



HIGHWOOD ASSET MANAGEMENT LTD. ANNOUNCES 2022 FIRST FINANCIAL AND OPERATING RESULTS, 2021 YEAR-END RESERVES ALONG WITH OPERATIONAL UPDATE

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

Calgary, Alberta, May 27, 2022

Highwood Asset Management Ltd., (“**Highwood**” or the “**Company**”) (TSXV: HAM) is pleased to announce financial and operating results for the three months ended March 31, 2022. The Company also announces that its unaudited financial statements and associated Management’s Discussion and Analysis (“**MD&A**”) for the period ended March 31, 2022, can be found at www.sedar.com and www.highwoodmgmt.com.

Highlights

- Within the industrial metals and minerals business unit, the Company engaged the third-party resource evaluator to compile a 43-101 Lithium from Brine Resource Assessment specific to Drumheller, Alberta, which was effectively dated February 21, 2022. 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 120 bbl/d of oil in the first quarter of 2021. Current net production from Highwood is approximately 110 bbl/d of oil, with one well in Deer Mountain currently shut in due to road bans. Highwood is working to bring this well back on production as soon as possible.
- During the first quarter of 2022, the Company sold a non-core property for gross proceeds of \$107 thousand that had a cost basis of \$nil.
- Corporately, net debt at March 31, 2022 was \$1.67 million, subsequent to quarter-end, with cash flows from operations and dispositions the Company has reduced net debt and is in a working capital surplus position.

Summary of Financial & Operating Results

	Three Months Ended		
	March 31,		
	2022	2021	%
Financial (in thousands)			
Oil and natural gas sales	\$ 1,151	\$ 5,518	(78)
Transportation pipeline revenues	797	969	(18)
Total revenues, net of royalties ⁽¹⁾	1,618	4,175	(61)
Income (Loss)	456	(778)	159
Funds flow from operations ⁽⁵⁾	875	726	11
Capital expenditures	138	114	21
Net debt ⁽²⁾	(1,694)	(544)	(211)
Shareholder's equity (end of period)	8,529	9,228	(8)
Shares outstanding (end of period)	6,014	6,014	-
Weighted-average basic shares outstanding	6,014	6,014	-
Operations ⁽³⁾			
Production			
Crude oil (bbls/d)	120	1,008	(88)
Total (boe/d)	120	1,008	(88)
Average realized prices ⁽⁴⁾			
Crude Oil (per bbl)	106.92	56.87	88
Upstream Operating netback (per BOE) ⁽⁵⁾	49.33	18.64	165

⁽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".

2022 First Quarter Operations

With the strong improvement in commodity prices and increased interest in Canadian energy, the Company's focus in the first quarter was reviewing and assessing 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.

Highwood's focus in the first quarter of 2022 was also to evaluate the sizeable position of industrial mines and minerals permits throughout Western Canada for purposes of creating a 43-101 inferred resource assessment. During the first quarter of 2022, 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 Q1 2022 on extraction technologies for Lithium from Brine.

Outlook

As of today, the Company is undrawn on its credit facility and has a working capital surplus, 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.

Option and Restricted Share Unit (“RSU”) Grant

On May 30, 2022, the Company will grant 26,500 stock options and 26,500 RSU’s to employees and directors of the Company.

The options will be granted at an exercise price of the higher of \$11.00 per option or the market price on the date of grant. The options granted vest 1/3 on each of December 31, 2022, December 31, 2023 and December 31, 2024 and have a five year term.

The RSU’s are exercisable for nominal consideration. The RSU’s granted vest 1/3 on each of December 31, 2022, December 31, 2023 and December 31, 2024 and expire on December 31, 2025.

Disposition

The Company is pleased to announce that it has entered into a definitive agreement and closed the disposition of a 50% working interest in the Company’s 14-05 terminal to an arm’s length private Canadian midstream company (the “Purchaser”) for gross proceeds of \$2.25 million. The Company and the Purchaser will each own 50% of the terminal with the Company remaining as operator.

Further Information

For further information about the Company please contact:

Greg Macdonald

President and Chief Executive Officer

587.393.0862

investorrelations@highwoodmgmt.com

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.