



## **HIGHWOOD OIL COMPANY LTD. ANNOUNCES FIRST QUARTER 2021 RESULTS ALONG WITH UPDATE ON INDUSTRIAL METALS AND MINERAL PERMITS**

**NOT FOR DISSEMINATION IN THE U.S. OR THROUGH U.S. NEWSWIRES**

**Calgary, Alberta, May 28, 2021**

Highwood Oil Company Ltd., (“**Highwood**” or the “**Company**”) (TSXV: HOCL) is pleased to announce financial and operating results for the quarter ended March 31, 2021. The Company also announces that its unaudited financial statements and associated Management’s Discussion and Analysis (“**MD&A**”) for the quarter ended March 31, 2021, can be found at [www.sedar.com](http://www.sedar.com) and [www.highwoodoil.com](http://www.highwoodoil.com).

### **Q1 2021 Results and 2021 Activity**

- Highwood announced the signing of a definitive agreement on November 13, 2020 to vend the Red Earth assets to an Alberta producer for cash consideration of \$2.0 million. The transaction subsequently closed on March 25, 2021 following regulatory approval and license transfers. The disposition removed \$36.0 million of balance sheet decommissioning liabilities or approximately 92% of the Company’s decommissioning obligations. The transaction did not include an interest in the Company’s Wabasca River Pipeline midstream asset.
- As announced on March 25, 2021, the Company intends to transition into an asset management entity to drive its focus on shareholder return. The asset management structure will oversee various operations including ESG and other clean energy transition subsectors, which may include industrial metals and minerals (Lithium, Iron, Rare Earth Elements including Scandium & Gadolinium, Vanadium, Silica, Alumina etc), clean energy technologies, upstream and midstream oil & gas production & processing. Shareholder approvals to begin the transition to Highwood Asset Management will be undertaken at the Company’s AGM on June 17, 2021.
- Within the industrial metals and minerals business unit, the Company has already amassed industrial metallic and mineral permits of over 3,100,000 acres in Alberta and British Columbia and it has engaged a third-party resource evaluator to prepare a 43-101 technical report on the permitted acreage.
- Within the upstream and midstream oil & gas production & processing business unit, the Company delivered average production of 1,008 bbl/d of oil in the first quarter of 2021. Current net production from Highwood is approximately 125 bbl/d of oil subsequent to the Red Earth disposition.
- Corporately, net debt at March 31, 2021 was \$1.9 million.

## Summary of Financial & Operating Results

	Three months ended March 31,		
	2021	2020	% Change
<b>Financial (expressed in thousands)</b>			
Oil and natural gas sales	\$ 5,158	\$ 6,545	(20)
Transportation pipeline revenues	969	1,160	(16)
Total revenues, net of royalties <sup>(1)</sup>	4,175	16,265	(74)
Loss	(778)	(3,724)	(81)
Funds flow from operations <sup>(5)</sup>	726	1,076	(33)
Capital expenditures	117	4,191	(97)
Adjusted Net debt <sup>(2)</sup>	544	44,623	(99)
Shareholders' equity (end of period)	9,228	14,544	(36)
Shares outstanding (end of period)	6,014	6,014	-
Weighted-average basic shares outstanding	6,014	6,014	-
<b>Operations <sup>(3)</sup></b>			
Production			
Crude oil (bbls/d)	1,008	1,872	(46)
Total (boe/d)	1,008	1,872	(46)
Average realized prices <sup>(4)</sup>			
Crude oil (per bbl)	56.87	38.4	50
Operating netback (per boe) <sup>(5)</sup>	15.93	2.9	465
Wells drilled:			
Gross <sup>(6)</sup>	-	4.0	
Net <sup>(6)</sup>	-	2.0	
Success (%)	-	100	

<sup>(1)</sup> Includes gains and losses on commodity contracts.

<sup>(2)</sup> Adjusted Net debt consists of bank debt and working capital surplus (deficit) excluding commodity contract assets and/or liabilities

<sup>(3)</sup> For a description of the boe conversion ratio, see "Basis of Barrel of Oil Equivalent".

<sup>(4)</sup> Before hedging.

<sup>(5)</sup> See "Non-GAAP measures".

<sup>(6)</sup> Includes 1 gross (0.5 net) well outstanding to drill past casing point.

<sup>(7)</sup> Natural gas and NGL production and revenues are immaterial to the Company.

## 2021 First Quarter Operations

Highwood's focus in the first quarter of 2021 was to amass a sizeable position of industrial mines and minerals permits throughout Western Canada to evaluate for purposes of creating a 43-101 resource assessment.

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.

## **Outlook and Update to Metallic and Industrial Mineral Permits**

As announced on March 25, 2021, the Company intends to transition into an asset management entity overseeing various operations including ESG and other clean energy transition subsectors, which may include industrial metals and minerals (Lithium, Iron, Rare Earth Elements including Scandium & Gadolinium, Vanadium, Silica, Alumina etc), clean energy technologies, upstream and midstream oil & gas production & processing, and potentially other business ventures. The transition is subject to shareholder and exchange approval.

Within the industrial metals and minerals business unit, the company has engaged a third-party resource evaluator to prepare a 43-101 technical report over the 3,100,000 permitted acres within 195 blocks in Alberta and British Columbia.

Given its clean balance sheet which provides considerable financial and operational flexibility, the Company expects that it will be able to complete several accretive acquisition to catalyze material organic growth in 2021. 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.

### **Further Information**

For further information about the Corporation please contact:

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#### *Oil and Gas Measures*

*Readers should see the "Selected Technical Terms" in the Annual Information Form filed on April 30, 2019 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.*

*Mcf Conversions: Thousands of cubic feet of gas equivalent ("Mcf") 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. Mcf 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.*

#### *Other Warnings*

*The Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.*

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

*This news release contains forward-looking statements relating to the future operations of the Corporation and other statements that are not historical facts. Forward-looking statements are often identified by terms such as "will", "may", "should", "anticipate", "expects" and similar expressions. All statements other than statements of historical fact, included in this release, including, without limitation, statements regarding the future plans and objectives of the Corporation, are forward-looking statements that involve risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Corporation's expectations include risks detailed from time to time in the filings made by the Corporation with securities regulations.*

*The reader is cautioned that assumptions used in the preparation of any forward-looking information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Corporation. The reader is cautioned not to place undue reliance on any forward-looking information. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this news release are expressly qualified by this cautionary statement. The forward-looking statements contained in this news release are made as of the date of this news release and the Corporation will update or revise publicly any of the included forward-looking statements as expressly required by Canadian securities law.*