MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

November 13, 2024

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 November 13, 2024, 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, 2023 and 2022 and the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2024. Unless otherwise noted, all financial information is presented in Canadian dollars, and is in accordance with International Financial Reporting Standards (IFRS). 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

- Achieved average corporate production of 5,673 boe/d in Q3 2024, representing an increase of approximately 134% from the comparative period last year (average of 2,425 boe/d) as a result of successful drilling programs in both the first and third quarter of 2024. Corporate production is currently exceeding 6,300 boe/d.

- For the third quarter of 2024, Highwood delivered Adjusted EBITDA of $20.3 million ($1.34 per share) and adjusted funds flow of $17.93 million ($1.18 per share), representing increases of $12.7 million (168%) and $11.9 million (199%), respectively, over the comparative three month period in 2023. Highwood is pleased to report Run Rate Net Debt / annualized Adjusted EBITDA of approximately 1.0x.[1]

- As a result of a successful third quarter drilling program that delivered significant PDP reserves growth, the Company's borrowing base has been increased from $110 million to $120 million.

- The Company incurred capital expenditures of approximately $20.7 million in the third quarter of 2024, with the majority of costs related to five gross (4.98 net) wells drilled — three wells in Brazeau (one booked and two unbooked) and two wells in Wilson Creek (one booked and one unbooked).

- In the first quarter of 2025, Highwood plans to begin development on its potential new core area targeting the Mannville stack, by drilling two unbooked multi-lateral open hole ("**MLOH**") wells. The Company acquired these Eastern Alberta lands primarily through Crown land sales in 2024.

- On October 1, 2024, Highwood made its first scheduled payment of $3.5 million plus accrued interest with respect to the promissory note that was issued in connection with the acquisition of Boulder Energy Ltd.

- Highwood reiterates its guidance of a 2024 capital plan of $60–65 million, 2024 average & exit production guidance of 5,500–5,700 boe/d (+8% increase at midpoint) and 6,400–6,500 boe/d (+19% increase at midpoint), respectively, and depending on timing of capital in late December a target 2024 Net Debt / 2024 Exit EBITDA ratio of 0.8-0.9x. Over the 12-month period ending December 31, 2024, Highwood expects to grow production per share by over +50% (from prior forecasted growth of 25%).(1)(2)

Notes to Highlights:

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

(2) Based on Management's projections (not Independent Qualified Reserves Evaluators' forecasts) and applying the following pricing assumptions: WTI: US$70.00/bbl; WCS Diff: US$14.00/bbl; MSW Diff: US$3.75/bbl; AECO: C$2.00/GJ; 0.73 CAD/USD. Management projections are used in place of Independent Qualified Reserves Evaluators' forecasts as Management believes it provides investors with valuable information concerning the liquidity of the Company.

Operational Update

With continued strong commodity prices in the nine months ended September 30, 2024, the Company focused primarily on the execution of its capital program. During this period, the Company executed a successful $46 million development capital program which included ten additional wells, of which five were brought online in the first quarter and the remainder in the third quarter and early fourth quarter of 2024. These ten wells consisted of five fracture stimulated wells at Wilson Creek (four booked and one unbooked), two fracture stimulated wells at Brazeau (one booked and one unbooked) and three MLOH wells, two wells in Brazeau (one booked and one unbooked) and one booked well in Viking Kinsella.

In the fourth quarter of 2024, Highwood anticipates drilling one unbooked gross (0.5 net) well and targeting four recompletions.

Outlook

The primary focus over the near-term is the completion of the Company's 2024 capital program and growth strategy while reducing the Company's leverage. At September 30, 2024, Highwood had over $300 million in tax pools, including more than $100 million in non-capital losses. Highwood does not anticipate being cash taxable for approximately three years.

Highwood is continuing to evaluate its undeveloped lands for drilling opportunities and is planning to continue its active capital program while commodity prices remain strong.

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 return of capital to shareholders. The Company will also continue to assess land offerings in strategic areas where the Company sees significant growth opportunities.

2025 Guidance

Highwood is pleased to announce 2025 guidance which is focused on debt reduction of approximately 15–20% to enable financial flexibility for acquisitions, shareholder returns and acceleration of capital. The 2025 guidance also reflects year-over-year production growth of approximately 12.5% at midpoint and a free cash flow yield of approximately 15–20% based on Highwood's current share price. Highwood's top priority remains share price appreciation and the Company appreciates all of the support from its shareholders.

Operating and Financial Metrics	2025 Guidance
Production	6.2–6.4 Mboe/d
Liquids	75–78%
Adjusted EBITDA(1)(2)	\$88–92 million
Capital Expenditures(1)	\$60–65 million
Operating Netback (per boe)(3)	\$36–38.00
Net Debt / 2025 Exit EBIDTA(2)	~0.8x

(1) Based on Management's projections (not Independent Qualified Reserves Evaluators' forecasts) and applying the pricing assumptions noted below. Management projections are used in place of Independent Qualified Reserves Evaluators' forecasts as Management believes it provides investors with valuable information concerning the liquidity of the Company.

- 2025 Guidance: WTI: US\$70.00/bbl; WCS Diff: US\$14.00/bbl; MSW Diff: US\$3.50/bbl; AECO: C\$2.00/GJ; 0.73 CAD/USD.

(2) See "Non-GAAP and other Specified Financial Measures" and "Cautionary Note Regarding Forward-Looking Information".

(3) See "Caution Respecting Reserves Information" and "Cautionary Note Regarding Forward-Looking Information".

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 assets acquired in the Acquisitions and focusing on locations with strong rates of return and payouts of less than a year.

- ✓ **Debt Reduction**

  Committed to reducing Highwood's leverage profile with an aim to be below 0.8x Net Debt/2024 Exit EBITDA.

- ✓ **Sustainability**

  The Company is committed to having a positive impact in the communities in which they operate – setting partnerships up for long term successes.

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 September 30,		Nine months ended September 30,	
		2024	2023	**2024**	2023
Financial					
Petroleum and natural gas sales	$	**34,201**	15,894	**102,019**	17,580
Transportation pipeline revenues	$	**662**	774	**2,049**	2,203
Total revenues, net of royalties and commodity contracts (1)	$	**38,054**	8,870	**88,331**	12,121
Income (loss)	$	**16,105**	(1,014)	**26,036**	(1,641)
Funds flow from operations (7)	$	**17,795**	5,916	**52,343**	6,060
Adjusted EBITDA (7)	$	**20,252**	7,544	**60,149**	7,713
Capital expenditures	$	**20,748**	2,917	**55,452**	4,030
Working capital deficit *(end of period)* (2)	$			**(26,531)**	(2,669)
Net debt (3)	$			**102,080**	89,696
Shareholders' equity *(end of period)*				**130,285**	56,676
Shares outstanding *(end of period)* (4)				**14,784**	7,955
Options outstanding *(end of period)*				**436**	222
Warrants outstanding *(end of period)*				**3,150**	3,150
Restricted share units outstanding *(end of period)*				**215**	120
Deferred share units outstanding *(end of period)*				**30**	20
Weighted-average basic shares outstanding				**14,871**	7,955
Weighted-average diluted shares outstanding				**15,117**	7,955
Operations (5)					
Production					
Crude oil *(bbls/d)*		**3,607**	1,359	**3,560**	530
NGL *(boe/d)*		**701**	305	**744**	103
Natural gas *(mcf/d)*		**8,194**	4,565	**8,486**	1,613
Total *(boe/d)*		**5,673**	2,425	**5,718**	889
Benchmark prices					
Crude oil					
Canadian Light *(Cdn$/bbl)*		**98.88**	107.26	**99.79**	100.69
Natural gas					
AECO *(Cdn$/mcf)*		**0.73**	2.41	**1.22**	2.48
Average realized prices (6)					
Crude oil *(Cdn$/bbl)*		**94.91**	109.07	**94.57**	105.87
NGL *(Cdn$/boe)*		**33.48**	39.75	**32.55**	39.75
Natural gas *(Cdn$/mcf)*		**0.73**	2.59	**1.35**	2.59
Operating netback *(per boe)* (7)		**37.82**	41.01	**38.90**	40.29

(1) Includes realized and unrealized gains and losses on commodity contracts.

(2) Working capital deficit excludes commodity contract asset of $7.2 million (September 30, 2023 – liability of $2.83 million), current portion of decommissioning liability of $1.4 million (September 30, 2023 - $2.0 million) and current portion of lease liabilities of $318 thousand (September 30, 2023 - $91 thousand).

(3) Net debt consists of bank debt, promissory note, long-term accounts payable and accrued liabilities and working capital deficit excluding commodity contract assets and/or liabilities, current portion of decommissioning liabilities and lease liabilities.

(4) Shares outstanding is 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".

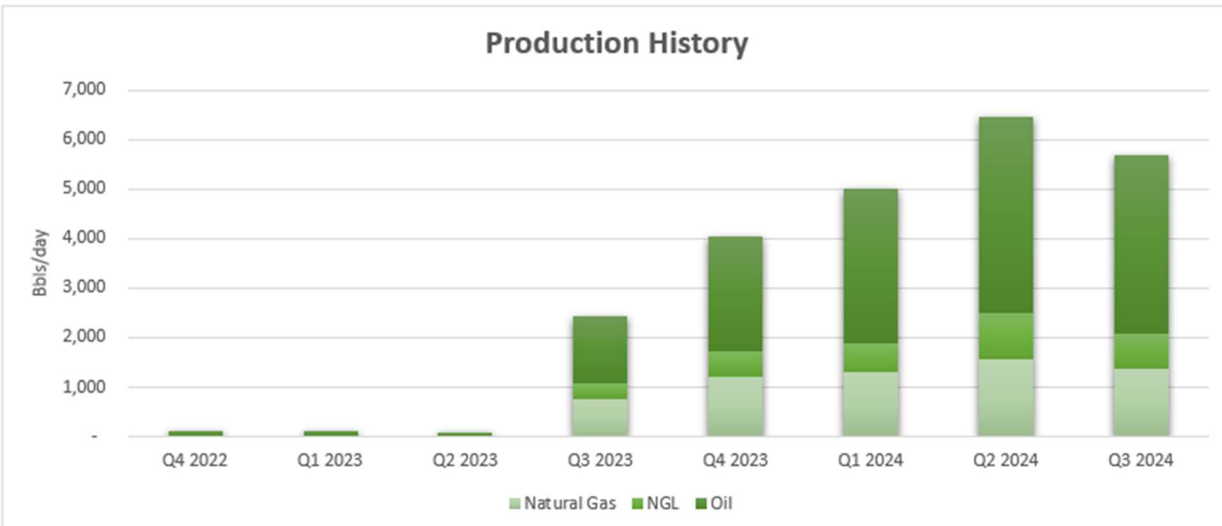
PART 3 – OPERATING RESULTS

Basis of Presentation

In the third quarter of 2023, the Company closed the acquisitions of Boulder Energy Ltd., Castlegate Energy Ltd., and Shale Petroleum Ltd., (collectively the "**Acquisitions**").

Summary of Results

Production



	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Daily average volume				
Crude oil *(bbls/d)*	**3,607**	1,359	**3,560**	530
NGL (boe/d)	**701**	305	**744**	103
Natural gas (mcf/d)	**8,194**	4,565	**8,486**	1,613
Total sales *(boe/d)*	**5,673**	2,425	**5,718**	889
Total sales *(boe)*	**521,907**	223,104	**1,566,785**	242,805
Production weighting				
Crude oil and NGL	**76%**	69%	**75%**	71%

Production significantly increased during the three and nine months ended September 30, 2024 as compared to the same periods in 2023 mainly due to Acquisitions during the third quarter of 2023. In addition, during the first quarter of 2024, the Company drilled 5 wells which were brought online, along with one well that was drilled in late 2023 that was brought online in early 2024. Additionally, during the third quarter of 2024, the Company drilled 5 wells as well as executed a successful workover program. Highwood anticipates growth in overall production and crude oil and NGL weighting as it continues to execute a capital plan of ~$60-65 million in 2024, of which ~$55 million was incurred in the nine months ended September 30, 2024 (~$46 million relating to Development Capital).

Petroleum and Natural Gas Sales

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Crude oil	**$ 31,494**	$ 13,640	**$ 92,241**	$ 15,326
NGL	**2,158**	1,115	**6,636**	1,115
Natural gas	**549**	1,139	**3,142**	1,139
Total	**$ 34,201**	$ 15,894	**$ 102,019**	$ 17,580
Average realized prices before hedging				
Crude oil *($/bbl)*	**94.91**	109.07	**94.57**	105.87
NGL *($/boe)*	**33.48**	39.75	**32.55**	39.75
Natural gas *($/mcf)*	**0.73**	2.59	**1.35**	2.59
Equivalent *($/boe)*	**65.53**	71.24	**65.11**	72.40

Petroleum and natural gas revenue increased significantly for the three and nine months ended ending September 30, 2024 compared to the same periods in 2023, driven primarily by the Acquisitions that closed on August 3, 2023 and the additional production from the capital activity the Company executed since the acquisitions with 14 gross wells drilled from the third quarter of 2023 to September 30, 2024.

For the three and nine months of 2024 as compared to the three and nine months of 2023, the Company saw a slight decrease in average realized oil price, due to decreased average commodity prices during the current periods. The majority of Highwood's oil production is light oil and benchmarked to Edmonton light pricing while natural gas is benchmarked to AECO pricing. Overall, the production mix in the three and nine months ended September 30, 2024 is ~ 75% liquids (three and nine months ended September 30, 2023 ~71%). Pricing for the three and nine months ended September 30, 2024 is consistent with expectations.

Western Canadian commodity prices continued to be volatile in 2023 and during 2024. 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, geopolitical issues, demand levels, as well as global inventory levels. The Company continues to monitor current and forecasted pricing.

Royalties

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
	$	$	**$**	$
Royalties	**8,958**	3,829	**22,533**	4,347
Per boe	**17.16**	17.16	**14.38**	17.90
Percentage of sales	**26.2%**	24.1%	**22.1%**	24.7%

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 royalties for the three and nine months ended September 30, 2024 to the comparative periods in 2023 is driven by the increased production and sales from the Acquisition and the execution of the Company's capital program since acquiring the assets.

During the three months ended September 30, 2024, compared to the same period in 2023, royalties as a percentage of sales increased slightly, mainly due to exhausting Drilling and Completion Cost Allowance ("C*") on some of the 2023 and early 2024 drills.

The Company realized an overall decrease in its royalty as a percentage of sales in the nine-month period ended September 30, 2024, as compared to the respective periods in 2023, mainly due to the Drilling and Completion Cost

Allowance ("C*") in Alberta and the benefits received primarily in the first half of 2024. The wells that were drilled in the third quarter of 2024 will have C* attributed to them which the Company anticipates will result in a slight decline in royalties as a percentage of sales in the fourth quarter of 2024. 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 September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
	$	$	**$**	$
Total operating and transportation	**5,825**	3,293	**19,391**	4,595
Per boe	**11.16**	14.76	**12.38**	18.92
Less midstream and other operating[1]	***(318)***	*(377)*	***(855)***	*(1,145)*
Upstream operating and transportation	**5,507**	2,916	**18,536**	3,450
Per boe	**10.55**	13.07	**11.83**	14.21

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.*

Overall total operating and transportation expenses have increased significantly due to the increased production from the Acquisitions and the Company's capital program, which is also the reason for the decrease in total operating and transportation expenses per boe. Overall costs in third quarter are typically lower due to seasonality, as costs such as road maintenance and chemicals are lower during the summer.

The midstream and other operating expenses mainly relate to the Wabasca River Pipeline System and EVI Terminal and 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 are lower for the three and nine month periods ending September 30, 2024 due to increased maintenance costs that were incurred in the second quarter of 2023.

The Company has been actively working to reduce costs, by conducting abandonment and reclamation work on the non-producing properties, as well as reducing costs such as surface and mineral rentals. The Company is also assessing opportunities that are available with the Acquisitions to reduce operating and transportation costs and increasing operational efficiencies, such as using infrastructure the Company owns rather than through third parties for assets that were acquired within close proximity.

Netback Analysis

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
	$/boe	$/boe	**$/boe**	$/boe
Average sales price	**65.53**	71.24	**65.11**	72.40
Royalties	**(17.16)**	(17.16)	**(14.38)**	(17.90)
Upstream Operating and transportation	**(10.55)**	(13.07)	**(11.83)**	(14.21)
Operating netback	**37.82**	41.01	**38.90**	40.29

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. While the average royalties and operating costs per boe decreased during the current periods, the overall decrease in operating netback per boe for the three and nine months ended September 30, 2024 as compared to the three and nine months ended September 30, 2023 is due primarily to a decrease in average realized sales prices per boe. 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, EVI Terminal and marketing revenues. 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 8,995M3/month and 9,293M3/month, respectively, during the three and nine months ended September 30, 2024. Volumes were down slightly in the third quarter as compared to the first half of 2024 primarily due to third party production outages. The Company anticipates additional volumes coming onto the pipeline as area producers continue to revive capital activity in the continued strong price environment. The Company is encouraged by the expected capital activity in 2024 by producers in the area.

	Three months ended September 30,		**Nine months ended September 30,**	
	2024	2023	**2024**	2023
Transportation pipeline revenues	**$ 662**	$ 774	**$ 2,049**	$ 2,203

Overall, the slight decrease in transportation pipeline revenues in the current period is due to a decrease in volumes flowing through pipeline. Transportation pipeline revenues are generated on a tariff of $24.50/M3 of crude oil that is flowed through the pipeline. On March 1, 2024, the tariff was increased from $23.50/M3 to $24.50/M3 of crude oil.

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 nine months ended September 30, 2024, the company incurred capital expenditures of approximately $nil and $1.4 million to convert the majority of the industrial metallic and mineral permits into 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 nine months ended September 30, 2024 and 2023.

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 is variable 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 remained fairly consistent in recent months but continue to be 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 September 30, 2024:

Swaps:

Product	Notional Volume	Term	Contract Price (CAD/GJ)	Index
Natural Gas	4,600GJ/day	Sept 1, 2023 to March 31, 2025	$ 3.00 - $ 3.05	AECO
Natural Gas	1,500GJ/day	April 1, 2025 to December 31, 2026	$ 3.13 - $ 3.20	AECO
Natural Gas	300GJ/day	November 1, 2025 to March 31, 2026	$ 3.50	AECO
Natural Gas	3,000GJ/day	April 1, 2025 to March 31, 2027	$ 3.15 - $3.40	AECO

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
Crude Oil	200bbls/day	March 1, 2024 to December 31, 2024	$ 100.25 - $ 101.05	WTI - NYMEX
Crude Oil	200bbls/day	April 1, 2024 to September 30, 2025	$ 95.75 - $ 100.00	WTI - NYMEX
Crude Oil	200bbls/day	May 1, 2024 to October 31, 2025	$ 102.50 - $ 104.00	WTI - NYMEX
Crude Oil	300bbls/day	May 1, 2024 to December 31, 2025	$ 105.00 - $ 106.00	WTI - NYMEX
Crude Oil	1,150bbls/day	October 1, 2024 to December 31, 2024	$ 97.45 - $ 105.50	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2024 to September 30, 2025	$ 95.50	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2024 to December 31, 2026	$ 101.00	WTI - NYMEX
Crude Oil	100bbls/day	November 1, 2024 to July 31, 2025	$ 95.00	WTI - NYMEX
Crude Oil	870bbls/day	January 1, 2025 to March 31, 2025	$ 95.55 - $ 103.15	WTI - NYMEX
Crude Oil	500bbls/day	April 1, 2025 to September 30, 2025	$ 94.00 - $ 95.00	WTI - NYMEX

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
MSW Differential	100bbls/day	March 1, 2024 to December 31, 2024	$ 5.05	ICE-1A-SW
MSW Differential	100bbls/day	April 1, 2024 to December 31, 2024	$ 4.70	ICE-1A-SW
MSW Differential	100bbls/day	April 1, 2024 to September 30, 2025	$ 4.75	ICE-1A-SW
MSW Differential	400bbls/day	April 1, 2024 to December 31, 2024	$ 3.78	ICE-1A-SW
MSW Differential	200bbls/day	June 1, 2024 to December 31, 2024	$ 3.35	ICE-1A-SW
MSW Differential	500bbls/day	June 1, 2024 to September 30, 2025	$ 3.75	ICE-1A-SW
MSW Differential	100bbls/day	January 1, 2025 to December 31, 2025	$ 5.25	ICE-1A-SW

Electricity:

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

The commodity contracts had a total fair value at September 30, 2024 of an asset of $8.98 million (December 31, 2023 – asset of $6.02 million). The corresponding unrealized gain (loss) for the three and nine months ended September 30, 2024 were $10.5 million and $3.1 million, respectively (three and nine months ended September 30, 2023 – $3.82 million) and is included in the statement of income (loss) and comprehensive income (loss). Total realized gain (loss) for the three and nine months ended September 30, 2024 were 949 thousand and $1.3 million, respectively ((three and nine months ended September 30, 2023 – ($354 thousand)) and are also included in the statement of income (loss) and comprehensive income (loss).

For the nine months ended September 30, 2024, a $0.10/bbl increase/decrease in oil prices and a $0.10/GJ in natural gas prices would have a negative/positive impact on net income of approximately $386 thousand.

Subsequent to September 30, 2024, the Company entered into the following commodity contracts:

Swaps:

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
Crude Oil	100bbls/day	October 1, 2024 to March 31, 2026	$ 96.50	WTI - NYMEX
Crude Oil	100bbls/day	November 1, 2024 to March 31, 2026	$ 95.00	WTI - NYMEX
Crude Oil	200bbls/day	January 1, 2025 to December 31, 2025	$ 92.00 - $ 92.23	WTI - NYMEX
Crude Oil	100bbls/day	July 1, 2025 to June 30, 2026	$ 91.50	WTI - NYMEX
Crude Oil	100bbls/day	October 1, 2025 to September 30, 2026	$ 93.00	WTI - NYMEX

Product	Notional Volume	Term	Contract Price (CAD/bbl)	Index
MSW Differential	500bbls/day	January 1, 2025 to December 31, 2025	$ 4.75	ICE-1A-SW

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
	$	$	**$**	$
Realized gain (loss) on commodity contracts	**949**	(354)	**1,332**	(354)
Unrealized gain (loss) on commodity contracts	**10,470**	(3,821)	**3,106**	(3,821)

General and Administrative (G&A)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
	$	$	**$**	$
Gross G&A	**1,705**	1,876	**6,387**	3,614
Capitalized G&A	**(400)**	(100)	**(1,170)**	(100)
G&A	**1,305**	1,776	**5,217**	3,514
G&A/boe	**2.50**	7.96	**3.33**	14.47

G&A expenses decreased during the three months ended September 30, 2024, compared to the respective period in 2023 mainly due to some additional costs that were incurred in the third quarter of 2023 with respect to the Acquisitions and also moving related costs.

G&A expenses increased during the nine months ended September 30, 2024, compared to the respective period in 2023 mainly due to increased staffing requirements associated with the Acquisitions and overall growth of the Company. As part of the Acquisition, Highwood has seen a growth in employees and consultants that are vital to the Company achieving the objectives of shareholder returns and debt reduction. The increase is also due to increased office space costs as additional space was required after the Acquisitions and inflationary pressures which have increased costs of goods and services.

Share-based Compensation

	Three months ended September 30,		**Nine months ended September 30,**	
	2024	2023	**2024**	2023
	$	$	**$**	$
Share-based compensation	**579**	110	**1,382**	230

The increase in share-based compensation during the three and nine months ended September 30, 2024 from the comparative periods of 2023 is mainly due to the granting of options, Restricted Share Units ("RSU's"), and Performance Share Units ("PSU's") in August 2023, January 2024, and April 2024. The increase is also partially due to the implementation of the Employee Share Purchase Plan ("ESPP").

On January 4, 2024, the Company granted the following:

- 9,000 options at an exercise price of $6.00 per option. The options granted vest 1/3 on each of January 4, 2025, January 4, 2026 and January 4, 2027 and have a five-period term.
- 4,400 RSU's exercisable for no consideration. The RSU's granted vest 1/3 on each of January 4, 2025, January 4, 2026 and January 4, 2027 and expire on December 31, 2027.
- $22 thousand worth of PSU's. The PSU's granted vest on January 4, 2027, subject to the sole discretion of the Board of Directors.

On April 15, 2024, the Company granted the following:

- 227,000 options at an exercise price of $6.00 per option. The options granted vest 1/3 on each of April 15, 2025, April 15, 2026 and April 15, 2027 and have a five-period term.
- 130,125 RSU's exercisable for no consideration. The RSU's granted vest 1/3 on each of April 15, 2025, April 15, 2026 and April 15, 2027 and expire on December 31, 2027.
- $802 thousand worth of PSU's. The PSU's granted vest on April 15 2027, subject to the sole discretion of the Board of Directors.

At September 30, 2024, the Company had 436,089 options and 215,513 RSU's and 30,000 DSU's outstanding.

Depletion and Depreciation ("D&D")

	Three months ended September 30,		**Nine months ended September 30,**	
	2024	2023	**2024**	2023
	$	$	**$**	$
D&D	**6,471**	2,814	**19,027**	3,267
Per boe	**12.40**	12.61	**12.14**	13.46

The increase in D&D for the three and nine months ended September 30, 2024, as compared to the prior periods, is as a result of the Acquisitions that occurred during the third quarter of 2023, along with development capital expenditures during the three and nine months ended September 30, 2024 totaling approximately $46 million. This, combined with the significant increase in production during the current periods, has resulted in the overall increase in D&D.

Impairment

The Company assesses many factors when determining if an impairment test should be performed. At September 30, 2024, the Company conducted an assessment of impairment indicators for the Company's CGUs. No indicators of impairment at September 30, 2024 were identified.

Finance Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
	$	$	**$**	$
Interest on bank debt	**2,007**	1,361	**6,513**	1,386
Interest on promissory note	**459**	289	**1,366**	289
Interest income	**(9)**	(22)	**(73)**	(22)
Cash finance expenses	**2,457**	1,628	**7,806**	1,653
Accretion of decommissioning liabilities	**228**	302	**681**	333
Amortization of debt issue costs	**258**	51	**585**	51
Other expense	**34**	17	**62**	50
Non-cash finance expense	**520**	370	**1,328**	434
Total finance expenses	**2,977**	1,998	**9,134**	2,087

Interest on bank debt relates to interest and fees paid to Highwood's bankers to service the bank debt. Interest on bank debt for the three and nine months ended September 30, 2024, as compared to the previous periods, increased mainly due to the increase in bank debt which is due to the Acquisitions and capital program the Company executed in the second half of 2023 and nine months of 2024.

The promissory note was issued on August 3, 2023 and bears interest at 13% per annum.

Accretion for decommissioning liabilities for the three months ended September 30, 2024 decreased slightly compared to the same period in 2023 mainly due to a slight decrease in the net decommissioning liability.

Accretion of decommissioning liabilities for the nine months ended September 30, 2024 has also increased due to the Acquisitions, which resulted in an increase to decommissioning liabilities, therefore increasing the associated accretion.

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

Income (loss) and comprehensive income (loss)

The Company realized income and comprehensive income of $16.3 million and $26.3 million, respectively, for the three and nine months ended September 30, 2024 (loss and comprehensive loss of $1.0 million and $1.6 million, respectively, for the three and nine months ended September 30, 2023). For the three and nine months ended September 30, 2024, the Company realized strong commodity prices and increased production which resulted in increase in income and comprehensive income.

	Three Months ended September 30,		Nine Months ended September 30,	
	2024	2023	**2024**	2023
	$	$	**$**	$
Income (loss) and comprehensive income (loss)	**16,105**	(1,014)	**26,036**	(1,641)
Per weighted average share, basic	**1.09**	(0.09)	**1.75**	(0.21)
Per weighted average share, diluted	**1.07**	(0.09)	**1.72**	(0.21)

Selected Quarterly Information

Three months ended	Sep. 30, 2024	Jun. 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sept. 30, 2023	Jun 30, 2023	Mar. 31, 2023	Dec. 31, 2022
Financial ($000s, except per share amounts and share numbers)								
Petroleum and natural gas sales	34,201	38,729	29,089	23,633	15,894	728	958	1,027
Transportation pipeline revenues	662	698	689	664	774	681	748	769
Income (loss)	16,105	10,475	(544)	47,785	(1,014)	(600)	(27)	62
Capital expenditures	20,748	9,047	25,657	14,737	2,917	428	685	362
Total assets *(end of quarter)*	296,271	269,706	272,357	257,079	198,416	20,530	17,904	16,841
Working capital surplus (deficit)[1] *(end of quarter)*	(26,531)	(23,746)	(28,791)	(13,867)	(2,669)	(1,206)	197	411
Shareholders' equity *(end of quarter)*	130,285	114,004	103,439	104,199	56,676	10,190	10,729	10,697
Weighted-average basic shares outstanding *(000s)*	14,801	14,907	14,937	14,971	11,728	6,037	6,037	6,014
Operations								
Production								
Crude oil *(bbls/d)*	3,607	3,947	3,126	2,306	1,359	95	123	119
NGL *(boe/d)*	701	946	586	526	305	-	-	-
Natural Gas *(mcf/d)*	8,194	9,398	7,869	7,215	4,565	-	-	-
Total *(boe/d)*	5,673	6,459	5,023	4,035	2,425	95	123	119
Average realized prices *($)*								
Crude oil *(per bbl)*	94.91	98.22	89.56	95.07	109.07	83.93	86.88	93.44
NGL *(per boe))*	33.48	28.61	37.79	36.22	39.75	-	-	-
Natural Gas *(per mcf)*	0.73	1.16	2.23	2.57	2.59	-	-	-

1) Working capital surplus/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 September 30, 2024	2023	Nine months ended September 30, 2024	2023
	$	$	**$**	$
Land and leases	**464**	628	**7,822**	1,047
Seismic and other pre-drilling costs	**168**	-	**664**	8
Production equipment and facilities	**1,641**	-	**5,495**	686
Drilling and completions	**18,475**	2,289	**40,737**	2,289
Other	**-**	-	**705**	-
Corporate	**-**	-	**29**	-
	20,748	2,917	**55,452**	4,030

At September 30, 2024, the Company had E&E assets of $13.4 million (December 31, 2023 – $1.5 million). This amount is primarily made up of undeveloped land. The additions to E&E assets during the three and nine months ended September 30, 2024 primarily related to undeveloped lands in Wilson Creek and a potential new core area is Western Alberta, along with conversion of lithium permits to leases in the first quarter of 2024 and exploration activities where technical feasibility has not yet been determined.

At September 30, 2024, the Company had gross property and equipment of $247.5 million (December 31, 2023 - $204.6 million). This included developed land and costs associated with the wells the Company has drilled and acquired to date, as well as midstream infrastructure it had acquired. The Company incurred capital expenditures of $55.5 million during the nine months ended September 30, 2024, mainly related to drilling and completions activities.

PART 5 – CAPITALIZATION

Share Capital and Share Based Compensation Activity

As at September 30, 2024, the Company had 14,783,803 common shares, 3,150,000 warrants, 436,089 options, 215,513 RSUs, 30,000 DSUs outstanding and 369,010 common shares held in trust related to the PSU plan.

As at date of this MD&A, the Company had 14,783,803 common shares, 3,150,000 warrants, 436,089 options, 215,513 RSUs, 30,000 DSUs outstanding and 398,410 common shares held in trust related to the PSU plan.

During the nine months ended September 30, 2024, 38,491 RSUs were exercised resulting in 38,491 common shares being issued.

On April 15, 2024, the Company granted 277,000 options at an exercise price of $6.00 per option. The options granted vest 1/3 on each of April 15, 2025, April 15, 2026 and April 15, 2027 and have a five-year term.

On April 15, 2024, the Company granted 130,125 RSU's exercisable for no consideration. The RSU's granted vest 1/3 on each of April 15, 2025, April 15, 2026 and April 15, 2027 and expire on December 31, 2027.

On April 15, 2024, the Company granted $802 thousand worth of PSU's. The PSU's granted vest on April 15, 2027, subject to the sole discretion of the Board of Directors.

On April 15, 2024, the Company granted 20,000 DSU's exercisable for no consideration. The DSU's granted vest on April 15, 2025 and expire on April 15, 2027.

During the three and nine months ended September 30, 2024, 10,000 DSU's were forfeited.

On October 10, 2024, the Company granted $982 thousand worth of PSU's. The PSU's granted vest on October 10, 2027, subject to the sole discretion of the Board of Directors.

Liquidity, Capital Resources and Capital Management

Net Debt

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

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

	September 30, 2024	December 31, 2023
Adjusted current assets[1]	**$ 32,083**	$ 23,951
Adjusted current liabilities[1]	**(58,614)**	(37,818)
Adjusted working capital	**(26,531)**	(13,867)
Bank debt	**(75,549)**	(72,464)
Promissory note – long term portion	**-**	(10,500)
Other long-term obligations	**-**	(220)
Total net debt	**$ (102,080)**	$ (97,051)

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

Adjusted EBITDA

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

Adjusted funds flow

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

Free funds flow

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Cash flow from operating activities	**$ 16,453**	$ 8,560	**$ 47,409**	$ 9,310
Change in non-cash working capital	**1,342**	(2,644)	**4,934**	(3,250)
Net interest[1]	**2,457**	1,628	**7,806**	1,653
Adjusted EBITDA	**20,252**	7,554	**60,149**	7,713
Decommissioning expenditures	**135**	78	**246**	120
Net interest[1]	**(2,457)**	(1,628)	**(7,806)**	(1,653)
Adjusted funds flow	**17,930**	5,994	**52,589**	6,180
Net capital expenditures, net	**(20,748)**	(2,917)	**(55,452)**	(4,030)
Free funds flow	**$ (2,818)**	$ 3,077	**$ (2,863)**	$ 2,150

Note 1: Net interest is interest on bank debt and promissory note less interest income

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 risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities as they become due. The Company's financial liabilities, excluding commodity contracts consist of accounts payable and accrued liabilities, promissory note and bank debt.

At September 30, 2024, the Company had a working capital deficit of $26.5 million, excluding commodity contract asset and liability, current portion of decommissioning liability, and current portion of lease liabilities. The working capital deficit at September 30, 2024, was mainly driven by the capital program incurred during the third quarter of 2024. The Company expects to reduce the working capital deficit through increased cash flow in the fourth quarter with increased production and minimal capital activity planned. 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, which was increased to $120 million subsequent to September 30, 2024. The maturity date of the bank debt is August 2, 2026; therefore, all bank debt has been classified as long-term.

Subsequent to September 30, 2024, the interest and principal payments related to the promissory note due October 1, 2024 were fully satisfied.

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. 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 at September 30, 2024.

The following table details the Company's financial liabilities, excluding commodity contracts, as at September 30, 2024:

	Total	<1 year	1-3 years	4-5 years
Accounts payable and accrued liabilities	**$ 42,500**	42,500	$ -	$ -
Bank debt	**75,549**	-	75,549	-
Promissory note	**16,114**	16,114	-	-
Lease liabilities	**610**	318	292	-
Total financial liabilities	**$ 134,773**	$ 58,932	$ 75,841	$ -

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, 2023 annual consolidated financial statements as well as included in the Company's annual MD&A as at December 31, 2023 as well as in note 2 of the condensed interim consolidated financial statements for the three and nine months ended September 30, 2024. 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.

“Adjusted EBITDA” is calculated as cash flow from (used in) operating activities, adding back changes in non-cash working capital, 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 ARCA 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.

“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.

"2024 Exit EBITDA" is calculated as Adjusted EBITDA for the month of December annualized. The Company believes that 2024 Exit EBITDA is useful information to investors and shareholders in understanding the EBITDA generated in the final month of 2024 which is indicative of future EBITDA.

"Net Debt / 2024 Exit EBITDA" is calculated as net debt at the end of the fiscal period of 2024 divided by the 2024 Exit Adjusted EBITDA. The Company believes that Net Debt / 2024 Exit 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 2024 Exit Adjusted EBITDA.

"Run Rate Net Debt / annualized Adjusted EBITDA" is calculated as net debt at the end of the October 2024 divided by the estimated April 2024 Adjusted EBITDA. The Company believes that Run Rate Net Debt / annualized 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 October 2024 (being the most recent completed month) Adjusted 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.

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 April 16, 2024 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, 2024 (the “**2023 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, for the year indicated.

"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 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 2023 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 2023 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 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 Year-End 2023 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 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 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	International Financial Reporting Standards
IAS	International Accounting Standard

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
Calgary, Alberta

RYAN MOONEY
Managing Director, Investment Banking
Echelon Wealth Partners

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

LEGAL COUNSEL
DLA Piper (Canada) LLP
Calgary, Alberta

EVALUATION ENGINEERS
GLJ Ltd.
Calgary, Alberta

Apex Geoscience Ltd.
Edmonton, Alberta