338	0	0	74	67	988	912
Wilson Creek	376	356	0	0	318	301	0	0	47	44	476	450
Proved Undeveloped Total	1,055	977	103	92	1,726	1,639	0	0	121	112	1,566	1,454
Total Proved												
Bonnyville	0	0	103	92	0	0	0	0	0	0	103	92
Brazeau	2,279	1,864	0	0	6,864	5,948	0	0	359	273	3,782	3,127
Deer Mountain	22	14	0	0	0	0	0	0	0	0	22	14
Ricinus	15	14	0	0	1,130	1,070	0	0	91	72	294	264
Tilston	80	63	0	0	0	0	0	0	0	0	80	63
Viking Kinsella	0	0	12	11	0	0	0	0	0	0	12	11
Wilson Creek	1,583	1,212	0	0	3,612	3,122	0	0	532	401	2,717	2,132
Wilson Creek (Harvest)	8	8	0	0	404	392	0	0	59	51	135	124
Wilson Creek (Jayhawk)	4	3	0	0	18	17	0	0	3	2	9	9
Total Proved Total	3,991	3,177	114	103	12,028	10,549	0	0	1,044	798	7,154	5,836

	Light & Medium Oil		Heavy Oil		Conventional Natural Gas		Shale Gas		Natural Gas Liquids		Oil Equivalent	
	Company Gross (bbl/d)	Company Net (bbl/d)	Company Gross (bbl/d)	Company Net (bbl/d)	Company Gross (Mcf/d)	Company Net (Mcf/d)	Company Gross (Mcf/d)	Company Net (Mcf/d)	Company Gross (bbl/d)	Company Net (bbl/d)	Company Gross (BOE/d)	Company Net (BOE/d)
Total Probable												
Bonnyville	0	0	158	141	0	0	0	0	0	0	158	141
Brazeau	215	175	0	0	411	387	0	0	22	17	305	257
Ricinus	8	7	0	0	25	23	0	0	2	1	7	6
Tilston	3	2	0	0	0	0	0	0	0	0	3	2
Viking Kinsella	0	0	1	1	0	0	0	0	0	0	1	1
Wilson Creek	222	185	0	0	363	325	0	0	53	43	336	282
Wilson Creek (Harvest)	0	0	0	0	5	7	0	0	1	1	2	2
Total Probable Total	441	363	159	141	803	743	0	0	78	63	811	691
Total Proved + Probable												
Bonnyville	0	0	261	232	0	0	0	0	0	0	261	232
Brazeau	2,494	2,038	0	0	7,275	6,335	0	0	381	290	4,087	3,384
Deer Mountain	22	14	0	0	0	0	0	0	0	0	22	14
Ricinus	16	15	0	0	1,155	1,093	0	0	93	74	301	270
Tilston	82	65	0	0	0	0	0	0	0	0	82	65
Viking Kinsella	0	0	12	12	0	0	0	0	0	0	12	12
Wilson Creek	1,806	1,397	0	0	3,974	3,447	0	0	585	444	3,053	2,415
Wilson Creek (Harvest)	8	8	0	0	409	400	0	0	60	52	137	126
Wilson Creek (Jayhawk)	4	4	0	0	18	17	0	0	3	2	9	9
Total Proved + Probable Total	4,432	3,540	273	244	12,831	11,292	0	0	1,121	861	7,965	6,527

Note:

(1) NGL including field condensate.

Production History

The following table sets forth the Company's share of average gross daily production volumes, by country, the prices received, royalties paid, production costs incurred and the resulting netback on a per unit volume basis, for each quarter of the year ended December 31, 2024.

Production History – Highwood's Share of Average Gross Daily Production Volumes

Daily average volume	Quarter ended March 31, 2024	Quarter ended June 30, 2024	Quarter ended September 30, 2024	Quarter ended December 31, 2024
Light & Medium Crude Oil (bbl/d)	3,126	3,947	3,607	3,638
Conventional Natural Gas (Mcf/d)	7,869	9,398	8,194	9,319
Shale Gas (Mcf/d)	-	-	-	-
Natural Gas Liquids (boe/d)	586	946	701	775
Oil Equivalent (Boe/d)	5,023	6,459	5,673	5,966

The following table sets forth, by product type, the average gross daily production of the Company before deduction of royalties, the prices received, royalties paid, production costs incurred and the resulting netback on a per unit volume basis, quarterly, for the year ended December 31, 2024. Over 95% of Highwood's current product revenues are derived from light crude oil sales, the netback history of which is below:

Production History – Average per Unit of Volume Results

Light & Medium Crude Oil (\$/Bbl)	Quarter ended March 31, 2024	Quarter ended June 30, 2024	Quarter ended September 30, 2024	Quarter ended December 31, 2024
Average Gross Daily Production				
Light & Medium Crude Oil (bbl/d)	3,126	3,947	3,607	3,638
Conventional Natural Gas (Mcf/d)	7,869	9,398	8,194	9,319
Shale Gas (Mcf/d)	-	-	-	-
Natural Gas Liquids (boe/d)	586	946	701	775
Oil Equivalent (Boe/d)	5,023	6,459	5,673	5,966
Average sales price				
Light & Medium Crude Oil (\$/bbl)	89.56	98.22	94.91	91.63
Conventional Natural Gas (\$/Mcf)	2.23	1.16	0.73	1.17
Shale Gas (\$/Mcf)	-	-	-	-
Natural Gas Liquids (\$/boe)	37.79	28.61	33.48	29.51
Oil Equivalent (\$/Boe)	63.63	65.89	65.53	61.53
Operating netback (\$/boe)				
Commodity sales revenue	63.63	65.89	65.53	61.53
Royalties	(12.76)	(13.17)	(17.16)	(13.27)
Operating and Maintenance Expenses	(13.03)	(12.03)	(10.55)	(11.68)
Operating netback⁽¹⁾	37.84	40.69	37.82	36.59

Note:

- (1) "Netback" per BOE is calculated as revenues, less royalties, transportation and processing charges, repair and operating expenses and then divided by BOE sold. Netbacks do not have a standard meaning prescribed by Canadian generally accepted accounting principles and therefore may not be comparable to similar measures used by other companies. Management feels this is a useful metric as it is a common metric used by other companies operating in the oil and gas industry in order to provide

a comparison of relative overall performance between companies. Management uses the metric to assess the Company's overall performance relative to that of its competitors and for internal planning purposes.

The following table sets forth the production volumes for the year ended December 31, 2024 by product type for the Assets. There were two fields that comprised more than 10 percent of the total production on a BOE basis.

Production History – by Field, for Each Product Type

	Light & Medium Crude Oil (Bbl)	Conventional Natural Gas (Mcf)	Shale Gas (Mcf)	Natural Gas Liquids (Bbl)	Oil Equivalent (Boe)
Brazeau	666,309	1,612,729	-	79,170	1,014,267
Wilson Creek	595,754	1,103,277	-	155,041	934,675
Other Fields	48,056	466,522	-	40,937	555,476
Total	1,310,119	3,182,528	-	275,148	2,115,688

DIVIDEND RECORD AND POLICY

Highwood does not currently intend to declare future cash dividends. The amount of future cash dividends, if any, will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time-to-time, including fluctuations in commodity prices, the preference of Highwood's preferred shares, production levels, capital expenditures, compliance with covenants contained in its credit facilities from time to time, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends.

DESCRIPTION OF SHARE CAPITAL

The following is a description of the rights, privileges, restrictions and conditions attaching to Highwood's share capital.

Authorized Shares

Highwood is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, without nominal or par value, of which, as at the date hereof, 15,152,813 Common Shares are issued and outstanding as fully paid and non-assessable and nil preferred shares are issued and outstanding.

Common Shares

The holders of Common Shares shall be entitled, subject to the rights, privileges, restrictions and conditions attached to any preferred shares, to dividends if, as and when declared by the directors, to one vote per share at meetings of the holders of Common Shares and, subject to the rights, privileges, restrictions and conditions attached to any preferred shares, upon liquidation, to receive such assets of Highwood as are distributable to the holders of the Common Shares.

Preferred Shares

Highwood is also authorized to issue an unlimited number of preferred shares without nominal or par value, of which, as at the date hereof, none have been issued. The preferred shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series, and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. The preferred shares are entitled to a priority over the Common Shares with respect to the payment of dividends and the distribution of assets upon the liquidation of Highwood.

TRADING PRICE AND VOLUME

The Common Shares are listed for trading on the TSX Venture Exchange under the symbol "HAM". The following table sets out the price range (high and low sales prices) of the Common Shares and consolidated volumes traded for the periods indicated (as reported by the TSX Venture Exchange):

Period	High (\$)	Low (\$)	Volume
2024			
January	4.80	4.00	64,140
February	6.00	4.00	284,328
March	5.89	5.05	107,373
April	7.54	5.41	178,836
May	7.59	5.37	103,296
June	6.30	4.85	101,248
July	5.50	4.85	55,998
August	6.50	5.40	132,521
September	6.05	5.49	50,000
October	6.20	5.48	174,398
November	6.25	5.44	70,989
December	6.30	5.40	113,858

PRIOR SALES

The following table summarizes the issuances of unlisted securities for the year ended December 31, 2024:

Date of Issuance	Securities	Number of Common Shares Issued/Issuable or Aggregate Amount	Price/Exercise Price per Security (\$)
January 4, 2024	Options ⁽¹⁾	9,000	6.00
January 4, 2024	RSUs ⁽²⁾	4,400	-
April 15, 2024	Options ⁽¹⁾	277,000	6.00
April 15, 2024	RSUs ⁽²⁾	130,125	-
April 15, 2024	DSUs ⁽³⁾	20,000	-
November 22, 2024	DSUs ⁽³⁾	20,000	-

Notes:

- (1) Means a stock option to acquire a Common Share granted pursuant to the omnibus incentive plan of the Company.
- (2) Means a restricted share unit of the Company granted pursuant to the omnibus incentive plan of the Company.
- (3) Means a deferred share unit of the Company granted pursuant to the omnibus incentive plan of the Company.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

No Common Shares were held in escrow or subject to a contractual restriction on transfer as at December 31, 2024 or as of the date of this Annual Information Form.

DIRECTORS AND OFFICERS

Summary Information

The name, province and country of residence, positions held, period during which such positions has been held and principal occupation of each director and executive officer of Highwood during the five preceding years are set out below.

Name, Province and Country of Residence	Position Held	Principal Occupation for the Last Five Years	Director Since	Common Share Ownership⁽¹⁾
Joel MacLeod <i>Alberta, Canada</i>	Executive Chairman & Director	Executive Chairman and director of Highwood since February 21, 2023 (also the founding CEO in 2012). Mr. MacLeod was the founding Chairman & CEO of Tidewater Midstream and Infrastructure Ltd. (from January 2012) and Tidewater Renewables Ltd. (from July 2021) until November of 2022. He was a founder of Highwood Oil Company Ltd. (formerly Predator Oil Ltd.) in January 2012, a predecessor entity of the Company.	February 21, 2023	4,879,193 (32.20%)
Stephen J. Holyoake ⁽³⁾⁽⁴⁾ <i>Alberta, Canada</i>	Director	President and CEO of Fireweed Energy Ltd., a Calgary-based oil and gas company, since February, 2017, and a director thereof since January 2016. Prior thereto, Mr. Holyoake was a director of Tidewater Midstream and Infrastructure Ltd. from April 2016 to July 2020.	October 10, 2012	177,087 (1.17%)
Ryan Mooney ⁽²⁾⁽³⁾⁽⁴⁾ <i>Alberta, Canada</i>	Director	Managing Director, Investment Banking for Echelon Capital Markets in Calgary with a focus on origination and execution of capital markets transactions within energy and diversified industries across Western Canada.	June 24, 2022	8,350 (0.06%)
David Gardner ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ <i>Wisconsin, USA</i>	Director	From December 2021 until its purchase by Highwood in August 2023, Mr. Gardner was the CEO of Shale. From 2014, Mr. Gardner was SVP of Business Development for Husky Energy in Calgary culminating in Husky's combination with Cenovus Energy in January 2021. Mr. Gardner was a Special Adviser with Kirk Lovegrove & Company Limited in London in 2021.	August 3, 2023	17,000 (0.11%)
Raymond Kwan ⁽²⁾ <i>Alberta, Canada</i>	Director	Mr. Kwan is currently the founder and managing partner of AXO Capital Corp., an energy-focused family holding company. He was the Chief Financial Officer of Tidewater Renewables Ltd. (a TSX-listed company engaged in the oil & gas and renewable energy business) from September 2022 to May 2024. Mr. Kwan was a Managing Director at BMO Capital Markets, where he worked from October 2015 to July 2022 in roles with progressively increasing responsibility.	October 31, 2024	27,000 (0.18%)

Name, Province and Country of Residence	Position Held	Principal Occupation for the Last Five Years	Director Since	Common Share Ownership⁽¹⁾
Greg Macdonald <i>Alberta, Canada</i>	President, CEO & Director	President, CEO & Director of Highwood since June 8, 2017 and President & COO of Highwood since May 11, 2015. Mr. Macdonald served as a director for Mach Energy Services Inc. from January 2015 to June 2017, Cedar Creek Energy Ltd. from December 2016 to 2019, Battle River Energy Ltd. from June 2019 to 2020, and Hoist Capital Corp. from September 2019 to June 2022.	June 8, 2017	373,019 (2.46%)
Chris Allchorne <i>Alberta, Canada</i>	CFO & Secretary	Chief Financial Officer of Highwood since September 24, 2021. Prior thereto, Controller of Highwood from January 2017 to September 2021.	N/A	18,822 (0.12%)
Kelly McDonald <i>Alberta, Canada</i>	Vice President, Exploration	Vice President Exploration of Highwood since February 1, 2017.	N/A	64,047 (0.42%)
Ryan Petkau <i>Alberta, Canada</i>	Vice President, Operations	Vice President Operations of Highwood since August 28, 2023. Prior thereto, Operations Manager of Highwood.	N/A	26,084 (0.17%)
Trevor Wong-Chor	Corporate Secretary	Trevor Wong-Chor is a partner in DLA Piper (Canada) LLP's Calgary office and practices primarily in the areas of securities, mergers & acquisitions, corporate, mining and oil and gas law.	N/A	51,605 (0.34%)

Notes:

- (1) Represents Common Shares and other securities beneficially owned, controlled or directed (directly or indirectly) by the director or officer as of the date hereof based on information provided by such individuals. Percentages based on 15,152,813 Common Shares issued and outstanding as of the date hereof.
- (2) Member of the Audit Committee. Raymond Kwan is the Chair of the Audit Committee.
- (3) Member of the Corporate Governance & Compensation Committee. Stephen J. Holyoake is the Chair of the Corporate Governance & Compensation Committee.
- (4) Member of the Reserves, Safety and Environmental Committee. Stephen J. Holyoake is the Chair of the Reserves, Safety and Environmental Committee.
- (5) Mr. David Gardner is the current nominee pursuant to the HR Board Nomination Agreement. See "*General Development of the Business — Three Year History*".

In accordance with the articles of Highwood, directors are to be elected annually by the Shareholders. All of the Company's directors' terms of office will expire at the earliest of their resignation, the close of the next annual shareholder meeting called for the election of directors, or on such other date as they may be removed according to the ABCA. Between annual meetings, the Board has the authority to appoint one or more additional directors to serve until the next annual meeting provided that the number of directors so appointed does not exceed one-third of the number of directors holding office at the expiration of the last annual meeting.

The Company and HR Exploration entered into the HR Board Nomination Agreement. Mr. David Gardner is the current nominee pursuant to the HR Board Nomination Agreement. See "*General Development of the Business — Three Year History*".

Security Holding by Directors and Officers

As at the date hereof, the directors and executive officers, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 5,564,518 Common Shares, representing approximately 37% of the issued and outstanding Common Shares. The information as to the number of Common Shares beneficially owned, or

controlled or directed, not being within the knowledge of the Company, has been furnished by the respective directors and officers of the Company individually.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To the knowledge of management no director or executive officer as at the date hereof, is or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any Company (including the Company), that (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, "order" means: (a) a cease trade order; (b) an order similar to a cease trade order; or (c) an order that denied the relevant Company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Bankruptcies

To the knowledge of management no director, executive officer of the Company or a Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any Company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of management no director, executive officer or Shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) has incurred any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Company may be subject to in connection with the operations of the Company. In particular, certain directors and officers of the Company and its subsidiaries are associated with other reporting issuers or other corporations, including Fireweed Energy Ltd., which may give rise to conflicts of interest with the Company. As well, Trevor Wong-Chor, Corporate Secretary of the Company, is a Partner with DLA Piper (Canada) LLP, which provides legal services to the Company on a fee for services basis. See "*General Development of the Business — Three Year History*" and "*Description of the Business*", and "*Interests of Management and Others in Material Transactions*".

In accordance with the applicable corporate and securities legislation, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Certain of the directors and each of the executive officers of the Company have either other employment or other business or time restrictions placed on them and accordingly, these directors and officers of the Company will only

be able to devote part of their time to the affairs of the Company. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable corporate law.

Insurance Coverage and Indemnification

The Company maintains liability insurance for its directors and officers with coverage and terms that are customary for a Company of its size and industry. In addition, the Company has entered into indemnification agreements with its directors and officers. The indemnification agreements generally require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and officers, so long as the indemnitees acted honestly and in good faith with a view to the best interests of the Company and, with respect to criminal or administrative actions or proceedings that are enforced by monetary penalty, if the indemnitee had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by the Company.

RISK FACTORS

The following is a summary of certain risk factors relating to the business of the Company. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form.

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Company's business and operations.

In particular, the reserve information contained in the GLJ Report in respect of the Company is only an estimate and the actual production from and ultimate reserves of those properties may be greater or less than the estimate contained in such reports. See "*General Development of the Business — Three Year History*" and "*Description of the Business*".

Types of Risks:

- (a) Oil and Gas: Exploration, Development, Production and Operational Risks; and
- (b) General Risks.

Oil and Gas: Exploration, Development, Production and Operational Risks

Prices, Markets and Marketing

Numerous factors beyond the Company's control do, and will continue to, affect the marketability and price of oil and natural gas acquired, produced, or discovered by the Company. The Company's ability to market its oil, natural gas and NGLs may depend upon its ability to acquire capacity on pipelines that deliver natural gas to commercial markets or contract for the delivery of crude oil by rail. Deliverability uncertainties related to the distance the Company's reserves are from pipelines, railway lines, processing and storage facilities; operational problems affecting pipelines, railway lines and facilities; and government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business may also affect the Company.

Prices for oil, natural gas and NGLs are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil, natural gas and NGLs, market uncertainty and a variety of additional factors beyond the control of the Company. These factors include economic and political conditions in the United States, Canada, Europe, China and emerging markets, the actions of the Organization of Petroleum Exporting Countries ("**OPEC**") and other oil and gas exporting nations, governmental regulation, political stability in the Middle East, Northern Africa and elsewhere, the foreign supply and demand of oil and natural gas, risks of supply disruption, the price of foreign imports

and the availability of alternative fuel sources. Prices for oil, natural gas and NGLs are also subject to the availability of foreign markets and the Company's ability to access such markets. A material decline in prices could result in a reduction of the Company's net production revenue. The economics of producing from some wells may change because of lower prices, which could result in reduced production of oil or natural gas and associated NGLs and a reduction in the volumes and the value of the Company's reserves. The Company might also elect not to produce from certain wells at lower prices.

All these factors could result in a material decrease in the Company's expected net production revenue and a reduction in its oil and natural gas production, development and exploration activities. Any substantial and extended decline in the price of oil, natural gas and NGLs would have an adverse effect on the Company's carrying value of its reserves, borrowing capacity, revenues, profitability and cash flows from operations and may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Crude oil and natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, shale oil production in the United States, OPEC actions, political uncertainties, sanctions imposed on certain oil producing nations by other countries, the ongoing Israeli-Hamas and Russian-Ukrainian conflicts, the impact of public health crises, global crude oil, NGL and natural gas inventory levels, weather conditions affecting supply and demand, overall domestic and global economic conditions, currency fluctuations, social attitudes or policies affecting energy consumption and energy supply, domestic and foreign governmental regulations, including environmental regulations, climate change regulations and taxation, the effects of energy conservatism efforts and GHG reduction measures, the price, availability and acceptance of alternative energies, including renewable energy, and ongoing credit and liquidity concerns. Prices for crude oil and natural gas are also subject to the availability of foreign markets and the ability to access such markets. A material decline in prices or a continued low crude oil and natural gas price environment could result in a reduction of the Company's anticipated production revenue. Volatile crude oil and natural gas prices make it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for crude oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on the value or terms of such arrangements. Price volatility also makes it difficult to budget for and project the return on potential acquisitions, divestitures or leasing opportunities.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Company's existing reserves, and the production from them, will decline over time as the Company produces from such reserves. A future increase in the Company's reserves will depend on both the ability of the Company to explore and develop its existing properties and its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Company will be able to continue to find satisfactory properties to acquire or participate in. Moreover, management of the Company may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participation uneconomic. There is also no assurance that the Company will discover or acquire further commercial quantities of oil and natural gas.

Future oil and natural gas exploration may involve unprofitable efforts from dry wells as well as from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, completing (including hydraulic fracturing), operating and other costs. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs.

Drilling hazards, environmental damage and various field operating conditions could greatly increase the cost of operations and adversely affect the production from successful wells. Field operating conditions include, but are not limited to, delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, it is not possible to eliminate production delays and declines from normal field operating conditions, which can negatively affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering, sour gas releases, spills and other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment and personal injury. Particularly, the Company may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Company.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

As is standard industry practice, the Company is not fully insured against all risks, nor are all risks insurable. Although the Company maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event, the Company could incur significant costs.

Adverse Economic Conditions

The demand for energy, including crude oil and liquids and natural gas, is generally linked to broad-based economic activities. If there was a slowdown in economic growth, an economic downturn or recession, or other adverse economic or political developments in the US, Europe, Middle East, or Asia, there could be a significant adverse effect on global financial markets and commodity prices. In addition, geopolitical instability and the escalation and expansion of conflict in the Middle East, Europe, and the South China Sea region, and the occurrence or threat of terrorist attacks in the US or other countries, could involve other nations, potentially increasing existing tensions between the US, China, and Russia, and may adversely affect the global economy, financial markets, and shipping and supply chains. Global or national health concerns, including the outbreak of pandemic or contagious diseases may adversely affect Highwood by (i) reducing global economic activity thereby resulting in lower demand for crude oil and liquids and natural gas, (ii) impairing its supply chain, for example, by limiting the manufacturing of materials or the supply of goods and services used in Highwood's operations, and (iii) affecting the health of its workforce, rendering employees unable to work or travel. These and other factors disclosed elsewhere in this Annual Information Form that generally affect the global economy and the supply and demand for crude oil and liquids and natural gas, and Highwood's business and industry, could ultimately have an adverse impact on Highwood's financial condition, financial performance, and cash flows.

Inflation, Cost Management and Rising Interest Rates

Highwood may experience high levels of inflation, supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs and commodity prices, and additional government intervention through stimulus spending and additional regulations. These factors could increase Highwood's operating costs. Highwood's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows.

The cost or availability of crude oil and natural gas field equipment may adversely affect Highwood's ability to undertake exploration, development and construction projects. The crude oil and natural gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects, and construction materials generally. These materials and services may not be available at reasonable prices when required. A failure to secure the services and equipment necessary to Highwood's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on Highwood's financial performance and cash flows.

In addition, many central banks including the Bank of Canada and U.S. Federal Reserve have taken steps to raise interest rates in order to combat inflation, followed by the modest lowering of interest rates as inflation concerns stabilized. The increase in borrowing costs, and the volatility of interest rates in the future, may impact project returns and future development decisions, which could have a material adverse effect on Highwood's financial performance

and cash flows. Rising interest rates could also result in a recession in Canada, the United States or other countries. A recession may have a negative impact on demand for crude oil and natural gas, causing a decrease in commodity prices.

An increase in interest rates could result in a significant increase in the amount Highwood pays to service debt, resulting in a reduced amount of funds available to fund its exploration and development activities, and if applicable, the cash available for dividends and/or share repurchases.

Gathering and Processing Facilities and Pipeline Systems

The Company delivers its products through gathering and processing facilities and pipeline systems. The amount of oil and natural gas that the Company can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering and processing facilities and pipeline systems. The lack of availability of capacity in any of the gathering and processing facilities and pipeline systems could result in the Company's inability to realize the full economic potential of its production or in a reduction of the price offered for the Company's production. The lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to transport produced oil and gas to market. In addition, the pro-rationing of capacity on inter-provincial pipeline systems continues to affect the ability to export oil and natural gas. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators could also affect the Company's production, operations and financial results. As a result, producers are increasingly turning to rail as an alternative means of transportation. In recent years, the volume of crude oil shipped by rail in North America has increased dramatically. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays or uncertainty in constructing new infrastructure systems and facilities could harm the Company's business and, in turn, the Company's financial condition, operations and cash flows. Announcements and actions taken by the governments of British Columbia and Alberta relating to approval of infrastructure projects may continue to intensify, leading to increased challenges to interprovincial and international infrastructure projects moving forward.

A portion of the Company's production may, from time to time, be processed through facilities owned by third parties and over which the Company does not have control. From time to time, these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could have a materially adverse effect on the Company's ability to process its production and deliver the same for sale. Midstream and pipeline companies may take actions to maximize their return on investment which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

Pipeline Systems

The interruption of firm pipeline transportation has and may continue to affect the oil and natural gas industry and limit the ability to fully produce and market oil and natural gas production. In addition, the pro-rationing of capacity on inter-provincial pipeline systems may also affect the ability to export oil and natural gas. Unexpected shut downs or curtailment of capacity of pipelines for maintenance or integrity work or because of actions taken by regulators may also affect the Company's production, operations and financial results. The Company's production could be adversely impacted by both firm and interruptible transportation service curtailments on TransCanada's NGTL and Canadian Mainline systems.

Reserves Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this document are estimates only. Generally, estimates of economically recoverable oil, natural gas and NGLs reserves and the future net cash flows from such estimated reserves are based upon a number of variable factors and assumptions, such as:

- historical production from the properties;
- production rates;
- ultimate reserve recovery;

- timing and amount of capital expenditures;
- marketability of oil, natural gas and NGLs;
- royalty rates; and
- the assumed effects of regulation by governmental agencies and future operating costs (all of which may vary materially from actual results).

For those reasons, estimates of the economically recoverable oil, natural gas and NGLs reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates and such variations could be material.

The estimation of proved reserves that may be developed and produced in the future is often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are often estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves. Such variations could be material.

In accordance with applicable securities laws, the Company's independent reserves evaluator has used forecast prices and costs in estimating the reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil, natural gas and NGLs, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Company's oil, natural gas and NGLs reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom and contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and, except as may be specifically stated, has not been updated and therefore does not reflect changes in the Company's reserves since that date.

Hedging

From time to time, the Company may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline, or to diversify commodity price risk to multiple markets. However, to the extent that the Company engages in price risk management activities to protect itself from commodity price declines or to diversify commodity price risk, it may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk. In addition, the Company's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes or prices fall significantly lower than projected;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- the counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

Similarly, from time to time the Company may enter into agreements to fix the exchange rate of Canadian to United States dollars or other currencies in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to other currencies. However, if the Canadian dollar declines in value compared to such fixed currencies, the Company will not benefit from the fluctuating exchange rate.

Competition

The crude oil and natural gas industry is competitive in all of its phases. Highwood competes with numerous other entities in the exploration for, and the development, production, and marketing of, crude oil and liquids and natural gas. Highwood's competitors include crude oil and natural gas companies that may have substantially greater financial resources, staff, and facilities than those of Highwood and as such, Highwood may be at a competitive disadvantage in the identification, acquisition and development of assets that complement Highwood's operations. Some of these companies not only explore for, develop and produce crude oil and liquids and natural gas, but also carry on refining operations and market third-party crude oil and liquids and natural gas. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources to draw on than Highwood and less volatility in their earnings. Highwood's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of crude oil and liquids and natural gas include price, process, methods and reliability of delivery and storage. To a lesser extent, Highwood also faces competition from companies that supply alternative sources of energy, such as wind or solar power. Other factors that could affect competition in the marketplace include additional discoveries of hydrocarbon reserves by Highwood's competitors, the cost of production, and political and economic factors and other factors outside of Highwood's control.

The crude oil and natural gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies that may increase the viability of reserves or reduce production costs. Other companies may have greater financial, technical, and personnel resources that allow them to implement and benefit from such technological advantages. There can be no assurance that Highwood will be able to respond to such competitive pressures and implement such technologies on a timely basis, or at an acceptable cost. If Highwood does implement such technologies, there is no assurance that Highwood will do so successfully. One or more of the technologies currently utilized by Highwood or implemented in the future may become obsolete. If Highwood is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies, its business, financial condition, and results of operations could also be adversely affected in a material way.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and gas industry operations. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it will be in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Disposal of Fluids Used in Operations

The safe disposal of the hydraulic fracturing fluids (including the additives) and water recovered from oil and natural gas wells is subject to ongoing regulatory review by the federal and provincial governments, including its effect on fresh water supplies and the ability of such water to be recycled, amongst other things. While it is difficult to predict

the impact of any regulations that may be enacted in response to such review, the implementation of stricter regulations may increase the Company's costs of compliance.

Carbon Pricing Risk

The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In Canada, the federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The taxes placed on carbon emissions may have the effect of decreasing the demand for oil and natural gas products and at the same time, increasing the Company's operating expenses, each of which may have a material adverse effect on the Company's profitability and financial condition. Further, the imposition of carbon taxes puts the Company at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

Regulatory

Various levels of governments impose extensive controls and regulations on oil and natural gas operations (including exploration, development, production, pricing, marketing and transportation). Governments may regulate or intervene with respect to exploration and production activities, prices, taxes, royalties and the exportation of oil and natural gas. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase the Company's costs, either of which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Recently, the federal government and certain provincial governments have taken steps to initiate protocols and regulations to limit the release of methane from oil and gas operations. Such draft regulations and protocols may require additional expenditures or otherwise negatively impact the Company's operations, which may affect the Company's profitability.

In order to conduct oil and natural gas operations, the Company will require regulatory permits, licenses, registrations, approvals and authorizations from various governmental authorities at the municipal, provincial and federal level. There can be no assurance that the Company will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake. In addition, certain federal legislation such as the *Competition Act* and the *Investment Canada Act* could negatively affect the Company's business, financial condition and the market value of its Common Shares or its assets, particularly when undertaking, or attempting to undertake, acquisition or disposition activity.

Hydraulic Fracturing

Hydraulic fracturing involves the injection of water, sand, and small amounts of additives under high pressure into tight rock formations to stimulate the production of crude oil and liquids and natural gas. Any new laws, regulations, or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, and/or third-party or governmental claims, and could increase Highwood's costs of compliance and doing business, as well as delay the development of crude oil and liquids and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of crude oil and liquids and natural gas that Highwood is ultimately able to produce from its reserves.

Water is an essential component of Highwood's drilling and hydraulic fracturing processes. Limitations or restrictions on Highwood's ability to secure sufficient amounts of water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If Highwood is unable to obtain water to use in its operations from local sources, it may need to be obtained from new sources and transported to drilling sites, resulting in increased costs. Cost increases could have a material adverse effect on drilling economics resulting in delays or suspensions of drilling, which ultimately would have a detrimental effect on Highwood's financial condition, results of operations, and cash flows.

Highwood must dispose of the fluids produced from crude oil and liquids and natural gas production operations, including produced water, which it does directly or through the use of third-party vendors. The legal requirements related to the disposal of produced water into a non-producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities.

Government authorities may issue orders to temporarily shut down or to curtail the injection depth of existing wells in the vicinity of seismic events. Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighbouring properties or otherwise violated laws and regulations regarding waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells by Highwood or by commercial disposal well vendors that Highwood may use from time to time to dispose of produced water. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation to limit or prohibit crude oil and natural gas activities utilizing injection wells for produced water disposal. Any one or more of these developments may result in Highwood or its vendors having to limit disposal well volumes, disposal rates, pressures or locations, or require Highwood or its vendors to shut down or curtail the injection of produced water into disposal wells, which events could have a material adverse effect on Highwood's business, financial condition, and results of operations.

Changing Investor Sentiment

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, concerns of the impact of oil and gas operations on the environment, concerns of environmental damage relating to spills of petroleum products during transportation and concerns of indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some institutional, retail and public investors have announced that they no longer are willing to fund or invest in oil and gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, management and employees of the Company. Failing to implement the policies and practices as requested by institutional investors may result in such investors reducing their investment in the Company or not investing in the Company at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and more specifically, the Company, may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

Operational Dependence

Other companies operate some of the assets in which the Company has an interest. The Company has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Company's financial performance. The Company's return on assets operated by others depends upon a number of factors that may be outside of the Company's control, including, but not limited to, the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to the current low and volatile commodity prices, many companies, including companies that may operate some of the assets in which the Company has an interest, may be in financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which the Company has an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations the Company may be required to satisfy such obligations and to seek reimbursement from such companies. To the extent that any of such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the Company potentially becoming subject to additional liabilities relating to such assets and the Company having difficulty collecting revenue due from such operators or recovering amounts owing to the Company from such operators for their share of abandonment and reclamation obligations. Any of these factors could have a material adverse effect on the Company's financial and operational results.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that a defect in the chain of title will not arise. The actual interest of the Company in properties may accordingly vary from the Company's records. If a title defect does exist, it is possible that the Company may lose all or a portion of the properties to which the title defect relates, which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. There may be valid challenges to title or legislative changes, which affect the Company's title to the oil and natural gas properties the Company controls that could impair the Company's activities on them and result in a reduction of the revenue received by the Company.

Expiration of Licenses and Leases

The Company's properties are held in the form of licences and leases and working interests in licences and leases. If the Company or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Company's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Cost of New Technologies

The petroleum industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If the Company does implement such technologies, there is no assurance that the Company will do so successfully. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. In such case, the Company's business, financial condition and results of operations could be affected adversely and materially. If the Company is unable to utilize the most advanced commercially available technology, or is unsuccessful in implementing certain technologies, its business, financial condition and results of operations could also be adversely affected in a material way.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and renewable energy generation devices could reduce the demand for oil, natural gas and liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives, which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar affect on the demand for oil and gas products. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows by decreasing the Company's profitability, increasing its costs, limiting its access to capital and decreasing the value of its assets.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) as well as skilled personnel trained to use such equipment in the areas where such activities will be conducted. Demand for such limited equipment and skilled personnel, or access restrictions, may affect the availability of such equipment and skilled personnel to the Company and may delay exploration and development activities.

Seasonality and Extreme Weather Conditions

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Road bans and other restrictions generally result in a reduction of drilling and exploratory activities and may also result in the shut-in of some of the Company's production if not otherwise tied-in. Certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. In addition, extreme cold weather, heavy snowfall and heavy rainfall may restrict the Company's ability to access its properties, cause operational difficulties including damage to machinery or contribute to personnel injury because of dangerous working conditions.

Liability Management

Alberta has developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder is unable to satisfy its regulatory obligations. These programs involve an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed its deemed assets, a security deposit is generally required. Changes to the required ratio of the Company's deemed assets to deemed liabilities or other changes to the requirements of liability management programs may result in significant increases to the Company's compliance obligations. In addition, the liability management regime may prevent or interfere with the Company's ability to acquire or dispose of assets, as both the vendor and the purchaser of oil and gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets.

In *Orphan Well Association v Grant Thornton Limited*, the Court of Queen's Bench of Alberta found that there was an operational conflict between the abandonment and reclamation provisions of the provincial OGCA, including the AB LLR Program, and the federal *Bankruptcy and Insolvency Act* (the "BIA"). This ruling meant that receivers and trustees of insolvent entities have the right to renounce assets within insolvency proceedings, and was affirmed by a majority of the Alberta Court of Appeal. On January 31, 2019, the Supreme Court of Canada overturned the lower courts' decisions, holding that there is no operational conflict between the abandonment and reclamation provisions contained in the provincial OGCA, the liability management regime administered by the AER and the federal bankruptcy and insolvency regime. As a result, receivers and trustees can no longer avoid the AER's legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is subject to formal insolvency proceedings. This means that insolvent estates can no longer disclaim assets of a bankrupt licensee that have reached the end of their productive lives and represent a liability and deal with the company's valuable assets for the benefit of the company's creditors, without first satisfying abandonment and reclamation obligations. See "*General Development of the Business — Regulation*".

General Risks

Nature of Business

An investment in Highwood should be considered highly speculative due to the nature of the Company's involvement in the exploration for, and the acquisition, production and marketing of, oil and natural gas reserves. Oil and gas development involves many risks, which even a combination of experience, knowledge, and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Highwood.

Potential Acquisition, Disposition and Investment Opportunities

In the normal course, the Company is expected to regularly evaluate and consider, and may be engaged in discussions and negotiations with respect to, potential acquisition, disposition and investment opportunities that it believes may assist it in achieving its business and growth plans, and in connection therewith it may at any time have outstanding non-binding letters of intent or conditional agreements which individually or together may be material. There can be

no assurance that any such discussions, negotiations, non-binding letters of intent or conditional agreements will result in a definitive agreement with respect to an acquisition or investment, and, if they do, what the terms or timing of such would be or that such acquisition or investment will be completed by the Company. If the Company does complete any such transaction, it cannot assure investors that the transaction will ultimately strengthen the Company's financial or operating results, prospects or competitive position or that it will not be viewed negatively by customers, securities analysts or investors. Such transactions may also involve significant commitments of the Company's financial and other resources including the completion of additional financings of equity or debt. Any such activity may not be successful in generating revenue, income or other returns to the Company and the resources committed to such activities will not be available to the Company for other purposes.

Future Acquisitions

The Company may seek to expand through future acquisitions; however, there can be no assurance that the Company will locate attractive acquisition candidates, or that the Company will be able to acquire such candidates on economically acceptable terms, if at all, or that the Company will not be restricted from completing acquisitions pursuant to the terms and conditions from time to time of arrangements with third parties, such as the Company's creditors. Future acquisitions may require the Company to expend significant amounts of cash, resulting in the Company's inability to use these funds for other business or may involve significant issuances of equity or debt. Future acquisitions may also require substantial management time commitments, and the negotiation of potential acquisitions and the integration of acquired operations could disrupt the Company's business by diverting Management and employees' attention away from day-to-day operations.

Any future acquisition involve potential risks, including, among other things: (i) the possibility that the Company, as a successor owner, may be legally and financially responsible for liabilities of prior owners; (ii) the possibility that the Company may pay more than the acquired company or assets are worth; (iii) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; (iv) an inability to successfully integrate any operation the Company acquired or acquires, as applicable; (v) an inability to recruit, hire, train or retain qualified personnel to manage and operate the operations acquired; (vi) the potential disruption of the ongoing business and the distraction of Management from its day-to-day operations; and (vii) the loss of key employees and/or key relationships at the acquired business. In addition, the Company competes with other energy companies, which may have greater financial and other resources for new business. Future acquisition candidates may have liabilities or adverse operating issues that the Company failed or fails to discover through due diligence prior to the acquisition. If the Company consummates any future acquisitions with unanticipated liabilities or adverse operating issues, or if acquisition-related expectations are not met, the Company's business, results of operations, cash flows, financial condition or prospects may be materially adversely affected. The potential impairment or complete write-off of goodwill and other intangible assets related to any such acquisition may reduce the Company's overall earnings and could negatively affect the Company's balance sheet.

In addition, acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas, future operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Company. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated. Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Company's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of the assets acquired and the Company's securities.

Political Uncertainty

Political, legal, and regulatory changes in Canada, the US, and other countries can impact Highwood's operations and business performance. In 2024, there were national elections in several of the world's largest economies, including Japan, India, the European Union, France, the United Kingdom, Mexico, and the United States. Additional elections

will take place in 2025, including within Canada and Germany. These elections have brought, or may bring, new political leadership with substantially different political, social, and economic policy priorities than their predecessors on both domestic and foreign policy matters, including the environment, trade and tariffs, and energy.

These political shifts may create uncertainty about future government policies, regulations, and trade relationships between major global economies which could result in broad-based volatility and decreased investor confidence. Adverse changes to the trade relations between the governments of the United States, Canada, and Mexico on matters related to energy could have a material adverse effect on Highwood and its business considering the physical and economic integration of North American energy markets.

Political risks faced by Highwood that could impact its operations or planned projects include:

- changes in government policy and regulations;
- new interpretations of existing laws;
- implementation of new, or expansion of existing, tariffs on exported and/or imported products;
- opposition from government or other political actors to industrial activities;
- extended regulatory review periods and third-party consultation requirements;
- delays or denials of necessary permits and licenses; and
- disruption of critical third-party infrastructure and supply chains.

Changing environmental regulations pose additional challenges. Changes in assessment processes and expanding stakeholder consultation requirements and expectations, including with Indigenous stakeholders, may extend project timelines, increase compliance costs, increase project execution risk, and limit business opportunities.

In recent years there has been an increase in both federal and provincial government involvement in Canadian infrastructure projects, creating investment uncertainty.

Other potential governmental impacts include:

- tax increases;
- higher government royalty rates, including possible retroactive claims;
- new efficiency standards;
- alternative fuel mandates;
- tax and other subsidies for competing energy sources; and
- government support for research into, and mandated uses of, alternative energy technologies.

These government initiatives, particularly those promoting emissions reductions and alternative energy sources, could reduce demand for Highwood's products.

Regulatory Uncertainty

Changes in government, government policy, or regulations, changes in law or interpretation of settled law, third-party opposition to industrial activity generally or projects specifically, and the duration of regulatory reviews could impact

Highwood's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licences and permits for Highwood's activities or restrict the operation of third-party infrastructure that Highwood relies on. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation (including with Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities and adversely impact Highwood's results.

Federal and certain provincial governments have been active in recent years in their support for and opposition to major infrastructure projects in Canada leading to investment uncertainty, increased awareness of, and challenges to interprovincial and international infrastructure projects. For example, the Canadian federal government has enacted a number of laws that have been challenged by provincial governments as exceeding the federal government's powers under Canadian constitutional law and interfering with provincial areas of jurisdiction. The enactment of the *Canadian Energy Regulator Act* and the IAA by the federal government created additional uncertainty as they appeared to grant broad discretion to Canada to veto infrastructure projects (including infrastructure projects under provincial jurisdiction) based on broad and undefined criteria, such as sustainability. In 2023, the Supreme Court of Canada found that the IAA was unconstitutional largely on the basis that it represented significant federal overreach into provincial affairs.

In response to the Supreme Court of Canada's decision, Parliament made certain "surgical amendments" to the IAA in June 2024. It remains uncertain whether these minimal amendments are sufficient to address the concerns of the Court. On November 20, 2024, the Province of Alberta filed a reference application with the Alberta Court of Appeal asking again whether the amended IAA is constitutional. A federal election will occur in Canada no later than October 2025. A new government may further amend or repeal and replace this controversial legislation.

Though Highwood does not typically own, operate, permit, or construct projects which would appear to fall under the scope of the IAA, aspects of Highwood's crude oil and gas natural operations may rely on these projects being owned, operated, permitted, and constructed by others

Other government and political factors that could adversely affect Highwood's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect Highwood's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for Highwood's products.

Credit Facility Arrangements

The Company currently has a credit facility and the amount authorized thereunder is dependent on a reserves-based lending formula. The Company is required to comply with covenants under its credit facility which may, in certain cases, include certain financial ratio tests, which from time to time either affect the availability, or price, of additional funding and in the event that the Company does not comply with these covenants, the Company's access to capital could be restricted or repayment could be required. Events beyond the Company's control may contribute to the failure of the Company to comply with such covenants. A failure to comply with covenants could result in default under the Company's credit facility, which could result in the Company being required to repay amounts owing thereunder. The acceleration of the Company's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the Company's credit facility may impose operating and financial restrictions on the Company that could include restrictions on, the payment of dividends, repurchasing or making other distributions with respect to the Company's securities, incurring additional indebtedness, providing guarantees, the assumption of loans, making capital expenditures, entering into amalgamations, mergers, take-over bids or disposing of assets, among others.

The Company's lenders use the Company's reserves, commodity prices, applicable discount rate and other factors to periodically determine the Company's borrowing base. Commodity prices remain volatile as a result of various factors including geopolitical factors, actions taken to limit OPEC and non-OPEC production and increasing production by US shale producers. Depressed commodity prices could reduce the Company's borrowing base, reducing the funds

available to the Company under the credit facility. Further, this could result in the requirement to repay a portion, or all, of the Company's indebtedness.

If the Company's lenders require repayment of all or portion of the amounts outstanding under its credit facilities for any reason, including for a default of a covenant or the reduction of a borrowing base, there is no certainty that the Company would be in a position to make such repayment. Even if the Company is able to obtain new financing in order to make any required repayment under its credit facilities, it may not be on commercially reasonable terms or terms that are acceptable to the Company. If the Company is unable to repay amounts owing under credit facilities, the lenders under the credit facilities could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

Unless an event of default occurred such as a covenant breach, the lender would not be able to call the term loan until the next renewal period.

Forward-Looking Information

Shareholders and prospective investors are cautioned not to place undue reliance on the Company's forward-looking information, and in particular, the guidance provided under "*General Development of the Business*". By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumption and uncertainties are found under "*Forward-Looking Statements*".

Substantial Capital Requirements

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil, natural gas and NGLs reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, the Company's ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- the Company's credit rating (if applicable);
- commodity prices;
- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and the Company's securities in particular.

Further, if the Company's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The Company may be required to seek additional equity financing on terms that are highly dilutive to existing shareholders. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects.

Additional Funding Requirements

The Company's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times and from time to time, the Company may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. Failure to obtain financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. Due to the conditions in the oil and gas industry and/or global economic and political volatility, the Company may from time to time have restricted access to capital and increased borrowing costs. The current conditions in the oil and gas industry have negatively impacted the ability of oil and gas companies to access additional financing.

As a result of global economic and political volatility, the Company may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Company's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Company's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's petroleum properties may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay in development or production on the Company's properties.

Project Risks

The Company manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost overruns could make a project uneconomic. The Company's ability to execute projects and market oil, natural gas and NGLs, depends upon numerous factors beyond the Company's control, including (as applicable):

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the availability of, and the ability to acquire, water supplies needed for drilling and hydraulic fracturing, or the Company's ability to dispose of water used or removed from strata at a reasonable cost and in accordance with applicable environmental regulations;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- regulatory changes;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Company could be unable to execute projects on time, on budget, or at all and may be unable to market the oil and natural gas that it produces effectively.

Royalty Regimes

There can be no assurance that the governments in the jurisdictions in which the Company has assets will not adopt new royalty regimes or modify the existing royalty regimes which may have an impact on the economics of the Company's projects. An increase in royalties would reduce the Company's earnings and could make future capital investments, or the Company's operations, less economic. On January 29, 2016, the Government of Alberta adopted a new royalty regime which took effect on January 1, 2017.

International Developments and Geopolitical Risks

Highwood is exposed to the financial and operational risks associated with uncertain international and regional relations, and other geopolitical tensions and events, including war, international conflict, military action, regional hostilities, terrorism and trade disputes. Examples of current conflicts which may present risks to the Company include, but are not limited to, Russia and Ukraine, Israel and Palestine, Sudan and wider unrest in the Middle East. The outcome of these conflicts is uncertain and is likely to have wide-ranging consequences on the peace and stability of their respective regions and the world economy. Certain countries including Canada and the United States, impose

financial and trade sanctions against countries in response to conflict (e.g., Russia), which sanctions may have far reaching effects on the global economy. Disruption of supplies of oil and natural gas due to conflicts in a region or disruptions to trade routes could cause a significant worldwide supply shortage of oil and natural gas and have a significant impact on worldwide prices of oil and natural gas. A lack of supply of energy and high prices of oil and natural gas could have a significant adverse impact on the world economy. The long-term impacts of the conflicts and the international response relating to such conflicts remains uncertain.

In addition, as a result of the 2024 United States presidential election and the related change in political agenda in the United States, there is uncertainty as to the continued implementation of the position the United States has taken with respect to world affairs and trade relations, which has lead to (and may continue to lead to) legislative and regulatory changes that could have an adverse effect on the Company. There is current uncertainty in respect of continued tariffs, and the impact thereof, on exports out of Canada into the United States, which currently includes tariffs on crude oil and related products.

On February 1, 2025, the United States, via executive order of the President of the United States, enacted tariffs on all imports from Canada, including energy. On February 3, 2025, the United States agreed to suspend the implementation of such tariffs for 30 days. On March 4, 2025, United States' tariffs of 25% on Canadian goods, except a lower 10% tariff on certain energy exports from Canada, imported into the United States from Canada, came into effect. On March 6, the United States, via executive order of the President of the United States, clarified that the 25% tariffs applicable to Canadian goods and 10% tariffs applicable on energy products would not apply to products that are designated as Canadian origin and duty free under the CUSMA pursuant to the relevant rules established under the United States Harmonized Tariff Schedule that enter the United States as of March 7, 2025. Such executive order also reduced the rate of tariffs applicable to Canadian-origin potash to 10% that is not duty free under the CUSMA. On March 12, 2025, the United States, via two executive orders of the President of the United States, reinstated a 25% tariff on Canadian steel imports into the United States and also raised tariffs on Canadian aluminum products from 10% to 25%. As of March 13, 2025, Canada implemented 25% reciprocal tariffs on \$29.8 billion of United States steel and aluminum products, and other goods including computers, sports equipment and cast iron products.

A significant portion of the Company's production is currently exported to the United States and the continued implementation by the United States government of such new legislative and regulatory policies (or implementation of additional new legislative or regulatory policies), and the continuation of such retaliatory Canadian legislative or regulatory policies (or implementation of additional new legislative or regulatory policies), could impose additional costs on the Company, decrease demand in the United States for the Company's production, decrease pricing for sales into the United States or otherwise negatively impact the Company, any of which may have a material adverse effect on the Company's business, financial condition and operations.

In addition, support for protectionism and rising anti-globalization sentiment in the United States and other countries may slow global growth. In particular, a protracted and wide-ranging trade conflict between the United States and its trading partners, including China, Canada and Mexico, could adversely affect global economic growth which may adversely effect prices for crude oil thereby having an adverse effect on the Company's business, financial condition and operations.

Eco-Terrorism Risks

The Company's oil and natural gas properties, wells and facilities could be the subject of a terrorist attack. If any of the Company's properties, wells or facilities are the subject of terrorist attack it may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The Company does not have insurance to protect against the risk from terrorism.

Management of Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Reliance on Key Personnel

The Company's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The Company does not have any key personnel insurance in effect for the Company. The contributions of the existing management team to the immediate and near term operations of the Company are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Company.

Influential Shareholders

1080766 Alberta Ltd. holds approximately 32.2% of the issued and outstanding Common Shares as at the date hereof and, as such, may be able to exert influence on the Company through its voting rights. Furthermore, through its voting rights, 1080766 Alberta Ltd. will be able to exercise influence over the management, administration, strategy and growth of the Company. Joel A. MacLeod, is a shareholder, director and officer of 1080766 Alberta Ltd.

HR Exploration holds approximately 17.23% of the issued and outstanding Common Shares as at the date hereof and, as such, may be able to exert influence on the Company through its voting rights. Furthermore, through its voting rights, HR Exploration will be able to exercise influence over the management, administration, strategy and growth of the Company. Mr. David Gardner is the HR Board Nominee pursuant to the HR Board Nomination Agreement and is an independent director of the Company. See "*Corporate Governance — Composition of the Board and Director Independence*".

Libra Advisors, LLC holds approximately 10.68% of the issued and outstanding Common Shares as at the date hereof and, as such, may be able to exert influence on the Company through its voting rights. Furthermore, through its voting rights, Libra Advisors, LLC will be able to exercise influence over the management, administration, strategy and growth of the Company.

Information Technology Systems and Cyber-Security

The Company has become increasingly dependent upon the availability, capacity, reliability and security of our information technology infrastructure and our ability to expand and continually update this infrastructure, to conduct daily operations. The Company depends on various information technology systems to estimate reserve quantities, process and record financial data, manage our land base, manage financial resources, analyze seismic information, administer our contracts with our operators and lessees and communicate with employees and third-party partners.

Further, the Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to our business activities or our competitive position. In addition, cyber phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, and credit card details (and money) by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. If the Company becomes a victim to a cyber phishing attack it could result in a loss or theft of the Company's financial resources or critical data and information or could result in a loss of control of the Company's technological infrastructure or financial resources. The Company applies technical and process controls in line with industry-accepted standards to protect our information assets and systems; however, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a negative effect on our performance and earnings, as well as on our reputation. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

Market Price of Common Shares

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Company's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market, including governmental regulatory actions or adverse changes in general market conditions or economic trends. In certain jurisdictions institutions, including government sponsored entities, have determined to decrease their ownership in oil and gas entities which may impact the liquidity of certain securities and may put downward pressure on the trading price of those securities. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors, as well as the Company's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

Impact of Future Financings on Market Price

In order to finance future operations or acquisition opportunities, the Company may raise funds through the issuance of Common Shares or the issuance of debt instruments or securities convertible into Common Shares. The Company cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive.

Climate Change

Global climate issues continue to attract public and scientific attention. Numerous reports, such as the Fourth, Fifth, and Sixth Assessment Reports of the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially hydrocarbon combustion, on global climate issues. In turn, increasing public, government, and investor attention is being paid to global climate issues and to emissions of greenhouse gases ("GHG"), including emissions of carbon dioxide and methane from the production and use of crude oil and liquids and natural gas. The majority of countries, including Canada, have agreed to reduce their carbon emissions in accordance with the Paris Agreement.

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations focused on restricting emissions commonly referred to as GHG emissions and promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of these measures. Given the evolving nature of climate change policy and the control of GHG emissions and resulting requirements, it is expected that current and future climate change regulations will have the effect of increasing Highwood's operating expense, and, in the long-term, potentially reducing the demand for crude oil and liquids and natural gas, resulting in a decrease in Highwood's profitability and a reduction in the value of its assets.

Claims have been made against certain energy companies alleging that GHG emissions from crude oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. As a result, individuals, government authorities, or other organizations may make claims against crude oil and natural gas companies, including

Highwood, for alleged personal injury, property damage, or other potential liabilities. While Highwood is not a party to any such litigation or proceedings, it could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely affect Highwood's cost of capital, impact its operations and have an adverse impact on its financial condition.

Given the perceived elevated long-term risks associated with policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to GHG-intensive operations and products. Certain stakeholders have also pressured commercial and investment banks and insurance providers to reduce or stop financing, and providing insurance coverage to crude oil and natural gas and related infrastructure businesses and projects. The impact of such efforts require Highwood's management to dedicate significant time and resources to these climate change-related concerns, may adversely affect Highwood's operations and negatively impact Highwood's cost of capital and access to the capital markets.

Highwood is committed to transparent and comprehensive reporting of its sustainability performance, and considers existing standards such as the Global Reporting Initiative Sustainability Reporting Standards, the Sustainability Accounting Standards Board's documentation, and recommendations issued by the Task Force for Climate Related Financial Disclosures. If Highwood is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected.

Based on Highwood's current understanding, the potential physical risks resulting from climate change are long-term in nature and associated with a high degree of uncertainty regarding timing, scope, and severity of potential impacts. Highwood does not conduct fundamental research regarding the scientific inquiry of climate change, but does stay abreast of the scientific literature on the subject. Many experts believe global climate change could increase extreme variability in weather patterns such as increased frequency of severe weather, rising mean temperature and sea levels, and long-term changes in precipitation patterns. Extreme hot and cold weather, heavy snowfall, heavy rainfall, and wildfires may restrict Highwood's ability to access its assets and cause operational difficulties, including damage to equipment and infrastructure. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions. Certain of Highwood's assets are in locations that are proximate to forests and rivers and a wildfire or flood may lead to significant downtime and/or damage to Highwood's assets or cause disruptions to the production and transport of its products or the delivery of goods and services in its supply chain.

Variations in Foreign Exchange Rates and Interest Rates

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar will negatively affect the Company's production revenues. Accordingly, exchange rates between Canada and the United States could affect the future value of the Company's reserves as determined by independent evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price the Company receives for its oil and natural gas production, it could also result in an increase in the price for certain goods used for the Company's operations, which may have a negative impact on the Company's financial results.

To the extent that the Company engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Company may contract. An increase in interest rates could result in a significant increase in the amount the Company pays to service debt, resulting in a reduced amount available to fund its exploration and development activities, and if applicable, the cash available for dividends and could negatively impact the market price of the Common Shares.

Insurance

The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company becoming subject to liability for pollution, blow outs, leaks of sour natural gas, property damage, personal injury or other hazards. Although the Company maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Third Party Credit Risk

The Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its oil, natural gas and NGLs production and other parties. In addition, the Company may be exposed to third party credit risk from operators of properties in which the Company has a working or royalty interest. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may affect a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Company being unable to collect all or portion of any money owing from such parties. Any of these factors could materially adversely affect the Company's financial and operational results.

Reputational Risk Associated with the Company's Operations

Any environmental damage, loss of life, injury or damage to property caused by the Company's operations could damage the Company's reputation in the areas in which the Company operates. Negative sentiment towards the Company could result in a lack of willingness of municipal authorities being willing to grant the necessary licenses or permits for the Company to operate its business and in residents in the areas where the Company is doing business opposing further operations in the area by the Company. If the Company develops a reputation of having an unsafe work site it may impact the ability of the Company to attract and retain the necessary skilled employees and consultants to operate its business. Further, the Company's reputation could be affected by actions and activities of other Company's operating in the oil and gas industry, over which the Company has no control. In addition, environmental damage, loss of life, injury or damage to property caused by the Company's operations could result in negative investor sentiment towards the Company, which may result in limiting the Company's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Common Shares.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or shares of other entities. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Company may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Conflicts of Interest

Certain directors or officers of the Company may also be directors or officers of other oil and natural gas companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to

and governed by procedures prescribed by the ABCA which require a director or officer of a Company who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, relating to personal injuries, including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company, and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on the Company's financial condition.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to the business, operations or affairs of the Company. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

Income Taxes

The Company files all required income tax returns and believes that it is in full compliance with the provisions of the *Income Tax Act* (Canada) and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and natural gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Company. Furthermore, tax authorities having jurisdiction over the Company may disagree with how the Company calculates its income for tax purposes or could change administrative practices to the Company's detriment.

Indigenous Land and Rights Claims

Opposition by Indigenous groups to the conduct of our operations, development, or exploratory activities in any of the jurisdictions in which Highwood conducts business may negatively impact it in terms of public perception, diversion of management's time and resources, legal and other advisory expenses, and could adversely impact Highwood's progress and ability to explore and develop assets.

Some Indigenous groups have established or asserted Indigenous treaty, title, and rights to portions of Canada. There are outstanding Indigenous and treaty rights claims, which may include Indigenous title claims, on lands where Highwood operates, and such claims, if successful, could have a material adverse impact on its operations or pace of growth. No certainty exists that any lands currently unaffected by claims brought by Indigenous groups will remain unaffected by future claims.

The Canadian federal and provincial governments have a duty to consult with Indigenous people when contemplating actions that may adversely affect the asserted or proven Indigenous or treaty rights and, in certain circumstances, accommodate their concerns. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of ongoing litigation. The fulfillment of the duty to consult Indigenous people and any associated accommodations may adversely affect Highwood's ability to, or increase the timeline to, obtain or renew, permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals. For example, regulatory authorities in British Columbia ceased granting approvals, and, in some cases, revoked existing approvals, for, among other things crude oil and natural gas activities relating to drilling, completions, testing, production, and transportation infrastructure following a British Columbia Supreme Court decision that the cumulative impacts of government-sanctioned industrial development on the traditional territories of an Indigenous group in northeast British Columbia breached that group's treaty rights. Following that decision, the Government of British Columbia signed an implementation agreement with that Indigenous group to address cumulative effects of development on that group's claim area through restoration work, establishment of areas protected from industrial development, and a constraint on development activities. These measures, which have and are expected to continue to form the basis of similar arrangements with other Indigenous groups in British Columbia, are expected to remain in place while a long-term cumulative effects management regime is implemented. The long-term impacts of, and associated risks with, the court decision and arrangements with Indigenous groups to address the cumulative effects of development on claimed lands on the Canadian crude oil and natural gas industry and Highwood remain uncertain.

In addition, in 2021, the federal government introduced legislation to implement the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP"). Other Canadian jurisdictions, including British Columbia, have also introduced or passed similar legislation, or begun considering the principles and objectives of UNDRIP, or may do so in the future. Such legislation requires that the Government of Canada take all measures necessary to ensure the laws of Canada are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP's objectives. In June 2023, the Implementation Secretariat, being a secretariat within the Department of Justice with the sole role of supporting Indigenous participation in the implementation of UNDRIP, released The United Nations Declaration on the Rights of Indigenous Peoples Act Action Plan with respect to aligning federal laws with UNDRIP, which has a 2023-2028 implementation timeframe. The means and more detailed timelines associated with UNDRIP's implementation by government is uncertain; additional processes may be created or legislation associated with project development and operations may be amended or introduced, further increasing uncertainty with respect to project regulatory approval timelines and requirements. See also, "*General Development of the Business — Regulation — Project Approvals*".

Dividends

The amount of future cash dividends paid by the Company, if any, will be subject to the discretion of the Board and will depend on a variety of factors and conditions existing from time to time, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. See "*Dividend Record and Policy*".

Expansion into New Activities

The operations and expertise of the Company's management are currently focused primarily on oil and gas production, exploration and development in the WCSB. In the future the Company may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets and as a result may face unexpected risks or alternatively, significantly increase the Company's exposure to one or more existing risk factors, which may in turn result in the Company's future operational and financial conditions being adversely affected.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings the Company is or was a party to, or that any of its property is or was the subject of, during the Company's most recent financial year, nor are any such legal proceedings known to the Company to be contemplated, that involves a claim for damages, exclusive of interest and costs, exceeding 10% of the current assets of the Company.

There are no: (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority since the Company's inception; (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; and (c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Annual Information Form.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described elsewhere in this Annual Information Form, there is no material interest, direct or indirect, of any: (a) director or executive officer of the Company; (b) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's voting securities; and (c) associate or affiliate of any of the persons or companies referred to in (a) or (b) above in any transaction within the three years before the date of this Annual Information Form that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares and 2023 Warrants is Odyssey Trust Company at its principal office in Calgary, Alberta located at 350 – 300 5th Avenue S.W., T2P 3C4.

MATERIAL CONTRACTS

Other than the following, there are no material contracts entered into by the Company within the most recently completed financial year, or before the most recently completed financial year but which are still in effect, other than contracts entered into in the ordinary course of business:

- (1) Brazeau Share Purchase Agreement (see "*General Development of the Business — Three Year History*");
- (2) Castlegate Share Purchase Agreement (see "*General Development of the Business — Three Year History*");
- (3) Shale Share Purchase Agreement (see "*General Development of the Business — Three Year History*");
- (4) HR Board Nomination Agreement (see "*General Development of the Business — Three Year History*"); and
- (5) New Credit Agreement (see "*General Development of the Business — Three Year History*").

INTERESTS OF EXPERTS

Oil and Gas Reserves Evaluator

Information relating to oil and gas reserves in this Annual Information Form have been calculated by GLJ as the Company's independent qualified oil and gas reserves evaluator. The partners and associates of GLJ, as a group, beneficially own, directly or indirectly, less than one percent of any class of the Company's outstanding securities.

Auditor

RSM Alberta LLP is the Company's independent auditor. RSM Alberta LLP has advised that they are independent with respect to the Company within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR+ at www.sedarplus.ca under the Company's profile.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in the Company's management information circular for its most recent annual meeting of Shareholders that involved the election of directors.

Additional financial information is provided in the Company's comparative financial statements and management's discussion and analysis for its most recently completed financial year, which are also available on SEDAR+ at www.sedarplus.ca under the Company's profile .

SCHEDULE A — FORM 51-101F2

[See attached]

FORM 51-101F2

**REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR**

To the board of directors of Highwood Asset Management Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2024. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2024, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2024, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate – M\$)			
			Audited	Evaluated	Reviewed	Total
GLJ Ltd.	Dec 31, 2024	Canada	-	819,332	-	819,332

6. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

GLJ Ltd., Calgary, Alberta, Canada, March 7, 2025

"Originally Signed By"

Kelly J. Zukowski, P. Eng.
Vice President, Corporate Evaluations

SCHEDULE B — FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Highwood Asset Management Ltd. (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves, Safety and Environmental Committee of the Board of Directors of the Company has:

- (a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves, Safety and Environmental Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves, Safety and Environmental Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2, which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) "*Greg Macdonald*"
Greg Macdonald
President and Chief Executive Officer

(signed) "*Chris Allchorne*"
Chris Allchorne
Chief Financial Officer

(signed) "*Joel MacLeod*"
Joel MacLeod
Director

(signed) "*Stephen J. Holyoake*"
Stephen J. Holyoake
Director

March 21, 2025