HIGHWOOD
OIL COMPANY LTD.

HIGHWOOD OIL COMPANY LTD. ANNOUNCES FIRST QUARTER 2020 RESULTS

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

Calgary, Alberta, May 29, 2020

Highwood Oil Company Ltd., ("**Highwood**" or the "**Company**") (TSXV: HOCL) is pleased to announce financial and operating results for the quarter ended March 31, 2020. The Company also announces that its unaudited financial statements and associated Management's Discussion and Analysis ("**MD&A**") for the quarter ended March 31, 2020, can be found at www.sedar.com and www.highwoodoil.com.

Highlights

- Achieved record production of 1,872 bbl/d of oil in the first quarter of 2020, a 23% increase from 1,515 bbl/d in the fourth quarter of 2019 and a 38% increase from 1,354 bbl/d in the first quarter of 2019.

- Drilled 5 wells (2.5 net) in the Clearwater play during the first quarter of 2020 with one well remaining to drill past casing point when commodity prices improve. The drilling activity included further delineation of the Company's Nipisi land position as well as a step-out well at Craigend where the Company holds a 17,920 acre gross land position (8,960 net). Since the Company began its Clearwater development program in the fourth quarter of 2018, it has drilled 19 wells (9.5 net) to today's date.

- Given current oil price environment, the Company ceased capital spending in March 2020 and will contemplate further Clearwater drilling once sustained price recoveries are seen after spending $4.2 million in the first quarter

- With current select shut-ins, current production from Highwood is approximately 550 bbl/d inclusive of production from the Red Earth field.

Red Earth Divestiture Update

On May 1,2020, after initially providing conditional approval, the Alberta Energy Regulator rejected the license transfers associated with the Red Earth Divestiture. The Company continues to work through the impact of this decision and will provide an update when one is available.

Summary of Financial & Operating Results

		Three months ended March 31,		
		2020	2019	% Change
Financial				
Oil and natural gas sales	**$**	**6,545,440**	$ 6,928,968	(6)
Transportation pipeline revenues		**1,160,389**	1,233,712	(6)
Total revenues, net of royalties and commodity contracts [1]		**16,264,900**	5,572,594	192
Loss		**(3,723,684)**	(2,507,617)	183
Cash flow from operating activities		**3,787,170**	5,731,356	(34)
Capital expenditures		**4,191,152**	4,077,397	3
Net debt [2]		**(44,622,781)**	(31,667,081)	41
Shareholders' equity *(end of period)*		**14,544,029**	24,167,445	(54)
Shares outstanding *(end of period)*		**6,013,965**	5,948,030	1
Weighted-average basic shares outstanding		**6,013,965**	5,890,457	2
Operations [3]				
Production				
Crude oil *(bbls/d)*		**1,872**	1,354	38
Total *(boe/d)*		**1,872**	1,354	38
Average realized prices [4]				
Crude oil *(per bbl)*		**38.42**	56.85	(32)
Operating netback *(per boe)* [5]		**2.95**	15.89	(81)
Wells drilled:				
Gross [6]		**5.0**	2.0	
Net [6]		**2.5**	1.0	
Success (%)		**100**	100	

(1) Includes unrealized gain and losses on commodity contracts.
(2) Net debt consists of bank debt and working capital surplus (deficit) excluding commodity contract assets and/or liabilities
(3) For a description of the boe conversion ratio, see "Basis of Barrel of Oil Equivalent".
(4) Before hedging.
(5) See "Non-GAAP measures".
(6) Includes 1 gross (0.5 net) well outstanding to drill past casing point.
(7) Natural gas and NGL production and revenues are immaterial to the Company.

2020 First Quarter Overview

Highwood's first quarter results were highlighted by the increase in production to 1,872 bbl/d, an increase of 357 bbl/d from the fourth quarter of 2019 and 518 bbl/d from the first quarter of 2019. For the first quarter of 2020, the Company had revenues (excluding commodity contracts) of $8.2 million, impacted by the sharp drop in commodity prices that occurred in March 2020. Highwood recognized $1.2 million of pipeline revenues during the first quarter, consistent with the $1.2 million of revenue recognized in the fourth quarter of 2019 and the first quarter of 2019.

2020 First Quarter Operations

Highwood drilled 4 gross (2.0 net) in the Clearwater play at Nipisi during the first quarter of 2020 and drilled an additional 1 gross well (0.5 net) in the Clearwater play at Craigend. The drilling activity further delineated the Company's Clearwater land position, further validating drilling inventory. The Company has drilled 19 gross wells (9.5 net) in the Clearwater play since it started the Clearwater program in the fourth quarter of 2018. Total capital spend in the first quarter of 2020 was $4.2 million compared to $4.9 million in the fourth quarter of 2019 where the Company drilled 5 gross (2.5 net) wells in the Clearwater play. Of the $4.2 million expenditure, $4.1 million was development capital with $2.6 million spent on the drilling & completion of Clearwater wells, $1.0 million spent on the expansion of the Company's multi-well oil battery in Nipisi and $0.5 million spent on recompletions in the Red Earth area.

The Company continually reviews and revises its technical approach to drilling in the Clearwater and has shortened well cycle times and decreased costs as the program has evolved. The Company continues to have its land position delineated by offset operators who are also showing success with secondary recovery method pilot projects. The Company is currently undergoing a waterflood study project at Nipisi which would help to increase ultimate recovery factors if a producing well bore was switched to an injection well.

Outlook

The Company has ceased 2020 non-discretionary capital as a result of the COVID-19 Pandemic and the current price collapse seen in Western Canada and around the world. The Company has also undertaken corporate cost saving initiatives including reducing salaries and non-essential services to help protect its balance sheet in this suppressed market.

The Company remains excited about the drilling inventory it currently has in its portfolio for when pricing shows a significant, sustained recovery. 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 290 wells to delineate and quickly grow the Clearwater play to achieve production in excess of 25,000 bbl/d. Even within a pricing environment that has been very suppressed by historical standards, strong well economics characterized by short cycle times and quick payback periods supported industry drilling over 130 wells to date in 2020.

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 to its balance sheet. 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.

Further Information

For further information about the Company please contact:

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Oil and Gas Measures

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

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

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

"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 regulations.

The reader is cautioned that assumptions used in the preparation of any forward-looking information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. 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.