



HIGHWOOD OIL COMPANY LTD. ANNOUNCES DISPOSITION OF CLEARWATER ASSETS FOR \$40.8 MILLION IN CASH

December 14, 2020

CALGARY, ALBERTA – Highwood Oil Company Ltd., (“**HOCL**”, “**Highwood**” or the “**Company**”) (TSXV: HOCL) is pleased to announce that, as a result of its strategic alternatives review process, it has today entered into a definitive agreement with an arm’s length purchaser, Tamarack Valley Energy Ltd. (“**Tamarack**”) to divest of the Company’s Clearwater assets for cash consideration of \$40.8 million (the “**Divestiture**”). The effective date of the Divestiture is November 1, 2020.

The Divestiture is expected to close on December 21, 2020 and remains subject to customary closing conditions.

GO FORWARD POSITIONING

The Company’s Board of Directors has approved the Divestiture given the tremendous accretion in value of the Clearwater assets since the Company began amassing a land position in 2017. The Divestiture is transformative to the Company’s balance sheet and removes lender pressure while positioning Highwood to seek out new growth opportunities.

Together with the Red Earth disposition, previously announced on November 13, 2020, the Divestiture will leave Highwood with a cleaner balance sheet. The Company’s lender has granted a further extension of the maturity of Term Facility A to December 31, 2020 to allow for closing of the Divestiture. Proceeds from the divestiture will satisfy the expiring tranches of the Company’s existing credit facility. Upon closing of the transaction, the Company is expecting an \$8-10 million pro forma operating facility and will seek to evaluate acquisition opportunities.

Following the conclusion of the Company’s strategic alternatives review process, Highwood emerges with corporate production of 100 bbl/d from producing properties in Western Canada, along with a 100% working, operated interest in the Wabasca River Pipeline System.

The Wabasca River Pipeline is an open-access system located 450 km of Edmonton and delivers crude oil onto the Plains Rainbow System. After seeing reduced activity during the first half of the year attributed to the commodity price shock experienced in Q1/20, Highwood remains encouraged by the pace of returning volumes through the pipeline. Based on current throughput, and historical operating expenses the asset is expected to generate \$4 million of base free cash flow in 2021.

ADVISOR

National Bank Financial Inc. acted as financial advisor to Highwood with respect to the Divestiture.

FURTHER INFORMATION

For further information about Highwood 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, 2020 for the definition of certain oil and gas terms.

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. In particular, and without limiting the generality of the foregoing,

this press release contains forward-looking statements with respect to: the closing of the Divestiture; the closing of the Red Earth disposition and deleveraging the balance sheet of the Company. 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.