



## HIGHWOOD OIL COMPANY LTD. ANNOUNCES SECOND QUARTER 2020 RESULTS

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

Calgary, Alberta, August 27, 2020

Highwood Oil Company Ltd., (“**Highwood**” or the “**Company**”) (TSXV: HOCL) is pleased to announce financial and operating results for the quarter ended June 30, 2020. The Company also announces that its unaudited financial statements and associated Management’s Discussion and Analysis (“**MD&A**”) for the quarter ended June 30, 2020, can be found at [www.sedar.com](http://www.sedar.com) and [www.highwoodoil.com](http://www.highwoodoil.com).

### Highlights

- Production of 870 bbl/d of oil in the second quarter of 2020, a 54% decrease from 1,872 bbl/d in the first quarter of 2020 amidst uneconomic shut-ins during the period.
- Current net production from Highwood is approximately 1,400 bbl/d of oil with production capacity of 2,200 bbl/d. Highwood continues to bring on production previously shut-in during April and May as a result of the COVID-19 Global Pandemic.
- Highwood continues to be encouraged by production performance from the Q1 2020 Clearwater drilling program at Nipisi where three of the new wells are currently on production.

### Summary of Financial & Operating Results

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	%	2020	2019	%
<b>Financial (in thousands)</b>						
Oil and natural gas sales	\$ 1,737	\$ 9,662	(82)	\$ 8,282	\$ 16,591	(50)
Transportation pipeline revenues	769	1,498	(49)	1,929	2,731	(29)
Total revenues, net of royalties <sup>(1)</sup>	1,052	6,813	(85)	17,317	12,386	40
Loss	(3,837)	(475)	707	(7,561)	(2,983)	153
Cash flow from operating activities	2,167	6,936	(69)	5,954	12,667	(53)
Capital expenditures	223	595	(62)	4,415	4,673	(6)
Net debt <sup>(2)</sup>				(46,089)	(36,514)	26
Shareholder's equity (end of period)				10,861	25,523	(57)
Shares outstanding (end of period)				6,014	6,014	-
Weighted-average basic shares outstanding	6,014	5,986	-	6,014	5,944	1
<b>Operations <sup>(6)</sup></b>						
Production						
Crude oil (bbls/d)	870	1,608	(46)	1,371	1,482	(7)

Total (boe/d)	<b>870</b>	1,608	(46)	<b>1,371</b>	1,482	(7)
Average realized prices <sup>(3)</sup>						
Crude Oil (per bbl)	<b>21.94</b>	66.04	(67)	<b>33.19</b>	61.86	(46)
Operating netback (per BOE) <sup>(4)</sup>	<b>(16.77)</b>	27.36	(161)	<b>(3.30)</b>	22.14	(115)

Wells drilled:

Gross	-	-	-	<b>5.0</b>	3.0	67
Net	-	-	-	<b>2.5</b>	1.5	67
Success (%)	-	-	-	<b>100</b>	-	-

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

## 2020 Second Quarter Overview

Highwood's second quarter results were highlighted by the decrease in production from 1,872 bbl/d in the first quarter of 2020 to 870 bbl/d in the second quarter, a decrease of 54% given the Company's decision to shut in uneconomic production during April & May amidst the global oil price collapse.

For the first half of 2020, the Company had revenues net of royalty expense (including realized gains on commodity contracts) of \$12.1 million impacted by the sharp drop in commodity prices that began in March 2020. The Company had revenues of \$17.7 million for the same first half period of 2019 without the increased production capacity brought on by the success of the Clearwater drilling program through Q1 2020.

## 2020 Second Quarter Operations

Highwood's focus in the second quarter of 2020 was on financial sustainability as the Company continually re-evaluated and adjusted field production & operations as well as corporate overheads given the price collapse beginning in March 2020. Highwood ceased its capital program in March 2020 and spent only essential capital during the second quarter.

Highwood reduced executive and employee salaries by approximately 20%, ceased its bonus program and reduced staff to help mitigate the financial impact of the COVID-19 Global Pandemic. The Company has received support from government grants including the Canada Emergency Wage Subsidy ("CEWS") to help mitigate the financial impact of COVID-19 and has also completed an application for available credit guarantee programs provided by the Export Development Bank of Canada ("EDC"). The Company anticipates feedback from the application in the coming weeks.

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 where the Company drilled 5 gross (2.5 net) wells in the Clearwater play.

Of the total \$4.2 million Company expenditures, \$4.1 million was development capital with \$2.6 million spent on Clearwater drilling & completions, \$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 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 continued to cease 2020 non-discretionary capital as a result of the COVID-19 Global Pandemic and the current suppressed pricing seen in Western Canada and around the world.

Once returns prove economically feasible, the Company remains excited about the drilling inventory it currently has in its portfolio. 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 300 wells to delineate and quickly grow the Clearwater play to achieve production in excess of 29,000 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 30 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.*

*Mcf Conversion: Thousands of cubic feet of gas equivalent ("Mcf") 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. Mcf 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.*