HIGHWOOD OIL COMPANY LTD. ANNOUNCES SUCCESSFUL FOURTH QUARTER 2019 CLEARWATER DRILLING RESULTS AND THE STRATEGIC DIVESTITURE OF NON-CORE RED EARTH LEGACY PROPERTY

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

Calgary, Alberta, February 18, 2020

Highwood Oil Company Ltd. ("**Highwood**" or the "**Company**") (TSXV:HOCL) is pleased to announce successful drilling results from its Q4 2019 Clearwater drilling program.

Additionally, the Company is also pleased to announce that it has entered into an agreement with an arm's-length private oil and gas exploration and production company (the "**Purchaser**") to divest of the majority of the Company's Red Earth asset, comprised of cash of $8.0 million and equity consideration of 10% of the Purchaser's outstanding common shares (the "**Divestiture**"). Under the terms of the Divestiture, Highwood is entitled to reserve against the Red Earth assets an overriding royalty of 5%. Current production from the subject Red Earth field is approximately 950 bbl/d of oil.

Current net Company production is approximately 1,000 bbl/d of oil pro forma the Red Earth Divestiture.

Q4 2019 Drilling Results and 2020 Activity

- Drilled 5 wells (2.5 net) in the Clearwater play at Nipisi during the fourth quarter of 2019. The drilling activity included delineation of the company's 24,320 acre gross Nipisi land position, further validating additional Nipisi drilling inventory. All wells are on production and meeting and/or exceeding the production expectations of the Company.

- Since the Company began its Clearwater development program in the fourth quarter of 2018, it has drilled 14 wells (7 net) to the end of 2019.

- Current Clearwater production is 1,500 bbl/d of oil (750 bbl/d net). The Company's 2020 drilling program is underway, with further cashflow generation a focus at Nipisi while delineating additional acreage.

- Current operations include drilling our 3rd well (1.5 net) in 2020. The Company intends to remain active in the remainder of the year drilling 12-18 gross wells (6-9 net wells to Highwood).

Red Earth Divestiture Details

With the recent success of the Clearwater Fairway and the Company's Clearwater drilling program, the Company has deemed the Red Earth assets to be non-core in nature. The Divestiture allows the Company to remove 87% or $31.7 million of decommissioning obligations from its statement of financial position (value as of September 30, 2019). Subsequent to regulatory approvals, the Company will have a pro-forma Liability Management Ratio (LMR) of 4.8 and anticipates a reduction to G&A expenses of 30 to 40%.

The Divestiture is closed in escrow subject to regulatory approval and license transfers. Upon receipt of regulatory and license transfers approvals, closing documents will be released from escrow and the transaction will close. The Company anticipates escrow release conditions being satisfied on or around April 2020. The effective date of the Divestiture is February 18, 2020. The Divestiture does not include any working interest in the Company's Wabasca Crude Oil Transmission Pipeline which will remain within Highwood. Upon close of the transaction, Highwood will reserve a 5% overriding royalty over all wells and lands vended to the Purchaser.

Bank Facility

Cash proceeds from the Divestiture will be used to pay down the Company's bank line. Subsequent to regulatory approval and closing conditions of the Red Earth Divestiture being satisfied, the bank will reduce the Company's credit facility from $38.0 million to $30.0 million. The Company's next renewal date will remain at May 1, 2020.

2020 Guidance

The Company anticipates capital spending of $10-$15 million in 2020 mainly focused on production and reserve adding activities in the Clearwater. The company will remain focused on a balanced approach to infill cash flow generating opportunities and a few select step-out wells to further delineate the Company's land position. Pro-forma the Red Earth Divestiture, the Company anticipates operating cash flow in 2020 to be comprised of approximately 25% midstream operations, approximately 10% royalty revenues, approximately 10% light oil production and approximately 55% Clearwater production providing for a balanced revenue stream.

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 continues to delineate and grow the Clearwater play to achieve production in excess of 27,000 bbl/d. Highwood will continue to focus its efforts throughout 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.

Advisor

National Bank Financial Inc. is acting as financial advisor to Highwood with respect to the Red Earth Divestiture.

Further Information

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Oil and Gas Measures

Readers should see the "Selected Technical Terms" in the Annual Information Form filed on April 30, 2019 for the definition of certain oil and gas terms.

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

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.

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.