HIGHWOOD
ASSET MANAGEMENT LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2026

August 19, 2026

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") of operating and financial results of Highwood Asset Management Ltd. ("Highwood" or the "Company") is dated August 19, 2026, and is based on currently available information. It should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2025 and 2024 and the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2026. Unless otherwise noted, all financial information is presented in Canadian dollars, and is in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Additional information can be found at www.sedarplus.ca and www.highwoodmgmt.com.

Highwood's management is responsible for the integrity of the information contained in this report and for the consistency between the MD&A and consolidated financial statements. In the preparation of the consolidated financial statements, estimates are necessary to make a determination of future values for certain assets and liabilities. Management believes these estimates have been based on careful judgments and have been properly presented. The consolidated financial statements have been prepared using policies and procedures established by management and fairly reflect Highwood's consolidated financial position and results of operations.

Refer to the end of the MD&A for commonly used abbreviations.

Readers should read "Forward-Looking Statements" at the end of the MD&A, which explains the basis for and limitations of statements throughout this report that are not historical facts and may be considered "forward-looking statements" under securities regulations.

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

All figures in tables are stated in thousands of Canadian dollars, except operational and per share amounts or as noted.

Description of Business

The Company is engaged in ownership and oversight of various operations with a primary focus on oil and gas production, with operations also in midstream energy operations and metallic minerals. The Company's current focus is to advance the exploitation of its oil and gas properties in Alberta.

Corporate Highlights and Outlook

- Average corporate production of 5,079 boe/d in Q2 2026, including approximately 2,900 boe/d from Highwood's assets that remain after closing the Wilson Creek disposition.

- For the second quarter of 2026, Highwood delivered EBITDA of $11.8 million ($0.78 per share) and adjusted funds flow of $9.9 million ($0.65 per share).(1)(2)

- During the second quarter of 2026, Highwood closed the disposition of its Wilson Creek oil and natural gas properties (the **"Wilson Creek Disposition"**) for total consideration of up to $112 million. Consideration was made up of cash proceeds of $105 million, as well as up to an aggregate of $7 million in contingent consideration. The Wilson Creek Disposition resulted in a pre-tax return on invested capital of >200% since they were acquired in August 2023. Highwood acquired the assets for approximately $35 million and generated approximately $26 million in Asset Level Free Cash Flow up to the effective date of April 1, 2026. The net proceeds from the Wilson Creek Disposition were used to reduce Highwood's Net Debt and provide Highwood with a stronger financial position. Net Debt was reduced from $114 million at March 31, 2026 to $16.4 million at June 30, 2026. As a result of the stronger financial position, Highwood has increased flexibility to enhance shareholder returns through accelerated growth in Brazeau, further development of early-stage opportunities in Highwood's portfolio, strategic acquisitions, and/or returns of capital.(1)

- Highwood plans to advance a balanced capital program focused on continued drilling activity, enhanced recovery initiatives and the delineation of longer-dated growth opportunities. In the near term, the Company expects to continue drilling conventional opportunities in Western Alberta with 2-3 wells planned in the coming months. At the same time, Highwood will continue progressing waterflood implementation to reduce base declines, improve recovery factors and extend reserve life. Furthermore, Highwood intends to further evaluate its lands in eastern Alberta and western Saskatchewan, including the potential application of steam assisted gravity drainage (**"SAGD"**) development, and expects to pursue delineation work, strategic financing and partnership discussions over the coming months to advance these opportunities in a disciplined manner.

- Subsequent to June 30, 2026, Highwood implemented its inaugural normal course issuer bid (the **"NCIB"**) and to July 31, 2026, has purchased and cancelled 28,638 common shares since the initial NCIB purchase was made on July 14, 2026. The Company believes the NCIB may benefit continuing shareholders by increasing their proportionate equity interest in Highwood when such repurchased Shares are cancelled or reserved as treasury shares.

- Highwood's hedging program helps mitigate volatility in commodity pricing with approximately 1,100 bbls/day and 1,500 bbls/day of oil hedged throughout 2026 and 2027, respectively, at an average contract price of approximately $93.60CAD/bbl and $94.40CAD/bbl (WTI-NYMEX). In addition, the Company has approximately 3,000GJ/day of natural gas hedged in 2026 at an average contract price of approximately $3.17/GJ (AECO).

- The Company is focused on maintaining a strong financial position to maintain flexibility to provide returns to shareholders. At June 30, 2026, Highwood had approximately $230 million in tax pools, including roughly $100 million in non-capital losses. Highwood does not anticipate being cash taxable for approximately three years or more.

Notes to Highlights:

(1) See "Caution Respecting Reserves Information" and "Non-GAAP and other Specified Financial Measures".

(2) Basic common shares at June 30, 2026 is 15,198,818 which includes shares held in trust.

(3) CAD amounts include USD denominated commodity contracts converted into CAD at a rate of approximately 1.40 USD/CAD

Operational Update

Upon closing of the disposition, Highwood's focus is continued drilling success in the Basal Belly River at Brazeau, which is analogous to the Belly River at Wilson Creek, the implementation of waterflood which will continue to lower base declines and increase reserve lives, and further development of early-stage opportunities in Highwood's portfolio.

Given the recent industry success in close proximity to Highwood's Mannville stack lands in eastern Alberta using horizontal technology, Highwood plans to deploy capital to the assets before the end of the year. Further, the Company continues to add to its portfolio in the area through multiple Crown land acquisitions. These lands provide multiple opportunities, including potential SAGD projects. The Company plans to delineate and commence strategic financing and partnership discussions over the coming several months to advance these opportunities. During the third quarter of 2026, Highwood anticipates drilling 2-3 gross wells (2-3 net), with the next drill planned for late in the third quarter in Eastern Alberta.

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

In the third quarter of 2026, Highwood's production will be materially impacted by planned internal and third-party turnarounds in Brazeau. Highwood will be conducting a turnaround at its Brazeau 6-27 facility in September, and at the same time a third-party will be conducting a workover on the gas plant that services the Brazeau area. As a result, Highwood expects oil production to be shut in for 8-10 days and gas and NGLs to be shut in and/or re-injected for approximately 18 days. Both of these turnarounds occur approximately once every five years and there is no major planned maintenance for the remainder of 2026. Separately, during the second quarter Highwood's production was again impacted in the Wilson Creek area due to multiple third-party unplanned outages. This issue is expected to be mitigated going forward as Highwood controls the majority of the in-field infrastructure in the Brazeau area that makes up the majority of the Company's production after the Wilson Creek Disposition.

Outlook

The primary focus in the near-term is maintaining flexibility with lower leverage and continuing to focus on shareholder returns. Corporately, the Company is dedicated to growing Free Cash Flow, on a per share basis, while using prudent leverage to provide maximum flexibility for organic growth and/or other strategic M&A opportunities, with a longer-term goal to provide significant returns of capital to shareholders. Highwood will continue to review and assess opportunities which are accretive to the Company as Highwood seeks to grow its operations. The Company will also continue to assess land offerings in strategic areas where the Company sees significant growth opportunities.

ORGANIZATION OF THE MD&A

PART 1 – OUR BUSINESS AND STRATEGY

Overview

Highwood is a junior asset manager with a current focus primarily in the upstream oil and gas space, as well as midstream oil and gas. Highwood's intention is to eventually oversee various operations including Environmental, Social and Governance ("ESG") and other clean energy transition subsectors, which include metallic minerals, clean energy technologies, upstream and midstream oil & gas production & processing.

- ✓ **Shareholder Return Focus**

  Steering future accretive acquisitions and organic growth opportunities will be prudent for shareholder returns.

- ✓ **Prudent Debt Adjusted Cashflow per Share Growth**

  Highwood will focus on growing production through a combination of executing capital plans and acquisitions. Current focus of the capital plan will be on developing the core assets and focusing on locations with strong rates of return and payouts of less than a year.

- ✓ **Maintain or Reduce Leverage**

  Committed to maintaining or reducing Highwood's leverage profile.

- ✓ **Sustainability**

  The Company is committed to having a positive impact in the communities in which it operates – setting up partnerships for long-term success.

PART 2 – SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

Highwood Asset Management Ltd. – Consolidated Financial and Operating Highlights

(all tabular amounts expressed in $000's, except share numbers) (Canadian dollars)

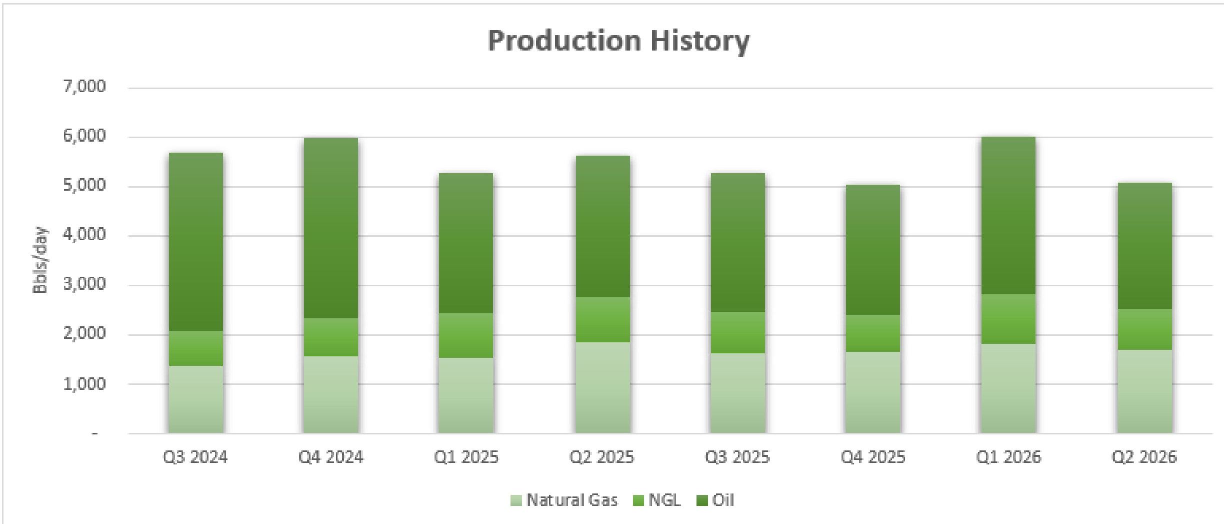
	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
Financial				
Petroleum and natural gas sales	**$ 34,586**	$ 24,973	**$ 64,560**	$ 52,953
Transportation pipeline revenues	**$ 345**	$ 577	**$ 710**	$ 1,176
Total revenues, net of royalties and commodity contracts [1]	**$ 34,675**	$ 37,125	**$ 35,626**	$ 58,135
Income and comprehensive income	**$ 30,718**	$ 13,385	**$ 16,215**	$ 15,740
Funds flow from operations [7]	**$ 9,867**	$ 13,395	**$ 24,121**	$ 25,299
EBITDA[7]	**$ 11,813**	$ 15,163	**$ 28,041**	**$** 28,933
Capital expenditures, net of dispositions	**$ (88,869)**	$ 9,016	**$ (78,455)**	**$** 42,188
Working capital deficit *(end of period)* [2] [7]			**$ (8,963)**	**$** (22,317)
Net Debt *(end of period)* [3] [7]			**$ 16,354**	**$** 117,936
Shareholders' equity *(end of period)*			**$ 170,718**	**$** 147,906
Shares outstanding *(end of period)* [4]			**13,946**	14,461
Options outstanding *(end of period)*			**936**	695
Warrants outstanding *(end of period)*			**3,150**	3,150
Restricted share units outstanding *(end of period)*			**412**	343
Deferred share units outstanding *(end of period)*			**112**	70
Weighted-average basic shares outstanding *(end of period)* [4]			**14,064**	14,564
Weighted-average diluted shares outstanding *(end of period)* [4]			**14,588**	14,977
Operations [5]				
Production				
Crude oil *(bbls/d)*	**2,554**	2,861	**2,869**	2,843
NGL *(boe/d)*	**840**	915	**920**	907
Natural gas *(mcf/d)*	**10,109**	11,134	**10,507**	10,197
Total *(boe/d)*	**5,079**	5,632	**5,540**	5,449
Benchmark prices				
Crude oil				
Canadian Light *(Cdn$/bbl)*	**130.35**	85.87	**112.27**	90.53
Natural gas				
AECO *(Cdn$/mcf)*	**1.45**	1.77	**1.67**	1.86
Average realized prices [6]				
Crude oil *(Cdn$/bbl)*	**128.86**	79.58	**106.36**	85.63
NGL *(Cdn$/boe)*	**41.80**	28.26	**34.93**	30.82
Natural gas *(Cdn$/mcf)*	**1.56**	1.87	**1.85**	2.08
Operating netback *(per boe)* [7]	**42.33**	26.52	**37.21**	28.60

(1) Includes realized and unrealized gains and losses on commodity contracts.
(2) Working capital deficit excludes commodity contract net asset of $1.3 million (June 30, 2025 – asset of $9.6 million), current portion of decommissioning liability of $2.1 million (June 30, 2025 - $1.6 million) and current portion of lease liabilities of $53 thousand (June 30, 2025 - $317 thousand).
(3) Net Debt consists of bank debt and working capital deficit excluding commodity contract assets and/or liabilities, current portion of decommissioning liabilities and lease liabilities.
(4) Shares outstanding are adjusted for treasury shares purchased and held in trust
(5) For a description of the boe conversion ratio, see "Basis of Barrel of Oil Equivalent".
(6) Before hedging.
(7) See "Non-GAAP and other Specified Financial measures".

PART 3 – OPERATING RESULTS

Summary of Results

Production



	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
Daily average volume				
Crude oil *(bbls/d)*	**2,554**	2,861	**2,869**	2,843
NGL (boe/d)	**840**	915	**920**	907
Natural gas (mcf/d)	**10,109**	11,134	**10,507**	10,197
Total sales *(boe/d)*	**5,079**	5,632	**5,540**	5,449
Total sales *(boe)*	**462,202**	512,477	**1,002,664**	986,278
Production weighting				
Crude oil and NGL	**67%**	67%	**68%**	69%

Overall production during the three months ended June 30, 2026 decreased by 10% as compared to the same period in 2025, mainly due to third-party outages and a lower capital drilling program. Third-party outages were mainly in Wilson Creek, where Highwood was reliant on third-party infrastructure. Overall, the production mix in the three months ended June 30, 2026 and 2025 is ~ 67% liquids.

Overall production during the six months ended June 30, 2026 was consistent compared to the same period in 2025. Overall, the production mix in the six months ended June 30, 2026 is ~ 68% liquids (six months ended June 30, 2025 ~69%).

During the first quarter of 2026, the Company drilled 1 gross well (1.0 net) in Brazeau and was a partner in a well that was drilled by an industry partner in Wilson Creek (0.1 net). Both wells were brought on production late in the first quarter of 2026. The Company did not drill any wells during the three months ended June 30, 2026.

Petroleum and Natural Gas Sales

	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
Crude oil	**$ 29,955**	$ 20,722	**$ 55,231**	$ 44,063
NGL	**3,195**	2,352	**5,814**	5,058
Natural gas	**1,436**	1,899	**3,515**	3,832
Total	**$ 34,586**	$ 24,973	**$ 64,560**	$ 52,953
Average realized prices before hedging				
Crude oil *($/bbl)*	**128.86**	79.58	**106.36**	85.63
NGL *($/boe)*	**41.80**	28.26	**34.93**	30.82
Natural gas *($/mcf)*	**1.56**	1.87	**1.85**	2.08
Equivalent *($/boe)*	**74.83**	48.73	**64.39**	53.69

Overall petroleum and natural gas sales increased for the three and six months ending June 30, 2026 compared to the same period in 2025, driven primarily by increased commodity prices. The majority of Highwood's oil production is light oil and benchmarked to Edmonton light pricing while natural gas is benchmarked to AECO pricing. Edmonton light benchmark pricing increased 24% for the six months ended June 30, 2026, compared to the same period in 2025.

Western Canadian commodity prices continued to be volatile in 2025 and during 2026. In the short term, the Company anticipates continued price volatility. With respect to oil prices, significant factors include the unknown impact of transportation constraints in Alberta, tariffs, geopolitical issues, demand levels, as well as global inventory levels. The Company continues to monitor current and forecasted pricing.

Royalties

	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
	$	$	**$**	$
Royalties	**8,081**	5,004	**12,318**	11,742
Per boe	**17.48**	9.76	**12.29**	11.91
Percentage of sales	**23.4%**	20.0%	**19.1%**	22.2%

Highwood's royalty burden includes crown, gross over-riding and freehold royalties applicable on the Company's production sales, which are either paid or taken in kind. The terms of the land and mineral rights owner agreements and provincial royalty regimes impact Highwood's overall royalty rate.

The increase in overall royalties for the three and six months ended June 30, 2026 to the comparative periods in 2025 is driven by a higher royalty rate in the current periods along with increased petroleum and natural gas revenues driven by higher commodity pricing.

During the three months ended June 30, 2026, royalties as a percentage of sales increased as compared to the same period last year, mainly due to higher average Crude Oil Royalty Calculation Par Prices (reference prices) as pre-determined by Alberta Energy relative to actual pricing, and also by the lower number of wells drilled during the period preceding the second quarter, which generate lower Drilling and Completion Cost Allowance (C*), resulting in higher royalties on production.

During the six months ended June 30, 2026, royalties as a percentage of sales decreased as compared to the same period last year, mainly due to significant production in the first quarter of 2026 which was subject to C*.

The royalty rate is sensitive to commodity prices, and as such, a change in commodity pricing will impact the actual rate.

Operating and Transportation Expense

	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
	$	$	**$**	$
Total operating and transportation	**7,318**	6,704	**15,448**	13,674
Per boe	**15.83**	13.08	**15.41**	13.86
Less midstream and other operating[1]	***(230)***	*(325)*	***(519)***	*(666)*
Upstream operating and transportation	**7,088**	6,379	**14,929**	13,008
Per boe	**15.34**	12.45	**14.89**	13.18

1) *Amounts removed are operating costs related to midstream operations or metallic minerals operations. The purpose is to show the operating cost associated with each barrel of production.*

During the three and six months ended June 30, 2026, total overall operating and transportation expenses increased as compared to the same period last year, mainly due to active workovers, inflation and additional trucking and water disposal fees incurred during the current periods, and this also impacts the increase in total operating and transportation expenses per boe. The increased trucking costs mainly related to the wells drilled in Wilson Creek in the fourth quarter of 2025.

The midstream and other operating expenses mainly relate to the Wabasca River Pipeline System and EVI Terminal. These costs are removed from total operating and transportation expenses to show the operating and transportation costs associated with flowing barrels of production. Overall, these costs have decreased slightly compared to the prior year due to decreased volumes and cost cutting measures implemented.

The Company has been actively working to reduce costs, by conducting abandonment and reclamation work on its non-producing properties, as well in other areas such as surface and mineral rentals. The Company is also assessing opportunities that are available with the Company's asset base to reduce operating and transportation costs and increasing operational efficiencies. This includes using infrastructure the Company owns rather than utilizing third parties for assets that were acquired within close proximity and taking over operatorship of assets.

Netback Analysis

	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
	$/boe	$/boe	**$/boe**	$/boe
Average sales price	**74.83**	48.73	**64.39**	53.69
Royalties	**(17.48)**	(9.76)	**(12.29)**	(11.91)
Upstream Operating and transportation	**(15.34)**	(12.45)	**(14.89)**	(13.18)
Operating netback	**42.01**	26.52	**37.21**	28.60

Operating netback reflects the profit that is made from each barrel of production, which is why upstream operating and transportation expenses are used in the calculation. During the current periods, higher overall commodity prices have contributed to higher netbacks compared to the same periods in 2025. Management continues to look at ways to maximize the operating netback.

Transportation Pipeline Revenues

The Company owns an interest in the Wabasca River Sales Pipeline and EVI Terminal. Revenues are generated from a tariff charged to vendors who transport product on the pipeline. The EVI Terminal has a butane blending operation that generates revenues from the purchase and sale of butane. The EVI Terminal also has a heavy oil trucking facility which is currently not operational, however, the Company is assessing reactivating this portion of the terminal.

The Company's crude transmission line averaged throughput of 3,069M3/month and 4,166M3/month, respectively, during the three and six months ended June 30, 2026 (three and six months ended June 30, 2025 – 7,435M3/month and 8,040M3/month). Volumes were down during the current periods primarily due to an operator who contributes volumes on the pipeline being shut in by the Alberta Energy Regulator. Highwood is optimistic the issues related to the production from the shut-in operator will be resolved in the second half of 2026 and the volumes are anticipated to subsequently increase.

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
Transportation pipeline revenues	**$ 345**	$ 577	**$ 710**	$ 1,176

Overall, the decrease in transportation pipeline revenues in the current periods is partly due to the decreased volumes throughout the first half of 2026 along with the related delays in third-party restarts, as well as natural declines of the third-party producers' production. Transportation pipeline revenues are generated on a tariff of $24.50/m^3 of crude oil that is flowed through the pipeline. On March 31, 2026, the Company released Tariff No. 4, effective May 1, 2026, which increased tariff rates from $24.50/m^3 to $26.00/m^3.

Metallic Minerals

The metallic minerals segment includes industrial metal and mineral assets. During 2021, the Company amassed industrial metallic and mineral permits covering over 3.8 million acres in Alberta and British Columbia and issued its first National Instrument 43-101 Technical Report on Lithium from Brine on July 16, 2021 and an additional 43-101 Technical Report over the Ironstone prospective permits held by the Company on September 21, 2021. The Company also engaged the third-party resource evaluator to compile a 43-101 Resource Assessment specific to Drumheller, Alberta over the Lithium Brine prospective permits, which was completed February 21, 2022.

During the three and six months ended June 30, 2026, the Company incurred capital expenditures of $nil and $1.4 million, respectively (three and six months ended June 30, 2025 - $nil and $1.4 million). The costs in 2026 and 2025 related to extending the leases.

As the metallic minerals segment entails early-stage exploration projects, there was no revenue and minimal operating expenses associated with the segment for the three and six months ended June 30, 2026 and 2025.

As Highwood assesses additional information on its lithium Sub-properties, Highwood will continue to evaluate value maximization paths for its lithium assets including a potential public pure play, low carbon intensity lithium company spinout. In the event that the Company, or a spinout of the Company, is successful in raising funds through an equity raise that is being contemplated, the Company plans, and may be required, under the equity raise to outlay significant exploration capital in the near future.

Extraction technologies continue to be evaluated as well as potential go forward technology parties whom Highwood may elect to partner with moving forward.

PART 4 – SELECT CONSOLIDATED FINANCIAL DISCLOSURES

Risk Management

Highwood's cash flow fluctuates as oil and natural gas are commodities whose prices are determined by worldwide and/or regional supply and demand, transportation constraints, weather conditions, availability of alternative energy sources and other factors, all of which are beyond Highwood's control. World prices for oil and natural gas have been very volatile in recent months and are inherently volatile.

Management of cash flow variability is an integral component of the Company's business strategy. Business conditions are monitored regularly and reviewed with the Board of Directors to establish risk management guidelines used by management in carrying out the Company's strategic risk management program.

The Company has elected not to use hedge accounting and, accordingly, the fair value of the financial contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity forward strip prices for the financial contracts outstanding at the statement of financial position date. The change in fair value from period-end to period-end is reflected in the income for that period. As a result, income may fluctuate considerably.

The Company has the following commodity contracts outstanding at June 30, 2026 as required under the ARCA:

Swaps:

Product	Notional Volume	Term	Contract Price (CAD/GJ)	Index
Natural Gas	1,500GJ/day	April 1, 2025 to December 31, 2026	$ 3.13 - $ 3.20	AECO
Natural Gas	1,500GJ/day	April 1, 2025 to March 31, 2027	$ 3.15 - $ 3.20	AECO
Natural Gas	400GJ/day	January 1, 2027 to March 31, 2028	$ 3.09	AECO

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
Crude Oil	100bbls/day	April 1, 2025 to December 31, 2026	$ 93.00	WTI - NYMEX
Crude Oil	200bbls/day	October 1, 2025 to December 31, 2026	$ 93.00 - $ 94.00	WTI - NYMEX
Crude Oil	200bbls/day	January 1, 2026 to December 31, 2026	$ 93.00 - $ 94.50	WTI – NYMEX
Crude Oil	100bbls/day	April 1, 2026 to December 31, 2026	$ 99.50	WTI – NYMEX

Product	Notional Volume	Term	Contract Price (USD/bbl)	Index
Crude Oil	100bbls/day	January 1, 2026 to December 31, 2026	$ 66.00	WTI - NYMEX
Crude Oil	400bbls/day	April 1, 2026 to March 31, 2027	$ 65.00 - $ 66.20	WTI - NYMEX
Crude Oil	100bbls/day	January 1, 2027 to June 30, 2027	$ 65.00	WTI – NYMEX
Crude Oil	1,000bbls/day	January 1, 2027 to December 31, 2027	$ 65.00 - $ 70.00	WTI – NYMEX
Crude Oil	300bbls/day	April 1, 2027 to December 31, 2027	$ 67.00 - $ 68.00	WTI – NYMEX
Crude Oil	200bbls/day	July 1, 2027 to December 31, 2027	$ 70.00 - $ 71.00	WTI – NYMEX
Crude Oil	800bbls/day	January 1, 2028 to December 31, 2028	$ 65.00 - $ 70.00	WTI – NYMEX

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

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

Electricity:

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

The commodity contracts had a total fair value at June 30, 2026 of an asset of $2.3 million and a liability of $981 thousand (December 31, 2025 - asset of $12.5 million). The corresponding unrealized gain/loss for the three and six months ended June 30, 2026 was a gain of $14.1 million and a loss of $11.2 million, respectively (three and six months ended June 30, 2025 – unrealized gain of $13.2 million and $11.6 million), and is included in the statement of income and comprehensive income. Total realized loss for the three and six months ended June 30, 2026 was $7.7 million and $8.6 million, respectively (three and six months ended June 30, 2025 - gain of $2.5 million and $2.3 million) and is also included in the statement of income and comprehensive income.

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

Swaps:

Product	Notional Volume	Term	Contract Price (USD/bbl)	Index
MSW Differential	550bbls/day	January 1, 2027 to December 31, 2027	$ 3.90 - $ 4.25	TMR-FIN-SW

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
	$	$	**$**	$
Realized gain (loss) on commodity contracts	**(7,694)**	2,457	**(8,598)**	2,342
Unrealized gain (loss) on commodity contracts	**14,121**	13,194	**(11,182)**	11,612

The higher realized loss for the three and six months ended June 30, 2026 as well as the higher unrealized loss for the six months ended June 30, 2026 compared to the same periods last year are driven by an increase in benchmark commodity prices during the current periods. The realized loss for the three and six months ended June 30, 2026 includes proceeds of $1.3 million received on early settlement of commodity contracts which occurred in conjunction with the Wilson Creek Disposition.

The higher unrealized gain for the three months ended June 30, 2026 compared to the same period last year is driven by a softening of average benchmark commodity prices relative to the preceding quarters.

General and Administrative (G&A)

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
	$	$	**$**	$
Gross G&A	**1,731**	**2,232**	**4,178**	4,507
Capitalized G&A	**(400)**	**(300)**	**(790)**	(710)
G&A	**1,331**	**1,932**	**3,388**	3,797
G&A/boe	**2.88**	**3.77**	**3.38**	3.85

Overall G&A expenses decreased during the three and six months ended June 30, 2026, compared to the respective periods in 2025, mainly due lower compensation costs, lower non-cash bad debt expense, increased G&A expense recoveries, as well as higher capitalized G&A expenses allocated during the current period.

The Company continues to focus on reducing G&A costs wherever possible.

Share-based Compensation

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
	$	$	**$**	$
Share-based compensation	**660**	701	**1,224**	1,176

The slight decrease in share-based compensation during the three months ended June 30, 2026 from the comparative period of 2025 is mainly due to a reduction of expenses relating to prior grants, as well as a higher proportion of capitalized costs during the period, thereby reducing the overall expense.

During the six months ended June 30, 2026, the Company recorded a reduction of expenses related to prior grants, as well as a higher proportion of capitalized costs compared to the comparative period of 2025, which was offset by increased share-based compensation related to the granting of Performance Share Units (“PSU’s”) during the current period, thereby increasing the overall expense.

Depletion and Depreciation ("D&D")

	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
	$	$	**$**	$
D&D	**5,477**	6,444	**11,841**	12,450
Per boe	**11.85**	12.57	**11.81**	12.62

The decrease in D&D for the three months ended June 30, 2026, as compared to the prior period, is primarily due to lower average production levels during the current period, along with a slight increase to the Company's reserves base.

The decrease in D&D for the six months ended June 30, 2026, as compared to the prior period, is primarily due to a slight increase to the Company's reserves base.

Impairment

For the three and six month period ended June 30, 2026, no impairment losses or reversals were recognized.

Finance Expenses

	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
	$	$	**$**	$
Interest on bank debt	**1,961**	1,771	**3,927**	3,574
Interest income	**(15)**	(12)	**(23)**	(29)
Cash finance expenses	**1,946**	1,759	**3,904**	3,545
Accretion of decommissioning liabilities	**251**	257	**500**	493
Amortization of debt issue costs	**196**	300	**392**	599
Other expense	**3**	10	**7**	23
Non-cash finance expense	**450**	567	**899**	1,115
Total finance expenses	**2,396**	2,326	**4,803**	4,660

Interest on bank debt relates to interest and fees on Highwood's credit facility to service the bank debt. Interest on bank debt increased for the three and six months ended June 30, 2026, as compared to the same periods last year, mainly due to higher draws on bank balances, and this has impacted the overall increase in cash finance expenses for the three and six months ended June 30, 2026 compared to the same periods last year.

Accretion for decommissioning liabilities for the three and six months ended June 30, 2026 remained consistent compared to the same periods in 2025.

Interest rates for the bank debt are based on the Company's most recent quarter consolidated total debt to EBITDA ratio (as defined in the credit facility agreement).

Deferred Tax Expense

For the three and six months ended June 30, 2026, deferred tax was an expense of $8.9 million and $4.8 million, respectively, compared to an expense of $5.6 million and $6.5 million for the same periods last year. The expense during the current period is primarily a result of the Wilson Creek Disposition which reduced resource pools by the net proceeds.

Income and comprehensive income

The Company realized income and comprehensive income of $30.7 million and $16.2 million, respectively, for the three and six months ended June 30, 2026 (June 30, 2025 – income and comprehensive income of $13.4 million and $15.7 million). For the three and six months ended June 30, 2026, the Company realized strong commodity prices and during the three months ended June 30, 2026, the Company recognized a gain on disposal of its Wilson Creek asset of $22.1 million which resulted in strong income and comprehensive income.

	Three months ended June 30,		Six months ended June 30,	
	2026	**2025**	**2026**	**2025**
	$	$	**$**	$
Income and comprehensive income	**30,718**	13,385	**16,215**	15,740
Per weighted average share, basic	**2.19**	0.92	**1.15**	1.08
Per weighted average share, diluted	**2.11**	0.89	**1.11**	1.05

Selected Quarterly Information

Three months ended	Jun. 30, 2026	Mar. 31, 2026	Dec. 31, 2025	Sep. 30, 2025	Jun. 30, 2025	Mar. 31, 2025	Dec. 31, 2024	Sep. 30, 2024
Financial ($000s, except per share amounts and share numbers)								
Petroleum and natural gas sales	34,586	29,974	21,463	23,753	24,973	27,980	33,775	34,201
Transportation pipeline revenues	345	365	534	462	577	599	621	662
Income (loss)	30,718	(14,503)	5,719	248	13,385	2,355	1,914	16,105
Capital expenditures *(net)*	(88,869)	10,414	9,931	7,459	9,016	33,172	10,999	20,748
Total assets *(end of quarter)*	251,608	337,271	322,034	321,658	324,573	318,106	292,126	296,271
Working capital deficit[1] *(end of quarter)*	(8,963)	(8,156)	(11,424)	(7,730)	(22,317)	(27,151)	(7,113)	(26,531)
Shareholders' equity *(end of quarter)*	170,718	139,771	154,063	148,206	147,906	134,436	132,087	130,285
Weighted-average basic shares outstanding *(000s)*	14,010	14,118	14,263	14,390	14,560	14,616	14,754	14,801
Operations								
Production								
Crude oil *(bbls/d)*	2,554	3,187	2,623	2,787	2,861	2,824	3,638	3,607
NGL *(boe/d)*	840	1,000	759	841	915	899	775	701
Natural Gas *(mcf/d)*	10,109	10,909	9,943	9,749	11,134	9,250	9,319	8,194
Total *(boe/d)*	5,079	6,005	5,040	5,253	5,632	5,264	5,966	5,673
Average realized prices *($)*								
Crude oil *(per bbl)*	128.86	88.12	72.71	82.52	79.58	91.84	91.63	94.91
NGL *(per boe)*	41.80	29.10	26.88	27.07	28.26	33.45	29.51	33.48
Natural Gas *(per mcf)*	1.56	2.12	2.23	0.56	1.87	2.32	1.17	0.73

1) Working capital deficit excludes commodity contract asset/liability, current portion of decommissioning liability and current portion of lease liabilities.

Inherent to the nature of the energy industry, fluctuations in Highwood's quarterly petroleum and natural gas sales, transportation pipeline revenues, and income or loss are primarily caused by variations in production volumes, realized commodity prices and the related impact on royalties, realized and unrealized gains/losses on financial instruments, changes in per-unit expenses, and deferred income taxes. Please refer to the Operating Results and Select Consolidated Financial Disclosures sections above for an explanation of changes.

Capital Activity

	Three months ended	June 30,	Six months ended	June 30,
	2026	2025	**2026**	2025
	$	$	**$**	$
Land and leases	**3,512**	1,928	**4,952**	3,485
Seismic and other pre-drilling costs	**116**	19	**116**	1,085
Production equipment and facilities	**553**	2,143	**1,653**	3,913
Drilling and completions	**1,131**	4,869	**9,005**	34,702
Other	**-**	57	**-**	57
	5,312	9,016	**15,726**	43,242

At June 30, 2026, the Company had E&E assets of $15.0 million (December 31, 2025 – $11.5 million). This amount is mainly related to undeveloped upstream oil and gas lands and exploration activities where technical feasibility has not yet been determined, along with lithium leases.

At June 30, 2026, the Company had gross property and equipment of $228.1 million (December 31, 2025 - $319.8 million). This included developed land and costs associated with the wells the Company has drilled and acquired to date, net of the Wilson Creek Disposition on June 30, 2026. The Company incurred capital expenditures of $15.7 million during the six months ended June 30, 2026, mainly related to drilling and completions activities.

Disposition of Wilson Creek Oil and Natural Gas Properties

On June 30, 2026, the Company closed the disposition of its Wilson Creek oil and natural gas properties for total consideration of up to $112 million. Consideration was made up of cash proceeds of $105 million, which was reduced to $98.3 million after interim closing adjustments from the effective date of April 1, 2026 to the closing date, as well as up to an aggregate of $7 million in contingent consideration. The disposed properties had a carrying value in property, plant and equipment of $74.2 million, exploration and evaluation assets of $1.5 million, deposits and prepaid expenses of $187 thousand, and decommissioning liabilities of $3.9 million. As a result of the disposition, the Company recognized a gain of $22.1 million during the six months ended June 30, 2026. Transaction costs totaling $4.1 million were included and presented as a reduction to the gain recognized.

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

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

At June 30, 2026, no amounts have been recognized related to contingent consideration.

The consideration received is subject to finalization of customary adjustments 180 days following the closing date.

PART 5 – CAPITALIZATION

Share Capital and Share Based Compensation Activity

As at June 30, 2026, the Company had 15,198,818 common shares, including shares held in trust, 3,150,000 warrants, 935,810 options, 411,976 RSUs, 112,400 DSUs outstanding and 1,253,545 common shares held in trust related to the PSU plan.

As at the date of this MD&A, the Company had 15,170,180 common shares, including shares held in trust, 935,810 options, 411,976 RSUs, 112,400 DSUs outstanding and 1,233,874 common shares held in trust related to the PSU plan.

Subsequent to June 30, 2026, the Company announced that the TSX Venture Exchange has accepted a notice filed by the Company of its intention to make a normal course issuer bid (the "NCIB"). In connection with the NCIB, the Company entered into an automatic share purchase plan with RBC Dominion Securities to allow for purchases of its common shares. As at the date of this MD&A, the Company purchased and cancelled 28,638 common shares under the NCIB.

During the six months ended June 30, 2026, the Company granted 285,240 options at an exercise price of $4.82 per option. The options granted vest 1/3 on each of the annual anniversary dates and have a five-year term. In addition, during the six months ended June 30, 2026, 7,397 options were forfeited.

During the six months ended June 30, 2026, the Company granted 105,400 RSUs. The RSUs granted vest 1/3 on each of the annual anniversary dates. In addition, during the six months ended June 30, 2026, 27,649 RSUs were exercised resulting in 27,649 common shares being issued and 3,737 RSUs were forfeited.

During the six months ended June 30, 2026, the Company granted $905 thousand worth of PSUs. The PSUs have a performance date three years from date of grant.

During the six months ended June 30, 2026, the Company granted 22,400 DSUs. The DSUs granted vest one year from the grant date.

Subsequent to June 30, 2026, it was determined by the board that the performance criteria for the August 28, 2023 grant of PSUs was met with a performance factor of 1.1. $250 thousand of the grant was waived by the recipient. As a result, 69,877 common shares that were held by the trustee were distributed.

On August 3, 2026, 3,150,000 warrants expired unexercised.

Liquidity, Capital Resources and Capital Management

<u>*Capital Management*</u>

Net Debt

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

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

	June 30, 2026	December 31, 2025
Adjusted current assets[1]	**$ 39,350**	$ 24,491
Adjusted current liabilities[1]	**(48,313)**	(35,915)
Adjusted working capital	**(8,963)**	(11,424)
Bank debt	**(7,391)**	(105,299)
Total net debt	**$ (16,354)**	$ (116,723)

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

The decrease in net debt during the six months ended June 30, 2026 is mainly due to the repayment of bank debt in conjunction with the Wilson Creek Disposition during the current quarter.

EBITDA

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

Adjusted funds flow

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

Free funds flow

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

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

	Three months ended June 30,		**Six months ended June 30,**	
	2026	2025	**2026**	2025
Cash flow from operating activities	**$ 16,602**	$ 16,084	**$ 21,930**	$ 32,336
Change in non-cash operating working capital	**(6,735)**	(2,689)	**2,191**	(7,037)
Net interest[1]	**1,946**	1,759	**3,904**	3,545
Decommissioning expenditures	**-**	9	**16**	89
EBITDA	**11,813**	15,163	**28,041**	28,933
Net interest[1]	**(1,946)**	(1,759)	**(3,904)**	(3,545)
Adjusted funds flow	**9,867**	13,404	**24,137**	25,388
Decommissioning expenditures	**-**	(9)	**(16)**	(89)
Capital expenditures, net	**88,869**	(9,016)	**78,455**	(42,188)
Free funds flow	**$ 98,736**	$ 4,379	**$ 102,576**	$ (16,889)

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

The decrease in EBITDA and Adjusted funds flow for the three months ended June 30, 2026, compared to the same period in 2025, is primarily due to losses on commodity contracts.

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

Increased Free funds flow for the three and six months ended June 30, 2026 was primarily due to the disposition of the Company's Wilson Creek property, compared to the same periods last year.

The Company makes adjustments to capital employed by monitoring economic conditions and investment opportunities. The Company generally relies on credit facilities and cash flows from operations to fund capital requirements. To maintain or modify its capital structure, the Company may issue new common or preferred shares, issue new subordinated debt, renegotiate existing debt terms, or repay existing debt. The Company is not currently subject to any externally imposed capital requirements, other than covenants on its Amended and Restated Credit Agreement (the "ARCA").

Liquidity and Capital Resources

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

The Company has an Amended and Restated Credit Agreement (the "ARCA"). The ARCA is comprised of senior secured extendible revolving credit facilities in the aggregate principal amount of up to $75 million with a syndicate of banks. The ARCA is comprised of revolving credit facilities consisting of a $5 million operating facility and a syndicated loan facility to a maximum of $70 million. The ARCA allows the Company to enter into Letters of Credit up to a maximum of $10 million. During the second quarter of 2026, the term out date of the ARCA was amended from August 2, 2026 to August 2, 2027 as well as a decrease in the syndicated facility from a maximum of $130 million and the operating facility from a maximum of $10 million. The decrease in the ARCA occurred in congruence with the Wilson Creek disposition (note 4). Furthermore, the Company was granted permission under the ARCA to enter into an unsecured demand revolving letter of credit facility with Export Development Canada ("EDC Facility"). The EDC Facility allows the Company to enter in Letters of Credit up to a maximum of USD$30 million.

At June 30, 2026, the Company had a working capital deficit of $9.0 million, excluding commodity contract asset and liability, current portion of decommissioning liability, and current portion of lease liabilities. The capital-intensive nature of the Company's operations may create a working capital deficiency position during periods with high levels of capital investment. The working capital deficit at June 30, 2026, was mainly driven by the capital program incurred during the half of the year along with settlement of payables for brokered commodities activities. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows and available capacity on the Company's ARCA. The maturity date of the bank debt is August 1, 2028; therefore, all bank debt has been classified as long-term.

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

The Company may need to conduct asset sales, equity issues or issue debt if liquidity risk increases in a given period. Liquidity risk may increase as a result of potential revisions to the Company's ARCA, which is subject to semi-annual reviews. The Company also maintains and monitors a certain level of cash flow which is used to partially finance all operating and capital expenditures. The Company believes it has sufficient funds and operating cash flows to meet foreseeable obligations by actively monitoring its credit facilities and coordinating payment and revenue cycles each month. However, there are no assurances that the lender will maintain the borrowing base at the current level, which may result in a borrowing base shortfall. If the Company cannot generate sufficient funds to meet the borrowing base shortfall it would constitute an event of default under the loan agreement and the bank could demand immediate repayment of the outstanding loan amount. The Company actively monitors covenants associated with the credit facilities and was in compliance as at June 30, 2026.

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

	Total	<1 year	1-3 years
Accounts payable and accrued liabilities	**$ 48,313**	$ 48,313	$ -
Bank debt	**7,391**	-	7,391
Lease liabilities	**53**	53	-
Total financial liabilities	**$ 55,757**	$ 48,366	$ 7,391

Commitments

During the year ended December 31, 2025, the Company entered into a new lease for its existing office space. The agreement takes effect in the third quarter of 2026 and has a term of five years. Gross payment obligations related to the new lease, excluding occupancy costs, are approximately $600 thousand annually.

Off-Balance-Sheet Arrangements

The Company does not have any special-purpose entities nor is it a party to any arrangements that would be excluded from the statement of financial position.

Environmental Initiatives Affecting Highwood

The oil and gas industry has a number of environmental risks and hazards and is subject to regulation by all levels of government. Environmental legislation includes, but is not limited to, operational controls, site restoration requirements and restrictions on emissions of various substances produced in association with oil and natural gas operations. Compliance with such legislation could require additional expenditures and a failure to comply may result in fines and penalties which could, in the aggregate and under certain unlikely assumptions, become significant. Operations are continuously monitored to minimize the environmental impact, and capital is allocated to reclamation and other activities to mitigate the impact on the areas in which we operate.

PART 6 – OTHER

Critical Accounting Judgments, Estimates and Policies

The Company's critical accounting judgements, estimates and policies are described in notes 2 and 3 to the December 31, 2025 annual consolidated financial statements as well as included in the Company's annual MD&A as at December 31, 2025 as well as in note 2 of the condensed interim consolidated financial statements for the three and six months ended June 30, 2026. Certain accounting policies are identified as critical because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain, and because the estimates are of material magnitude to revenue, expenses, funds flow from operations, income or loss and/or other important financial results. These accounting policies could result in materially different results should the underlying conditions change or the assumptions prove incorrect.

Non-GAAP and Specified Financial Measures

This MD&A includes references to financial measures commonly used in the oil and natural gas industry. The term "operating netback" (oil and natural gas sales less royalties and production, operating and transportation expenses, all expressed on a per-unit-of-production basis) is not defined under IFRS, and may not be comparable with similar measures presented by other companies. Operating netback is a per-unit-of-production measure that may be used to assess the Company's performance and efficiency.

The term “working capital surplus (deficit), excluding bank debt” is not defined under IFRS, and may not be comparable with similar measures presented by other companies. Working capital surplus (deficit), excluding bank debt is included to show what the working capital relating to customers, vendors, and joint venture partners would be.

The term “funds flow from operations” is not defined under IFRS and may not be comparable with similar measures presented by other companies. Funds flow from operations is included to show what the cash flow from operating activities would be prior to changes in working capital and changes in long-term accounts payable and accrued liabilities.

The term “Net Debt” is not defined under IFRS and may not be comparable with similar measures presented by other companies. represents the carrying value of the Company’s debt instruments, including outstanding deferred acquisition payments, net of Adjusted working capital. The Company uses Net Debt as an alternative to total outstanding debt as Management believes it provides a more accurate measure in assessing the liquidity of the Company. The Company believes that Net Debt can provide useful information to investors and shareholders in understanding the overall liquidity of the Company.

The term “EBITDA” is not defined under IFRS and may not be comparable with similar measures presented by other companies. 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.

“Asset Level Free Cash Flow” is used as an indicator of the efficiency and liquidity of the Company’s Assets, 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.

“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 though 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.

“Net Debt” represents the carrying value of the Company’s debt instruments, including outstanding deferred acquisition payments, net of Adjusted working capital. The Company uses Net Debt as an alternative to total outstanding debt as Management believes it provides a more accurate measure in assessing the liquidity of the Company. The Company believes that Net Debt can provide useful information to investors and shareholders in understanding the overall liquidity of the Company.

"Net Debt / EBITDA" is calculated as net debt at the ending period of each financial quarter divided by the EBITDA for that period. The Company believes that Net Debt / EBITDA is useful information to investors and shareholders in understanding the time frame, in years, it would take to eliminate Net Debt based on current period Exit EBITDA.

“Senior Debt” represents the carrying value of the Company’s senior debt instruments. The Company uses Senior Debt as Management believes it is useful information to investors and shareholders as it provides amounts owed to senior lenders, which are typically secured.

"Senior Debt / EBITDA" is calculated as senior debt drawn at the ending period of each financial quarter divided by the EBITDA for that period. The Company believes that Senior Debt / EBITDA is useful information to investors and shareholders in understanding the time frame, in years, it would take to eliminate Senior Debt based on current period Exit EBITDA.

“Operating netback (per BOE)” is calculated as the realized price per boe, less royalties associated with the sale of petroleum and natural gas products on a per boe basis, less the operating costs associated with the production on a per boe basis. The Company believes that Operating netback (per BOE) is a useful measure of the profit that is made from each barrel of production.

“Return on invested capital” is calculated as the sum of field operating netbacks generated since inception and the gross proceeds of divestment divided by the original net cost of asset acquisitions and development. Management utilizes the cash return on invested capital measure in this news release to provide a measure of how much cash was generated from the Wilson Creek assets, relative to the Company’s original capital investment in the assets, excluding the impact of discounting, taxes and general and administrative costs. The return on invested capital from the sale of Wilson Creek of >200% reported was calculated as field operating netbacks since inception of $82.5 million plus gross Initial cash consideration of $105 million from the disposal, less transaction costs, divided by the Company’s original net acquisition and development costs of $91.5 million.

Basis of Barrel of Oil Equivalent

Petroleum and natural gas reserves and production volumes are stated as a “barrel of oil equivalent” (boe), derived by converting natural gas to oil equivalency in the ratio of 6,000 cubic feet of gas to one barrel of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6,000 cubic feet of gas to one barrel of oil is based on energy equivalency, which is primarily applicable at the burner tip, and does not represent a value equivalency at the wellhead. Readers are cautioned that boe figures may be misleading, particularly if used in isolation. This conversion conforms to the Canadian Securities Regulator’s National Instrument 51-101 – Standards for Oil and Gas Activities.

Caution Respecting Reserves Information

Readers should see the “Selected Technical Terms” in the Annual Information Form filed on March 16, 2026 for the definition of certain oil and gas terms.

Disclosure of oil and gas information is presented in accordance with generally accepted industry practices in Canada and National Instrument 51-101— Standards of Disclosure for Oil and Gas Activities (“**NI 51-101**”). Other than as noted herein, the oil and gas information regarding the Company presented in this news release is based on the reserves report prepared by GLJ Ltd. evaluating the crude oil, natural gas and natural gas liquids attributable to the Company’s properties at January 1, 2026 (the “**2025 Reserves Report**”).

Reserves are classified according to the degree of certainty associated with the estimates as follows:

"BT" means before tax.
“IRR” means internal rate of recovery.

"RLI" means reserves life index and is calculated as total company interest reserves divided by annual production, as per the 2025 Reserves Report.

"NPV10" represents the anticipated net present value of the future net revenue discounted at a rate of 10% associated with the reserves associated with the acquired assets.

"F&D" is calculated as the sum of field capital plus the change in FDC for the period divided by the change in reserves that are characterized as development for the period is calculated as the sum of field capital plus the change in FDC for the period divided by the change in total reserves, other than from production, for the period. Finding and development costs take into account reserves revisions during the year on a per boe basis. The aggregate of the exploration and development costs incurred in the financial year and changes during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year. Management uses F&D costs as a measure of capital efficiency for organic reserves development.

“NAV per share” is calculated using the respective net present values of PDP, 1P and 2P reserves, before tax and discounted at 10% plus internally valued undeveloped land & seismic, less net debt, and divided by basic outstanding common shares adjusted for shares held in treasury. Management used NAV per share as a measure of the relative change of Highwood's net asset value over its outstanding common shares over a period of time.

"NAV per fully diluted share" is calculated using the respective net present values of PDP, 1P and 2P reserves, before tax and discounted at 10% plus internally valued undeveloped land & seismic and proceeds from warrants and stock options, less net debt, and divided by fully diluted outstanding shares. Management used NAV per share as a measure of the relative change of Highwood's net asset value over its outstanding common shares over a period of time.

"Netback" is used to evaluate potential operating performance. Netback is calculated as follows: (Revenue – Royalties - Operating Expenses).

"Recycle Ratio" is measured by dividing the operating netback for the applicable period by F&D cost per boe for the year. The recycle ratio compares netback from existing reserves to the cost of finding new reserves and may not accurately indicate the investment success unless the replacement reserves are of equivalent quality as the produced reserves.

"Proved Developed Producing" or "PDP" 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.

"Proved" or "1P" reserves are those 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. Reported reserves should target at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves under a specific set of economic conditions.

"Proved plus Probable" or "2P" reserves are those 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 plus probable reserves. Reported reserves should target at least a 50 percent probability that the probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves under a specific set of economic conditions.

"Drilling Location" or "Locations" – this news release discloses drilling inventory in two categories: (a) booked locations; and (b) unbooked locations. Booked locations are proposed drilling locations identified in the Year-End 2025 Reserves, as evaluated by GLJ who is the Company's independent qualified reserves evaluator, that have proved and/or probable reserves, as applicable, attributed to them in the Year-End 2025 Reserves. Unbooked locations are internal estimates based on prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal technical analysis review. Unbooked locations have been identified by members of management. Unbooked locations do not have proved or probable reserves attributed to them in the Year-End 2025 Reserves. There is no certainty that the Company will drill all unbooked drilling locations and if drilled, there is no certainty that such locations will result in additional oil and natural gas reserves, resources or production. The drilling locations considered for future development will ultimately depend on 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. While certain of unbooked drilling locations have been de-risked by the drilling of existing wells by Highwood in relatively close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where Management has less information about the characteristics of the reservoir, and therefore, there is more uncertainty whether wells will be drilled in such locations. If these wells are drilled, there is more uncertainty that such wells will result in additional oil and natural gas reserves, resources or production.

Forward-Looking Statements

This document contains certain forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause them to differ materially from those stated, anticipated or implied. Such forward-looking statements necessarily involve risks including, without limitation, those associated with oil and natural gas exploration, property development, production, marketing and transportation, such as dry holes and non-commercial wells, facility and pipeline damage, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, production declines, health, safety and environmental risks, competition from other producers and the ability to access sufficient capital from internal and external sources. Forward-looking information typically includes statements with words such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “estimate”, “propose”, “project”, or similar words suggesting future outcomes. The Company cautions readers and prospective investors in the Company’s securities not to place undue reliance on forward-looking information as, by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company.

Forward-looking information typically involves substantial known and unknown risks and uncertainties, certain of which are beyond the Company’s control. Such risks and uncertainties include, without limitation: financial risk of marketing reserves or metals & minerals at an acceptable price given market conditions; volatility in market prices for metals, minerals, oil and natural gas; delays in business operations; pipeline restrictions; blowouts; the risk of carrying out operations with minimal environmental impact; industry conditions including changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; uncertainties associated with estimating mining resources & oil and natural gas reserves; risks and uncertainties related to mining and oil & gas interests and operations on aboriginal lands; economic risk of finding and producing reserves at a reasonable cost; uncertainties associated with partner plans and approvals; operational matters related to non-operated properties; increased competition for, among other things, capital, acquisitions of mining permits, reserves and undeveloped lands; competition for and availability of qualified personnel or management; incorrect assessments of the value of acquisitions and exploration and development programs; unexpected geological, technical, drilling, construction, processing and transportation problems; availability of insurance; fluctuations in foreign exchange and interest rates; stock market volatility; general economic, market and business conditions; uncertainties associated with regulatory approvals; uncertainty of government policy changes; uncertainties associated with credit facilities and counterparty credit risk; changes in income tax laws, Crown royalty rates and incentive programs relating to the oil and gas industry; and other factors, many of which are outside the Company’s control. The Company’s actual results, performance or achievements could, therefore, differ materially from those expressed in, or implied by, these forward-looking estimates and whether or not any such actual results, performance or achievements transpire or occur, there can be no certainty as to what benefits or detriments the Company will derive therefrom.

The forward-looking information included herein is expressly qualified in its entirety by this cautionary statement. It is made as of the date hereof and the Company assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

Abbreviations

The following summarizes the abbreviations used in this document:

Crude Oil and Natural Gas Liquids

bbl	barrel
Mbbl	thousand barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
Mboe	thousand barrels of oil equivalent
boe/d	barrel of oil equivalent per day
NGL	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
GJ	Gigajoule; 1 Mcf of natural gas is about 1.05 GJ
MMBtu	million British thermal units; 1 GJ is about 0.95 MMBtu

Other

$000s	thousands of dollars
IFRS	IFRS Accounting Standards as issued by the IASB
IASB	International Accounting Standards Board

Corporate Information

BOARD OF DIRECTORS

JOEL MACLEOD
Executive Chairman
Highwood Asset Management Ltd.
Calgary, Alberta

GREG MACDONALD
President & CEO
Highwood Asset Management Ltd.
Calgary, Alberta

STEPHEN HOLYOAKE
CEO, Fireweed Energy Ltd.
Calgary, Alberta

DAVID GARDNER
Independent Director
Tomahawk, Wisconsin

RYAN MOONEY
Managing Director, Investment Banking
Ventum Financial Corp.

RAY KWAN
Independent Director
Calgary, Alberta

OFFICERS

JOEL MACLEOD
Executive Chairman

GREG MACDONALD
President & Chief Executive Officer

CHRIS ALLCHORNE
Chief Financial Officer

KELLY MCDONALD
Vice President, Exploration

RYAN PETKAU
Vice President, Operations

TREVOR WONG-CHOR
Corporate Secretary

HEAD OFFICE
1100, 250 – 2nd Street SW
Calgary, Alberta
T2P 0C1

Telephone: 403-719-0499
Facsimile: 587-296-4916

AUDITORS
RSM Canada LLP
Calgary, Alberta

BANKERS

Royal Bank of Canada
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

Alberta Treasury Branches
Calgary, Alberta

Macquarie Bank Limited
Calgary, Alberta

Business Development Bank of Canada
Calgary, Alberta

LEGAL COUNSEL
DLA Piper (Canada) LLP
Calgary, Alberta

EVALUATION ENGINEERS
GLJ Ltd.
Calgary, Alberta