



April 24, 2024

PRESIDENT'S LETTER TO SHAREHOLDERS

"The reports of my death have been greatly exaggerated" said Mark Twain

I think we will look back at 2023 and recognize that it was a watershed year for the production of hydrocarbons worldwide. For years I have been told that Westbrick was operating in a twilight industry and that Canada and the rest of the world would need less hydrocarbons to sustain its way of life. Transition to other forms of energy was rapidly replacing the need for conventional energy sources and better energy investing was found in supporting the new transitional supplies. Last year the realities of the energy transition became apparent, and that hydrocarbon demand will rise with the growing need for secure, reliable, cost effective supply and the wellbeing created by access to hydrocarbons. The transitional energies simply cannot replace hydrocarbons and an increasing number of world economies are in need of hydrocarbon supply. Canada has a responsibility to ethically develop its hydrocarbon resources and share the abundance with the world. Westbrick has the team and resources to be part of that solution.

Westbrick has the production base, top tier asset development, cost structure and track record that favorably compares with the best energy companies in North America. How the Company develops those resources and the pace of development obviously determines the growth and profitability of the business. Westbrick has always taken a very measured view of the future where we can immediately change production and capital expenditures with changes in revenue expectations. In 2023 Westbrick faced a number of major macro challenges. Over supply of gas into the North American market eroded commodity prices early in the year, the May forest fires surrounding our major operations forced over a third of the Company's production to be shut in for 60 days and then a lack of winter in December 2023 forced storage gas into the market which further eroded Canadian gas prices. The Company reacted quickly to these events and was still able to accomplish its goals to lower net debt (\$48.9 MM to \$17.9 MM or by 63%), test commercialization of some key high impact plays (Badger, Duvernay) and buy highly prospective land to add to the corporate drilling inventory. Westbrick's free cash flow was simply reinvested back into the business with excellent results.

In 2024, the Company plans to continue those efforts to setup the business for growth and profitability with strengthening commodity prices. Currently, North American gas prices are below industry replacement costs. Since inception, Westbrick refuses to sell gas below the cost to develop. In 2024, the Company will take advantage of the forward strip which is heavily in contango. Simply shutting-in natural gas production currently that can be brought back on stream in the winter of 24/25 creates value for the shareholders. The Company controls its production base and we wish more companies in the sector would think the same way and not expose their shareholders to obvious losses in shareholder value.

I am pleased to report that Westbrick delivered top quartile operational and financial performance. Cashflow for the year was \$363 million (\$7.67 per share) and \$181 million of net income (\$3.83 per share). Notwithstanding a volatile gas market and issues caused by the wildfires, 2023 production still averaged 50,863 BOEPD with an average operating netback of

\$22.01/BOE. The Company's production management strategy together with its ability to moderate its capital program to react to volatile commodity prices allowed it to maintain its profitable operations and to reduce its net debt by \$31MM from 2022. The ongoing Companywide initiative called "1% Cost Improvement" generated \$10MM in operating and capital savings in 2023 encompassing all departments from the Calgary office to the field. The 1% philosophy is embedded into our corporate culture and influences every role in the firm. It is that attitude by the Westbrick team that ensures we are a very competitive supplier of gas into the North American market.

Converting our hydrocarbon resources into cash flow efficiently has been our focus. In 2023, the Company grew year end PDP reserves by 11% to 89 million BOEs while maintaining a very strong PDP recycle ratio of 1.8 (2.3 excluding long term investments in land and plant facilities) and replacing 150% of production. The GLJ yearend proven plus probable engineering value at 10% discount rate was \$3.4 billion based on 344.8 million BOE's booked. In 2023 the Company drilled 41 gross wells (35.7 net). One mile drilling inventory grew to over 2,400 locations with only 22% of the locations booked by GLJ in the yearend engineering report.

Ultimately the success of any business is based on the ability to grow cash flow and create earnings. The After Tax Return on Equity (ROE) History of the Company was as follows:

- 2020 – 3% : where 4 out of 6 gas weighted Pubco were negative
- 2021 – 20% : with no write down as performed by our competitors
- 2022 – 50% : top decile performer
- 2023 – 23% : and being fully taxable

Our goal in the future is to continue this trend of production growth (cash flow) while generating material earnings and to do it no matter what environment we are selling into.

As in 2022, 2023 was filled with significant and meaningful efforts to look for shareholder liquidity and value accretion. Numerous major M&A activities were initiated during the year but nothing materialized. Westbrick has always been pursuing liquidity options for shareholders everyday which translates into our culture of maximizing value to shareholders. The industry will need our resource inventory and capital efficiency and its only a matter of time before the Company realizes on the right opportunity.

Westbrick has a long history of developing its production base responsibly while at the same time profitably. We are proud of our results to minimize the impact of our operations on the environment and our strong on-going support of the communities where we operate. I look forward to the year ahead where gas demand in Canada strengthens with LNG Canada and United States Gulf Coast LNG facilities and the country looks to share its energy abundance with the rest of the world. Thank you to the Westbrick Team for their efforts to make this a reality. My only wish is that all Canadians could work together on common goals like the team we have employed at Westbrick.

Sincerely,



Ken McCagherty
President & CEO