



HIGHWOOD OIL COMPANY LTD. ANNOUNCES THIRD QUARTER 2019 RESULTS AND CONTINUED DRILLING SUCCESS IN THE CLEARWATER PLAY

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

Calgary, Alberta, November 27, 2019

Highwood Oil Company Ltd. (“**Highwood**” or the “**Company**”) (TSXV:HOCL) is pleased to announce financial and operating results for the quarter ended September 30, 2019. The Company also announces that its unaudited financial statements and associated Management’s Discussion and Analysis (“**MD&A**”) for the quarter ended September 30, 2019, can be found at www.sedar.com and www.highwoodoil.com.

Highlights

- Drilled three wells (1.5 net) in the Clearwater play at Nipisi during the third quarter of 2019 with another three (1.5 net) wells rig released subsequent to September 30, 2019. To date, three of the wells are on production and early production indications meet the Company’s expectation. The remaining three wells should be on-stream early December.
- Throughout 2019, industry production and delineation activity has remained robust surrounding Highwood’s core lands at Nipisi / Marten Hills and recently, offset operators around Highwood’s exploratory Clearwater lands have drilled wells that expand the prospective scope of the play. Highwood continued to survey, construct and submit approvals for drilling locations it seeks to drill in the fourth quarter of 2019 and into 2020.
- Achieved average corporate production of 1,495 bbl/d of oil in the third quarter of 2019, reflecting a modest decrease from an average of 1,608 bbl/d in the second quarter of 2019. The decrease was primarily due to required shut-ins during pad drilling, turnarounds and workovers completed during the period. Production has increased from the prior year on account of new Clearwater production that’s been brought on-stream and due to the acquisition of Gambit Oil in April 2019. Production from the three gross (1.5 net) wells drilled during the quarter was not brought online until after September 30, 2019.
- Operating netbacks remained strong at more than \$18.25/boe for the three months ended September 30, 2019 but were down from \$27.36/boe during the three months ended June 30, 2019 due to an increase in operating and transportation expenses that were impacted by shut-in production at Nipisi. Operating netbacks have increased from the prior year, mainly due to Clearwater production adds that realized netback of \$38/boe for the nine months ended September 30, 2019.

- Continued strong quarterly cashflow from operating activities of \$2.2 million for the three months ended September 30, 2019, to provide for \$11.4 million of cashflow from operating activities for the first nine months of 2019.
- Current production is approximately 1,550 bbl/d of oil, including 100 bbl/d from the Q3 drilled Clearwater wells currently producing at low rates consistent with the Company's initial production techniques.

Operating Highlights

	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	%	2019	2018	%
Financial						
Oil and natural gas sales	\$ 8,849,696	\$ 7,336,814	21	\$ 25,440,302	\$ 21,826,363	17
Transportation pipeline revenues	1,316,317	975,964	35	4,047,792	2,640,085	53
Total revenues, net of royalties and commodity contracts	7,410,354	6,870,212	8	19,796,066	18,876,913	5
Loss	1,447,053	837,471	73	4,430,102	3,033,125	46
Cash flow from (used in) operating activities	2,225,868	(2,965,870)	(175)	11,392,431	(1,349,015)	(944)
Capital expenditures	2,382,201	2,118,155	12	7,054,921	16,828,400	(58)
Net debt (2)				(34,179,493)	(28,558,039)	20
Shareholder's equity (end of period)				24,279,335	24,059,396	1
Shares outstanding (end of period)				6,013,965	5,538,674	9
Weighted-average basic shares outstanding	6,013,965	5,538,674	9	5,968,379	5,538,674	8
Operations (1)						
Production						
Natural gas (Mcf/d)	-	16	-	-	36	-
Natural gas liquids (NGL) (bbls/d)	-	-	-	-	-	-
Crude oil (bbls/d)	1,495	1,033	45	1,486	1,120	33
Total (boe/d)	1,495	1,036	44	1,486	1,127	32
Average realized prices (3)						
Natural gas (per Mcf) (5)	-	1.33	-	-	1.27	-
NGL (per bbl) (5)	-	82.25	-	-	71.14	-
Crude Oil (per bbl)	64.32	77.15	(17)	62.70	71.29	(12)
Operating netback (per BOE) (4)	18.25	11.10	64	20.83	10.61	96
Wells drilled:						
Gross	3.0	1.0	200	6.0	1.0	500
Net	1.5	0.5	200	3.0	0.5	500
Success (%)	100	100	-	100	100	-

(1) For a description of the boe conversion ratio, see "Basis of Barrel of Oil Equivalent".

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

(3) Before hedging.

(4) See "Non-GAAP measures".

(5) Natural gas and NGL production and revenues are immaterial to the Company.

2019 Third Quarter Overview

Highwood's third quarter results were highlighted by strong cash flow from operating activities of \$2.2 million, a \$5.2 million increase from the same period in 2018. A planned Company owned facility turnaround, as well as shut-in Clearwater production required for continued pad drilling, resulted in average daily production of 1,495 bbl/d during the quarter. As a result of decreased production and slightly lower benchmark oil pricing, operating netbacks were \$18.25/boe compared with \$27.36/boe for the second quarter of 2019. Amidst recent price volatility in Western Canada, the Company has adopted a flexible capital program that is purposely setup to will be responsive to the fluxes in the current pricing environment. The Company also continues to hedge a significant level of its production related to new drilling activity.

2019 Third Quarter Operations

Highwood successfully drilled three (1.5 net) wells in the Clearwater oil play during the third quarter of 2019 with another three (1.5 net) wells spud after September 30, 2019. Since its inaugural drilling program began in Q4 2018, the Company has drilled a total of 13 (6.5 net) wells in the emerging resource play since it's drilling program began in Q4 2018. The Company continues to focus its drilling efforts within the area of Nipisi, Alberta where compelling pad and infill development opportunities present themselves. Provided that production results remain encouraging, the Company intends to keep a rig in the Nipisi area until breakup 2020 providing production results are continually positive.

Highwood's Clearwater land position has grown to 215 (109 net) sections. Management continues to dynamically assess and tier its prospective drilling inventory to pursue drilling those development opportunities that are characterized by short cycle times and quick payback periods at current strip pricing. Meanwhile, ongoing industry delineation drilling continues to de-risk the Company's exploration portfolio.

Outlook

The Company has, and will continue to, evaluate acquisition opportunities in the M&A market, but will remain disciplined to pursue only those opportunities that are accretive and deleveraging with a drilling inventory that is economic at current strip pricing. The Company intends to build a growing profile of recurring free funds flow that will provide maximum flexibility fund growth, debt repayment and / or other strategic M&A opportunities in a non-dilutive fashion.

The Clearwater oil resource play continues to deliver positive delineation results which underpin an expanding opportunity set for Highwood to pursue lower risk, highly economic, oil-weighted growth. Since early 2017, industry has spud more than 200 wells to delineate and quickly grow the Clearwater play to achieve production in excess of 20,000 bbl/d. Even within a pricing environment that has been suppressed by historical standards, strong well economics characterized by short cycle times and quick payback periods have supported industry to already spud 110 new wells in 2019. Highwood will continue to focus its efforts throughout 2019 and into 2020 on delineating its Clearwater lands in a capital-efficient manner, while mainly pursuing infill and pad drilling development opportunities offsetting positive initial production results.

Further Information

For further information about the Company please contact:

Greg Macdonald

President and Chief Executive Officer
587.393.0862 investorrelations@highwoodoil.com

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.

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

This press release refers to certain financial measures that are not determined in accordance with GAAP. Since non-GAAP measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies, securities regulations require that non-GAAP measures are clearly defined, qualified and reconciled to their nearest GAAP measure. Except as otherwise indicated, these non-GAAP measures are calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

The intent of non-GAAP measures is to provide additional useful information with respect to Highwood's operational and financial performance to investors and analysts though the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate these non-GAAP measures differently.

In particular, the term “netback” is used in this press release and readers should be cautioned that netback is not defined by GAAP and may not be comparable to similar measures presented by other companies. Management believes this is a useful metric in providing a comparison of relative overall performance between companies as it is a common metric used by other companies operating in the oil and gas industry. Management uses the metric to assess the Company’s overall performance relative to that of its competitors and for internal planning purposes.

“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 Company 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 Company, 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 Company's expectations include risks detailed from time to time in the filings made by the Company with securities regulatory authorities.

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 Company and certain of may be found under the heading “Risk Factors” in the Company’s AIF. 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 Company will update or revise publicly any of the included forward-looking statements as expressly required by Canadian securities law.