

**NOT FOR DISTRIBUTION IN THE UNITED STATES OR DISSEMINATION THROUGH
UNITED STATES NEWSWIRE SERVICES**



**HIGHWOOD ASSET MANAGEMENT LTD. ANNOUNCES TRANSFORMATIONAL
ACQUISITIONS, APPROXIMATELY \$35 MILLION MARKETED EQUITY FINANCING,
AND NEW CREDIT FACILITY**

Calgary, Alberta, July 5, 2023

Highwood Asset Management Ltd. (“**Highwood**” or the “**Company**”) (TSXV: HAM) is pleased to announce that it has entered into arm’s-length agreements to acquire each of Castlegate Energy Ltd. (“**Castlegate**”), Boulder Energy Ltd. (“**Boulder**”) and Shale Petroleum Ltd. (“**Shale**”) (collectively, the “**Acquisitions**”) for a net purchase price of approximately \$139 million.

The cash portion of the Acquisitions is anticipated to be funded primarily through a “best efforts” marketed offering of subscription receipts expected to raise aggregate gross proceeds of approximately \$35 million (the “**Offering**”) and a draw on a new \$100 million reserve-based credit facility. Each subscription receipt represents the right of the holder to receive, upon closing of the Acquisitions, without payment of additional consideration, one unit of the Company, comprised of one common share and one-half of one common share purchase warrant.

Commenting on the Acquisitions, Joel MacLeod, Executive Chairman of Highwood said “We are extremely pleased with the opportunity to acquire high quality, low ARO (asset retirement obligation) assets with significant depth of inventory with sub 12-month payouts at a combined 2.2x EV to NTM Field NOI (See “*Acquisition Metrics*”) purchase multiple. Further, we believe having a clean capital structure with a low cost \$100 million credit facility is a significant advantage for Highwood as we look to grow Highwood to 30,000+ boe/d. With an estimated initial leverage of approximately 1.2x on 2024E Adjusted EBITDA (See “*Strategic Benefits*”) and spending approximately 60% of anticipated cash flow to grow production over 25% while de-leveraging to approximately 0.9x by year-end 2024, we feel Highwood will be in a strong position to grow free cash flow per share over the next three to five years. Alignment with our shareholders is critical and insiders expect to increase our ownership over the next three to five years while offering liquidity to shareholders. These acquisitions are expected to provide a strong production and cash flow base as a platform for further consolidation of conventional oil and gas assets in the WCSB. The assets bring highly economic multi-lateral drilling inventory with anticipated relatively quick Payback Periods, which are expected to drive near-term growth while generating free cash flow.”

Completion of each of the Acquisitions is subject to customary closing conditions, including receipt of requisite regulatory approvals, and is conditional on closing of each of the other Acquisitions. The Company expects to complete the Acquisitions in the third quarter of 2023.

Acquisition Highlights:

- The Acquisitions bring a combined ~4,500 boe/d (approximately 75% oil and natural gas liquids (“**NGLs**”)) of expected average production over the 12-month period commencing July 1, 2023 (“**Next Twelve Months**” or “**NTM**”) with before tax Proved Developed Producing (“**PDP**”) net present value discounted at a rate of 10% (“**NPV 10**”) of \$166 million¹, NTM field net operating income (“**NTM Field NOI**”)² of \$64 million, and 97 net drilling locations to sustain the acquired production for over 10 years³
- Highwood will focus on the utilization of multi-lateral well development to drive approximately 25% anticipated production growth to approximately 5,200 boe/d in 2024 on an expected capital program of approximately \$11 million

in the fourth quarter of 2023 and \$40 million in 2024, while expecting to reduce Net Debt / 2024E EBITDA to under 0.9x by year-end 2024⁴

- Upon completion of the Acquisitions, Highwood will be positioned as a growth focused oil-weighted producer with expected insider ownership of more than 50%, where insiders remain committed to supporting the Company's long-term growth trajectory and prudent use of debt capital
- Highwood plans to grow its oil-weighted production to over 30,000 boe/d both organically and through the acquisition and development of undervalued, low-risk opportunities that support building a strong portfolio of cash flowing assets offering development upside
- The Acquisitions support Highwood's strategy to become a premier, publicly traded, oil-weighted producer, while leveraging management's expertise in drilling and deploying multi-lateral well technology with considerable inventory with Payback Periods of less than 12 months⁴

Notes to Acquisition Highlights:

- (1) Gross reserves information as at January 1, 2023 and is derived from the Acquisition Reserves Reports, in accordance with NI 51-101 and the COGE Handbook. See "Boulder Transaction", "Castlegate Transaction", and "Shale Transaction".
- (2) NTM field net operating income (NTM Field NOI) is forecasted for the twelve-month period commencing July 1, 2023 at an average production of 4,500 boe/d. Based on Management's projections (not forecasts set forth in the Acquisition Reserves Reports) and applying the following pricing assumptions: WTI: US\$70.00/bbl; WCS Diff: US\$14.00/bbl; MSW Diff: US\$3.50/bbl; AECO: C\$2.75/GJ; 0.74 CAD/USD. See "Non-GAAP and other Specified Financial Measures".
- (3) See "Caution Respecting Reserves Information" and "Non-GAAP and other Specified Financial Measures".
- (4) Based on Management's projections (not IQRE forecasts) and applying the following pricing assumptions: WTI: US\$70.00/bbl; WCS Diff: US\$14.00/bbl; MSW Diff: US\$3.50/bbl; AECO: C\$2.75/GJ; 0.74 CAD/USD. Management projections are used in place of IQRE forecasts as Management believes it provides investors with valuable information concerning the liquidity of the Company. Cash flow figures assume completion of the Acquisitions on July 1, 2023 and illustrative hedges for total of 65% of net after royalty Proved Developed Producing reserves production. See "Caution Respecting Reserves Information" and "Non-GAAP and other Specified Financial Measures".

Acquisition Metrics

The following table summarizes the expected operating and financial performance of the assets anticipated to be acquired by the Company pursuant to the Acquisitions for the Next Twelve Months.

Total net consideration ⁽¹⁾	\$139 million
NTM average production	4,500 boe/d
Net drilling locations ⁽²⁾	67 booked (30 unbooked)
Proved plus probable reserves ⁽³⁾	39.3 MMboe
NTM Field NOI ⁽⁴⁾	\$64 million
NTM Adjusted EBITDA ⁽⁵⁾⁽⁶⁾	\$59 million
EV to NTM Field NOI ⁽⁵⁾⁽⁶⁾⁽⁷⁾	2.2x
Total Proved reserves	\$6.08/boe ⁽⁸⁾

Notes to the Acquisition Metrics Table:

- (1) Purchase prices are subject to adjustments. The purchase price for the Shale Acquisition is net of approximately \$2 million cash balance. The purchase price for the Castlegate Acquisition is net of approximately \$3 million cash balance.
- (2) Includes booked and unbooked locations; booked locations based on the Acquisition Reserves Report for the respective Acquisitions (46 gross locations (42 net) are proved locations, and 28 gross locations (25 net) are probable locations), unbooked locations estimated by Management. See "Caution Respecting Reserves Information".
- (3) Gross reserves information as at January 1, 2023 is derived from the Acquisition Reserves Reports, in accordance with NI 51-101 and the COGE Handbook. See "Boulder Transaction", "Castlegate Transaction", and "Shale Transaction".
- (4) Field net operating income (Field NOI) is forecasted for the twelve-month period commencing July 1, 2023 at an average production of 4,500 boe/d. Based on Management's projections (not forecasts set forth in the Acquisition Reserves Reports) and applying the following pricing assumptions: WTI: US\$70.00/bbl; WCS Diff: US\$14.00/bbl; MSW Diff: US\$3.50/bbl; AECO: C\$2.75/GJ; 0.74 CAD/USD. See "Non-GAAP and other Specified Financial Measures". See "Caution Respecting Reserves Information" and "Non-GAAP and other Specified Financial Measures".
- (5) Based on Management's projections (not forecasts set forth in the Acquisition Reserves Reports) and applying the following pricing assumptions: WTI: US\$70.00/bbl; WCS Diff: US\$14.00/bbl; MSW Diff: US\$3.50/bbl; AECO: C\$2.75/GJ; 0.74 CAD/USD.
- (6) See "Non-GAAP and other Specified Financial Measures".
- (7) Enterprise Value is equal to the net purchase price for each of the respective Acquisitions.
- (8) Calculated as the net purchase price for the Acquisitions divided by total Proved Reserves.

- (9) This forecasted information requires assumptions from Management in order to derive estimates of future cash flow related to production volumes, commodity prices, amount of future development costs, and production, royalty and transportation costs. See “Cautionary Note Regarding Forward-Looking Information”.

Forecast Guidance

The following table summarizes the Company’s forecasted operating and financial guidance for the 12-month period commencing July 1, 2023 and full year 2024 assuming completion of the Acquisitions on July 1, 2023. See “Cautionary Note Regarding Forward-Looking Information”.

Operating and Financial Metrics	Forecast Guidance ⁽¹⁾⁽²⁾	
	NTM	2024
Production	4.7 Mboe/d	5.2 Mboe/d
Liquids	~76%	~78%
Adjusted EBITDA ⁽³⁾	\$62 million	\$72 million
CAPEX ⁽³⁾	(\$38 million)	(\$40 million)
Free Cash Flow ⁽³⁾	\$18 million	\$23 million
Oil Weighted Assets		
Total Proved plus Probable ⁽⁴⁾	41.4 MMboe	
2P Reserves Life Index (RLI) ⁽⁵⁾	~24 years	
Inventory (Booked & Unbooked), net ⁽⁶⁾	135 locations	

Notes to Forecast Guidance Table:

- (1) Based on Management’s projections (not forecasts set forth in the 2022 Reserves Report and the Acquisition Reserves Reports) and applying the following pricing assumptions: (i) actuals and strip pricing as at June 23, 2023 through the second quarter of 2023; and (ii) thereafter: WTI: US\$70.00/bbl; WCS Diff: US\$14.00/bbl; MSW Diff: US\$3.50/bbl; AECO: C\$2.75/GJ; 0.74 CAD/USD. Management projections are used in place of IQRE forecasts as Management believes it provides investors with valuable information concerning the liquidity of the Company.
- (2) Assumes completion of the Acquisitions on July 1, 2023. Cash flow figures also include illustrative hedges for total of 65% of expected Q4 2023 and 2024 net after royalty production associated with Proved Developed Producing reserves. See “Cautionary Note Regarding Forward-Looking Information”.
- (3) See “Non-GAAP and other Specified Financial Measures”.
- (4) Gross reserves information as at January 1, 2023 is derived from the 2022 Reserves Report and the Acquisition Reserves Reports, in accordance with NI 51-101 and the COGE Handbook. See “Boulder Transaction”, “Castlegate Transaction”, and “Shale Transaction”.
- (5) RLI is calculated as the amount of relevant reserves category divided by total estimated NTM production and assumes completion of the Acquisitions on July 1, 2023.
- (6) Includes booked and unbooked locations; booked locations based on the 2022 Reserves Report and the Acquisition Reserves Report for the respective Acquisitions (50 gross locations (45 net) are proved locations, and 31 gross locations (27 net) are probable locations), unbooked locations estimated by Management. See “Caution Respecting Reserves Information”.

Boulder Transaction

Highwood has entered into a share purchase agreement (the “**Boulder Agreement**”) to acquire all of the issued and outstanding shares of Boulder, a privately held oil and gas provider focused on light oil in Alberta, for aggregate consideration of \$98 million, subject to a working capital adjustment (the “**Brazeau Acquisition**”). The Brazeau Acquisition is expected to close in the third quarter of 2023, subject to satisfaction of customary closing conditions and receipt of regulatory approvals. The \$98 million consideration consists of:

- the issuance of such number of Common Shares by the Company to West Lake at the same price as the Offering that would equal the lesser of: (i) \$9 million; and (ii) such number of Common Shares that would equal (but not exceed) 9.99% of the issued and outstanding Common Shares (on a non-diluted basis) as at the closing date of the Acquisitions (the “**Brazeau Equity Consideration**”);
- the issuance of an unsecured subordinated promissory note by the Company to West Lake (the “**Boulder Note**”) in the principal amount equal to \$23 million less (a) the dollar value of the Brazeau Equity Consideration; (b) the dollar value, if any, by which the gross proceeds from the Offering and the Private Placement (as defined below) exceed \$37.8 million (up to \$3 million) (the “**Equity Overage Amount**”); and (c) the dollar value, if any, by which the gross proceeds from the Offering and the Private Placement exceed \$45 million (up to \$11 million) (the “**Initial Principal Amount**”); provided that, the Initial Principal Amount shall never be less than \$0. The Boulder Note is expected to mature on July 1, 2025 and to provide for payments, equal to 25% of the Initial Principal Amount, 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 will pay 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) under the Boulder Note are anticipated to be subject to certain terms and conditions under the New Credit Agreement. If the gross proceeds of the Offering and the Private Placement are less than \$40.8 million, all obligations under the Boulder Note will also be fully and unconditionally personally guaranteed by Joel MacLeod, the Executive Chairman of the Company, in an amount limited to \$3 million less the Equity Overage Amount, plus costs and expenses of enforcement plus interest; and

- an estimated cash payment of \$75 million on the closing date of the Acquisitions, such amount representing the aggregate purchase price of \$98 million, less the dollar value of each of the Brazeau Equity Consideration (estimated to be \$9 million) and the Boulder Note (estimated to be \$14 million).

Upon completion of the Brazeau Acquisition, Highwood will acquire approximately 2,700 boe/d (~74% oil and NGLs) of low decline, capital efficient production, which is expected to generate Field Cash Flow of \$34.91/boe resulting in NTM Field NOI of \$35 million, implying a 2.8x Enterprise Value (“EV”)/Field NOI multiple.¹

Based on the Brazeau Reserves Report (as herein defined), the Brazeau Acquisition has a before-tax PDP NPV10 of \$116 million, implying a 0.8x EV/PDP NPV10 multiple, and a before-tax Total Proved Plus Probable (“2P”) NPV10 of \$320 million, implying a 0.3x EV/2P NPV10 multiple, with over 95,198 net acres of land in the Brazeau area of Alberta (the “**Brazeau Assets**”).² The focus of the Brazeau Assets is concentrated in the light oil Belly River Formation. The Brazeau Assets are located approximately 350 km northwest of Calgary. Highwood plans to utilize multi-lateral wells to grow production on the asset where the existing 12-09-48-14W5 multi-lateral well has produced over 140,000 bbls of oil over 15 months and had a Payback Period of approximately eight months.

Concurrent with the execution of the share purchase agreement in respect of the Brazeau Acquisition, the Company paid a \$2.0 million deposit to the vendor. The deposit was financed by a \$2.8 million loan from 1080766 Alberta Ltd. (a corporation which Joel MacLeod, Executive Chairman of the Company, has beneficial ownership and control, and which currently owns approximately 67% of the issued and outstanding Common Shares) (“**1080766**”). The loan is non-convertible, unsecured and non-interest bearing and is due on demand. The loan is considered a “related party transaction” (as defined under Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions (“**MI 61-101**”)) and the Company relied upon the “Fair Market Value Not More Than 25% of Market Capitalization” exemption from the minority shareholder approval requirements under MI 61-101. Subject to acceptance by the Toronto Venture Exchange (“**TSX-V**”), this loan will be repaid from the proceeds of the Offering and is intended to be later re-invested pursuant to the Private Placement.

Notes to Boulder Transaction

- (1) Based on Management’s projections (not IQRE forecasts) and applying the following pricing assumptions: WTI: US\$70.00/bbl; WCS Diff: US\$14.00/bbl; MSW Diff: US\$3.50/bbl; AECO: C\$2.75/GJ; 0.74 CAD/USD. Management projections are used in place of IQRE forecasts as Management believes it provides investors with valuable information concerning the liquidity of the Company. See “Non-GAAP and other Specified Financial Measures” for additional details. Enterprise Value is equal to the net purchase price for the Boulder Acquisition.
- (2) Reserves information is derived from the Brazeau Reserves Report, in accordance with NI 51-101 and the COGE Handbook. Enterprise Value is equal to the purchase price for the Boulder Acquisition.

Castlegate Transaction

Highwood has entered into a share purchase agreement (the “**Castlegate Agreement**”), to acquire Castlegate, a privately held oil and gas producer focused on light oil in Alberta, for aggregate cash consideration of \$36.7 million (the “**Castlegate Acquisition**”) (plus payment for \$4.2 million of working capital), with Highwood expecting to assume an estimated \$7.2 million of working capital on closing of the Castlegate Acquisition (assuming closing in the third quarter of 2023). All consideration payable under the Castlegate Acquisition shall be paid in full in cash on closing of the Castlegate Acquisition.

The Castlegate Acquisition is expected to close in the third quarter of 2023, subject to satisfaction of customary closing conditions and receipt of regulatory approvals.

Upon completion of the Castlegate Acquisition, Highwood estimates that it will acquire approximately 1,400 boe/d (~85% oil and NGLs) of capital efficient production, which is expected to generate Field Cash Flow of \$54.66/boe resulting in NTM Field NOI of \$28 million, implying a 1.2x EV/ Field NOI multiple.¹

Based on the Castlegate Reserves Report (as herein defined), the Castlegate Acquisition has a before-tax PDP NPV10 of \$40

million, implying a 0.8x EV/PDP NPV10 multiple, and a before-tax 2P NPV10 of \$92 million, implying a 0.4x EV/2P NPV10 multiple, with over 10,660 net acres of land in the Wilson Creek area of Alberta (the “**Castlegate Assets**”).² Highwood looks to develop the asset with both multi-lateral well technology and stage fracked wells where the recent 102/06-04-43-05W5 well continues to produce over 650 boe/d after being on production for over 50 days. The focus of the Castlegate Assets is concentrated in the light oil Belly River Formation. The Castlegate Assets are located approximately 250 km northwest of Calgary.

Notes to Castlegate Transaction

- (1) Based on Management’s projections (not IQRE forecasts) and applying the following pricing assumptions: WTI: US\$70.00/bbl; WCS Diff: US\$14.00/bbl; MSW Diff: US\$3.50/bbl; AECO: C\$2.75/GJ; 0.74 CAD/USD. Management projections are used in place of IQRE forecasts as Management believes it provides investors with valuable information concerning the liquidity of the Company. See “Non-GAAP and other Specified Financial Measures” for additional details. Enterprise Value is equal to the net purchase price for the Castlegate Acquisition.
- (2) Gross reserves information as at January 1, 2023 is derived from the Castlegate Reserves Report, in accordance with NI 51-101 and the COGE Handbook. Enterprise Value is equal to the purchase price for the Castlegate Acquisition less approximately \$3 million cash balance.

Shale Transaction

Highwood has entered into a share purchase agreement (the “**Shale Agreement**”), to acquire all of the issued and outstanding shares of Shale, a privately held oil and gas provider focused on Cardium liquids-rich natural gas in Alberta, for aggregate consideration of \$9 million, subject to a working capital adjustment (the “**Shale Acquisition**”). The Shale Acquisition is expected to close in the third quarter of 2023, subject to satisfaction of customary closing conditions and receipt of regulatory approvals.

Upon completion of the Shale Acquisition, Highwood will acquire approximately 300 boe/d (~37% oil and NGLs) of moderate decline, capital-efficient production, which is expected to generate NTM Field NOI of \$0.4 million, implying a 18.2x EV/Field NOI multiple.^{1,2} Based on the Shale Reserves Report, the Shale Acquisition has a before-tax PDP NPV10 of \$10 million, implying a 0.7x EV/PDP NPV10 multiple¹, and a before-tax 2P NPV10 of \$64 million, implying a 0.1x EV/2P NPV10 multiple¹, with over 27,125 net acres of land located in the Ricinus, Harmattan and Claresholm areas of Alberta (the “**Shale Assets**”).³ The focus of the Shale Assets is concentrated on the liquids-rich natural gas Fractured Enhanced Cardium Halo at Rincius (FECHAR). The Shale assets are located approximately 150 km northwest of Calgary.

The \$9 million consideration for the Shale Acquisition will be paid by the issuance of Common Shares issued at the 20-trading-day trailing volume weighted average price (“**VWAP**”) on the TSX-V as determined on the last trading date immediately prior to the execution of the Shale Agreement. The VWAP for the period was approximately \$7.05/share, resulting in approximately 1,277,030 Common Shares being issued from treasury.

Copies of the Boulder Agreement, Castlegate Agreement and Shale Agreement will be available on SEDAR at www.sedar.com.

Notes to Shale Transaction

- (1) The purchase price for the Shale Acquisition is net of approximately \$2 million cash balance.
- (2) Based on Management’s projections (not IQRE forecasts) and applying the following pricing assumptions: WTI: US\$70.00/bbl; WCS Diff: US\$14.00/bbl; MSW Diff: US\$3.50/bbl; AECO: C\$2.75/GJ; 0.74 CAD/USD. Management projections are used in place of IQRE forecasts as Management believes it provides investors with valuable information concerning the liquidity of the Company. See “Non-GAAP and other Specified Financial Measures”.
- (3) Gross reserves information as at January 1, 2023 is derived from the Shale Reserves Report, in accordance with NI 51-101 and the COGE Handbook. Enterprise Value is equal to the net purchase price for the Shale Acquisition less approximately \$2 million cash balance.

Strategic Benefits⁽¹⁾

- **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 over 10 years of high confidence drilling inventory
 - Post-Acquisitions: 72 booked (63 unbooked) net drilling locations provide significant running room for development of assets⁽²⁾

- **Prudent use of leverage has a material impact to driving outsized equity returns**
 - Acquiring assets near all-time low cash flow multiples supported by traditional Canadian reserve-based credit facility
 - Initial leverage of approximately 1.2x is expected to be reduced to approximately 0.9x by year-end 2024 while growing production to over 5,000 boe/d⁽³⁾⁽⁴⁾⁽⁵⁾
- **Downside protected with low WTI Sustaining FCF Breakeven and commodity hedges**
 - Expected Corporate FCF Breakeven of approximately US\$44/bbl, including interest and growth capital, in 2024⁽⁴⁾⁽⁶⁾
 - 65% net after royalty PDP production expected to insulate Highwood from downside commodity environment
- **Committed management team with track record of creating value for shareholders**
 - Management expected to own approximately 35% of the Common Shares post-Acquisitions
 - Deep technical expertise, including multi-lateral development, with approximately 75 years of combined experience
- **Approximately \$342 million of tax pools (approximately \$113 million immediately deductible)⁽⁷⁾**
 - Tax Horizon of >3 years at US\$70/bbl WTI
 - Ability to increase pools with follow-on tuck in acquisitions

Notes to Strategic Benefits:

- (1) All forecasted disclosure other than cash flows assumes completion of the Acquisitions on July 1, 2023. Additionally this forecasted information requires assumptions from Management in order to derive estimates of future cash flow related to production volumes, commodity prices, amount of future development costs, and production, royalty and transportation costs. See “Cautionary Note Regarding Forward-Looking Information”.
- (2) Includes booked and unbooked locations; booked locations based on the 2022 Reserves Report and the Acquisition Reserves Report for the respective Acquisitions (50 gross locations (45 net) are proved locations, and 31 gross locations (27 net) are probable locations), unbooked locations estimated by Management. Excludes 50 total net locations from Shale. See “Caution Respecting Reserves Information”.
- (3) Based on Management’s projections (not IQRE forecasts) and applying the following pricing assumptions: WTI: US\$70.00/bbl; WCS Diff: US\$14.00/bbl; MSW Diff: US\$3.50/bbl; AECO: C\$2.75/GJ; 0.74 CAD/USD. Management projections are used in place of IQRE forecasts as Management believes it provides investors with valuable information concerning the liquidity of the Company.
- (4) Cash flow figures assume completion of the Acquisitions on July 1, 2023, and, in each case, include illustrative hedges for total of 65% of net after royalty Proved Developed Producing reserves production.
- (5) Leverage calculated as Net Debt / 2024E EBITDA. See “Non-GAAP and other Specified Financial Measures”.
- (6) Includes illustrative hedges for total of 65% of net after royalty Proved Developed Producing reserves production. See “Non-GAAP and other Specified Financial Measures”.
- (7) Tax pools as at December 31, 2021; immediately deductible pools include Net Operating Losses and Canadian Exploration Expenses.
- (8) Changes in forecast commodity prices, differences in the timing of capital expenditures and variances in average production estimates can have a significant impact on the key performance metrics included in the forward-looking information for the fourth quarter of 2023 and full year 2023 and 2024. The Company’s actual results may differ materially from these estimates. See “Cautionary Note Regarding Forward-Looking Information”.

Transaction Financing

The cash consideration of the Acquisitions is anticipated to be primarily funded through proceeds from:

- *The Offering* — a “best efforts” marketed offering of Subscription Receipts with expected aggregate gross proceeds of approximately \$35 million
- *New Credit Facilities* — up to \$100 million senior secured reserve-based credit facilities, which will be drawn to a maximum of \$75 million, as further described below
- *Private Placement* — up to \$2.8 million private placement of Units (as defined herein) upon, or substantially concurrent with, and conditional upon closing of the Acquisitions as further described below

Marketed Equity Financing

The Company announced today that it commenced a “best efforts” marketed offering of approximately \$35 million of Subscription Receipts led by RBC Dominion Securities Inc. (“**RBC**”), Echelon Wealth Partners Inc. (“**Echelon**”), Raymond James Ltd. (“**Raymond James**” and, collectively with RBC and Echelon, the “**Co-Lead Agents**”) on behalf of a syndicate of agents to be formed (collectively with the Co-Lead Agents, the “**Agents**”) for the issuance of approximately 5.8 million Subscription Receipts, at an anticipated issue price of \$6.00 per Subscription Receipt.

Each subscription receipt ("**Subscription Receipts**") represents the right of the holder to receive, upon closing of the Acquisitions, without payment of additional consideration, one unit of the Company ("**Offered Unit**"). Each Offered Unit is comprised of one Common Share of the Company (each a "**Unit Share**") and one-half of one common share purchase warrant (each full warrant, a "**Warrant**") with each Warrant exercisable into one Common Share (a "**Warrant Share**"). Each Warrant will be exercisable to acquire one Common Share at an anticipated price of \$7.50 for a period of 36 months from the issuance date of the Warrants.

The gross proceeds of the Offering, less the portion of the agents' fee that is payable on the closing of the Offering, will be held in escrow and intended to be used, in combination with the net proceeds of the approximately \$2.8 million Private Placement, to partially fund the cash consideration payable in respect of the Acquisitions. If the Acquisitions do not close as described above by September 8, 2023 or if any of the Acquisitions are terminated at an earlier time, the gross proceeds of the Offering and pro rata entitlement to interest earned or deemed to be earned on the gross proceeds of the Offering calculated from the closing of the Offering to but excluding the termination date, net of any applicable withholding taxes, will be paid to holders of the Subscription Receipts and the Subscription Receipts will be cancelled.

1080766 intends to purchase an aggregate amount of up to \$2.2 million of Subscription Receipts pursuant to the Offering. Such purchase and sale is considered a "related party transaction" (as defined under MI 61-101) and the Company intends to rely upon the "Fair Market Value Not More Than 25% of Market Capitalization" exemption from the formal valuation and minority shareholder approval requirements, respectively, under MI 61-101.

The Offering is being made concurrently in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick pursuant to a prospectus supplement to the Company's amended and restated short form base shelf prospectus dated May 19, 2023 for the Provinces of British Columbia, Alberta, Saskatchewan and Ontario and the short form base shelf prospectus dated May 19, 2023 for the provinces of Manitoba and New Brunswick (collectively, the "**Prospectus**") and in the United States on a private placement basis to "qualified institutional buyers" pursuant to an exemption from the registration requirements of the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**").

The terms of the Offering will be determined in the course of marketing, with the final terms to be determined at the time of pricing. There can be no assurance as to whether or when the Offering may be completed, or as to the actual size or terms of the Offering. The closing of the Offering will be subject to market and other customary conditions and the approval of, and the listing of the Common Shares and Warrants on, the TSX-V.

The Company is seeking the approval of the TSX-V to list the Subscription Receipts, as well as the Common Shares, the Warrants and the Warrants Shares issuable thereunder, once issued, such listing being subject to TSX-V approval.

In addition, the Company will grant to the Agents an option, exercisable in whole or in part in the sole discretion of the Agents at any time up to 30 days from and including the closing date of the Offering, to offer to sell that number of additional Subscription Receipts that is equal to 15% of the number of Subscription Receipts sold under the Offering, on the same terms and conditions as set forth above to cover over-allotments, if any, and for market stabilization purposes.

Copies of the Prospectus, following filing of the prospectus supplement, may be obtained on SEDAR at www.sedar.com and from RBC Capital Markets, RBC Wellington Square, 8th Floor, 180 Wellington St. W., Toronto, Ontario, M5J 0C2 Attn: Distribution by telephone at 416-313-8180 or by email at Distribution.RBCDS@rbccm.com. The Prospectus contains important detailed information about the Company and the proposed Offering, including the Subscription Receipts, Offered Units, Unit Shares and Warrants to be issued thereunder. Prospective investors should read the Prospectus and the other documents the Company has filed on SEDAR at www.sedar.com before making an investment decision.

No securities regulatory authority has either approved or disapproved of the contents of this news release. The Subscription Receipts, Offered Units, Common Shares, Warrants and Warrant Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (as defined in the U.S. Securities Act of 1933, as amended) except in transactions not required to be registered under the U.S. Securities Act of 1933, as amended. This news release does not constitute an offer to sell or a solicitation of an offer to purchase any of the securities within the United States.

Anticipated New Credit Facilities

In connection with the Acquisitions, the Company received an indicative term sheet from the Royal Bank of Canada which outlined new senior secured extendible revolving credit facilities in the aggregate principal amount of up to \$100 million (the “**New Credit Facilities**”), which are anticipated to replace the Company’s existing credit facilities. The New Credit Facilities are anticipated to be comprised of extendible revolving credit facilities consisting of a \$10 million operating facility and an up to \$90 million syndicated loan facility. The New Credit Facilities are anticipated to be provided for in a credit agreement to be entered into in connection therewith (the “**New Credit Agreement**”).

The New Credit Facilities are anticipated to have a revolving period of 364 days, extendible annually at the request of the Company, subject to approval of the lenders thereunder. If not extended, the New Credit Facilities are anticipated to automatically convert to a term loan and all outstanding obligations will be repayable one year after the expiry of the revolving period. The borrowing base for the New Credit Facilities is anticipated to be \$100 million upon completion of all the Acquisitions, and to be subject to semi-annual redeterminations, based upon the Company’s annual independent engineering report or updates thereto. It is anticipated that the Company’s borrowing base will be determined and re-determined by the lenders under the New Credit Agreement in connection with the New Credit Facilities (to the extent provided) based on the Company’s reserves, commodity prices, applicable discount rate and other factors as determined by the Company’s lenders. It is anticipated that a material decline in commodity prices could reduce the Company’s borrowing base, therefore reducing the funds available to the Company under the New Credit Facilities (to the extent provided) which could result in a portion, or all, of the Company’s bank indebtedness being required to be repaid. The New Credit Facilities are anticipated to be secured by a first fixed and floating charge over all the Company’s assets. The New Credit Facilities are anticipated to include operating restrictions on the Company, including (among other things), limitations on acquisitions, distributions, dividends and hedging arrangements.

Upon, or substantially concurrently with, and conditional upon closing of the Acquisitions, the full amount under the New Credit Facilities is anticipated to become available under the New Credit Agreement (subject to a maximum utilization rate of 75% at closing, being \$75 million).

Shale Shareholder Board Nomination Right

In connection with the closing of the Shale Acquisition, HR Exploration & Energy GMBH (“**HR Exploration**”) will receive approximately 943,742 Common Shares of the Company in exchange for the purchase of the common shares of Shale held by HR Exploration 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 of Subscription Receipts under the Offering, pursuant to the terms and subject to the conditions set forth in a strategic investment agreement entered into between the Company and HR Exploration (the “**Strategic Investment**”). The Strategic Investment is subject to a number of conditions, including the approval of the TSX-V.

Pursuant to the Strategic Investment, the Company and HR Exploration shall enter 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 of directors of the Company (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 shall 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 up to a maximum of a percentage ownership interest of 17% of the issued and outstanding Common Shares. HR Exploration’s board nominee has not been determined as at the time of this news release. 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.

West Lake Board Nomination Right

In connection with the closing of the Brazeau Acquisition and the issuance of the Brazeau Equity Consideration, the Company and vendor, West Lake Energy Corp. (“**West Lake**”), shall enter into a board nomination agreement (“**WL Board Nomination Agreement**”) whereby West Lake shall, for so long as it shall own or control, directly or indirectly, not less than 9% of the issued and outstanding Common Shares, be entitled to designate for election or appointment to the Board, as applicable, one nominee. The Company shall use commercially reasonable efforts to ensure that West Lake’s nominee shall be elected to the Board. West Lake’s board nominee has not been determined as at the time of this news release.

Private Placement

Upon, or substantially concurrent with, and conditional upon closing of the Acquisitions, 1080766 intends to purchase an aggregate amount of up to \$2.8 million in units of the Company (the “**Private Placement Units**”) comprised of one Common Share and one-half of one common share purchase warrant (the “**Private Placement**”). The Private Placement Units are intended to be issued on terms identical to the terms of the Offered Units that are issuable pursuant to the terms of the Subscription Receipts under the Offering.

Each of the Private Placement and the Guarantee are considered a “related party transaction” (as defined under MI 61-101) and the Company intends to rely upon the “Fair Market Value Not More Than 25% of Market Capitalization” exemption from the formal valuation and minority shareholder approval requirements under MI 61-101 in respect of each.

The Private Placement Units purchased pursuant to the Private Placement (including the Common Shares and Warrants comprising such Private Placement Units, and the Common Shares issuable upon the exercise of such Warrants) will be subject to a statutory hold period. The Private Placement is subject to a number of conditions, including completion of definitive documentation and the approval of the TSX-V.

1080766 has also committed to participate in the Offering for an additional \$2.2 million, bringing the aggregate equity commitment from 1080766 under the proposed transactions to \$5 million.

Financial and Strategic Advisors

RBC Capital Markets is acting as financial advisor to Highwood on the Acquisitions and Echelon Capital Markets, Raymond James and ATB Capital Markets are acting as strategic advisors to Highwood on the Acquisitions.

About Highwood Asset Management Ltd.

Highwood Asset Management Ltd. (TSXV: HAM) is a growth orientated oil and gas exploration and production company committed to shareholder alignment with high insider ownership while creating long-term value for its shareholders. The Company has an extensive inventory of low-risk, oil development drilling locations focused primarily on horizontal multi-lateral development of its assets. Operating as a responsible corporate citizen is a key focus to ensure we deliver on our environmental, social and governance (ESG) commitments and goals. For more information, please visit the Company’s website at www.highwoodmgmt.com.

Further Information

For further information about the Company please contact:

Joel MacLeod
Executive Chairman
587.393.0862
jmacleod@highwoodmgmt.com

Cautionary Note Regarding Forward-Looking Information

This news release contains certain statements and information, including forward-looking statements within the meaning of the “safe harbor” provisions of applicable securities laws, and which are collectively referred to herein as “forward-looking

statements". The forward-looking statements contained in this news release are based on Highwood's current expectations, estimates, projections and assumptions in light of its experience and its perception of historical trends. When used in this news release, the words "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions, as they relate to Highwood or the proposed Acquisitions, are intended to identify forward-looking statements. 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. Actual operational and financial results may differ materially from Highwood's expectations contained in the forward-looking statements as a result of various factors, many of which are beyond the control of the Company.

Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Forward-looking statements may include, but are not limited to, statements with respect to:

- the completion of the Offering and timing and terms thereof;
- the expected net proceeds from the Offering and the Company's intended use thereof;
- completion of each of the Acquisitions and terms and timing thereof;
- the expected financing sources for the Acquisitions;
- expectations regarding future share ownership of Highwood by insiders;
- anticipated benefits of each of the Acquisitions, including anticipated acquisition metrics used in this news release;
- the listing of the Subscription Receipts, Unit Shares, the Warrants and the Warrant Shares (including any Subscription Receipts, Unit Shares and Warrant Shares issuable pursuant to the exercise of the Over-Allotment Option, and the Warrant Shares issuable upon the exercise of such Warrants) on the TSX-V;
- the entering into of the New Credit Agreement and the replacement of the Credit Facility with the New Credit Facilities;
- the entering into of the Term Facility;
- the Company's expectations with respect to Highwood's financial and operational results following completion of the Acquisitions;
- the Company's anticipated growth to production of over 30,000 boe/d;
- the Company's estimates of the drilling locations inventory and tax pools associated with the Acquisitions;
- the Company's expectations regarding capacity of infrastructure associated with its business and the businesses of Shale, Boulder and Castlegate;
- anticipated operational results for 2023 and 2024 and beyond, including, but not limited to, estimated or anticipated production levels, decline rates, capital expenditures and sources of funding thereof, drilling plans and other information discussed in this news release;
- anticipated financial results of the Company in 2023 and 2024 and beyond following completion of the Acquisitions, including but not limited to, Adjusted EBITDA, free cash flow, field net operating income, and net debt;
- the performance characteristics of the Company and the oil and natural gas properties subject to the Acquisitions;
- the quantity of the Company's and the acquired businesses' oil and natural gas reserves and anticipated future cash flows from such reserves;
- the Company's expectations regarding commodity prices and costs;
- the Company's expectations regarding supply and demand for oil and natural gas;
- expectations regarding the Company's ability to raise capital and to continually add to reserves through acquisitions and development;
- completion of the Strategic Investment;
- completion of the Private Placement;
- the issuance by the Company of the Boulder Note and the terms thereof;
- the Company's expectation regarding its ability to return of capital to shareholders;
- treatment under governmental regulatory regimes and tax laws;
- fluctuations in depletion, depreciation, and accretion rates;
- expected changes in regulatory regimes in respect of royalty curves and regulatory improvements and the effects of

- such changes; and
- Highwood's business and acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom.

These forward-looking statements are not guarantees of future performance and are subject to a number of known and unknown risks and uncertainties that could cause actual events or results to differ materially, including, but not limited to:

- inability to complete the Acquisitions;
- the conditions to completion of the Offering may not be satisfied;
- timing and receipt of applicable regulatory approvals for each of the Acquisitions, the Offering and the Private Placement;
- failure to close the New Credit Facilities, or that the New Credit Facilities will be completed on terms materially different from the terms described in this news release;
- failure to close the Private Placement
- failure to realize the anticipated benefits of acquisitions, including results and/or synergies of each of the proposed Acquisitions;
- unexpected costs or liabilities related to each of the Acquisitions;
- volatility in market prices for oil and natural gas;
- operational risks and liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- changes in royalty regimes;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of benefits to be obtained from acquisitions and exploration and development programs;
- unforeseen difficulties in integrating assets acquired through acquisitions (including each of the Acquisitions) into the Company's operations;
- that the Company's ability to maintain strong business relationships with its suppliers, service providers and other third parties will be maintained;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- liquidity;
- commodity price volatility and adverse general economic, political and market conditions;
- the accuracy of oil and gas reserves estimates and estimated production levels as they are affected by exploration and development drilling and estimated decline rates;
- the uncertainties in regard to the timing of Highwood's exploration and development program;
- fluctuations in the costs of borrowing;
- political or economic developments;
- uncertainty related to geopolitical conflict;
- ability to obtain regulatory approvals; and
- the results of litigation or regulatory proceedings that may be brought against the Company;
- changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry.

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

There are numerous uncertainties inherent in estimating quantities of oil and natural gas and the future cash flows attributed to such reserves. The reserves and associated cash flow information set forth herein are estimates only. In general, estimates of economically recoverable oil and natural gas and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserves and resources recovery, timing and amount of capital investments, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For these reasons, estimates of the economically recoverable oil and natural gas 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 evaluators, or by the same evaluators at different times, may vary. The actual production, revenues, taxes and development and operating expenditures of the Company with respect to its reserves will vary from estimates thereof and such variations could

be material. This news release contains future-oriented financial information and financial outlook information (collectively, “FOFI”) about the Company’s prospective Adjusted EBITDA, Free Cash Flow, Free Cash Flow breakeven, Field Cash Flow and Field NOI, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this news release was made as of the date of this news release and was provided for the purpose of describing the anticipated effects of the Offering and each of the Acquisitions on the Company’s business operations. Highwood’s actual results, performance or achievement could differ materially from those expressed in, or implied by, such FOFI. The Company disclaims any intention or obligation to update or revise any FOFI contained in this news release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this Prospectus Supplement should not be used for purposes other than for which it is disclosed herein.

Changes in forecast commodity prices, differences in the timing of capital expenditures and variances in average production estimates can have a significant impact on the key performance metrics included in the Company’s guidance for the fourth quarter of 2023 and full year 2024 contained in this news release. The Company’s actual results may differ materially from such estimates.

With respect to forward-looking statements contained in this news release, the Company has made assumptions regarding, among other things: the timing of obtaining regulatory and third party approvals, as well as the completion of the Offering and the Acquisitions; the ability of the Company to achieve anticipated benefits from the Acquisitions; that commodity prices will be consistent with the current forecasts of its engineers; field netbacks; the accuracy of reserves estimates; average production rates; costs to drill, complete and tie-in wells; ultimate recovery of reserves; that royalty regimes will not be subject to material modification; that the Company will be able to obtain skilled labour and other industry services at reasonable rates; the performance of assets and equipment; that the timing and amount of capital expenditures and the benefits therefrom will be consistent with the Company’s expectations; the impact of increasing competition; that the conditions in general economic and financial markets will not vary materially; that the Company will be able to access capital, including debt, on acceptable terms (including, for certainty, capital anticipated to be obtained pursuant to the New Credit Facilities and the Private Placement); that drilling, completion and other equipment will be available on acceptable terms; that government regulations and laws will not change materially; that royalty rates will not change in any material respect; and that future operating costs will be consistent with the Company’s expectations.

Although Highwood believes the expectations and material factors and assumptions reflected in these forward-looking statements are reasonable as of the date hereof, there can be no assurance that these expectations, factors and assumptions will prove to be correct.

Readers are cautioned not to place undue reliance on such forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur and the predictions, forecasts, projections and other forward-looking statements may not occur, which may cause Highwood’s actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by this news release.

A more complete discussion of the risks and uncertainties facing Highwood is disclosed in Highwood’s continuous disclosure filings with Canadian securities regulatory authorities at www.sedar.com. All forward-looking information herein is qualified in its entirety by this cautionary statement, and Highwood disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events, or developments, except as required by law.

Caution Respecting Reserves Information

Readers should see the “Selected Technical Terms” in the Annual Information Form filed on April 28, 2023 for the definition of certain oil and gas terms.

Disclosure in this news release 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”). Specifically, other than as noted herein, the oil and gas information regarding the potential Acquisitions presented in this news release is based on: (i) in respect of Boulder, the reserves report prepared by McDaniel & Associates Consultants Ltd. and dated April 3, 2023 evaluating oil, natural gas liquids and natural gas interests attributable to Boulder’s properties at January 1, 2023 (the

“Brazeau Reserves Report”), (ii) in respect of Castlegate, the reserves report prepared by GLJ Ltd. and dated May 24, 2023 evaluating Castlegate’s oil, natural gas liquids and natural gas interests at January 1, 2023 (the **“Castlegate Reserves Report”**), and (iii) in respect of Shale, the reserves report prepared by GLJ Ltd. and dated January 18, 2023 evaluating Shale’s oil and gas reserves in aggregate at January 1, 2023 (the **“Shale Reserves Report”**, and together with the Brazeau Report and the Castlegate Report, the **“Acquisition Reserves Reports”**). Neither Highwood nor the Agents have engaged in any independent verification of any of the Brazeau Reserves Report, the Castlegate Reserves Report or the Shale Reserves Report, nor any of the contents thereof. 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, 2023 (the **“2022 Reserves Report”**).

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

“Proved reserves” or **“1P”** 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.

“Probable reserves” are those additional reserves that are less certain to be recovered than proved reserves.

“Proved plus probable reserves” or **“2P”** is the total of proved reserves and probable 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.

“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.

This news release contains oil and gas metrics commonly used in the oil and gas industry, including those set out below, which do not have standardized meanings or standard methods of calculation and may not be comparable to similar measures presented by other companies. Such metrics have been included in this news release to provide readers with an additional method to evaluate the Company’s performance. However, such measures are not reliable indicators of the Company’s future performance and should therefore not be unduly relied upon or used to make comparisons to other companies. Further, these metrics have not been independently evaluated, audited or reviewed and are based on historical data, extrapolations therefrom and management’s professional judgement, which involves a high degree of subjectivity. For these reasons, actual metrics attributable to any particular group of properties may differ from our estimates herein and the differences could be significant.

“2P RLI” means proven and probable reserves life index and is calculated as proven and probable reserves divided by total estimated NTM production.

“NPV10” represents the anticipated net present value of the future net revenue discounted at a rate of 10% associated with the applicable reserves.

“Payback Period” is measured as the time from the start of production to recovery of the capital investment.

“RLI” means reserves life index and is calculated based on the amount for the relevant reserves category divided by total estimated NTM production.

The net present value of future net revenues attributable to reserves and resources included in this news release do not represent the fair market value of such reserves and resources. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. The recovery and reserve estimates of reserves and resources provided in this news release are estimates only and there is no guarantee that the estimated reserves or resources will be recovered. Actual reserves and resources may be greater or less than the estimates provided in this news release. The estimates of reserves and future net revenue for individual properties in this news release may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

This news release discloses potential future drilling locations in two categories: (a) booked locations; and (b) unbooked locations. Booked locations are proposed drilling locations identified in the Acquisition Reserves Reports that have proved and/or probable reserves, as applicable, attributed to them in the Acquisition Reserves Reports. 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 who are qualified reserves evaluators in accordance with NI 51-101 based on evaluation of applicable geologic, seismic, engineering, production and reserves information. Unbooked locations do not have proved or probable reserves attributed to them in the Acquisition Reserves Reports. Highwood's ability to drill and develop these locations and the drilling locations on which Highwood actually drills wells depends on a number of known and unknown risks and uncertainties. As a result of these risks and uncertainties, there can be no assurance that the potential future drilling locations identified in this news release will ever be drilled or if Highwood will be able to produce crude oil, natural gas and natural gas liquids from these or any other potential drilling locations.

Basis of Barrels of Oil Equivalent – In this news release, the abbreviation boe means a barrel of oil equivalent on the basis of 1 boe to 6 Mcf of natural gas when converting natural gas to boes. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf to 1 boe is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio at 6:1 may be misleading.

References to “liquids” in this news release refer to, collectively, heavy crude oil, light crude oil and medium crude oil combined, and natural gas liquids.

Non-GAAP and other Specified Financial Measures

This news release contains financial measures commonly used in the oil and natural gas industry, including “Field Net Operating Income” and “Adjusted EBITDA”. These financial measures do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. Readers are cautioned that these non-IFRS measure should not be construed as an alternative to other measures of financial performance calculated in accordance with IFRS. These non-IFRS measures provides additional information that Management believes is meaningful in describing the Company's operational performance, liquidity and capacity to fund capital expenditures and other activities. Management believes that the presentation of these non-IFRS measures provide useful information to investors and shareholders as the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis.

“Adjusted EBITDA” is calculated as cash flow from (used in) operating activities, adding back changes in non-cash working capital, decommissioning obligation expenditures, transaction costs and interest expense. The Company considers Adjusted EBITDA to be a key capital management measure as it is both used within certain financial covenants anticipated to be prescribed under the New Credit Facilities and demonstrates Highwood's standalone profitability, operating and financial performance in terms of cash flow generation, adjusting for interest related to its capital structure. The most directly comparable GAAP measure is cash flow from (used in) operating activities.

“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.

“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 WCS differential: US\$14.00/bbl; MSW differential: US\$3.50/bbl; AECO: C\$2.75/GJ; 0.74 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.

“Enterprise Value” or “EV” is calculated by adding Market Capitalization and Net Debt. Management uses enterprise value to assess the valuation of the Company. There is no directly comparable GAAP measure to EV as Market Capitalization is based on current share pricing.

“Field Cash Flow” Field Cash Flow is used to assess the profitability of the Company’s operations on a unit basis. The most directly comparable GAAP measure is cash flow from (used in) operating activities. Field Cash Flow is calculated as cash flow from (used in) operating activities, adding back decommissioning obligation expenditures and any costs incurred at the corporate level, divided by production. There are no general and administrative expenses included in Field Cash Flow as those costs are incurred at the corporate level.

“Field Net Operating Income” or “Field NOI” is used a measure to calculate NOI at the field level. The most directly comparable GAAP measure is cash flow from (used in) operating activities. Field NOI is calculated as cash flow from (used in) operating activities, adding back decommissioning obligation expenditures and any costs incurred at the corporate level. There are no general and administrative expenses included in Field Cash Flow as those costs are incurred at the corporate level.

“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.

“Market Capitalization” is calculated as the number of Common Shares outstanding multiplied by the Offering Price and/or current closing market price per Common Share. The Company believes that Market Capitalization can provide useful information to investors and shareholders in understanding the value of the Company.

“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 / 2024E EBITDA” is calculated as net debt at the ending period of each financial quarter divided by the 2024E Adjusted EBITDA. The Company believes that Net Debt / 2024E Adjusted EBITDA is useful information to investors and shareholders in understanding the time frame, in years, it would take to eliminate Net Debt based on 2024E Adjusted EBITDA.

“NOI” is calculated as Net Income plus taxes, interest and excluding gains (losses) on disposals. The most directly comparable GAAP measure is Net Income. NOI provides a useful measure of the profitability of the Company’s regular operations.

“Sustaining FCF Breakeven” is calculated as the WTI price in US dollars in which Free Cash Flow is approximately zero while holding production flat. Other prices are held constant at WCS differential: US\$14.00/bbl; MSW differential: US\$3.50/bbl; AECO: C\$2.75/GJ; 0.74 CAD/USD. The Company believes that Sustaining FCF 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 sustain current production levels.

All dollar figures included herein are presented in Canadian dollars, unless otherwise noted.