

BOARD NOMINATION AGREEMENT

(with investor's rights)

THIS AGREEMENT made the 3rd day of August, 2023,

B E T W E E N:

HR EXPLORATION & ENERGY GMBH, a limited liability company incorporated pursuant to the laws of Germany (hereinafter referred to as the "**Investor**"),

- and -

HIGHWOOD ASSET MANAGEMENT LTD., a body corporate having an office in the City of Calgary, in the Province of Alberta ,

(hereinafter referred to as the "**Corporation**").

WHEREAS the Corporation and the Investor have entered into a strategic investment agreement (the "**Subscription Agreement**") pursuant to which the Corporation has agreed to issue to the Investor and the Investor agreed to purchase from the Corporation [redacted - dollar amount] of subscription receipts of the Corporation, pursuant to the terms and subject to the conditions set forth in the Subscription Agreement;

AND WHEREAS in consideration of the Investor's agreement to complete the subscription pursuant to the Subscription Agreement, the Corporation has agreed to grant certain rights set out herein to the Investor, on the terms and subject to the conditions set out herein;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants and agreements of the parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each party), the parties agree as follows:

ARTICLE 1 **INTERPRETATION**

1.1 **Defined Terms**

For the purposes of this Agreement, unless the context otherwise requires, the following terms have the respective meanings set out below and grammatical variations of such terms have corresponding meanings:

"**Act**" means *Business Corporations Act* (Alberta);

"**Affiliate**" has the meaning ascribed to such term in the *Business Corporations Act* (Alberta), as in effect on the date of this Agreement;

"**Board**" means the board of directors of the Corporation;

“Business Day” means any day, other than: (a) a Saturday, Sunday or statutory holiday in the Province of Alberta; or (b) a day on which banks are generally closed in the Province of Alberta or in Berlin, Germany;

“Canadian Securities Laws” means the applicable securities legislation of each of the provinces and territories of Canada and all published regulations, policy statements, orders, rules, instruments, rulings and interpretation notes issued thereunder or in relation thereto, as the same may hereafter be amended from time to time or replaced;

“Common Shares” means the common shares in the capital of the Corporation issued and outstanding from time to time and includes any common shares that may be issued hereafter;

“Corporation” has the meaning set out in the preamble hereto;

“Convertible Securities” means any security convertible, exchangeable or exercisable for or into, with or without consideration, Common Shares or other equity or voting securities of the Corporation, including any warrants, options or other rights issued by the Corporation;

“Excluded Event” has the meaning set out in Section 3.5;

“Exercise Notice” has the meaning set out in Section 3.3;

“Existing Convertible Securities” means Convertible Securities issued prior to, and outstanding, as of the date hereof;

“Governmental Entity” means any domestic or foreign federal, provincial, regional, state, municipal or other government, governmental department, agency, authority or body (whether administrative, legislative, executive or otherwise), court, tribunal, commission or commissioner, bureau, minister or ministry, board or agency, or other regulatory authority, including any securities regulatory authority and stock exchange;

“Investor” has the meaning set out in the preamble hereto;

“Investor Nominee” has the meaning set out in Section 2.1(a);

“Issuance” has the meaning set out in Section 3.1;

“Notice Period” has the meaning set out in Section 3.3;

“Offered Securities” means any equity or voting securities of the Corporation, or any Convertible Securities;

“Offering” has the meaning set out in Section 3.1;

“Offering Notice” has the meaning set out in Section 3.1;

“Participation Right” has the meaning set out in Section 3.2;

“Person” means and includes any individual, corporation, limited partnership, general partnership, joint stock corporation, limited liability corporation, joint venture, association, corporation, trust, bank, trust corporation, pension fund, business trust or other organization, whether or not a legal entity and any Governmental Entity;

“Subscription Agreement” has the meaning set out in the recitals hereto;

“TSXV” means the TSX Venture Exchange;

“Upsize Notice” has the meaning set out in Section 3.3(b); and

“Upsize Option” has the meaning set out in Section 3.3(b).

1.2 Rules of Construction

Except as may be otherwise specifically provided in this Agreement and unless the context otherwise requires, in this Agreement:

- (a) the terms “Agreement”, “this Agreement”, “hereto”, “hereof”, “herein”, “hereby”, “hereunder” and similar expressions refer to this Agreement in its entirety and not to any particular provision hereof;
- (b) references to an “Article” or “Section” followed by a number or letter refer to the specified Article or Section to this Agreement;
- (c) the division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;
- (d) words importing the singular number only shall include the plural and *vice versa* and words importing the use of any gender shall include all genders;
- (e) the word “including” is deemed to mean “including without limitation”;
- (f) the terms “party” and “the parties” refer to a party or the parties to this Agreement;
- (g) any reference to this Agreement means this Agreement as amended, modified, replaced or supplemented from time to time;
- (h) any reference to a statute, regulation or rule shall be construed to be a reference thereto as the same may from time to time be amended, re-enacted or replaced, and any reference to a statute shall include any regulations or rules made thereunder;
- (i) any time period within which a payment is to be made or any other action is to be taken hereunder shall be calculated excluding the day on which the period commences and including the day on which the period ends; and
- (j) whenever any action is required to be taken or period of time is to expire on a day other than a Business Day, such action shall be taken or period shall expire on the next following Business Day.

1.3 Entire Agreement

This Agreement and the Subscription Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior agreements, understandings, negotiations and discussions, whether written or oral, between the

parties. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as provided in the aforesaid agreements.

1.4 Time of Essence

Time shall be of the essence of this Agreement.

1.5 Governing Law and Submission to Jurisdiction

(a) This Agreement shall be interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Alberta and the federal laws of Canada applicable in that province.

(b) Each of the parties irrevocably and unconditionally: (i) submits to the non-exclusive jurisdiction of the courts of the Province of Alberta over any action or proceeding arising out of or relating to this Agreement; (ii) waives any objection that it might otherwise be entitled to assert to the jurisdiction of such courts; and (iii) agrees not to assert that such courts are not a convenient forum for the determination of any such action or proceeding.

1.6 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, all other provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

ARTICLE 2 **BOARD OF DIRECTORS**

2.1 Nomination Right

(a) For as long as the Investor and its Affiliates together own or exercise control or direction over, directly or indirectly, not less than *[redacted]*% of the issued and outstanding Common Shares (calculated on a partially diluted basis where, in respect of Convertible Securities, only the Common Shares issuable pursuant to Convertible Securities owned by the Investor at the relevant time of calculation are included in the numerator and denominator of such calculation), the Investor shall be entitled to designate for election or appointment to the Board, as applicable, the greater of: (i) one (1) 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 Investor 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 (which, for the avoidance of doubt, shall mean that the number of nominees shall be rounded up to the next whole number in all cases), and which nominee(s) shall be Person(s) eligible to serve as a director pursuant to the Act (an “**Investor Nominee**”).

(b) The Corporation shall advise the Investor of the date on which proxy solicitation materials are to be mailed for the purpose of any meeting of shareholders at which directors of the Corporation are to be elected at least fifteen (15) Business Days prior to such mailing date and the Investor shall advise the Corporation of its Investor Nominee(s) at least five (5) Business Days prior to the mailing date. If the Investor does not advise the Corporation of the identity of an Investor Nominee(s) prior to any such deadline, then the Investor will be deemed to have nominated its incumbent nominees.

(c) In the event that any Investor Nominee(s) shall cease to serve as a director of the Corporation, whether due to such Investor Nominee(s)'s death, disability, resignation or removal, the Corporation shall cause the Board to promptly appoint a replacement Investor Nominee(s) designated by the Investor to fill the vacancy created by such death, disability, resignation or removal, provided that the Investor remains eligible to designate an Investor Nominee(s) as provided for in Section 2.1(a).

2.2 Management to Endorse and Vote

(a) The Corporation shall use commercially reasonable efforts to ensure that the Investor Nominee is elected to the Board, including soliciting proxies in support of their election and taking the same actions taken by the Corporation to ensure the election of the other nominees selected by the Board for election to the Board.

(b) The Corporation agrees that management of the Corporation shall, in respect of every meeting of the shareholders at which directors of the Corporation are to be elected, and at every reconvened meeting following an adjournment or postponement thereof, endorse and recommend the Investor Nominee(s) identified in the proxy materials for election to the Board, and shall vote the Common Shares and any other shares of the Corporation entitled to vote in the election of directors in respect of which management is granted a discretionary proxy in favour of the election of such Investor Nominee(s) to the Board at every such meeting, and the Corporation shall use its commercially reasonable efforts to cause management to vote their Common Shares and any other shares of the Corporation entitled to vote in the election of directors in favour of the election of such Investor Nominee to the Board at every such meeting. In addition, to the extent required, the Corporation shall use its commercially reasonable efforts to cause director(s), agreed to by the Investor, acting reasonably, to forthwith resign from the Board so as to create vacancies to be filled by the Investor Nominee(s) to give effect to Section 2.1(a) and/or call a meeting of the shareholders of the Corporation to elect directors of the Corporation so as to give effect to Section 2.1(a).

2.3 Directors' Liability Insurance

An Investor Nominee shall be entitled to the benefit of any directors' liability insurance and indemnity to which other directors of the Corporation are entitled and, effective on the date the Investor Nominee is elected or appointed to the Board: (a) the Corporation shall enter into a director indemnification agreement acceptable to the Investor Nominee, acting reasonably, having such terms that are no less favourable to such nominee than those in the indemnification agreements entered into between the Corporation and its other existing members of the Board, and (b) the Investor Nominee shall be added, to the satisfaction of the Investor Nominee, acting reasonably, to the coverage provided under Highwood's existing directors liability insurance.

ARTICLE 3

PARTICIPATION RIGHT

3.1 Notice of Issuances

If the Corporation proposes to issue (an “**Issuance**”) any Offered Securities pursuant to a public offering, a private placement or otherwise (an “**Offering**”) at any time after the date hereof, the Corporation will, forthwith after the public announcement of the Offering, but in any event by the date on which the Corporation files a preliminary prospectus, registration statement or other offering document in connection with an Issuance that constitutes a public offering of Offered Securities, and at least fifteen (15) Business Days prior to the expected completion date of the Issuance, give written notice of the Issuance (the “**Offering Notice**”) to the Investor including, to the extent known by the Corporation, full particulars of the Offering, including the number of Offered Securities, the rights, privileges, restrictions, terms and conditions of the Offered Securities, the price per Offered Security to be issued under the Offering, the expected use of proceeds of the Offering and the expected closing date of the Offering.

3.2 Grant of Participation Right

The Corporation agrees that the Investor (directly or through an Affiliate) has the right (the “**Participation Right**”) to subscribe for and to be issued as part of an Offering at the subscription price per Offered Security pursuant to the Offering and otherwise on substantially the terms and conditions of the Offering (provided that, if the Investor is prohibited by Canadian Securities Laws or other applicable law from participating on substantially the terms and conditions of the Offering, the Corporation shall use commercially reasonable efforts to enable the Investor to participate on terms and conditions that are as substantially similar as circumstances permit):

- (a) in the case of an Offering of Common Shares, up to such number of Common Shares that will allow the Investor (at its election and in its sole discretion) to either:
 - (i) maintain a percentage ownership interest in the issued and outstanding Common Shares that is the same as the percentage ownership interest that it had immediately prior to completion of such Offering (provided that such percentage ownership interest immediately prior to completion of such Offering is no greater than [redacted]); or
 - (ii) acquire a percentage ownership interest in the Common Shares of up to [redacted] of the issued and outstanding Common Shares, in each case of (i) and (ii), after giving effect to such Offering and calculated on a partially diluted basis where, in respect of Convertible Securities, only the Common Shares issuable pursuant to Convertible Securities owned by the Investor at the relevant time of calculation are included in the numerator and denominator of such calculation; and

- (b) in the case of an Offering of Offered Securities (other than Common Shares), up to such number of Offered Securities that will (assuming, for all purposes of this Section 3.2(b), the conversion, exercise or exchange of all of the convertible, exercisable or exchangeable Offered Securities issued in connection with the Offering and issuable pursuant to this Section 3.2) allow the Investor (at its election and in its sole discretion) to either: (i) maintain a percentage ownership interest in the issued and outstanding Common Shares that is the same as the percentage ownership interest that it had immediately prior to completion of such Offering; or (ii) acquire a percentage ownership interest in the Common Shares of up to

[redacted] of the issued and outstanding Common Shares, in each case after giving effect to such Offering and calculated on a partially diluted basis where, in respect of Convertible Securities, only the Common Shares issuable pursuant to Convertible Securities owned by the Investor at the relevant time of calculation are included in the numerator and denominator of such calculation.

3.3 Exercise Notice

(a) If the Investor wishes to exercise the Participation Right, the Investor shall give written notice to the Corporation (the “**Exercise Notice**”) of its intention to exercise such right and of the number of Offered Securities the Investor wishes to subscribe for and purchase pursuant to the Participation Right. The Investor shall deliver an Exercise Notice to subscribe to the Offering, within five (5) Business Days after the date of receipt of an Offering Notice or Upsize Notice, as applicable, or in the case of a public offering that is a “bought deal”, within three (3) Business Days of receipt of an Offering Notice or Upsize Notice (the “**Notice Period**”), failing which the Investor will not be entitled to exercise the Participation Right in respect of such Offering.

(b) If the Corporation at any time proposes to increase the number of any Offered Securities to be issued in the Offering it shall, by notice in writing delivered to the Investor (the “**Upsize Notice**”), give the Investor the option to subscribe for its *pro rata* share of the additional Offered Securities (the “**Upsize Option**”). The Investor shall be entitled to exercise the Upsize Option by delivering a new Exercise Notice to the Corporation. If no new Exercise Notice is delivered by the Investor to the Corporation within one (1) Business Day of receipt by the Investor of the Upsize Notice, the Exercise Notice of the Investor delivered in respect of the original Offering Notice shall continue in full force and effect.

3.4 Issuance of Offered Securities

(a) If the Corporation receives an Exercise Notice from the Investor within the Notice Period, then the Corporation shall, subject to the receipt and continued effectiveness of all required approvals (including the approval(s) of the TSXV and any other stock exchange on which the Common Shares are then listed and/or traded and any required approvals under Canadian Securities Laws and any shareholder approval required under applicable law), which approvals the Corporation shall use all commercially reasonable efforts to promptly obtain (including by applying for any necessary price protection confirmations, seeking shareholder approval (if required) in the manner described below, and using its commercially reasonable efforts to cause management and each member of the Board to vote their Common Shares and any shares of the Corporation entitled to vote in the matter and all votes received by proxy in favour of the issuance of the Offered Securities, to the Investor), issue to the Investor, against payment of the subscription price payable in respect thereof, that number of Common Shares or other Offered Securities, as applicable, set out in the Exercise Notice.

(b) If the Corporation is required by the TSXV or otherwise under applicable law to seek shareholder approval for the issuance of the Offered Securities to the Investor, then the Corporation shall: (i) call and hold a meeting of its shareholders to consider the issuance of the Offered Securities, to the Investor as soon as reasonably practicable, and in any event such meeting shall be held within 75 days after the date that the Corporation is advised by the TSXV or other applicable Governmental Entity that it will require shareholder approval; and (ii) recommend approval of the issuance of the Offered Securities, to the Investor and solicit proxies in support thereof.

3.5 Issuances Not Subject to Participation Right

Notwithstanding anything to the contrary contained herein, Sections 3.1 to 3.4 inclusive will not apply to any of the following Issuances (each such Issuance pursuant to paragraphs (a) through (c) hereof being referred to as an “**Excluded Event**”):

- (a) a rights offering that is open to all shareholders of the Corporation including the Investor;
- (b) Issuances completed following the date hereof for compensatory purposes to directors, officers, employees of or consultants to the Corporation and its Affiliates pursuant to a security compensation plan of the Corporation that complies with the requirements of the TSXV; or
- (c) issuances upon the conversion, exchange or exercise of any Convertible Securities, provided the Corporation has complied with the provisions hereof in respect of the original issuance of such Convertible Securities.

ARTICLE 4 **MISCELLANEOUS**

4.1 Termination

This Agreement shall terminate and all rights and obligations hereunder shall cease immediately at such time as the Investor and its Affiliates together cease to own or exercise control or direction over, directly or indirectly, not less than *[redacted]*% of the issued and outstanding Common Shares (calculated on a partially diluted basis where, in respect of Convertible Securities, only the Common Shares issuable pursuant to Convertible Securities owned by the Investor at the relevant time of calculation are included in the numerator and denominator of such calculation).

4.2 Notices

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by e-mail or similar means of recorded electronic communication or sent by registered mail, charges prepaid, addressed as follows:

- (i) in the case of the Investor:

HR Exploration & Energy GMBH
[redacted - contact information]

Attention: *[redacted - contact information]*
Email *[redacted - contact information]*

with a copy to:

Cassels Brock & Blackwell LLP
Suite 3810, Bankers Hall West,

888 3rd Street SW
Calgary, AB
T2P 5C5

Attention: [redacted - contact information]
E-mail: [redacted - contact information]

(ii) in the case of the Corporation:

#202, 221 10th Avenue SE
Calgary, AB
T2G 0V9

Attention: [redacted - contact information]
E-mail: [redacted - contact information]

with a copy to:

DLA Piper (Canada) LLP
Suite 1000, 250 2nd Street SW
Calgary, Alberta

Attention: [redacted - contact information]
E-mail: [redacted - contact information]

(b) Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day or if delivery or transmission is made on a Business Day after 5:00 p.m. at the place of receipt, then on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event which might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means of recorded electronic communication as aforesaid.

(c) Either party may at any time change its address for service from time to time by giving notice to the other party in accordance with this Section 4.2.

4.3 Amendments and Waivers

No amendment or waiver of any provision of this Agreement shall be binding on either party unless consented to in writing by such party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

4.4 Assignment

No party may assign any of its rights or benefits under this Agreement, or delegate any of its duties or obligations, except with the prior written consent of the other party. Notwithstanding the foregoing, the Investor may assign and transfer all of its rights, benefits, duties and obligations under this Agreement in their entirety, without the consent of the Corporation, to an Affiliate of the Investor, provided that any such assignee shall, prior to any such

transfer, agree to be bound by all of the covenants of the Investor contained herein and comply with the provisions of this Agreement, and shall deliver to the Corporation a duly executed undertaking to such effect in form and substance satisfactory to the Corporation, acting reasonably.

4.5 Successors and Assigns

This Agreement shall enure to the benefit of and shall be binding on and enforceable by and against the parties and their respective successors and permitted assigns.

4.6 Expenses

Except as otherwise expressly provided in this Agreement, each party will pay for its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Agreement and the transactions contemplated herein, including the fees and expenses of legal counsel, financial advisors, accountants, consultants and other professional advisors.

4.7 Further Assurances

Each of the parties shall, from time to time hereafter and upon any reasonable request of the other, promptly do, execute, deliver or cause to be done, executed and delivered all further acts, documents and things as may be required or necessary for the purposes of giving effect to this Agreement.

4.8 Right to Injunctive Relief

The parties agree that any breach of the terms of this Agreement by either party would result in immediate and irreparable injury and damage to the other party which could not be adequately compensated by damages. The parties therefore also agree that in the event of any such breach or any anticipated or threatened breach by the defaulting party, the other party shall be entitled to equitable relief, including by way of temporary or permanent injunction or specific performance, without having to prove damages, in addition to any other remedies (including damages) to which such other party may be entitled at law or in equity.

4.9 Counterparts

This Agreement and all documents contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts and by electronic transmission, with the same effect as if each party had signed and delivered the same document, and all counterparts so executed and delivered shall be construed together to be an original and will constitute one and the same agreement.

[Remainder of page intentionally left blank; signature page follows.]

IN WITNESS WHEREOF this Agreement has been executed by the parties on the date first written above.

HR EXPLORATION & ENERGY GMBH

by (signed) "Ruslan Husry"
Name: Ruslan Husry
Title: Managing Director

HIGHWOOD ASSET MANAGEMENT LTD.

by (signed) "Joel MacLeod"
Name: Joel MacLeod
Title: Executive Chairman