Headwater Exploration Inc.

CORPORATE PRESENTATION

TSX:HWX

Aug 5, 2020

INTRODUCTION

The Headwater Advantage

- Current working capital balance of ~$114 million
- Run rate free cashflow of approximately $6 million per year
- Experienced team and board that has a history of creating shareholder value in multiple commodity and economic environments
- Investor alignment – We get paid when our investors get paid

Headwater Next Steps

- Current economic uncertainty has created more opportunities for HWX
  - ✓ The effects of reduced credit availability is starting to unfold with multiple CCAA processes and ongoing RBL reviews
  - ✓ Access to capital is almost non-existent in the E&P space
  - ✓ Excess costs in the system, G&A and interest, have been recognized and are being scrutinized
  - ✓ HWX is viewed as a consolidator of choice
- The team has stayed focused through the pandemic and has evaluated multiple asset and corporate opportunities
  - ✓ The bid ask spread on assets and corporates is improving
  - ✓ We can take advantage of duration mis-match between buyers and sellers
  - ✓ Our balance sheet strength enables us to have a longer-term view of the value of assets
  - ✓ Patience continues to be the key as everyone comes to understand and accept the new normal

HEADWATER SNAPSHOT

Headwater Exploration Inc.

Headwater Exploration Inc.	*TSX*	HWX
Share Price (Aug 4 , 2020)	*$/sh.*	$1.24
Shares Outstanding (Basic)[1]	*mm*	145.0
Dilutives August 2020 (Aug avg strike $0.95/share)	*mm*	28.1
Shares Outstanding (Fully Diluted)[1]	*mm*	173.1
Working Capital Balance (June 30, 2020)	*$mm*	$113.7
Cash Value (Basic)[2]	*$/sh.*	$0.78
PDP Reserves Value (Basic)[5]	*$/sh.*	$0.32
Value of Excess Tax Pools (0.1$/$) (Basic)[2]	*$/sh.*	$0.08
NAV (Fully Diluted)[1] [2] [3]	*$/sh.*	$1.15
Insider Ownership (Basic)	*%*	10%
Insider Ownership (Fully Diluted)	*%*	20%

2019 Year End Reserves [5]		
PDP NPV 10%	*$mm*	$46.7
P+PDP Reserve	*mmboe*	*3.7*
P+PDP NPV 10%	*$mm*	*$55.6*

2020 Guidance		
Avg Annual Production Rate[4]	*boe/d*	688
Operating Cashflow[2]	*$mm*	6.8
Adjusted Funds Flow From Operations[2]	*$mm*	5.5
Capital Expenditures	*$mm*	0.5
2020 estimated exit working capital	*$mm*	115.0

1. Basic shares outstanding as at August 5, 2020. Fully diluted assumes 100% vesting of warrants and options currently outstanding as at August 5, 2020. Pursuant to the $20 million non-brokered private placement which closed on March 4, 2020, 21.7 million units were issued. Each unit consists of one common share and one warrant with an exercise price of $0.92/warrant. The warrants vest at various share prices (20-day volume weighted average price): 1/3 at $1.30/share, 1/3 at $1.60/share and 1/3 at $1.90/share. On August 5, 2020, 6.4 million stock options are outstanding at an average strike price of $1.04.
2. See "Non-IFRS Measures" in Advisories.
3. See “Oil and Gas Metrics" in Advisories.
4. Assumes all production shut-in from May 1, 2020 to November 1, 2020.
5. See "Reserves Information" in Advisories.

Key Attributes of Future Success

- Early but not first entrant into economic plays followed by value creation with the drill bit
- Begin with the end in mind – "Build an owners company"
  - Size and commodity agnostic. Shareholder value creation is the only key to success
  - Ensure abandonment and reclamation dealt with on a continuous basis and fully considered on the life cycle value proposition of all assets
  - Junior build and sell model is challenged and generally does not exist, our goal is to build a company with a 10 year plus vision that can be owned forever
- Relentless discipline on cost control and production efficiency
- Investor alignment
- Control debt – current environment is suggesting max D/CF of 0.5x
- Sustainability is key, greater focus on free cash flow / earnings / return on capital employed
- Maximize free cash flow while balancing inventory levels and production
- Access to capital is unpredictable, requiring a portfolio approach that provides multiple levers for acceleration of free cash flow, per share growth and inventory enhancement depending on the environment
- Return of capital in a timely manner, even if not a liquidity event
- ESG Matters - assets should have the potential for profitable positive social impacts
  - Emissions and water-use reductions leading to reduced operating costs and increased reliability
  - Appropriate ARO stewardship to enhance long term reserves through decreased fixed operating costs
  - Implement current and future technology to profitably capture our waste heat

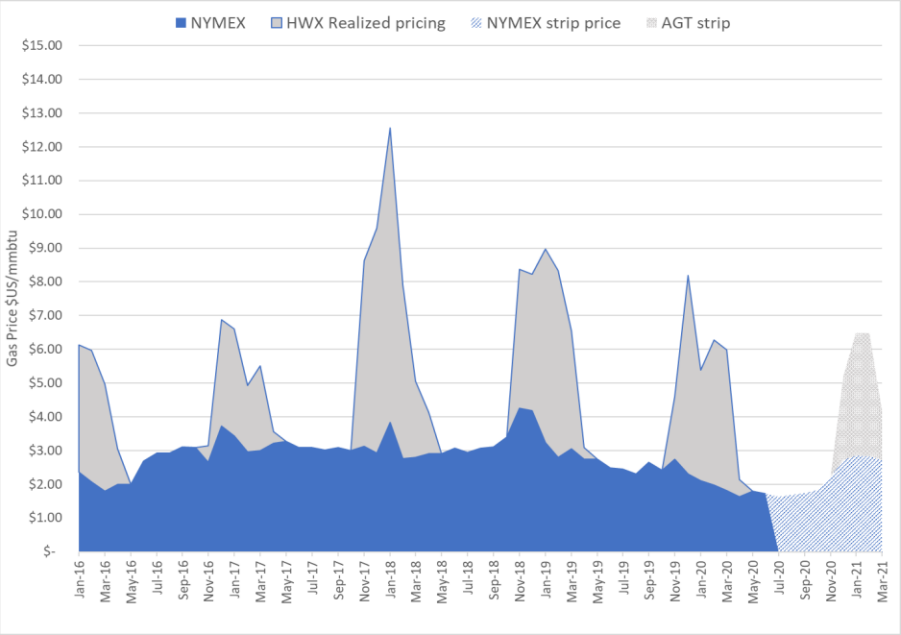
STRONG BALANCE SHEET AND FOUNDATION OF FREE CASH FLOW

The free cash flow profile generated from premium pricing and a strong balance sheet provide a foundation to establish a leading Canadian energy producer

Internal Estimates [1]

		2021e	2022e	2023e	2024e	2025e
Annualized Production	boe/d	638	604	572	518	482
FFO[2]	$mm	6.0	5.8	5.4	5.5	5.4
Capital	$mm	0.25	0.25	0.25	0.25	0.25
Free Cash Flow[2]	$mm	5.8	5.6	5.1	5.3	5.2
NYMEX HH[3]	US$/mmbtu	2.74	2.64	2.59	2.63	2.52
Algonquin Citygate[3]	US$/mmbtu	4.93	5.10	5.10	5.47	5.70
FX	CAD / USD	1.34	1.34	1.34	1.34	1.34
Winter Op. Runrate Prod[4]	boe/d	1,305	1,234	1,168	1,076	985

HWX Realized Pricing and Winter 2021 Strip (US$/MMBTU)



Tax Pools (as at June 30, 2020)

Canadian Exploration Expense (CEE)	*$mm*	$	100
Canadian Development Expense (CDE)	*$mm*	$	27
Non-capital Lossses (NCL)	*$mm*	$	11
Other	*$mm*	$	23
Total	*$mm*	$	161

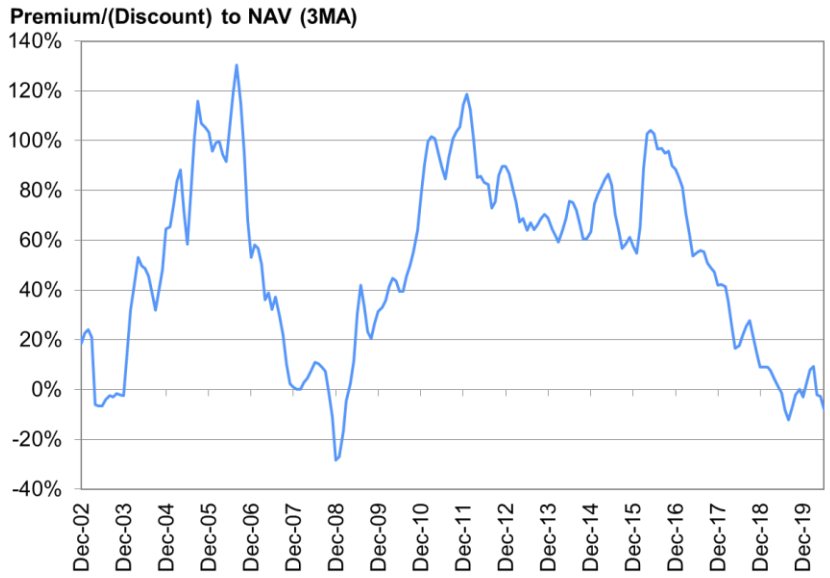
Hedges July 1st 2020 (Volume in mmbtu/d)

Stream	Volume	Term	Price	Currency
NYMEX	5,000	Dec 20 –Mar 21	$4.05	CAD

1. Forecasts beyond 2020 have not been finalized and are subject to change.
2. See "Non-IFRS Measures" in Advisories.
3. Forecasted pricing shown is for producing months in the applicable year.
4. Winter run rate production is calculated from November of the prior year to April of the current year.

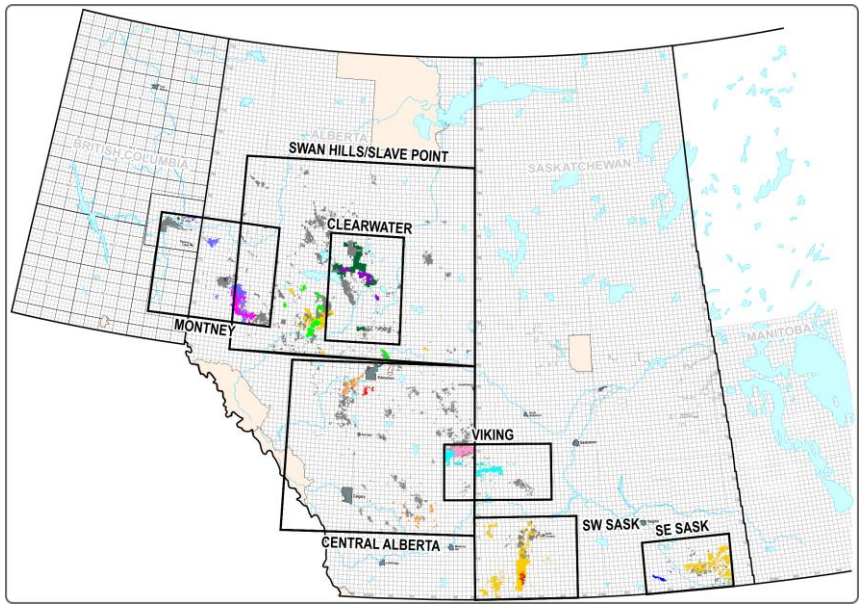
WHY NOW? OPPORTUNITIES ABOUND

Intermediate Producers | Premium/(Discount) to NAV



Source: Peters & Co. Limited estimates.

Regional Setting for Opportunities



- **Lack of differentiation of assets in the marketplace will allow us to strategically consolidate assets that are more suited for sustainability / free cash flow**
- **Market price for assets has only been this low twice in the last 20 years as a result of minimal capital available for the sector**
- **With a strong cash position, we are uniquely positioned to take advantage of mispriced assets and then be able to unlock the value of the same through disciplined capital allocation to drilling and optimization**

BUSINESS PLAN

Strategically Consolidate Companies	• Target full cycle earnings (FCF yield) under strip prices with real returns better than our public peers • Consolidation is available due to excess costs in the system, illiquid public and private companies and a lack of credible consolidators
Complete Asset Acquisitions at Depressed Prices and Unlock Undercapitalized Assets	• Equity market and M&A valuations have compressed to multi-year lows • Full cycle consideration of ARO, corporate cost drags, cash taxes, GHG and carbon tax • Targets will have future economic inventory that is enhanced with the application of technology and cost discipline to achieve a targeted 2x PDP recycle ratio • Unlock unrealized asset value by achieving top decile on stream costs and results • Expand consolidation areas with greenfield development and targeted micro acquisitions

ESG Creating a Competitive Differentiated Advantage	• Strategically acquire assets with profitable positive social impacts
	  • Emissions and water-use reductions leading to reduced operating costs and increased reliability
	  • Appropriate ARO stewardship to enhance long term reserves through decreased fixed operating costs
	  • Implement current and future technology to profitably capture our waste heat

Vision: Multi Year Company With Real Sustainable Returns	• Dividends and or buybacks implemented when appropriate • Do not count on financial engineering • Shareholders receive return on investment through growth, yield and buybacks (sustainable earnings) • Sustainability results in shareholders having a free option on improving commodity prices

Headwater Exploration Inc.

Appendix

TSX:HWX

TEAM TRACK RECORD: HISTORY OF SUCCESS

Headwater Exploration Inc.

Solid Foundational Business

Shareholder Return[1]	Wild River[3]	Wild Stream[4]	Raging River[5]
Founders Round	154%	630%	279%
External	108%	119%	205%

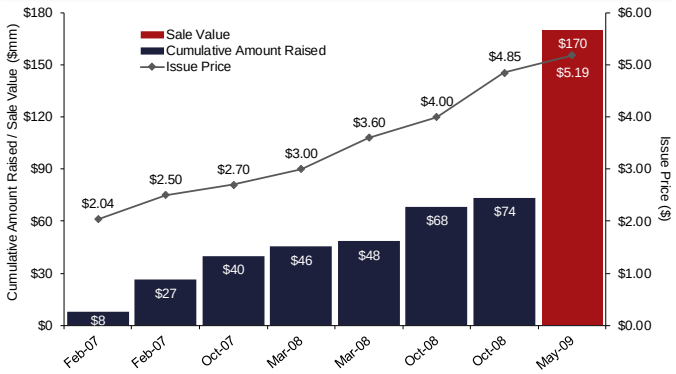
Historical Success (3x Proven Executers)

- ✓ **Low Op. Cost Producer**
  - Realized op. cost reductions with each NewCo
- ✓ **Disciplined Balance Sheet**
  - Never exceeded 1.1x net debt to trailing cash flow[2]
- ✓ **Technology Implementation**
  - At the forefront of productivity improvements

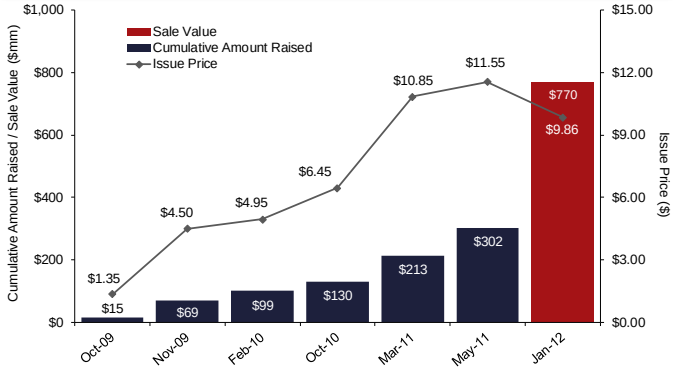
Repeated Ability to Access Capital

Equity Raised ($mm)	Wild River	Wild Stream	Raging River
Founders	$8.0	$14.6	$23.1
External	$65.5	$287.5	$378.8
Total	$73.5	$302.1	$401.9

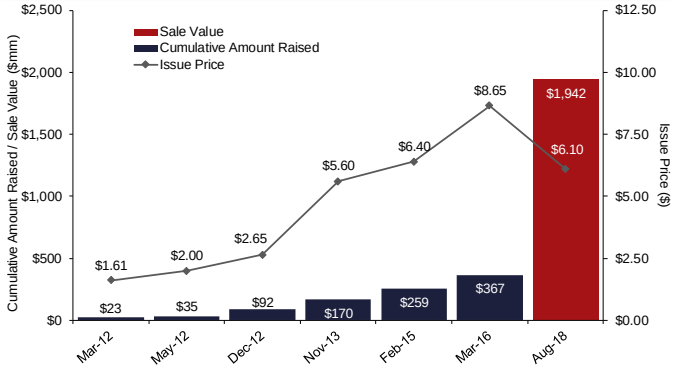
Wild River



Wild Stream



Raging River



1. Shareholder return calculated as final sale price divided by initial financing price.
2. See "Non-IFRS Measures" in Advisories.
3. Final sale price of $5.19 for Wild River shares based on an exchange ratio of 0.1512x and a Crescent Point Energy closing share price of $34.32 on June 30, 2009.
4. Final sale price of $9.86 for Wild Stream share based on the closing share price on March 14, 2012.
5. Final sale price of Raging River shares of $6.10 based on an exchange ratio of 1.36x and a Baytex closing share price of $4.47 on June 18, 2018.

EXPERIENCED TEAM

Headwater Exploration Inc.

Management Team

Neil Roszell, P. Eng. *CEO & Chairman*	▪ Former President, CEO and/or Executive Chairman and founder of Raging River Exploration Inc., Wild Stream Exploration Inc. and Wild River Resources Ltd.
Jason Jaskela, P. Eng. *President, COO & Director*	▪ Former COO and founder of Raging River Exploration Inc. and VP Production and founder of Wild Stream Exploration Inc.
Terry Danku, P. Eng. *Vice President, Engineering*	▪ Former VP, Engineering of Raging River Exploration Inc. and Engineering Manager of Wild Stream Exploration Inc.
Jonathan Grimwood, P.Geo *Vice President, Exploration*	▪ Former VP, Exploration of Raging River Exploration Inc., President of and founder of RMP Energy Inc.
Ali Horvath, CA, CPA *CFO & Vice President Finance*	▪ Former Controller and founder of Raging River Exploration Inc. and Wild Stream Exploration Inc.
Scott Rideout *Vice President, Land*	▪ Former VP, Land of Raging River Exploration Inc. and Manager Business Development and Land of Surge Energy Inc.
Brad Christman *Vice President, Production*	▪ Former Manager of Production and Facilities and founder of Raging River Exploration Inc.

Kevin Olson	▪ Currently President of Camber Capital Corp. and former director of Raging River Exploration Inc., Wild Stream Exploration Inc. and Wild River Resources Ltd.
Chandra Henry	▪ Currently CFO & Chief Compliance Officer of Longbow Capital Inc. and former director of Pengrowth Energy Corporation
Stephen Larke	▪ Currently Director with Vermilion Energy Inc. and Topaz Energy Corp.
Dave Pearce	▪ Currently Deputy Managing Partner with Azimuth Capital Management and former director of Raging River Exploration Inc.
Phillip Knoll	▪ Director of Corridor since 2010. Formerly CEO of Corridor and currently a director of AltaGas Ltd.

Forward Looking Statements Advisory

This investor presentation contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**"). More particularly, this investor presentation contains forward-looking statements concerning: the anticipated use of the aggregate net proceeds from the private placements completed by Headwater Exploration Inc. ("**Headwater**"); the performance characteristics of the natural gas properties and related assets of Headwater (the "**Headwater Assets**") including the associated decline rates and production rates; excess tax pools per share and net asset value ("**NAV**") per share; the estimated cash value per share; guidance relating to 2020 average production, 2020 expected operating cash flow, 2020 expected adjusted funds flow from operations, 2020 expected capital expenditures, 2020 expected exit working capital; internal estimates relating to expected annualized production, expected winter operating run rate production, expected FFO, expected capital, expected free cash flow through the years 2021 to 2025; expected natural gas pricing to be received by Headwater; the ability of management team (referred to herein as the "**Headwater Management**") to repeat its financial and operational success; expected strategy of Headwater Management with respect to acquisitions and business plan; the expectation of opportunities for acquisitions and consolidation; the expectation of how Headwater will provide value to shareholders; and the treatment under governmental regulatory regimes. In addition, the use of any of the words "guidance", "initial, "scheduled", "can", "will", "prior to", "estimate", "anticipate", "believe", "should", "forecast", "future", "continue", "may", "expect", and similar expressions are intended to identify forward-looking statements.

Statements relating to reserves are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

The forward-looking statements contained in this investor presentation are based on certain key expectations and assumptions made by Headwater Management including but not limited to availability of capital, current legislation, egress constraints, receipt of required regulatory approvals, the success of future drilling, development and acquisition activities, the performance of existing wells, the growth and acquisition strategy of Headwater Management, general economic conditions, availability of required equipment and services, assumptions of future commodity natural gas prices (including premiums), Canada-U.S. exchange rate, and other assumptions identified herein, including certain expectations and assumptions made by Headwater in respect thereof. Although Headwater Management believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because there is no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (including but not limited to operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects, capital expenditures, acquisitions or other corporate transactions; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. To the extent any guidance or forward looking statements herein constitute a financial outlook or future oriented financial information ("**FOFI**"), they are made as of August 5, 2020 and included herein to provide prospective investors with an understanding the plans and assumptions for budgeting purposes and prospective investors are cautioned that the information may not be appropriate for other purposes. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on any financial outlook or FOFI. Headwater's actual results, performance could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits Headwater will derive therefrom. Headwater management disclaim any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law.

In addition, Headwater cautions that current global economic uncertainty with respect to the spread of COVID-19 may have a significant negative effect on Headwater. While the precise impact of COVID-19 on Headwater remains unknown, the rapid spread of the virus may have a material adverse effect on global economic activity, and can result in volatility and disruption to global supply chains, operations, mobility of people and financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to Headwater.

Additional information on these and other factors that could affect Headwater's operations and financial are included in its Annual Information Form for the year ended December 31, 2019 and other reports on file with Canadian securities regulatory authorities, which may be accessed through the SEDAR website (www.sedar.com).

The forward-looking statements contained in this investor presentation are made as of the date hereof and Headwater Management does not undertake any obligation to update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

The information contained in this investor presentation does not purport to be all inclusive or to contain all information that prospective investors and shareholders may require. Prospective investors and shareholders are encouraged to conduct their own analysis and reviews of Headwater, the Headwater Assets, Headwater Management and the other information contained in this investor presentation. Information in relation to the previous experience of Headwater Management is not indicative of the future performance of Headwater. Without limitation, prospective investors and shareholders should consider the advice of their financial, legal, accounting, tax and other advisors and such other factors they consider in investigating and analyzing Headwater, the Headwater Assets and Headwater Management.

Non-IFRS Measures and Certain Oil and Gas Advisories

NON-IFRS MEASURES

This investor presentation contains the terms "cash value per share", "value of excess tax pools per share", "NAV per share", “operating cash flow“, “funds flow from operations (“FFO”)”, “adjusted funds flow from operations”, “free cash flow” and "net debt to trailing cash flow" which do not have standardized meanings prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures by other companies.

Headwater Management believes "cash value per share", "value of excess tax pools per share" and "NAV per share" are useful supplemental measures to demonstrate the potential value of Headwater Assets on a per share basis. "Cash value per share" is calculated based on dividing the working capital by the number of basic shares outstanding. The "value of excess tax pools" is calculated by multiplying each dollar of Headwater's current total outstanding tax pools less PDP NPV10% reserves value by $0.10, implying a value of $0.10 per each dollar of such tax pools, and then dividing that number by the number of basic shares outstanding. There is no certainty that such tax pools will have a value of $0.10 per dollar of such tax pools. "NAV per share" is calculated by adding the working capital, cash, PDP reserves value and value of excess tax pools and dividing the sum by the fully-diluted shares outstanding (for a description of the calculation of fully-diluted shares see slide 2). Headwater Management believes that “operating cash flow" is a useful measure for demonstrating the potential cash flow generation of the Headwater assets before considering any general and administrative burdens or other corporate costs. “Operating cash flow" is calculated based on estimates by Headwater Management for natural gas sales, realized financial derivative gains/losses and other revenue less estimated royalties, transportation expenses and production expenses. Management uses funds flow from operations to analyze operating performance and leverage. Funds flow from operations is calculated as cash flow provided by operating activities before changes in non-cash working capital. Adjusted funds flow from operations is calculated as funds flow from operations adding back transaction costs. Free cash flow is defined as FFO after capital.

In this presentation, Headwater Management has presented historical net debt to trailing cash flow ratios for various entities including Raging River Exploration Inc. ("Raging River"), Wild Stream Exploration Inc. ("Wild Stream") and Wild River Resources Ltd. ("Wild River"). Both net debt and trailing cash flow do not have a standardized meaning prescribed by International Financial Reporting Standards and therefore may not be comparable with the calculation of similar measures by other companies. Headwater Management believes that presenting the historical net debt to trailing cash flow ratios of such entities demonstrates the historical financial discipline and financial practices of Headwater Management. There is no certainty that Headwater will have the same or similar net debt to trailing cash flow ratios. Net debt represents current assets less current liabilities and bank debt and is used to assess efficiency, liquidity and the general financial strength of the subject entity. Mark-to-market risk management contracts are excluded from the net debt calculation. Trailing cash flow represents fourth quarter annualized funds flow from operations. Funds flow from operations, which most closely reconciles to the IFRS measure cash flow from operating activities, is presented before the change in non-cash operating working capital. Management uses funds flow from operations to analyze operating performance and leverage. The statement in this presentation to the effect that the Headwater Management has never exceeded a net debt to trailing cash flow ratio of 1.1 times is based on the historical year end annual audited financial statements for Raging River, Wild Stream and Wild River in years where such financial statements were prepared.

Additional information relating to these Non-IFRS Measures, including a reconciliation of adjusted funds flow from operations to cash flow provided by operating activities, can be found in Headwater's most recent management's discussion and analysis, which may be accessed through the SEDAR website (www.sedar.com).

BARRELS OF OIL EQUIVALENT:

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

OIL AND GAS METRICS

This presentation contains the term net asset value per share, which does not have a standardized meaning or standard method of calculation and therefore such measure may not be comparable to similar measures used by other companies. Such metric has been included herein to provide readers with additional measures to evaluate the value of the Company's assets; however, such measure is not a reliable indicator of the Company’s future performance or value of the common shares. Net asset value has been calculated as indicated on Slide 2. The inputs for the calculation of net asset value are identified in non-IFRS measures.

RESERVES INFORMATION

Headwater currently has natural gas reserves in the McCully Field near Sussex, New Brunswick. The reserves information contained in this presentation is based on an evaluation by GLJ Petroleum Consultants Ltd. ("GLJ") of the Company's reserves in its report dated effective December 31, 2019 which was prepared in accordance with standards of the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* and is based on the average forecast prices as at December 31, 2019 of three independent reserves evaluation firms. Additional information regarding reserves data and other oil and gas information is included in Headwater's Annual Information Form for the year ended December 31, 2019, which may be accessed through the SEDAR website (www.sedar.com).