

Highwood Asset Management Ltd. Announces 2021 Fourth Quarter And Year-end Financial And Operating Results

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2021 Year-end Reserves Along With Lithium-brine And Operational Update

CALGARY, May 2, 2022 - [Highwood Asset Management Ltd.](#), ("Highwood" or the "Company") (TSXV: HAM) is pleased to announce financial and operating results for the three months and twelve months ended December 31, 2021 and to provide the results of its independent oil and gas reserves evaluation as of December 31, 2021, prepared by GLJ Petroleum Consultants Ltd. ("GLJ"). The Company also announces that its audited financial statements and associated Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2021, can be found at www.sedar.com and www.highwoodmgmt.com.

Highlights

- Within the industrial metals and minerals business unit, the Company has amassed industrial metallic and mineral permits of over 3,900,000 acres in Alberta and British Columbia and issued its National Instrument 43-101 technical report on Lithium from Brine on July 16, 2021 and National Instrument 43-101 technical report on Ironstone-Vanadium on September 21, 2021. The Company also engaged the third-party resource evaluator to compile a 43-101 Lithium from Brine Resource Assessment specific to Drumheller, Alberta, which was completed and released subsequent to December 31, 2021. The initial inferred Lithium-Brine resource at Drumheller has been calculated within 3 separate resource domains, the combined total of which is estimated to contain 18.14 million metric tonnes lithium carbonate equivalent ("LCE").
- Within the upstream oil & gas production & processing business unit, the Company delivered average production of 125 bbl/d of oil in the fourth quarter of 2021. Current net production from Highwood remains at approximately 125 bbl/d of oil.
- Corporately, net debt at December 31, 2021 was \$2.2 million, subsequent to year-end the Company has reduced this amount to \$1.4 million.

Summary of Financial & Operating Results

	Three months ended Year ended					
	December 31,			December 31,		
	2021	2020	%	2021	2020	%
Financial (in thousands)						
Oil and natural gas sales	\$ 966	\$ 6,686	(86)	\$ 7,389	\$ 20,719	(64)
Transportation pipeline revenues	718	1,021	(30)	3,523	3,740	(6)
Total revenues, net of royalties ⁽¹⁾	1,351	6,122	(78)	7,593	29,418	(74)
Income (Loss)	(951)	18,347	(105)	(2,321)	(9,284)	(75)
Funds flow from operations ⁽⁵⁾	59	(985)	106	(75)	(239)	69
Capital expenditures	3	228	(97)	273	4,710	(94)
Net debt ⁽²⁾				(2,244)	(1,132)	(98)
Shareholder's equity (end of period)				7,993	9,763	(12)
Shares outstanding (end of period)				6,014	6,014	-
Weighted-average basic shares outstanding	6,014	6,014	-	6,014	6,014	-
Operations ⁽³⁾						
Production						
Crude oil (bbls/d)	125	1,908	(93)	331	1,560	(79)
Total (boe/d)	125	1,908	(93)	331	1,560	(79)
Average realized prices ⁽⁴⁾						
Crude Oil (per bbl)	84.06	38.08	121	61.18	36.29	69
Upstream Operating netback (per BOE) ⁽⁵⁾	31.85	13.94	128	20.98	5.37	291
Wells drilled:						
Gross	-	-	-	-	4.0	(100)
Net	-	-	-	-	2.0	(100)
Success (%)	-	-	-	-	100	-

- (1) Includes realized and unrealized gains and losses on commodity contracts
- (2) Net debt consists of bank debt and working capital surplus (deficit) excluding commodity contract assets and/or liabilities.
- (3) For a description of the boe conversion ratio, see "Basis of Barrel of Oil Equivalent".
- (4) Before hedging.
- (5) See "Non-GAAP measures".

2021 Fourth Quarter Operations

Highwood's focus in the fourth quarter of 2021 was to evaluate the sizeable position of industrial mines and minerals permits throughout Western Canada for purposes of creating a 43-101 inferred resource assessment. Subsequent to December 31, 2021, Highwood filed a NI 43-101 Technical Report Lithium Resource Estimate for its Drumheller Property, resulting in a combined total resource estimate of 18.14Mt LCE.

The Company also focused time and resources in Q4 2021 on extraction technologies for Lithium from Brine.

With the strong improvement in commodity prices over the course of 2021, the Company also reviewed and assessed several potential acquisitions for its upstream operations. The Company will continue to review and assess opportunities which are accretive to the Company as Highwood seeks to grow this segment of its operations.

Outlook and Update to Metallic and Industrial Mineral Permits

Within the industrial metals and minerals business unit, the Company engaged a third-party resource evaluator to prepare a 43-101 Resource Estimate covering the Lithium from Brine within the region of Drumheller, Alberta. This 43-101 Resource Estimate was released subsequent to December 31, 2021 on February 28, 2022. The results were encouraging to Highwood as the combined total initial inferred lithium-brine resource estimate at its Drumheller asset is 18.14Mt LCE.

Given its clean balance sheet which provides considerable financial and operational flexibility, the Company remains open to completing accretive acquisitions through the balance of 2022 and beyond. The Company is currently engaged in several encouraging dialogues regarding various acquisitions and partnership opportunities. Global optimism around mitigating COVID-19 and restoring previous economic and industrial activities has created positive market and investment sentiment both within and outside oil & gas space.

While Highwood sold the majority of its producing oil assets in the first quarter of 2021, the Company has, and will continue to evaluate opportunities in the M&A market but will remain disciplined to pursue only those opportunities that are accretive with low to moderate liability profiles.

Corporately, the Company intends to build a growing profile of recurring free funds flow that will provide maximum flexibility for growth and / or other strategic M&A opportunities in a non-dilutive fashion.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Cautionary Note Regarding Forward-Looking Information

This news release contains "forward-looking information" or "FLI" within the meaning of the Canadian securities laws. Forward-looking information is generally identifiable by use of the words "believes," "may," "plans," "will," "anticipates," "intends," "budgets", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions. Forward-looking information in this news release

include statements about the Company's next steps which include resource assessment, continued exploration and development work, including in respect of the potential extraction technology, continued sampling and developing a reservoir model, the completion and timing for the Cretaceous ironstone NI 43-101 Technical Report, and the evaluation and potential spinout of a pure play lithium company, as well as the specific assumptions used to develop such FLI and the specific risk factors.

In connection with the forward-looking information contained in this news release, Highwood has made numerous assumptions, regarding, among other things: the geological, metallurgical, engineering, financial and economic advice that Highwood has received is reliable and is based upon practices and methodologies which are consistent with industry standards. While Highwood considers these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies.

Additionally, there are known and unknown risk factors which could cause Highwood's actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. Known risk factors include, among others: the Li-brine resource assessment may not be completed as planned or at all, the exploration and continued sampling may exceed the budget; continued sampling and the reservoir model may not achieve the results expected; investor support for a pure play lithium public spinout; the need to obtain additional financing; uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs and uncertainty of meeting anticipated program milestones; uncertainty as to timely availability of permits and other governmental approvals.

A more complete discussion of the risks and uncertainties facing Highwood is disclosed in Highwood's continuous disclosure filings with Canadian securities regulatory authorities at www.sedar.com. All forward-looking information herein is qualified in its entirety by this cautionary statement, and Highwood disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events, or developments, except as required by law.

Oil and Gas Measures

Readers should see the "Selected Technical Terms" in the Annual Information Form filed on April 29, 2021 for the definition of certain oil and gas terms.

Basis of Barrels of Oil Equivalent - This news release discloses certain production information on a barrels of oil equivalent ("boe") basis with natural gas converted to barrels of oil equivalent using a conversion factor of six thousand cubic feet of gas (Mcf) to one barrel (bbl) of oil (6 Mcf:1 bbl). Condensate and other NGLs are converted to boe at a ratio of 1 bbl:1 bbl. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based roughly on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at sales point. Although the 6:1 conversion ratio is an industry-accepted norm, it is not reflective of price or market value differentials between product types. Based on current commodity prices, the value ratio between crude oil, NGLs and natural gas is significantly different from the 6:1 energy equivalency ratio. Accordingly, using a conversion ratio of 6 Mcf:1 bbl may be misleading as an indication of value.

Mcfе Conversions: Thousands of cubic feet of gas equivalent ("Mcfе") amounts have been calculated by using the conversion ratio of one barrel of oil (1 bbl) to six thousand cubic feet (6 Mcf) of natural gas. Mcfе amounts may be misleading, particularly if used in isolation. A conversion ratio of 1 bbl to 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of natural gas as compared to oil is significantly different from the energy equivalent of 1:6, utilizing a conversion on a 1:6 basis may be misleading as an indication of value.

Non-GAAP Measures

"Funds flow from operations" is a non-GAAP financial measure and is calculated as cash flow from operating activities adjusted for changes in non-cash working capital.

"Netback" is a non-GAAP financial measure and is calculated as revenues net of royalties, less

transportation and processing charges and operating expenses and then divided by BOE or Mcf sold.

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