

Form 62-103F1

Required Disclosure Under the Early Warning Requirements

1. Security and Reporting Issuer

1.1 *State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.*

Highwood Asset Management Ltd. (the “**Issuer**”)
#202, 221 10th Avenue SE
Calgary, AB T2G 0V9

This report relates to the acquisition of common shares (“**Common Shares**”) and Common Share purchase warrants (“**Warrants**”) of the Issuer, acquired on August 3, 2023.

1.2 *State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.*

Not applicable.

2. Identity of the Acquiror

2.1 *State the name and address of the acquiror.*

HR Exploration & Energy GmbH
Podbielskiallee 16
14195 Berlin
Germany (the “**Acquiror**”)

2.2 *State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.*

On August 3, 2023, in connection with the closing of the acquisition by the Issuer of each of Castlegate Energy Ltd., Boulder Energy Ltd. and Shale Petroleum Ltd. (collectively, the “**Acquisitions**”) the Acquiror acquired:

- (a) without payment of additional consideration and without further action, 1,666,666 Common Shares and 833,333 Warrants, with each Warrant exercisable into one Common Share at an exercise price of \$7.50 per share for a period of 36 months from the issuance date of the Warrants, pursuant to the conversion of 1,666,666 subscription receipts of the Issuer (“**Subscription Receipts**”) acquired on July 27, 2023 pursuant to a “best efforts” marketed offering of the Issuer, and
- (b) 943,741 Common Shares in connection with closing of the Acquisition in respect of Shale Petroleum Ltd. (“**Shale**”).

2.3 *State the names of any joint actors.*

None.

3. Interest in Securities of the Reporting Issuer

3.1 *State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror’s securityholding percentage in the class of securities.*

Immediately prior to conversion of the Subscription Receipts and completion of the Acquisitions, the Acquiror owned no securities of the Issuer. After conversion of the Subscription Receipts and completion of the Acquisitions on August 3, 2023, the Acquiror owned and exercised control or direction over 2,610,407 Common Shares and 833,333 Warrants, representing approximately 17% of the issued and outstanding Common Shares on a non-diluted basis and approximately 21% of the issued and outstanding Common Shares on a partially-diluted basis (assuming the exercise of all Warrants held by the Acquiror).

- 3.2 ***State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.***

See Item 3.1.

- 3.3 ***If the transaction involved a securities lending arrangement, state that fact.***

Not applicable.

- 3.4 ***State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.***

See Item 3.1.

- 3.5 ***State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which:***

- (a) ***the acquiror, either alone or together with any joint actors, has ownership and control,***

See Item 3.1.

- (b) ***the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and***

Not applicable.

- (c) ***the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.***

Not applicable.

- 3.6 ***It the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.***

Not applicable.

- 3.7 ***If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the Amalgamation.***

Not applicable.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 *If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.*

Not applicable.

4. Consideration Paid

- 4.1 *State the value, in Canadian dollars, of any consideration paid or received per security and in total.*

\$10,000,000 (\$6.00 per Subscription Receipt) and the transfer to the Issuer of 102,885,075 common shares in the capital of Shale in connection with the Acquisition in respect of Shale.

- 4.2 *In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.*

Not applicable.

- 4.3 *If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.*

See Items 1.2, 2.2 and 3.1.

5. Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) *the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;*
- (b) *a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;*
- (c) *a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;*
- (d) *a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;*
- (e) *a material change in the present capitalization or dividend policy of the reporting issuer;*
- (f) *a material change in the reporting issuer's business or corporate structure;*
- (g) *a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;*
- (h) *a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;*
- (i) *the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;*

- (j) *a solicitation of proxies from securityholders;*
- (k) *an action similar to any of those enumerated above*

The Acquiror acquired the securities for investment purposes. The Acquiror may acquire or dispose of additional securities of the Issuer in the future through the market, privately, or otherwise, as circumstances or market conditions warrant.

6. Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

The Issuer and the Acquiror are parties to a board nomination agreement (“**Board Nomination Agreement**”) whereby the Acquiror 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 Issuer (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 the Acquiror 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 Board Nomination Agreement further provides the Acquiror with participation rights for future offerings to maintain its percentage ownership interest in the issued and outstanding Common Shares of the Issuer up to a maximum of a percentage ownership interest of 17% of the issued and outstanding Common Shares. The Acquiror 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 Board Nomination Agreement.

7. Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

8. Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

9. Certification

The acquiror must certify that the information in this report is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge,

information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his or her authorized representative. It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

I, as the Acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

DATED this 3rd day of August, 2023.

HR EXPLORATION & ENERGY GMBH

(signed) "Ruslan Husry"

Name: Ruslan Husry
Title: Managing Director