



# **HIGHWOOD**

**ASSET MANAGEMENT LTD.**

(formerly Highwood Oil Company Ltd.)

**HIGHWOOD ASSET MANAGEMENT LTD.  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
THREE AND SIX MONTHS ENDED JUNE 30, 2021  
(unaudited)**

The accompanying condensed interim consolidated financial statements for Highwood Asset Management Ltd. have been prepared by management in accordance with International Financial Reporting Standards. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

## Condensed Interim Consolidated Statement of Financial Position

| (all tabular amounts expressed in thousands in Canadian dollars)<br>(unaudited) | Note     | As at<br>June 30<br>2021 | As at<br>December 31<br>2020 |
|---|----------|--------------------------|------------------------------|
| <b>Assets</b>   |          |                          |                              |
| Current assets  |          |                          |                              |
| Cash  |          | \$ -                     | \$ 5,675                     |
| Accounts receivable   | 4, 14(a) | 3,251                    | 5,256                        |
| Deposits and prepaid expenses   |          | 446                      | 1,294                        |
| Reclamation deposits  |          | 123                      | 123                          |
| Assets held for sale  | 5        | -                        | 38,520                       |
| Total current assets  |          | 3,820                    | 50,868                       |
| Reclamation deposits  |          | 18                       | 18                           |
| Exploration and evaluation assets   | 6        | 1,275                    | 1,236                        |
| Property, plant and equipment   | 7        | 12,798                   | 13,386                       |
| Right-of-use assets   |          | 94                       | 142                          |
| Total assets  |          | \$ 18,005                | \$ 65,650                    |
| <b>Liabilities</b>  |          |                          |                              |
| Current liabilities   |          |                          |                              |
| Bank overdraft  |          | \$ 296                   | \$ -                         |
| Bank debt   | 8        | -                        | 7,000                        |
| Accounts payable and accrued liabilities  |          | 5,103                    | 8,360                        |
| Commodity contracts   | 14(b)    | 809                      | 109                          |
| Current portion of lease liabilities  |          | 93                       | 100                          |
| Liabilities associated with assets held for sale                                | 5        | -                        | 36,540                       |
| Total current liabilities   |          | 6,301                    | 52,109                       |
| Lease liabilities   |          | 7                        | 49                           |
| Decommissioning liabilities   | 9        | 3,077                    | 3,261                        |
| Deferred tax liability  |          | 50                       | 468                          |
| Total liabilities   |          | 9,435                    | 55,887                       |
| <b>Shareholders' Equity</b>   |          |                          |                              |
| Share capital   | 11       | 16,310                   | 16,310                       |
| Contributed surplus   | 12       | 2,656                    | 2,141                        |
| Deficit   |          | (10,396)                 | (8,688)                      |
| Total equity  |          | 8,570                    | 9,763                        |
| Total liabilities and shareholders' equity                                      |          | \$ 18,005                | \$ 65,650                    |

Subsequent events (note 8)

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

Approved by the Board:

“Signed”, Stephen J Holyoake, Director

“Signed”, Ryan Mooney, Director

## Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

### Condensed Interim Consolidated Statement of Loss and Comprehensive loss

(all tabular amounts expressed in thousands of Canadian dollars, except for earnings per share information)

(unaudited)

|   | Note  | Three Months Ended, |            | Six Months Ended, |            |
|---|-------|---------------------|------------|-------------------|------------|
|   |       | June 30,            | June 30,   | June 30,          | June 30,   |
|   |       | 2021                | 2020       | 2021              | 2020       |
| <b>Revenue</b>  |       |                     |            |                   |            |
| Oil sales   | 3     | \$ 544              | \$ 1,737   | \$ 5,702          | \$ 8,282   |
| Royalties   |       | (159)               | (106)      | (523)             | (834)      |
| Transportation pipeline revenues                        |       | 931                 | 769        | 1,900             | 1,929      |
| Processing and road use revenues                        | 3     | (78)                | 151        | 191               | 673        |
|   |       | <b>1,238</b>        | 2,551      | <b>7,270</b>      | 10,050     |
| Realized gain (loss) on commodity contracts             | 14(b) | (1,004)             | 1,185      | (1,653)           | 2,053      |
| Unrealized gain (loss) on commodity contracts           | 14(b) | 508                 | (2,684)    | (700)             | 5,214      |
| Total revenue, net of royalties and commodity contracts |       | <b>742</b>          | 1,052      | <b>4,917</b>      | 17,317     |
| <b>Expenses</b>   |       |                     |            |                   |            |
| Operating and transportation                            |       | 661                 | 2,958      | 4,011             | 8,272      |
| General and administrative                              |       | 559                 | 1,537      | 1,880             | 2,946      |
| Bad debt recovery                                       |       | -                   | 1          | (64)              | 1          |
| Exploration and evaluation expenditures                 | 6     | 127                 | -          | 127               | -          |
| Depletion and depreciation                              | 7, 9  | 202                 | 1,155      | 407               | 3,639      |
| Impairment loss   | 7     | 352                 | -          | 352               | 11,124     |
| Impairment loss reversal                                | 7     | (306)               | -          | (306)             | -          |
| Stock-based compensation                                | 12    | 272                 | 153        | 515               | 424        |
| Total expenses  |       | <b>1,867</b>        | 5,804      | <b>6,922</b>      | 26,406     |
| Operating loss  |       | <b>(1,125)</b>      | (4,752)    | <b>(2,005)</b>    | (9,089)    |
| Other income (expenses)                                 |       |                     |            |                   |            |
| Gain (loss) on disposal of assets                       | 5     | -                   | -          | (2)               | 586        |
| Listing expense and transaction costs                   |       | -                   | (2)        | -                 | (116)      |
| Finance income and expenses, net                        | 10    | (57)                | (567)      | (119)             | (1,267)    |
| Total other income (expenses)                           |       | <b>(57)</b>         | (569)      | <b>(121)</b>      | (797)      |
| Loss before taxes                                       |       | <b>(1,182)</b>      | (5,321)    | <b>(2,126)</b>    | (9,886)    |
| Deferred tax recovery                                   |       | 252                 | 1,484      | 418               | 2,325      |
| Loss and comprehensive loss for the period              |       | <b>\$ (930)</b>     | \$ (3,837) | <b>\$ (1,708)</b> | \$ (7,561) |
| Loss per share:   |       |                     |            |                   |            |
| Basic and Diluted                                       | 11(c) | \$ (0.15)           | \$ (0.64)  | \$ (0.28)         | \$ (1.26)  |

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

**Highwood Asset Management Ltd.***(formerly Highwood Oil Company Ltd.)***Condensed Interim Consolidated Statement of Changes in Shareholders' Equity**

(all tabular amounts expressed in thousands in Canadian dollars)

(unaudited)

|   | Note      | Share capital    | Contributed surplus | Retained earnings (Deficit) | Total equity    |
|---|-----------|------------------|---------------------|-----------------------------|-----------------|
| <b>Balance, January 1, 2021</b>                   |           | <b>\$ 16,310</b> | <b>\$ 2,141</b>     | <b>\$ (8,688)</b>           | <b>\$ 9,763</b> |
| <b>Stock-based compensation</b>                   | <b>12</b> | <b>-</b>         | <b>515</b>          | <b>-</b>                    | <b>515</b>      |
| <b>Loss and comprehensive loss for the period</b> |           | <b>-</b>         | <b>-</b>            | <b>(1,708)</b>              | <b>(1,708)</b>  |
| <b>Balance, June 30, 2021</b>                     |           | <b>\$ 16,310</b> | <b>\$ 2,656</b>     | <b>\$ (10,396)</b>          | <b>\$ 8,570</b> |
| Balance, January 1, 2020                          |           | \$ 16,310        | \$ 1,091            | \$ 596                      | \$ 17,997       |
| Stock-based compensation                          | 12        | -                | 424                 | -                           | 424             |
| Loss and comprehensive loss for the period        |           | -                | -                   | (7,561)                     | (7,561)         |
| Balance, June 30, 2020                            |           | \$ 16,310        | \$ 1,515            | \$ (6,965)                  | \$ 10,860       |

*See the accompanying notes to the Condensed Interim Consolidated Financial Statements*

## Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

### Condensed Interim Consolidated Statement of Cash Flows

| (all tabular amounts expressed in thousands of Canadian dollars)<br>(unaudited) |       | Three Months Ended,<br>June 30, |                 | Six Months Ended,<br>June 30, |                 |
|---|-------|---------------------------------|-----------------|-------------------------------|-----------------|
|   | Note  | 2021                            | 2020            | 2021                          | 2020            |
| <b>Cash provided by (and used in)</b>   |       |                                 |                 |                               |                 |
| <b>Operating activities</b>   |       |                                 |                 |                               |                 |
| Loss for the period   |       | \$ (930)                        | \$ (3,837)      | \$ (1,708)                    | \$ (7,561)      |
| Items not involving cash:   |       |                                 |                 |                               |                 |
| Unrealized (gain) loss on commodity contracts                                   | 14(b) | (508)                           | 2,684           | 700                           | (5,214)         |
| Exploration and evaluation expenditures   | 6     | 127                             | -               | 127                           | -               |
| Depletion and depreciation expense  | 7, 9  | 202                             | 1,155           | 407                           | 3,639           |
| Impairment loss   | 7     | 352                             | -               | 352                           | 11,124          |
| Impairment reversal   | 7     | (306)                           | -               | (306)                         | -               |
| Finance expense   | 10    | 12                              | 106             | 25                            | 352             |
| Deferred tax recovery   |       | (252)                           | (1,484)         | (418)                         | (2,325)         |
| Stock-based compensation  | 12    | 272                             | 153             | 515                           | 424             |
| (Gain) loss on disposal of assets   | 5     | -                               | -               | 2                             | (586)           |
| Cash abandonment expenditures   | 9     | -                               | -               | (1)                           | -               |
| <b>Change in non-cash working capital</b>                                       | 13    | <b>970</b>                      | <b>3,390</b>    | <b>(1,088)</b>                | <b>6,101</b>    |
| <i>Net cash from (used in) operating activities</i>                             |       | <b>(61)</b>                     | <b>2,167</b>    | <b>(1,393)</b>                | <b>5,954</b>    |
| <b>Financing activities</b>   |       |                                 |                 |                               |                 |
| Payments of lease obligations   |       | (27)                            | (34)            | (52)                          | (68)            |
| Bank debt, net of repayments  | 8     | (1,500)                         | -               | (7,000)                       | -               |
| <i>Net cash used in financing activities</i>                                    |       | <b>(1,527)</b>                  | <b>(34)</b>     | <b>(7,052)</b>                | <b>(68)</b>     |
| <b>Investing activities</b>   |       |                                 |                 |                               |                 |
| Additions to property, plant and equipment                                      | 7     | -                               | (179)           | (22)                          | (4,316)         |
| Additions to exploration and evaluation assets                                  | 6     | (74)                            | (44)            | (166)                         | (99)            |
| Additions to assets held for sale   | 5     | -                               | -               | (3)                           | -               |
| Proceeds on disposition of exploration and evaluation assets                    | 6     | -                               | -               | -                             | 648             |
| Proceeds on disposition of assets held for sale                                 | 5     | -                               | -               | 1,981                         | -               |
| <b>Change in non-cash working capital</b>                                       | 13    | <b>96</b>                       | <b>(2,509)</b>  | <b>684</b>                    | <b>(2,079)</b>  |
| <i>Net cash from (used in) investing activities</i>                             |       | <b>22</b>                       | <b>(2,732)</b>  | <b>2,474</b>                  | <b>(5,846)</b>  |
| <b>Change in cash</b>   |       | <b>\$ (1,566)</b>               | <b>\$ (599)</b> | <b>\$ (5,971)</b>             | <b>\$ 40</b>    |
| <b>Cash (bank overdraft), beginning of period</b>                               |       | <b>1,270</b>                    | <b>456</b>      | <b>5,675</b>                  | <b>(183)</b>    |
| <b>Cash (bank overdraft), end of period</b>                                     |       | <b>\$ (296)</b>                 | <b>\$ (143)</b> | <b>\$ (296)</b>               | <b>\$ (143)</b> |

Supplemental cash flow information 13

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements

# Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

## Notes to the Condensed Interim Consolidated Financial Statements

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Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

### 1. REPORTING ENTITY

Highwood Asset Management Ltd. (the “Company”) is a public company engaged in the ownership & oversight of various operations including industrial metals and minerals (prospective Lithium, Iron, Rare Earth Elements, Vanadium, Silica, Alumina, etc), oil production & midstream energy operations. The Company incorporated in Alberta, Canada on August 24, 2012. The Company conducts its operations in Western Canada, primarily in the province of Alberta. The Company’s principal place of business is located at Suite 900, 222 – 3<sup>rd</sup> Avenue SW, Calgary, Alberta, T2P 0B4.

The Company’s common shares trade on the TSX Venture Exchange under the symbol “HAM”.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries at June 30, 2021, Cataract Creek Environmental Ltd, Renewable EV Battery Cleantech Corp. and 2339364 Alberta Ltd..

These Condensed Interim Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors on August 27, 2021.

#### *Name Change:*

Effective July 20, 2021, the Company obtained shareholder and regulatory approval to change its name from Highwood Oil Company Ltd. to Highwood Asset Management Ltd.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34, “Interim Financial Reporting”, using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Certain information and disclosures normally included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted.

The condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2020 and the notes thereto.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in note 3 of the Company’s audited consolidated financial statements for the year ended December 31, 2020. All accounting policies and methods of computation followed in the preparation of these condensed interim consolidated financial statements are consistent with those of the previous financial year.

#### (b) Use of estimates and judgments

The timely preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions based on currently available information that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts of income and expenses during the reporting period. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

# Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

## Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus (“COVID-19”). The pandemic and subsequent measures intended to limit its spread, contributed to significant volatility in global financial markets. The pandemic has adversely impacted global commercial activity. The full extent of the impact of COVID-19 on the Company’s operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on financial markets on a macro-scale and any new information that may emerge concerning the effectiveness of available vaccines and the severity and spread of the virus. The pandemic presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results. The Company’s financial performance, operations and business are particularly sensitive to a reduction in the demand for prices of crude oil and natural gas. The potential direct and indirect impact of COVID-19 has been considered in management’s estimates and assumptions at period end and have been reflected in the Company’s results with any significant changes described in the relevant financial statements notes.

More specifically, assumptions may change that are involved in the estimates of valuation of exploration and evaluation assets and property and equipment cash generating units, the timing of decommissioning obligations, the fair value of commodity contracts, the expected credit loss provisions related to accounts receivable as well as liquidity and going concern assessments.

A full list of significant estimates and judgments can be found in note 2(d) of the Company’s annual financial statements for the year ended December 31, 2020. COVID-19 and current market conditions have increased the complexity of estimates and assumptions used to prepare the condensed interim consolidated financial statements.

### 3. REVENUE

#### *Oil sales:*

The Company sells its production pursuant to variable-price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. Revenue is recognized when a unit of production is delivered to the customer and control of the product transferred.

Revenues are typically collected on the 25<sup>th</sup> day of the month following production.

The following table summarizes the Company’s product sales.

|                 | Three Months Ended June 30, |          | Six Months Ended June 30, |          |
|-----------------|-----------------------------|----------|---------------------------|----------|
|                 | 2021                        | 2020     | 2021                      | 2020     |
| Total Oil Sales | \$ 544                      | \$ 1,737 | \$ 5,702                  | \$ 8,282 |

#### *Processing and other income:*

The following table summarizes the Company’s processing and road use revenues.

|            | Three Months Ended June 30, |        | Six Months Ended June 30, |        |
|------------|-----------------------------|--------|---------------------------|--------|
|            | 2021                        | 2020   | 2021                      | 2020   |
| Processing | \$ 12                       | \$ 98  | \$ 190                    | \$ 419 |
| Road Use   | (90)                        | 53     | 1                         | 254    |
| Total      | \$ (78)                     | \$ 151 | \$ 191                    | \$ 673 |

## Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

### Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

#### 4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

|                         | June 30,<br>2021 | December 31,<br>2020 |
|-------------------------|------------------|----------------------|
| Oil marketers           | \$ 599           | \$ 2,709             |
| Joint interest partners | 1,643            | 1,885                |
| Road use receivable     | 505              | 557                  |
| Other                   | 504              | 105                  |
| Balance, end of period  | \$ 3,251         | \$ 5,256             |

#### 5. DISPOSITIONS

On March 25, 2021, the Company closed the disposition of the Company's Red Earth CGUs to an arm's-length company for gross proceeds of \$2.0 million cash, prior to customary closing adjustments. The transaction was effective on the date of closing. The disposed properties had a net book value in assets held for sale of \$38.52 million and liabilities associated with assets held for sale of \$35.95 million. As a result of the disposition, the Company recognized a gain on disposal of asset of \$4 thousand during the six month period ended June 30, 2021. Transaction costs totalling \$14 thousand have reduced the gain recorded.

The final proceeds and gain on disposal are subject to adjustment upon finalization of the final statement of adjustments, which is expected to occur in the third quarter of 2021 and no material adjustments are expected.

#### 6. EXPLORATION AND EVALUATION ASSETS

Evaluation and evaluation assets are comprised of the following:

|                              | June 30,<br>2021 | December 31,<br>2020 |
|------------------------------|------------------|----------------------|
| Balance, beginning of period | \$ 1,236         | \$ 7,569             |
| Additions                    | 166              | 123                  |
| Dispositions                 | -                | (5,187)              |
| Land lease expiries          | (127)            | (15)                 |
| Impairment                   | -                | (1,254)              |
| Balance, end of period       | \$ 1,275         | \$ 1,236             |

Exploration and evaluation assets include undeveloped lands and undeveloped mineral permits where management has not fully evaluated for technical feasibility and commercial viability.

Additions in the three and six month periods ended June 30, 2021 mainly related to industrial metals and mineral permits that the Company has acquired.

At June 30, 2021, there were no indicators of impairment.

## Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

### Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

#### 7. PROPERTY, PLANT AND EQUIPMENT

|   | June 30,<br>2021 | December 31,<br>2020 |
|---|------------------|----------------------|
| Oil and natural gas properties                        |                  |                      |
| COSTS   |                  |                      |
| Balance, beginning of period                          | \$ 19,675        | \$ 128,555           |
| Change in decommissioning liabilities (note 9)        | (150)            | 4,741                |
| Additions   | 22               | 4,588                |
| Transfers to assets held for sale                     | -                | (99,501)             |
| Dispositions  | -                | (18,708)             |
| Balance, end of period                                | \$ 19,547        | \$ 19,675            |
| ACCUMULATED DEPLETION, DEPRECIATION<br>AND IMPAIRMENT |                  |                      |
| Balance, beginning of period                          | \$ (6,289)       | \$ (37,662)          |
| Transfers to assets held for sale                     | -                | 60,981               |
| Depletion and depreciation                            | (414)            | (5,811)              |
| Impairment loss                                       | (352)            | (27,486)             |
| Impairment reversal                                   | 306              | -                    |
| Dispositions  | -                | 3,689                |
| Balance, end of period                                | \$ (6,749)       | \$ (6,289)           |
| Net book value, end of period                         | \$ 12,798        | \$ 13,386            |

#### Impairment and Impairment Reversal

The Company assesses many factors when determining if an impairment test should be performed. For the period ended June 30, 2021, the Company conducted an assessment of impairment indicators for the Company's CGU's. The Company determined there were indicators of impairment for the non-core Alliance CGU and reversal of prior impairments for the Saskatchewan CGU.

The Company determined that its non-core CGU, Alliance, no longer had any value absent any throughput and recorded an impairment loss in the three month period ended June 30, 2021 of \$352 thousand, representing the full carrying value of the non-core CGU.

As at June 30, 2021, management determined that the significant improvement in commodity pricing and the impact this has on the economic performance of the Saskatchewan CGU justified calculation of the recoverable amount for this CGU. During the three month period ended March 31, 2020, the Saskatchewan CGU incurred an impairment charge of \$332 thousand. The recoverable amounts were estimated at the value in use based on the net present value of the before tax future net cash flows from oil and natural gas proved and probable reserves using forecasted prices and costs estimated by external engineers at December 31, 2020 and internally updated by Company engineers at June 30, 2021. The future net cash flows were discounted at a before tax rate of 15% (December 31, 2020 – 15%). As a result of the impairment test, the Company has recorded a reversal of prior impairment loss in the three month period ended June 30, 2021 of \$306 thousand, representing the increased carrying amount factoring in the depletion of the historical cost if the impairment had not previously been recognized. Neither a 1% change in the assumed discount rate over the life of the reserves or a 5% change in cash flows would impact the reversal amount.

# Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

## Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

The forecasted commodity prices used in the impairment test at June 30, 2021 were as follows:

|                             | 2021  | 2022  | 2023  | 2024  | 2025  | 2026  | 2027  | 2028  | 2029  | 2030  | 2031   |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| WTI Crude Oil<br>(US\$/bbl) | 65.31 | 66.30 | 62.42 | 63.67 | 64.95 | 66.25 | 67.57 | 68.92 | 70.30 | 71.71 | +2%/yr |

For purposes of the impairment test, the benchmark commodity prices forecast above are adjusted to reflect varied delivery points and quality differentials in the products delivered.

### 8. BANK DEBT

At June 30, 2021, the Company had a \$10.0 million operating facility. This operating facility bore interest at the Bank's prime rate of bankers acceptance discount rates plus an applicable margin of 300bps to 550bps on prime rate loans and 400bps to 650bps on stamping fees related to bankers acceptances, determined by reference to the Company's net debt to cash flow ratio (as defined in the bank facility agreement). Interest on the bank facility is due monthly. This bank facility is secured by a \$100.0 million debenture with a fixed and floating charge over all the assets of the Company.

The Company is required to maintain an adjusted working capital ratio of not less than 1.0:1.0, and such ratio is to be tested at the end of each fiscal quarter. Current ratio is defined as the ratio of (i) current assets, excluding financial derivatives to (ii) current liabilities, excluding financial derivatives, any amounts drawn under the bank facility and any current liabilities related to lease contracts. At June 30, 2021, the Company's current ratio was 2.56:1.0 (December 31, 2020 – 1.13:1.00). The Company is required to maintain a net debt to cash flow ratio no greater than 2.0:1.0 for each quarter beginning with the fiscal quarter ended March 31, 2021. As June 30, 2021 the Company's net debt to cash flow ratio is 0.59:1.0 (December 31, 2020 – 0.87:1.0). For the purposes of the covenant, net debt is defined by the agreement as working capital deficit (excluding financial derivatives) plus bank debt and cash flow is defined as cash flow from operating activities before changes in non-cash working capital normalized for extraordinary and nonrecurring earnings, gains, and losses. For the fiscal quarters ending June 30, 2021, September 30, 2021, and December 31, 2021, the impact of realized gains or losses on commodity contracts is excluded from the calculation of net income for the purposes of the net debt to cash flow covenant. Cashflows are determined as i) the most recent quarter annualized for the quarter ended March 31, 2021, ii) the most recent six months annualized for the quarter ended June 30, 2021, iii) the most recent nine months annualized for the quarter ended September 30, 2021 and iv) the trailing four quarters for the quarter ended December 31, 2021 and all quarters thereafter. The Company is also required to meet certain reporting requirements on a quarterly and annual basis. The Company is also restricted from entering into notional commodity contracts exceeding thirty-six months in term and cannot exceed 60% of gross production volumes (by commodity) for the three month trailing period, at the time the contracts are entered into. The Company's next review and borrowing base determination was amended to be on or before November 30, 2021 but may be set at an earlier or later date at the discretion of the bank.

Subsequent to June 30, 2021, the Company's borrowing base was reduced to \$2 million effective July 30, 2021 and will be further reduced to \$1 million effective December 31, 2021. In addition, the Company will be restricted into entering notional commodity contracts exceeding the Operating Facility maturity date of April 30, 2022.

### 9. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas properties including well sites and facilities. The Company has estimated the net present value of the decommissioning liabilities to be \$3.08 million as at June 30, 2021 (December 31, 2020 - \$3.26 million) based on an undiscounted total future liability of \$3.69 million (December 31, 2020 - \$3.53 million) and discounted using a long-term risk-free rate of 1.84% (December 31, 2020 – 1.21%) and an inflation rate of 1.73% (December 31, 2020 – 1.49%). The expected timing of decommissioning expenditures extends to 2071.

# Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

## Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

The following table summarizes changes in the decommissioning liabilities:

|  | June 30,<br>2021 | December 31,<br>2020 |
|--|------------------|----------------------|
| Balance, beginning of period               | \$ 3,261         | \$ 31,099            |
| Change in discount rate                    | (265)            | 3,073                |
| Change in cash flow estimates              | 60               | 5,861                |
| Abandonment expenditures                   | (1)              | (18)                 |
| Additions                                  | -                | 404                  |
| Liabilities disposed in asset dispositions | -                | (1,642)              |
| Liabilities transferred to held for sale   | -                | (35,945)             |
| Accretion expense (note 10)                | 22               | 429                  |
| Balance, end of period                     | \$ 3,077         | \$ 3,261             |

The carrying value of certain oil and natural gas properties of the Company is \$nil. Accordingly, the change in discount rate and cash flow estimates related to these properties was recorded as a reduction to depletion and depreciation expense for the three and six month periods ended June 30, 2021 of \$17 thousand and \$55 thousand, respectively (three and six month periods ended June 30, 2020 of \$36 thousand and \$34 thousand, respectively).

### 10. FINANCE INCOME AND EXPENSES, NET

Finance income and expenses, net is comprised of:

|   | Three months ended |               | Six months ended |               |
|---|--------------------|---------------|------------------|---------------|
|   | June 30, 2021      | June 30, 2020 | June 30, 2021    | June 30, 2020 |
| Interest on bank debt                             | \$ 31              | \$ 119        | \$ 54            | \$ 297        |
| Stamping fees on bank debt                        | 11                 | 371           | 37               | 647           |
| Financing fees                                    | 3                  | 25            | 3                | 131           |
| Accretion of decommissioning liabilities (note 9) | 11                 | 103           | 22               | 240           |
| Accretion of lease liabilities                    | 1                  | 3             | 3                | 6             |
| Other interest expense (income)                   | -                  | (54)          | -                | (54)          |
| Total   | \$ 57              | \$ 567        | \$ 119           | \$ 1,267      |

### 11. SHARE CAPITAL

#### a) Authorized

Unlimited number of voting common shares and unlimited number of preferred shares issuable in series.

#### b) Issued and outstanding common shares

|  | Number of<br>Shares (000's) | Stated Value |
|--|-----------------------------|--------------|
| Balance, December 31, 2020 and June 30, 2021 | 6,014                       | \$16,310     |

# Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

## Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

### c) Loss per share

|                            | Three months ended June 30, 2021 |               |                | Three months ended June 30, 2020 |               |                |
|----------------------------|----------------------------------|---------------|----------------|----------------------------------|---------------|----------------|
|                            | Net loss                         | Common shares | Loss per share | Net Loss                         | Common shares | Loss per share |
| Loss - basic               | \$ (930)                         | 6,014         | \$ (0.15)      | \$ (3,837)                       | 6,014         | \$ (0.64)      |
| Dilutive effect of options | -                                | -             | -              | -                                | -             | -              |
| Loss - diluted             | \$ (930)                         | 6,014         | \$ (0.15)      | \$ (3,837)                       | 6,014         | \$ (0.64)      |

  

|                            | Six months ended June 30, 2021 |               |                | Six months ended June 30, 2020 |               |                |
|----------------------------|--------------------------------|---------------|----------------|--------------------------------|---------------|----------------|
|                            | Net loss                       | Common shares | Loss per share | Net Loss                       | Common shares | Loss per share |
| Loss - basic               | \$ (1,708)                     | 6,014         | \$ (0.28)      | \$ (7,561)                     | 6,014         | \$ (1.26)      |
| Dilutive effect of options | -                              | -             | -              | -                              | -             | -              |
| Loss - diluted             | \$ (1,708)                     | 6,014         | \$ (0.28)      | \$ (7,561)                     | 6,014         | \$ (1.26)      |

For the three and six month periods ended June 30, 2021 and 2020 all options and RSU's were excluded as they were anti dilutive.

## 12. SHARE-BASED PAYMENTS

### Options

A summary of the stock options issued and outstanding as at June 30, 2021 are as follows:

|                                | Number of Options | Weighted Average Exercise Price |
|--------------------------------|-------------------|---------------------------------|
| Outstanding, December 31, 2020 | 173               | \$ 11.95                        |
| Forfeited                      | (6)               | 12.80                           |
| Outstanding, June 30, 2021     | 167               | \$ 11.92                        |
| Exercisable, June 30, 2021     | 80                | \$ 9.11                         |

The weighted average contractual term of all outstanding options at June 30, 2021 is 3.00 years.

During the three month and six months ended June 30, 2021, the Company recorded stock-based compensation expense relating to options of \$93 thousand and \$178 thousand, respectively (three and six months ended June 30, 2019 - \$48 thousand and \$138 thousand, respectively) with a corresponding increase to contributed surplus.

### Restricted Share Units ("RSUs")

A summary of the RSUs issued and outstanding as at June 30, 2021 are as follows:

|                                | Number of RSUs |
|--------------------------------|----------------|
| Outstanding, December 31, 2020 | 155            |
| Forfeited                      | (6)            |
| Outstanding, June 30, 2021     | 149            |
| Exercisable, June 30, 2021     | 62             |

The weighted average contractual term of all outstanding RSUs at June 30, 2021 is 1.81 years.

During the three and six months ended June 30, 2021, the Company recorded stock-based compensation expense relating to RSU's of \$179 thousand and \$337 thousand, respectively (three and six months ended June 30, 2020 - \$105 thousand and \$286 thousand, respectively) with a corresponding increase to contributed surplus.

## Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

### Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

#### 13. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital is comprised of:

| Source/(use) of cash                     | Three months ended |               | Six months ended |               |
|--|--------------------|---------------|------------------|---------------|
|  | June 30, 2021      | June 30, 2020 | June 30, 2021    | June 30, 2020 |
| Accounts receivable                      | \$ 2,490           | \$ 249        | \$ 2,005         | \$ 3,014      |
| Deposits and prepaid expenses            | (190)              | 1,722         | 848              | 1,766         |
| Accounts payable and accrued liabilities | (1,234)            | (1,090)       | (3,257)          | (758)         |
| Changes in non-cash working capital      | \$ 1,066           | \$ 881        | \$ (404)         | \$ 4,022      |

|                                     | Three months ended |               | Six months ended |               |
|-------------------------------------|--------------------|---------------|------------------|---------------|
|                                     | June 30, 2021      | June 30, 2020 | June 30, 2021    | June 30, 2020 |
| The above figure relates to:        |                    |               |                  |               |
| Operating activities                | \$ 970             | \$ 3,390      | \$ (1,088)       | \$ 6,101      |
| Investing activities                | 96                 | (2,509)       | 684              | (2,079)       |
| Changes in non-cash working capital | \$ 1,066           | \$ 881        | \$ (404)         | \$ 4,022      |
| Interest paid                       | \$ 45              | \$ 490        | \$ 94            | \$ 944        |
| Taxes paid (recovered)              | \$ -               | \$ -          | \$ -             | \$ -          |

#### 14. FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility for the establishment and oversight and execution of the Company's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor those risks.

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- market risk; and
- liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. There were no changes to the Company's risk management policies or processes since the year ended December 31, 2020.

## Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

### Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

#### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk at year end is as follows:

|                      | June 30,<br>2021 | December 31,<br>2020 |
|----------------------|------------------|----------------------|
| Cash                 | \$ -             | \$ 5,675             |
| Accounts receivable  | 3,251            | 5,256                |
| Deposits             | 135              | 136                  |
| Reclamation deposits | 141              | 141                  |
| <b>Total</b>         | <b>\$ 3,527</b>  | <b>\$ 11,208</b>     |

#### *Cash:*

Cash consist of amounts on deposit with Canadian chartered banks and undeposited funds. The Company manages credit exposure of cash, if any, by selecting financial institutions with high credit ratings.

#### *Accounts receivable:*

Substantially all of the Company's oil and natural gas production is marketed under standard industry terms. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with credit worthy purchasers. Joint interest receivables are typically collected within one to three months of the joint interest bill being issued to the partner. However, the receivables are from participants in the oil and natural gas sector and collection of the outstanding balances can be impacted by industry factors such as commodity price fluctuations, limited capital availability and unsuccessful drilling programs.

The Company's accounts receivable are aged as follows:

|                              | June 30,<br>2021 | December 31,<br>2020 |
|------------------------------|------------------|----------------------|
| Current (less than 90 days)  | \$ 2,103         | \$ 3,269             |
| Past due (more than 90 days) | 1,148            | 1,987                |
| <b>Total</b>                 | <b>\$ 3,251</b>  | <b>\$ 5,256</b>      |

As at June 30, 2021, management believes all receivables net of provision for expected credit losses will be collected.

#### (b) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates, will affect the Company's cash flow, income or the value of its financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Company's return. There have been no changes to the Company's policies for managing foreign currency risk, interest rate risk and commodity price risk.

#### *Foreign currency risk*

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency. The Company's financial instruments are only indirectly exposed to currency risk as the underlying commodity prices in Canada for oil and natural gas are impacted by changes in exchange rates between the Canadian and United States dollar.

## Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

### Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

#### *Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is subject to interest rate risk related to its exposure to interest rate fluctuations on its bank facility, which bears a floating rate of interest. At June 30, 2021 the total amount drawn on the bank facility under a bankers' acceptance ("BA") was \$nil, therefore a 1% interest rate increase or decrease would have no impact on net income for the three and six month periods ended June 30, 2021.

#### *Commodity price risk*

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also North American and global economic events that dictate the levels of supply and demand. The nature of the Company's operations results in exposure to fluctuations in commodity prices. The Company's production is sold using "spot" pricing with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Company currently has the following commodity contracts outstanding at June 30, 2021.

#### CAD Sell Swaps:

| Product   | Notional Volume | Term                              | Fixed Price (CAD/bbl) | Index       |
|-----------|-----------------|-----------------------------------|-----------------------|-------------|
| Crude Oil | 250 bbls/day    | July 1, 2021 to December 31, 2021 | \$ 65.40              | WTI - NYMEX |

#### CAD Buy Swaps:

| Product   | Notional Volume | Term                              | Fixed Price (CAD/bbl) | Index       |
|-----------|-----------------|-----------------------------------|-----------------------|-------------|
| Crude Oil | 125 bbls/day    | July 1, 2021 to December 31, 2021 | \$ 77.85              | WTI - NYMEX |

The commodity contracts had a total fair value at June 30, 2021 of a liability of \$809 thousand (December 31, 2020 – liability of \$109 thousand). The corresponding unrealized gain (loss) for the three and six month periods ended June 30, 2021 were \$508 thousand and \$(700) thousand, respectively (three and six month periods ended June 30, 2020 – \$(2.68) million and \$5.21 million, respectively) and is included in the statement of Loss and Comprehensive Loss. Total realized losses for the three and six month periods ended June 30, 2021 were \$1.00 million and \$1.65 million, respectively (three and six month periods ended June 30, 2020 – gains of \$1.19 million and 2.05 million respectively) and are also included in the statement of Loss and Comprehensive Loss.

For the three and six month periods ended June 30, 2021, a \$0.10/bbl increase/decrease in oil prices would have a negative/positive impact on net income of approximately \$2 thousand.

#### **(c) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities as they become due. The Company's financial liabilities consist of accounts payable and accrued liabilities and bank debt, all of which are due within a year, lease liabilities which are due within a year, and commodity contract liabilities which will all be settled within one year. The Company also maintains and monitors a certain level of cash flow which is used to partially finance all operating and capital expenditures. The Company also attempts to match its payment cycle with collection of oil sales on the 25th of each month.

# Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

## Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

At June 30, 2021, the Company had negative working capital of \$2.5 million, excluding bank debt (note 8). The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows and through deleveraging transactions. The Company is encouraged by the increase in commodity prices and activity in the energy industry which will have positive impact on operating cash flows. The Company also has a bank facility (note 8) to facilitate the management of liquidity risk and is in compliance with all associated financial covenants at June 30, 2021. At June 30, 2021, \$10.0 million was available under the bank facility. Subsequent to June 30, 2021, the operating facility was reduced to \$2.0 million and will be further reduced to \$1 million effective December 31, 2021. The operating facility matures April 30, 2022, therefore the bank facility has been classified as current.

The Company may need to conduct equity issues, asset sales or issue debt if liquidity risk increases in a given period. Liquidity risk may increase as a result of a change in the amounts settled monthly from the commodity contract (note 14(b)), along with potential revisions to the Company's borrowing base (note 8) or unforeseen circumstances related to the continued impacts of COVID-19 on the economy. The Company believes it has sufficient funds to meet foreseeable obligations by actively monitoring its credit facilities through use of the revolving debt and coordinating payment and revenue cycles each month.

### 15. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and
- To maximize shareholder return through enhancing share value.

The Company considers its capital employed to be bank debt and shareholders' equity:

|                      | <b>June 30,<br/>2021</b> | December 31,<br>2020 |
|----------------------|--------------------------|----------------------|
| Bank debt            | \$ -                     | \$ 7,000             |
| Shareholder's equity | \$ 8,570                 | \$ 9,763             |
| Capital employed     | \$ 8,570                 | \$ 16,763            |

The Company monitors capital based on adjusted working capital, defined as current assets less current liabilities (excluding bank debt and commodity contracts).

*Adjusted working capital*

|  | <b>June 30,<br/>2021</b> | December 31,<br>2020 |
|--|--------------------------|----------------------|
| Adjusted current assets                    | \$ 3,820                 | \$ 50,868            |
| Adjusted current liabilities               | (5,492)                  | (45,000)             |
| Adjusted working capital surplus (deficit) | \$ (1,672)               | \$ 5,868             |

The Company makes adjustments to capital employed by monitoring economic conditions and investment opportunities. The Corporation generally relies on credit facilities and cash flows from operations in excess of dividends to fund capital requirements. To maintain or modify its capital structure, the Company may issue new common or preferred shares, conduct asset sales, issue new subordinated debt, renegotiate existing debt terms, or repay existing debt. The Company is not currently subject to any externally imposed capital requirements, other than covenants on its bank debt (note 8).

# Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

## Notes to the Condensed Interim Consolidated Financial Statements

---

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

The Company also monitors capital structure based on net debt to cash flow. The definition of net debt to cash flow for capital management purposes is the same measure used in the calculation of the Company's financial covenants on its bank facility (note 8). The Company's strategy is to monitor the ratio and the ratio can, and will, fluctuate based on the timing of commodity prices and the mix of exploratory and development drilling.

### 16. RELATED PARTY TRANSACTIONS

#### (a) Transactions

Except as discussed elsewhere, the Company had the following transactions with related parties:

During the three and six month periods ended June 30, 2021, the Company incurred charges of \$86 thousand and \$172 thousand, respectively (three and six month periods ended June 30, 2020 – \$59 thousand and \$145 thousand, respectively) from a company with common officers and directors for management fees, office space, subscriptions and supplies of which \$56 thousand and \$112 thousand, respectively (three and six month periods ended June 30, 2020 – \$29 thousand and \$85 thousand, respectively) was recorded as an increase in general and administrative expense and \$30 thousand and \$60 thousand, respectively (three and six month periods ended June 30, 2020 – \$30 thousand and \$60 thousand, respectively) was recorded as a reduction to lease liabilities. During the three and six month periods ended June 30, 2021, the Company was also charged \$nil and \$nil, respectively (three and six month periods ended June 30, 2020 - \$nil and \$573 thousand, respectively) for propane purchases and distribution from this company which is included in operating and transportation expenses on the statement of Loss and Comprehensive Loss. As at June 30, 2021, \$nil (December 31, 2020 - \$4 thousand) is included within accounts receivable and \$nil (December 31, 2020 - \$249 thousand) is included within accounts payable with respect to these charges.

### 17. SEGMENT INFORMATION

The Company has the following four reportable operating segments based on the nature of its business activities:

#### Upstream

The upstream segment includes oil production and associated processing and other income associated with the upstream assets located in the Western Canada Sedimentary Basin. The operations primarily involve the production of oil, processing facilities and other third-party charges for operating upstream assets.

#### Midstream

The midstream segment consists of the Company's oil sales transportation pipeline, the Wabasca River Sales Pipeline.

#### Mining and Minerals

The mining and minerals segment includes industrial metal and mineral assets. During 2021, the Company has amassed industrial metallic and mineral permits in Alberta and British Columbia with the current focus on Ironstone and Lithium.

#### Corporate and Other

The corporate and other segment includes corporate functions of the company.

The Company has organized its segments based on the nature of different products and services that are provided by the segments.

All segments are located geographically within Canada, more specifically Alberta, Saskatchewan and British Columbia.

There are no inter-segment or intra-segment transactions.

# Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

## Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

### Major Customers

The Company derives a majority of its midstream segment revenues from two major customers. These customers are reputable multi-national entities with no credit risk. For the three and six month periods ended June 30, 2021, the two major customers accounted for \$697 thousand and \$1.48 million, respectively, of transportation pipeline revenues (three and six month periods ended June 30, 2020 - \$693 thousand and \$1.52 million, respectively). All revenues from these major customers are collected on or about the 25<sup>th</sup> of the following month after services are provided.

The following tables shows the income (loss) and comprehensive income (loss) for each of the segments.

| Three months ended<br>June 30, 2021                     | Upstream | Midstream | Mining and<br>Minerals | Corporate and<br>Other | Total   |
|---|----------|-----------|------------------------|------------------------|---------|
| <b>Revenue</b>  |          |           |                        |                        |         |
| Oil Sales   | \$ 544   | \$ -      | \$ -                   | \$ -                   | \$ 544  |
| Royalties   | (159)    | -         | -                      | -                      | (159)   |
| Transportation pipeline revenues                        | -        | 931       | -                      | -                      | 931     |
| Processing and other income                             | (78)     | -         | -                      | -                      | (78)    |
|   | 307      | 931       | -                      | -                      | 1,238   |
| Realized loss on commodity contracts                    | (1,004)  | -         | -                      | -                      | (1,004) |
| Unrealized gain on commodity contracts                  | 508      | -         | -                      | -                      | 508     |
| Total revenue, net of royalties and commodity contracts | (189)    | 931       | -                      | -                      | 742     |
| <b>Expenses</b>   |          |           |                        |                        |         |
| Expenses excluding items listed separately below        | 544      | 195       | 49                     | 888                    | 1,676   |
| Depletion and depreciation                              | 126      | 76        | -                      | -                      | 202     |
| Impairment loss (net)                                   | 46       | -         | -                      | -                      | 46      |
| Total expenses  | 716      | 271       | 49                     | 888                    | 1,924   |
| Income (loss) before taxes                              | (905)    | 660       | (49)                   | (888)                  | (1,182) |

| Six months ended<br>June 30, 2021                       | Upstream | Midstream | Mining and<br>Minerals | Corporate and<br>Other | Total    |
|---|----------|-----------|------------------------|------------------------|----------|
| <b>Revenue</b>  |          |           |                        |                        |          |
| Oil Sales   | \$ 5,702 | \$ -      | \$ -                   | \$ -                   | \$ 5,702 |
| Royalties   | (523)    | -         | -                      | -                      | (523)    |
| Transportation pipeline revenues                        | -        | 1,900     | -                      | -                      | 1,900    |
| Processing and other income                             | 191      | -         | -                      | -                      | 191      |
|   | 5,370    | 1,900     | -                      | -                      | 7,270    |
| Realized loss on commodity contracts                    | (1,653)  | -         | -                      | -                      | (1,653)  |
| Unrealized loss on commodity contracts                  | (700)    | -         | -                      | -                      | (700)    |
| Total revenue, net of royalties and commodity contracts | 3,017    | 1,900     | -                      | -                      | 4,917    |
| <b>Expenses</b>   |          |           |                        |                        |          |
| Expenses excluding items listed separately below        | 3,648    | 443       | 49                     | 2,450                  | 6,590    |
| Depletion and depreciation                              | 255      | 152       | -                      | -                      | 407      |
| Impairment loss (net)                                   | 46       | -         | -                      | -                      | 46       |
| Total expenses  | 3,949    | 595       | 49                     | 2,450                  | 7,043    |
| Income (loss) before taxes                              | (932)    | 1,305     | (49)                   | (2,450)                | (2,126)  |

# Highwood Asset Management Ltd.

(formerly Highwood Oil Company Ltd.)

## Notes to the Condensed Interim Consolidated Financial Statements

Three and six months ended June 30, 2021

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

(unaudited)

| <b>Three months ended<br/>June 30, 2020</b>             | <b>Upstream</b> | <b>Midstream</b> | <b>Mining and<br/>Minerals</b> | <b>Corporate and<br/>Other</b> | <b>Total</b> |
|---|-----------------|------------------|--------------------------------|--------------------------------|--------------|
| <b>Revenue</b>  |                 |                  |                                |                                |              |
| Oil Sales   | \$ 1,737        | \$ -             | \$ -                           | \$ -                           | \$ 1,737     |
| Royalties   | (106)           | -                | -                              | -                              | (106)        |
| Transportation pipeline revenues                        | -               | 769              | -                              | -                              | 769          |
| Processing and other income                             | 151             | -                | -                              | -                              | 151          |
|   | 1,782           | 769              | -                              | -                              | 2,551        |
| Realized gain on commodity contracts                    | 1,185           | -                | -                              | -                              | 1,185        |
| Unrealized loss on commodity contracts                  | (2,684)         | -                | -                              | -                              | (2,684)      |
| Total revenue, net of royalties and commodity contracts | 283             | 769              | -                              | -                              | 1,052        |
| <b>Expenses</b>   |                 |                  |                                |                                |              |
| Expenses excluding items listed separately below        | 2,745           | 215              | -                              | 2,258                          | 5,218        |
| Depletion and depreciation                              | 1,076           | 79               | -                              | -                              | 1,155        |
| Total expenses  | 3,821           | 294              | -                              | 2,258                          | 6,373        |
| Income (loss) before taxes                              | (3,538)         | 475              | -                              | (2,258)                        | (5,321)      |

  

| <b>Six months ended<br/>June 30, 2020</b>               | <b>Upstream</b> | <b>Midstream</b> | <b>Mining and<br/>Minerals</b> | <b>Corporate and<br/>Other</b> | <b>Total</b> |
|---|-----------------|------------------|--------------------------------|--------------------------------|--------------|
| <b>Revenue</b>  |                 |                  |                                |                                |              |
| Oil Sales   | \$ 8,282        | \$ -             | \$ -                           | \$ -                           | \$ 8,282     |
| Royalties   | (834)           | -                | -                              | -                              | (834)        |
| Transportation pipeline revenues                        | -               | 1,929            | -                              | -                              | 1,929        |
| Processing and other income                             | 673             | -                | -                              | -                              | 673          |
|   | 8,121           | 1,929            | -                              | -                              | 10,050       |
| Realized gain on commodity contracts                    | 2,053           | -                | -                              | -                              | 2,053        |
| Unrealized gain on commodity contracts                  | 5,214           | -                | -                              | -                              | 5,214        |
| Total revenue, net of royalties and commodity contracts | 15,388          | 1,929            | -                              | -                              | 17,317       |
| <b>Expenses</b>   |                 |                  |                                |                                |              |
| Expenses excluding items listed separately below        | 7,308           | 494              | -                              | 4,638                          | 12,440       |
| Depletion and depreciation                              | 3,481           | 158              | -                              | -                              | 3,639        |
| Impairment loss   | 11,124          | -                | -                              | -                              | 11,124       |
| Total expenses  | 21,913          | 652              | -                              | 4,638                          | 27,203       |
| Income (loss) before taxes                              | (6,525)         | 1,277            | -                              | (4,638)                        | (9,886)      |

The following tables shows assets and liabilities for each of the segments.

| <b>As at June 30, 2021</b> | <b>Upstream</b> | <b>Midstream</b> | <b>Mining and<br/>Minerals</b> | <b>Corporate and<br/>Other</b> | <b>Total</b> |
|----------------------------|-----------------|------------------|--------------------------------|--------------------------------|--------------|
| Current assets             | \$ 3,225        | \$ 458           | \$ -                           | \$ 137                         | \$ 3,820     |
| Non-current assets         | 6,432           | 7,493            | 166                            | 94                             | 14,185       |
| Current liabilities        | 5,816           | 80               | 10                             | 395                            | 6,301        |

  

| <b>As at December 31, 2020</b> | <b>Upstream</b> | <b>Midstream</b> | <b>Mining and<br/>Minerals</b> | <b>Corporate and<br/>Other</b> | <b>Total</b> |
|--------------------------------|-----------------|------------------|--------------------------------|--------------------------------|--------------|
| Current assets                 | \$ 44,741       | \$ 400           | \$ -                           | \$ 5,727                       | \$ 50,868    |
| Non-current assets             | 6,986           | 7,654            | -                              | 142                            | 14,782       |
| Current liabilities            | 43,191          | 100              | -                              | 8,818                          | 52,109       |