

Highwood Asset Management Ltd.

HAM-TSXV | Rating **BUY** | Price: Oct-26 **\$6.07** | Target **\$9.50** | Total Rtn **57%**

Highwood Announces Operational Update

Bottom Line:

Highwood Asset Management Ltd. (HAM – TSXV) announced an operational update with current production of ~2,900 boe/d (~52% oil), and Q3/26 production of ~2,400 boe/d in line with our expectations. The Company has an active three-well drilling program in the Pekisko (Twining, central Alberta) and Mannville stack (Bonnyville, eastern Alberta), an expanding waterflood at its core Brazeau asset and an emerging SAGD opportunity in the Spruce Lake area, Saskatchewan. Highwood has drilled its first Pekisko horizontal, with completion planned within 30 days, and anticipates spudding two Mannville wells at Bonnyville in the next 45 days, including the Company's first circulating string horizontal. **We are encouraged by the progress and reiterate our Buy rating and \$9.50 target price.**

Key Points

Strong oil production. Current oil production of ~1,500 bbl/d, with total production of ~2,900 boe/d (~52% oil), based on field estimates for October 8–22. Q3/26 production averaged ~2,400 boe/d, reflecting Highwood's planned Brazeau turnaround and the third-party Keyera Brazeau gas plant turnaround in September. Both turnarounds are complete with no major planned maintenance for the remainder of 2026.

Expansion of Brazeau waterflood. Highwood continues to increase waterflood activity at Brazeau with the objective of reducing corporate base declines and, in turn, sustaining capital requirements.

SAGD opportunities at Spruce Lake. In April, Highwood acquired four sections (1,030 hectares, 100% working interest) of Colony oil sand in Saskatchewan for \$2.45 million (~\$2,375/ha) in one of the most active thermal areas in Western Canada. On October 6, the adjacent 2,324-hectare licence sold for ~\$10.0 million (~\$4,300/ha), 1.8x Highwood's price per hectare six months earlier. Thirteen industry SAGD producers within ~10 km of Highwood's lands have reached peak monthly rates of 2,000 to 3,140 bbl/d and have collectively produced 14.5 million barrels, and industry has licensed or spud 60 wellbores within 10 km over the past 12 months. Highwood plans to shoot 3D seismic over the block late in Q4/26 to map the Colony channel and support the design of a first SAGD phase, which it intends to fund with project-level capital alongside strategic partners and/or off-take agreements to limit equity dilution. No reserves or resources have been assigned to the lands.

Active NCIB. Highwood purchased and cancelled 119,242 common shares under its NCIB between July 14 and September 30, 2026, at an average price of \$5.73 per share.

Important Disclosures: See pages 5-6

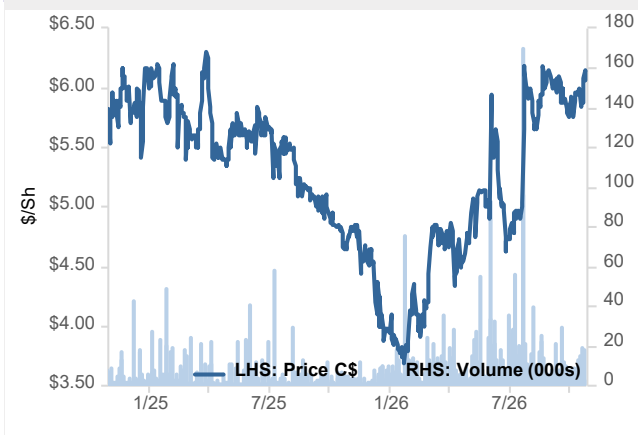


**GRANITE POINT
RESEARCH**

Oil & Gas

John Stephenson, P.Eng., CFA Analyst
jstephenson@granitepointresearch.com

(647) 267-1906



Source: FactSet

Market Data

Dividend	\$0.00	Shares O/S (mm)	15.1
Yield	0.0%	Market Cap (mm)	\$91.5
EV (mm)	\$107.9	Net Debt (mm)	\$16.4

FYE Dec	2025A	2026E	2027E
Total Prod (boe/d)	5,296	4,108	3,400
Gas (%)	31.5	33.8	39.0
CFPS FD (C\$)	3.08	2.48	1.94
EV/BOEPD (C\$)	39,323	27,603	34,846
EV/DACF (x)	3.91	2.82	4.07
D/CF	2.2	0.5	0.9

Company Description

Highwood Asset Management is a Canadian junior oil and gas exploration and production company with sustainable oil-weighted assets. The Company's primary area of production is at Brazeau in west-central Alberta.

Our Thesis

Highwood is an oil-weighted producer (60-65% liquids-weighted) with key assets focused on the Brazeau and Mannville stack areas. The Company has high insider ownership and is focused on increasing production through acquisition and/or organically in the mid-term.

Operational and Financial Highlights

Exhibit 1: Operational and Financial Highlights

Valuation	2025A	2026E	2027E
EBITDA	64,241	38,386	28,153
DACF	53,286	40,184	29,129
EV/DACF	3.9x	2.8x	4.1x
EV/boe/d	\$39,323	\$27,603	\$34,846
D/CF	2.2x	0.5x	0.9x
EV/EBITDA	3.2x	3.0x	4.2x
Per Share	2025A	2026E	2027E
CFPS (FD)	\$3.08	\$2.48	\$1.94
CFPS (Basic)	\$3.18	\$2.55	\$2.01
Dividend/Share	-	-	-
Drip Participation	-	-	-

Production	2025A	2026E	2027E
Light Oil (bbls/d)	2,773	2,063	1,555
Medium/Heavy Oil (bbls/d)	-	-	-
NGL (bbls/d)	853	659	518
Total Liquids (bbls/d)	3,626	2,721	2,074
Natural Gas (mcf/d)	10,020	8,321	7,956
Total (boe/d) (6:1)	5,296	4,108	3,400
% Gas	32%	34%	39%

Growth / Key Metrics	2025A	2026E	2027E
CFPS Growth Y/Y	(34%)	(20%)	(22%)
Production/Share Growth Y/Y	(7%)	(20%)	(16%)
Simple Payout (Dividend)	-	-	-
Total Payout (Capex+Div)	112%	76%	98%
Cashflow Margin	52%	57%	51%
D/CF	2.2x	0.5x	0.9x
D/EBITDA	1.8x	0.6x	1.0x

Net Asset Value	Pro forma \$/Sh (post Wilson Cree)	P/NAV	
PDP	\$10.15	0.6x	n.a.
1P	\$20.29	0.3x	n.a.
2P	\$33.69	0.2x	n.a.
Risked	\$18.57	0.3x	n.a.

Reserves			
PDP (mmboe)	15.3		
1P (mmboe)	31.3		
2P (mmboe)	52.6		

Capital Structure (m)	2025A	2026E	2027E
Basic Shs. O/S	14,443	13,948	13,577
FD Shs. O/S (incl. anti-dilutive)	14,871	14,347	14,109
WAFD Shs. O/S	14,871	14,347	14,109

Source: Company reports, Granite Point Research

Pricing	2025A	2026E	2027E
WTI (US\$/bbl)	\$65.25	\$60.00	\$60.00
FX (C\$/US\$)	1.401	1.370	1.370
MSW (C\$/bbl)	\$99.28	\$83.10	\$81.71
AECO (C\$/mcf)	\$2.00	\$3.30	\$3.39

Balance Sheet (\$000)	2025A	2026E	2027E
Cash	4,564	115	115
Current Assets	36,487	18,883	14,389
PP&E	255,406	175,949	167,243
Other	30,141	43,005	62,847
Total Assets	322,034	237,837	244,479
Total Debt	105,299	12,899	17,974
Total Liabilities	167,971	62,102	71,351
Total Liabilities & Equity	322,034	237,837	244,479

Funds Flow (\$000)	2025A	2026E	2027E
Funds from Operation	56,397	29,157	27,336
Funds from Investments	(64,139)	62,518	(28,500)
Other Capital	(4,561)	93,244	-
Capital Expenditures	(59,578)	(30,726)	(28,500)
Funds from Financing	10,495	(96,124)	1,164
Equity Offering	-	-	-
Debt	14,580	(92,400)	5,076
Dividend	-	-	-
Net Change in Cash	2,753	(4,449)	-

Netback (\$/boe)	2025A	2026E	2027E
Revenue	\$50.73	\$58.92	\$46.35
Processing Income	-	-	-
Hedging	\$4.04	(\$4.24)	\$4.39
Royalties	(\$10.65)	(\$11.49)	(\$9.04)
Op. Costs	(\$14.41)	(\$15.35)	(\$15.00)
Transportation	-	-	-
Operating Netback	\$29.71	\$27.84	\$26.70
Op. Netback (Ex Hedges)	\$25.67	\$32.08	\$22.31
G&A	(\$3.80)	(\$4.13)	(\$4.67)
Interest	-	(\$0.49)	(\$1.44)
Cash Taxes/Other	-	-	-
Cash Flow Netback	\$25.91	\$23.23	\$20.58

Financial Model Summary

Exhibit 2: Financial Model Summary

	2025A	1Q/26A	2Q/26A	3Q/26E	4Q26E	2026E	1Q/27E	2Q/27E	3Q/27E	4Q/27E	2027E
Income Statement (\$000)											
Revenue											
Net Revenue	\$82,937	\$27,158	\$28,248	\$9,787	\$11,900	\$77,093	\$11,956	\$12,534	\$13,151	\$13,593	\$51,234
Realized gain (loss) on commodity contracts	7,810	(904)	(7,694)	1,215	1,026	(6,357)	1,220	1,266	1,482	1,482	5,450
Unrealized gain (loss) on commodity contracts	11,106	(25,303)	14,121	-	-	-	-	-	-	-	-
Total Revenue	101,853	951	34,675	11,002	12,926	70,736	13,176	13,800	14,632	15,075	56,684
Expenses											
Operating and Transportation	27,846	8,130	7,318	3,422	4,140	23,010	4,304	4,541	4,794	4,975	18,614
General and administrative	7,354	2,057	1,331	1,400	1,400	6,188	1,450	1,450	1,450	1,450	5,800
Depletion and depreciation	24,331	6,364	5,477	2,617	3,271	17,769	3,400	3,588	3,787	3,930	14,706
Interest	-	-	-	351	383	734	418	435	458	483	1,795
Total Expenses	61,943	17,129	14,787	8,371	9,775	50,119	10,154	10,595	11,070	11,420	43,238
EBIT	39,910	(16,178)	19,888	2,631	3,151	20,617	3,022	3,205	3,562	3,655	13,445
EBITDA	64,241	(9,814)	25,365	5,248	6,422	38,386	6,423	6,793	7,350	7,586	28,151
Adjusted EBITDA	53,286	16,213	11,813	5,492	6,666	40,184	6,667	7,037	7,594	7,830	29,127
Adj. EBITDA per share (FD)	3.58	1.15	0.81	0.38	0.47	2.80	0.47	0.50	0.54	0.56	2.06
Adj. Funds Flow per share (FD)	3.22	1.01	0.68	0.38	0.46	2.52	0.46	0.49	0.53	0.55	2.03
Income (loss) before taxes	30,409	(18,585)	39,617	1,716	2,207	36,078	2,045	2,213	2,551	2,622	9,430
Total Taxes	(8,702)	4,082	(8,899)	(403)	(519)	(5,739)	(481)	(520)	(599)	(616)	(2,216)
Net Income	\$21,707	(\$14,503)	\$30,718	\$1,313	\$1,688	\$30,340	\$1,564	\$1,693	\$1,951	\$2,005	\$7,214
Income (loss) per share:											
Basic	1.50	(1.03)	2.19	0.09	0.12	2.17	0.11	0.12	0.14	0.15	0.53
Diluted	1.46	(1.03)	2.11	0.09	0.12	2.11	0.11	0.12	0.14	0.14	0.51
Balance Sheet (\$000)											
Assets											
Total Current Assets	36,487	43,638	40,704	18,507	18,883	18,883	17,434	16,447	15,495	14,389	14,389
Property, Plant and Equipment	255,406	258,245	181,748	177,219	175,949	175,949	174,048	171,961	169,673	167,243	167,243
Other Non-Current Assets	30,141	35,388	29,156	36,634	43,005	43,005	46,915	51,784	57,074	62,848	62,848
Total Assets	322,034	337,271	251,608	232,361	237,837	237,837	238,396	240,192	242,243	244,480	244,480
Liabilities											
Total Current Liabilities	38,226	66,979	51,447	22,673	24,548	24,548	24,598	25,111	25,659	26,052	26,052
Bank Debt	105,299	105,829	7,391	9,228	12,923	12,923	13,653	15,029	16,372	18,003	18,003
Other Non-Current Liabilities	24,446	24,692	22,052	24,010	24,655	24,655	25,257	25,893	26,603	27,323	27,323
Total Liabilities	167,971	197,500	80,890	55,911	62,126	62,126	63,508	66,034	68,633	71,378	71,378
Shareholders' Equity	154,063	139,771	170,718	176,450	175,711	175,711	174,889	174,159	173,610	173,102	173,102
Basic Shares Outstanding (000)	14,443	14,118	14,010	13,896	13,796	13,955	13,696	13,596	13,546	13,546	13,596
Diluted Shares Outstanding (000)	14,871	14,118	14,542	14,428	14,328	14,354	14,228	14,128	14,078	14,078	14,128
Cash Flow Statement (\$000)											
Net cash from (used) in operating activities	56,397	5,328	16,602	943	6,283	29,156	6,248	6,601	7,136	7,347	27,332
Cash from Investments											
Capex	(59,578)	(10,414)	(5,312)	(6,000)	(9,000)	(30,726)	(6,000)	(7,000)	(7,500)	(8,000)	(28,500)
Net cash used in investing activities	(64,139)	(9,408)	86,926	(6,000)	(9,000)	62,518	(6,000)	(7,000)	(7,500)	(8,000)	(28,500)
Cash from financing activities	10,495	(369)	(99,330)	859	2,717	(96,123)	(248)	399	364	653	1,168
Change in cash	2,753	(4,449)	4,198	(4,198)	-	(4,449)	-	-	-	-	-
Cash end of period	4,564	115	4,313	115	115	115	115	115	115	115	115

Source: Company reports, Granite Point Research

Key Assumptions and Metrics

Exhibit 3: Key Assumptions and Metrics

	2025A	1Q/26A	2Q/26A	3Q/26E	4Q/26E	2026E	1Q/27E	2Q/27E	3Q/27E	4Q/27E	2027E
Days in period	365	90	91	92	92	365	90	91	92	92	365
Assumptions - GPR Model											
WTI (US\$/bbl)	65.25	60.00	96.11	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00
NYMEX (US\$/Mcf)	3.53	4.00	3.25	3.50	4.00	3.70	3.55	3.55	3.55	3.55	3.55
Foreign Exchange (US\$/C\$)	0.71	0.73	0.71	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73
WCS (US\$/bbl)	75.84	65.49	118.49	66.07	63.93	67.58	66.16	67.53	67.53	66.15	66.85
Edmonton C5+ (C\$/bbl)	99.28	83.08	135.35	83.08	83.15	83.10	81.71	81.71	81.71	81.71	81.71
AECO (C\$/Mcf)	2.00	3.50	1.45	3.10	3.75	3.30	3.39	3.39	3.39	3.39	3.39
Realized Oil Price (C\$/bbl)	92.14	88.12	128.89	74.96	74.96	74.96	73.64	73.64	73.64	73.64	73.64
Realized Gas Price (C\$/Mcf)	1.90	2.12	1.56	3.34	4.04	3.55	3.65	3.65	3.65	3.65	3.65
Production											
Oil & NGLs (boe/d)	3,626	4,187	3,394	1,513	1,830	2,721	1,945	2,029	2,119	2,199	2,074
Natural Gas (Mcf/d)	10,020	10,909	10,109	5,320	7,020	8,321	7,460	7,785	8,128	8,436	7,956
Total Production (boe/d)	5,296	6,005	5,079	2,400	3,000	4,108	3,188	3,327	3,474	3,605	3,400
% Gas	31.5%	30.3%	33.2%	36.9%	39.0%	33.8%	39.0%	39.0%	39.0%	39.0%	39.0%
YoY Growth (8.3%)		14.1%	(9.8%)	(54.3%)	(40.5%)	(22.4%)	(46.9%)	(34.5%)	44.7%	20.2%	(17.2%)
% Liquids Hedged	40.1%					56.8%					71.1%
% Natural Gas Hedged	43.8%					62.4%					10.2%
Netbacks (\$/boe)											
Realized Corporate Price	50.73	55.46	74.83	47.80	47.93	58.92	46.35	46.35	46.35	46.34	46.35
Realized Hedging Gain (Loss)	4.04	-	(16.65)	5.50	3.72	(4.24)	4.25	4.18	4.64	4.47	4.39
Royalties	10.65	7.84	17.48	10.04	10.06	11.49	9.73	9.73	9.73	9.73	9.04
Net Revenue	44.12	47.62	40.70	43.26	41.58	43.19	40.87	40.80	41.25	41.08	41.70
Operating & Transportation Costs	14.41	15.04	15.83	15.50	15.00	15.35	15.00	15.00	15.00	15.00	15.00
Less Midstream and Other Costs	-	(0.53)	-	-	-	-	-	-	-	-	-
Field Netback	29.71	33.11	24.87	27.76	26.58	27.84	25.87	25.80	26.25	26.08	26.70
Interest	-	-	-	1.59	1.39	0.49	1.46	1.44	1.43	1.45	1.44
SG&A	3.80	3.81	2.88	6.34	5.07	4.13	5.05	4.79	4.54	4.37	4.67
Cash Netback (\$/boe)	25.91	29.31	21.99	19.83	20.12	23.23	19.36	19.57	20.28	20.25	20.58
Cash Flow Metrics											
Cash Flow (\$000)	53,286	14,269	9,867	5,478	6,621	40,184	6,586	6,939	7,474	7,685	29,129
CFPS - Basic	3.18	1.01	0.70	0.37	0.46	2.55	0.46	0.49	0.53	0.54	2.01
CFPS - Diluted	3.08	1.01	0.68	0.36	0.44	2.48	0.44	0.47	0.51	0.52	1.94
Capital Expenditures (59,578)		(10,414)	-5,312	-6,000	-9,000	(30,726)	(6,000)	-7,000	-7,500	-8,000	(28,500)
Dividend	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flow (\$000)	(12,701)	3,855	4,555	-522	-2,379	5,509	586	-61	-26	-315	184
Valuation and Leverage Ratios											
EV/EBITDA	3.24					2.95					4.21
EV/BOEPD	39,323					27,603					34,846
EV/DACF	3.91	12.32	8.58	18.66	15.82	2.82	15.84	15.12	14.14	13.93	4.07
FCF Yield (% Market Cap)	(13.9%)					6.0%					0.2%
FCF Yield (% EV)	(6.1%)					4.9%					0.2%
Net Debt (\$000)	116,723	113,985	16,354	18,167	21,862	21,862	22,590	23,966	25,307	26,937	26,937
Net Debt/EBITDA	1.82	(11.61)	0.64	3.46	3.40	0.57	3.52	3.53	3.44	3.55	0.96
Net Debt/CF	2.19	7.99	1.66	3.32	3.30	0.54	3.43	3.45	3.39	3.51	0.92

Source: Company reports, Granite Point Research

Important Disclosures

Analyst Certification

I, John Stephenson, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. Furthermore, I certify that (i) to the best of my knowledge, I am not in receipt of material non-public information about the issuer, (ii) that I do not own common shares, options, or warrants in the company under coverage, and (iii) that I have adhered to the CFA Institute guidelines for analyst objectivity.

Granite Point Research Ratings System

BUY: The stock is expected to generate returns of over 20%, over the next 24 months.

HOLD: The stock is expected to generate returns of 0-20% over the next 24 months.

SELL: The stock is expected to generate negative returns over the next 24 months.

NOT RATED (NR): Granite Point Research does not provide research coverage on the respective company.

R: Restricted – Dissemination of research is currently restricted.

About Granite Point Research

Granite Point Research focuses on equities currently being overlooked by the market and provides institutional quality issuer paid research on North American public equities. Our reports focus on detailed valuation analysis, understanding the performance metrics of each specific company, reputable management teams and unit economics. For more information on our company, please visit <https://www.granitepointresearch.com>

RATING	COVERED COMPANIES
BUY	4
HOLD	
SELL	

General Information

This report was created and distributed by Granite Point Research (GPR) and is based on information we believe to be reliable. Granite Point Research does not represent that this report is accurate or complete, and it should not be relied upon as such. Additionally, any information contained in this report is subject to change without notice. Investors should consider this report as one factor in their investment decision and this report is not intended to replace an investor's independent judgement.

GPR is not a CRO registered dealer and does not offer investment banking services to its clients. GPR (and its employees) do not serve as officers, directors of companies discussed in this report and nor do GPR's employees own, trade or have a beneficial interest in the securities of the companies mentioned in this report. This report is not disseminated in connection with any distribution of securities and is not an offer to sell or buy any security in any jurisdiction where such an offer or solicitation would be illegal.

GPR does not make any warranties, expressed or implied, as to the results to be obtained from using this information and makes no express or implied warranties for a particular use. Anyone using this report assumes full responsibility for whatever results they may obtain. This report does not constitute a personal recommendation or take into account individual financial situations or individual needs and has not been prepared for any particular institution or individual. Recipients should consider whether any information in this report is suitable to their circumstances and should seek professional advice. Past performance is not a guide for future results, future returns are not guaranteed, and loss of original capital may occur. Neither GPR nor any person employed by GPR accepts any liability whatsoever for any direct or indirect loss resulting from any use of its research or the information it contains.

This report contains "forward looking" statements. Forward-looking statements regarding the stock's and/or company performance inherently involve risks and uncertainties that can cause actual results to differ from such forward-looking statements. Such statements involve a number of risks and uncertainties such as technological shifts, competition, market demand and the company's (and management's) ability to correctly forecast financial estimates; please see the company's MD&A "Risk Factors" section for a more detailed discussion of company specific risks for the company discussed in this report.

Granite Point Research is receiving cash compensation from Highwood Asset Management Ltd. for 12 months of research coverage. GPR retains full editorial control over its research content. GPR does not have investment banking relationships and does not expect to receive any investment banking driven income. GPR reports are primarily distributed electronically and, in some cases, printed

form. Reprints of GPR reports are prohibited without permission. To receive future reports on covered companies please visit <https://granitepointresearch.com/research> or subscribe on our website.

This report has been prepared independently of any issuer of securities mentioned herein and not as an agent of any issuer of securities. No GPR personnel have authority whatsoever to make any representations or warranty on behalf of the Company. Any comments or statement made herein are those of GPR.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended to be used by any person or entity in any jurisdiction where such use would be contrary to the local regulations or which would require any registration requirement within such jurisdiction.