Headwater Exploration Inc.

CORPORATE PRESENTATION

TRANSFORMATIONAL TRANSACTION

TSX:HWX

November 2020

TRANSACTION HIGHLIGHTS

Unique Mutually Beneficial Transaction With Cenovus

Asset Attributes

- 270 net sections of Clearwater rights at 100% working interest
- 2020 exit production of 2,800 bbls/d of 22˚ API oil production located in the most prolific part of the Clearwater play at Marten Hills
- Proved plus probable reserves of 8.3 mmbbls of oil [(2)]
- Minimal ARO of $3.5MM [(3)]
- 2021 forecast operating netback of $20.00 per boe [(4)]

Transaction Characteristics

- $100MM total consideration
- $35MM cash consideration [(5)]
- 50 million common shares of Headwater and 15 million purchase warrants exercisable at $2.00 per common share with a three-year term [(6)]
- Cenovus retains a GORR on all lands
- Headwater committed to capital expenditures on the land of $100MM during 2021/2022
- Cenovus will own approximately 26% of the basic outstanding shares and nominate two directors of Headwater [(7)]
- Cenovus will be entitled to participate in future offerings of securities of Headwater to maintain its pro-rata interest

Proforma Capitalization

Headwater Exploration Inc.	***TSX***	**HWX**
Share Price (Nov 6, 2020)	***$/sh.***	**$1.27**
Shares Outstanding (Basic) [(1)]	***MM***	**195.0**
Dilutives (Avg strike $1.31/share) [(1)]	***MM***	**43.1**
Shares Outstanding (Fully Diluted) [(1)]	***MM***	**238.1**
Working Capital Balance (Jan 1, 2021)	***$MM***	**~$79**

Value Proposition

Sufficient capital on HWX balance sheet to execute 5-year plan with no debt

20-30% annualized average debt adjusted funds flow growth over our 5-year plan

Exploration potential with 250 sections of exploration lands with four follow up areas that have had successful exploration wells

EOR development to increase recovery factor will occur over the next 3 years

See Slide Notes, Non-IFRS Measures and Advisories

Closing of the Transaction is conditional on receipt of regulatory and other approvals including approval under the Competition Act (Canada), the Toronto Stock Exchange, the shareholders of Headwater.

INVESTABLE BUSINESS
"THIS TRANSACTION CHECKS ALL OF THE BOXES"

1. Asset Quality

- One of the most economic oil plays in Western Canada
- Acquired acreage has top decile inventory and large OOIP [1] with significant EOR potential
- Headwater team possess the top tier execution ability to maximize asset value through the cycle

2. Exploration Upside

- 270 net sections of Clearwater rights, 15 currently defined as development
- Six historical tests on the balance of the lands have resulted in four wells that have commercial oil rates at US$45-50 WTI
- Methodical exploration approach: prove commerciality with ~$6-$10MM of capital per year (4-7 wells) dedicated to exploration efforts

3. Attractive Returns

- Positive earnings at ~US$35 WTI
- Annualized average debt adjusted funds flow growth of 20% to 30% per year

4. Sustainability

- Near term EOR implementation is expected to increase recovery factor from 4%-10%
- Implementation of polymer recovery post waterflood (based on the Pelican Lake analogy) could increase this to >20%
- Development plan executed with zero debt

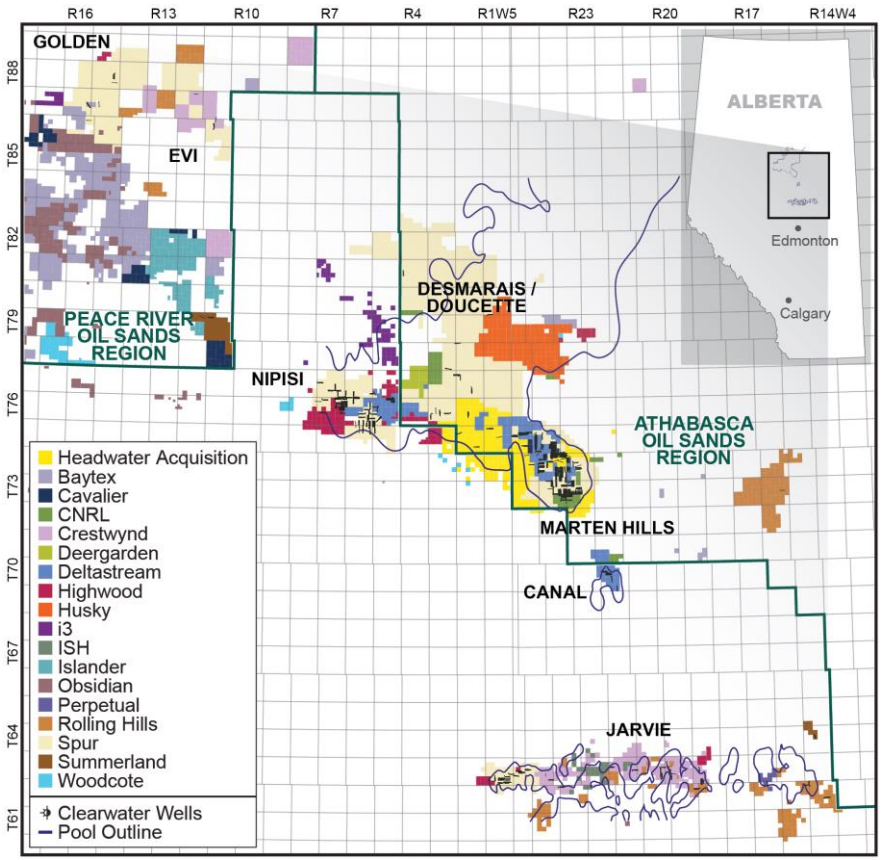
5. ESG

- Minimal ARO assumed (~$3.5MM producing ARO) [2]
- Minimal freshwater usage (no fracture stimulation required and EOR implemented using only saline water)
- Environmental footprint minimized with pipeline connected multi-well pad development

See Slide Notes, Non-IFRS Measures and Advisories

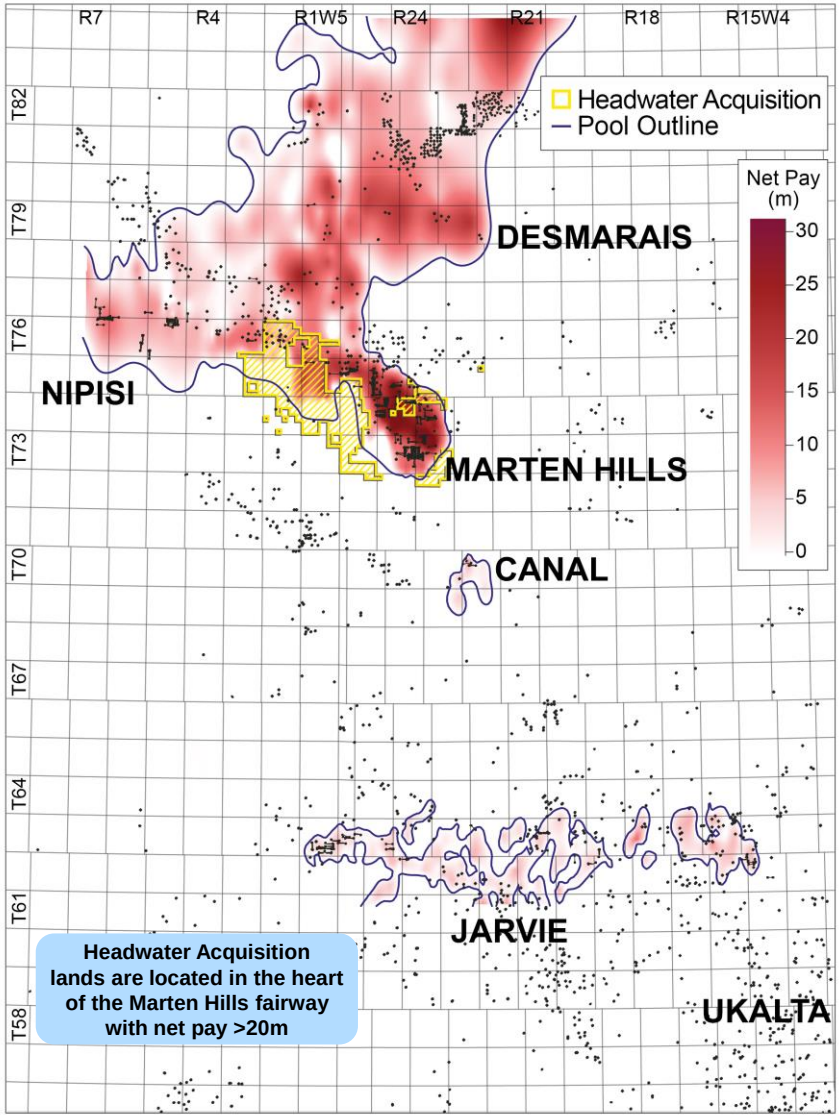
CLEARWATER REGIONAL MAP

Clearwater Competitor Map (1)



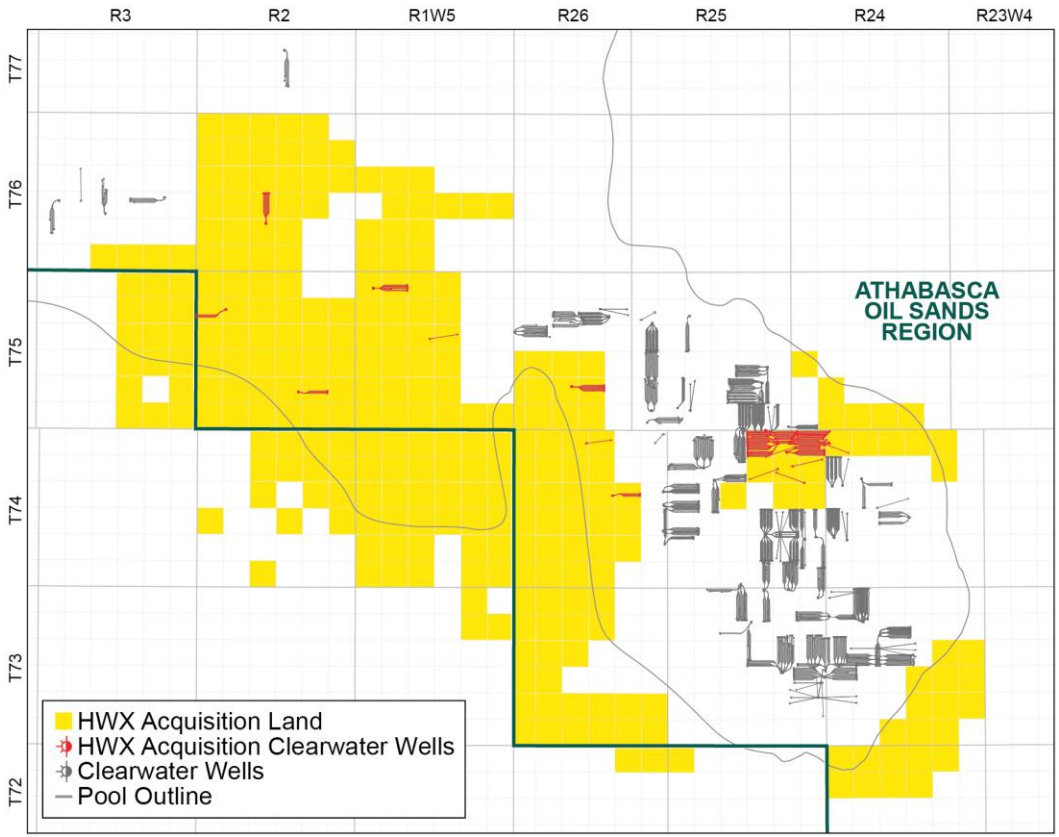
Company	Operating Areas	Gross Sections	Company	Operating Areas	Gross Sections
Spur	Marten Hills / Nipisi / Jarvie / Desmarais / Evi	>1,000	Deltastream	Marten Hills / Nipisi / Canal	190
Rolling Hills	Jarvie / Nixon / Evi	300	Woodcote	Nipisi / Evi	190
Crestwynd	Jarvie / Evi	290	Cavalier	Gift / Marten Hills	80
Headwater Acquisition	Marten Hills	270	i3	Nipisi	58
Highwood	Nipisi / Jarvie	194	Summerland	Gift / Jarvie	50
Husky	Desmarais	190	CNRL	Marten Hills / Nipisi	40
			Perpetual	Jarvie	23

Clearwater Net Pay Map (2)



See Slide Notes and Advisories

ACQUIRED CLEARWATER LANDS [1]

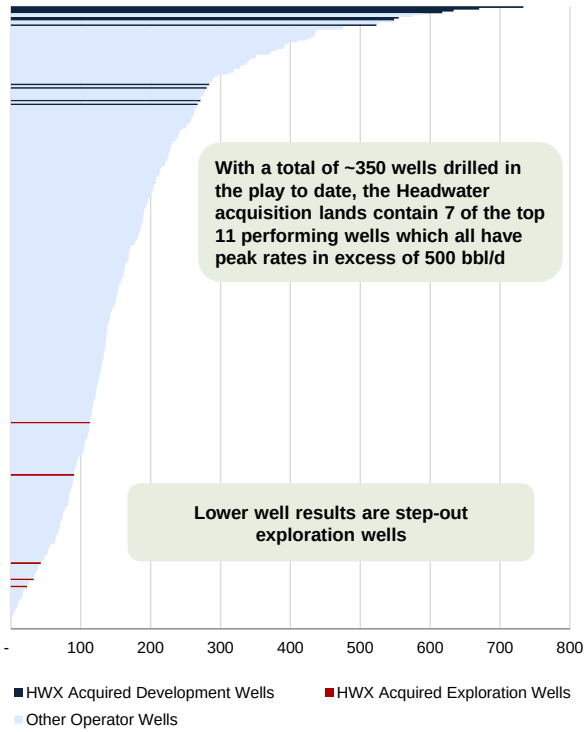


The Marten Hills region is producing ~18,800 bbls/d [2], representing ~2/3 of the play total

Marten Hills acquired acreage has had limited drilling with a current recovery factor of 0.2%

Well	RR Year	Well Type	Peak Rate (bbl/d)	CTD (Mbbl)
102/12-34-074-25W4/00	2019	Development	733	107
100/16-35-074-25W4/00	2019	Development	670	86
102/12-31-074-24W4/06	2019	Development	634	112
100/13-34-074-25W4/00	2019	Development	617	90
100/09-35-074-25W4/07	2019	Development	555	101
100/04-34-074-25W4/02	2019	Development	548	66
102/08-36-074-25W4/08	2017	Development	523	276
100/08-36-074-25W4/02	2016	Development	284	189
102/04-34-074-25W4/04	2019	Development	280	45
100/13-31-074-24W4/00	2019	Development	271	50
100/12-31-074-24W4/02	2019	Development	267	49
100/04-30-075-02W5/02	2019	Exploration	113	5
102/09-11-075-26W4/06	2018	Exploration	90	25
100/09-32-075-01W5/02	2018	Exploration	43	4
100/08-11-075-02W5/02	2019	Exploration	33	4
100/09-23-074-26W4/04	2019	Exploration	23	1
100/16-16-076-02W5/06	2018	Exploration	0	n/a

Clearwater Well Performance Ranking

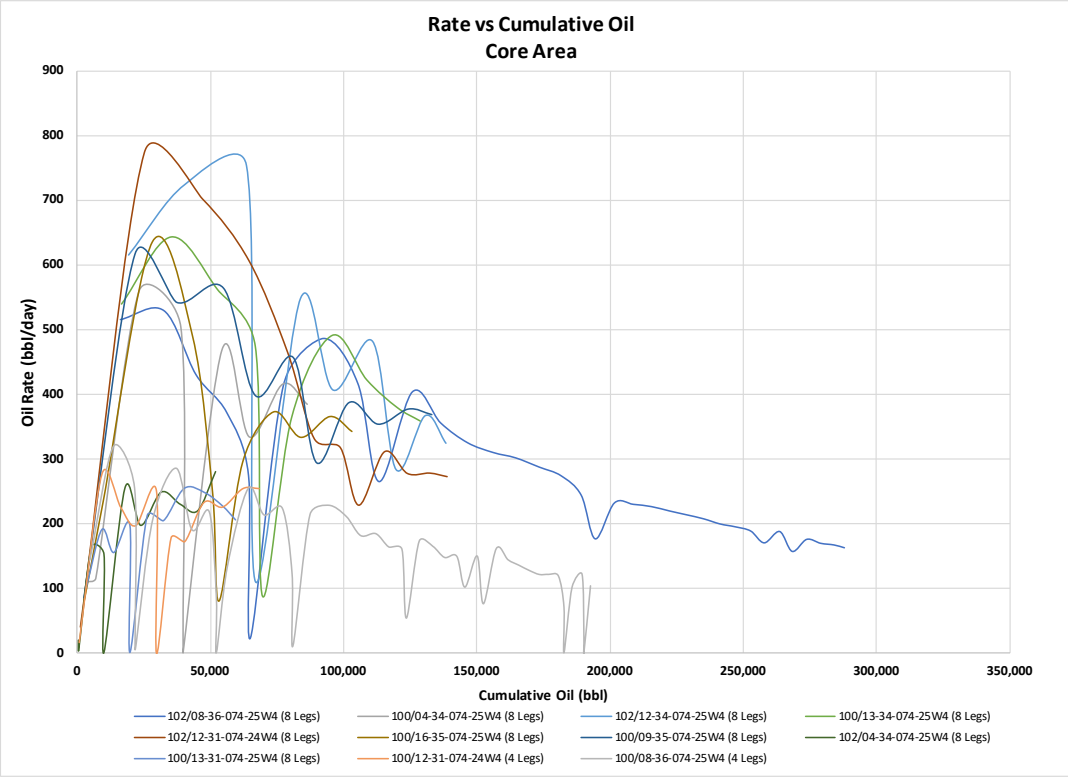


See Slide Notes and Advisories

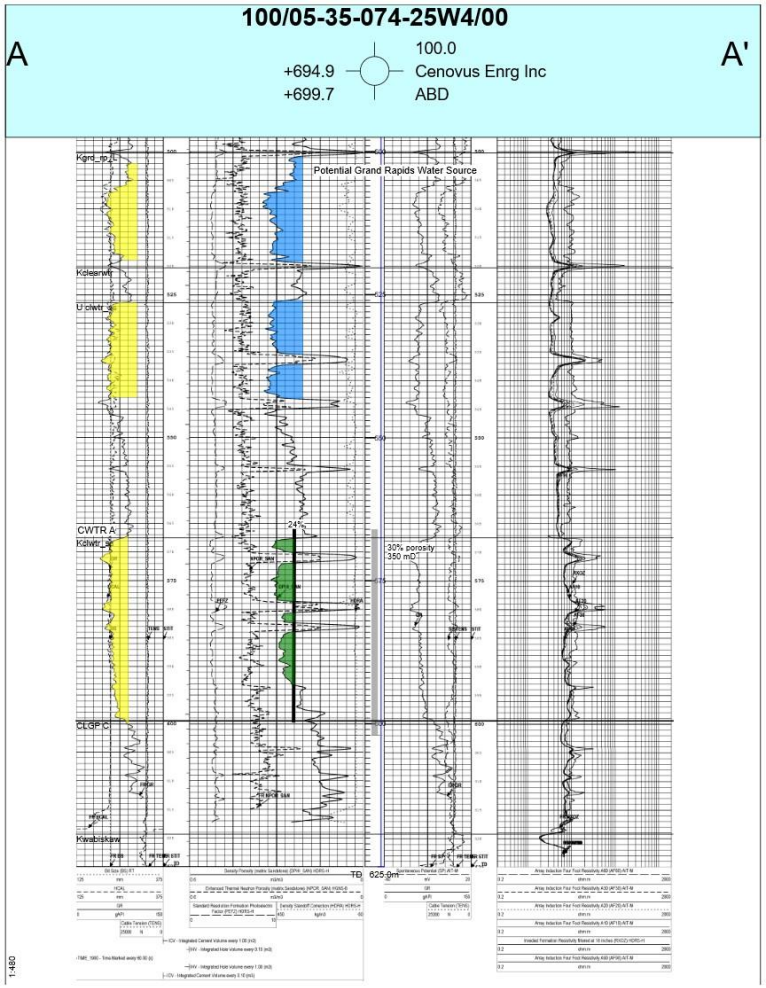
CORE AREA PERFORMANCE

Clearwater Primary Type Curves and Waterflood Program Returns

	IRR[2] (%)	Corporate Breakeven[3] WTI (US$/bbl)	EUR mstb
Core Water Flood Wells	40%	$36.00	750-1,200
Tier 1 – Primary [1]	500%	$25.00	400-450
Tier 2 – Primary [1]	55%	$36.00	150-200
Tier 3 – Exploration [1]	n/a	$47.00	75-125



Type Log [4]



See Slide Notes, Non-IFRS Measures and Advisories

HEADWATER EXECUTION STRATEGY
BASE BUSINESS

Q1 2021

- Drill 10-12 - 8 lateral producing wells
- Drill 3 stratigraphic tests to validate EOR potential
- Drill, complete and test a source well in the Grand Rapids and Grosmont
- Drill 4-8 injection wells (combination of single and dual lateral wells)
- Complete tie-ins of producing wells in core area

Q3 2021

- Begin injection into our first pilot project
- Begin drilling campaign to add 8 producers through Q3 and Q4

Q4 2021

- Drill additional source and injection wells
- Finish production drilling campaign
- Commence facility construction for oil and gas handling and water injection
- Drill 2 exploration tests

2022 +

- Complete and commission all facilities
- Drill 12 producing wells per year on the core acreage (2-3 benches)
- Progress EOR through additional source and injection wells as required
- Additional facility expansions as required
- Drill 4-7 exploration wells per year (7-10% of capital budget)
- Polymer pilot contemplated with success of waterflood

Value Proposition

- **Sufficient capital on HWX balance sheet to execute 5-year plan with no debt**
- **20-30% annualized average debt adjusted funds flow growth over our 5-year plan**
- **Exploration potential with 250 sections of exploration lands with four follow up areas that have had successful exploration wells**
- **EOR development to increase recovery factor will occur over the next 3 years**

2021 Preliminary Proforma Outlook [1] (Nov 4th Strip Pricing)	
Capital Expenditures	$60-$70MM
Average Production	6,000-6,500 boe/d
2021 FFO	$41-$45MM
2021 Exit Working Capital Position	$50-$55MM
Q4 2021 Production	7,500-8,000 boe/d
2021 Forecast Operating Netback	$20.00 per boe

See Slide Notes, Non-IFRS Measures and Advisories

WHY HEADWATER

Relevance

- Headwater is the only way for investors to gain access to the Clearwater, a unique high return play with low capital exposure, through a team that has historically proven to be great capital allocators and consolidators

Returns

- Headwater's business plan shows significant free cash flow, 20-30% annualized average debt adjusted funds flow growth and the ability to pay meaningful dividends in the future

Resiliency

- Headwater provides investors with an attractive alternative that will maintain low to zero leverage and possess a significant amount of highly economic inventory under current prices

Optionality

- Headwater has gained significant optionality and will be able to grow through the drill bit and/or act as a public consolidation vehicle in the Clearwater
- Cenovus is a strategic partner and owner with alignment on our business plan
- Exploration upside with 250 sections of exploration lands

ESG

- Transaction assumes minimal ARO
- Negligible freshwater usage (no fracture stimulation required)
- Environmental footprint minimized with pipeline connected multi-well pad development

CORPORATE RETURNS | **SUSTAINABILITY** | **STRONG BALANCE SHEET**

See Non-IFRS Measures and Advisories

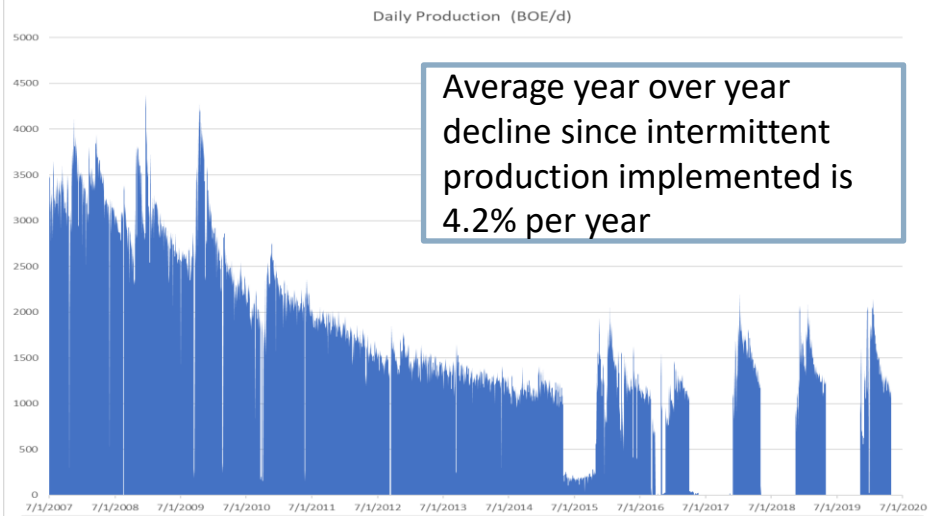
Headwater Exploration Inc.

Appendix

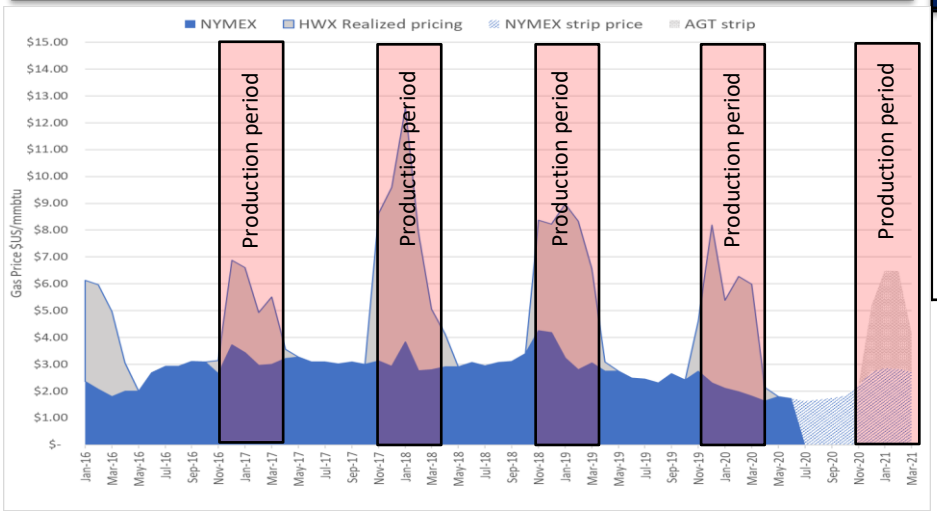
TSX:HWX

MCCULLY PRODUCING ASSET
DRY GAS WITH 100% OWNED INFRASTRUCTURE AND LIMITED LIABILITY

McCully Asset Daily Production



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



Operational Summary

Decline Rate	*%*	**5%-7%**
P+P producing RLI (1)	*years*	**15**
Undiscounted ARO (2)	*$MM*	**11.7**
Net Producing wells		**24.5**
Gross Wells		**32.5**
Sales Capacity	*mmscf/d*	**35**
2020 est. operating cash flow (3)	*$MM/yr*	**7-8**

- Asset is produced November through April and shut-in during summer months to capture premium pricing as highlighted in this slide
- Algonquin City-Gate is a unique Boston area demand driven market offering premium winter pricing with a historical Dec - Mar strip basis premium to NYMEX of > US$4.00/mmbtu

See Non-IFRS Measures and Advisories

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.

SLIDE NOTES

Slide 1

1. Basic shares outstanding consists of 145 million common shares of Headwater ("Headwater Shares") as at November 9, 2020 plus 50 million common shares that will be issued to Cenovus upon closing of the Transaction. Fully diluted shares outstanding assumes 100% exercising of the Cenovus purchase warrants (15 million outstanding at a strike price $2.00), 100% vesting and exercising of the warrants issued pursuant to the non-brokered private placement (21.7 million outstanding as at November 9, 2020, at a strike price $0.92) and 100% vesting and exercising of stock options (6.3 million outstanding as at November 9, 2020, at a weighted average strike price of $1.04). The warrants issued pursuant to the non-brokered private placement vest at various share prices (20-day volume weighted average price ("VWAP")): 1/3 at $1.30/share, 1/3 at $1.60/share and 1/3 at $1.90/share. As at November 9, 2020, 1/3 of the warrants have vested as the 20-day VWAP of Headwater Shares has exceeded $1.30.
2. The reserves information is based on an evaluation by GLJ Ltd. ("GLJ") of the reserves associated with the Acquired Assets in its report dated effective December 31, 2020 which was prepared in accordance with the COGE Handbook and NI 51-101 and is based on average forecast prices of three consultant's average (GLJ, McDaniel & Associates Consultants Ltd. and Sproule Associates Ltd.) as of October 1, 2020.
3. Asset retirement obligations calculated in accordance with the polices and directives of the Alberta Energy Regulator.
4. Refer to assumptions included in note 1 for slide 6.
5. Subject to customary closing adjustments and net of $10 million deposit paid to Cenovus.
6. Cenovus will also agree pursuant to the Investor Agreement to certain transfers restrictions on the common shares, including the requirement to seek approval of the Company prior to transferring greater than 5% of the then-outstanding common shares or transferring common shares to a transferee, who will, as a result of such transfer, own greater than 5% of the outstanding common shares of Headwater. These transfer restrictions will however not apply in respect of transfers made to affiliates of Cenovus or transfer which are made over the facilities of the TSX by an investment dealer or broker and which have not been pre-arranged.
7. Cenovus will own approximately 31% of Headwater assuming 100% of Cenovus' purchase warrants are exercised. Cenovus is entitled to nominate 2 directors if ownership in Headwater Shares is equal to or greater than 20% and 1 director if ownership in Headwater Shares is equal to or greater than 10%.

Slide 2

1. OOIP (Original Oil in Place) is equivalent to Total Petroleum Initially In Place ("TPIIP"). TPIIP, as defined in the Canadian Oil and Gas Evaluation Handbook, is that quantity of petroleum that is estimated to exist in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered. A portion of the TPIIP is considered undiscovered and there is no certainty that any portion of such undiscovered resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of such undiscovered resources. With respect to the portion of the TPIIP that is considered discovered resources, there is no certainty that it will be commercially viable to produce any portion of such discovered resources. A significant portion of the estimated volumes of TPIIP will never be recovered.
2. Asset retirement obligations calculated in accordance with the polices and directives of the Alberta Energy Regulator.

Slide 3

1. Left map and table: Company land positions and gross sections as per company public disclosure and geoSCOUT. Management's internal interpretation of pool outline.
2. Right map: Net pay mapping cutoffs: 18% porosity and 10 ohm resistivity. Map data as per geoSCOUT. Management's internal interpretation of pool outline.

Slide 4

1. All production figures disclosed are publicly available as per geoSCOUT.
2. Production as of August 2020 as per geoSCOUT.
3. Top right table and the Well Performance Ranking chart: Peak rate defined as the highest 30-day rate associated with each well, from geoSCOUT.
4. Management's internal interpretation of pool outline.

Slide 5

1. Refer to type curve advisory information in Certain Oil and Gas Advisories.
2. IRR run using strip pricing as at November 3, 2020.
3. Corporate Breakeven is the WTI (US$/bbl) required to get a net present value ("NPV") of $0 using a 20% discount rate.
4. Type log information obtained from public well log record as per geoSCOUT.

SLIDE NOTES

Slide 6

1. The internal projections, expectations or beliefs underlying the 2021 preliminary outlook are subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations. Headwater's financial outlook for 2021 provides shareholders with relevant information on Headwater Management's expectations for results of operations on the Headwater Assets and the Acquired Assets, excluding any potential acquisitions or dispositions, for such time periods. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted and Headwater's 2021 outlook may not be appropriate for other purposes. In formulating its 2021 preliminary outlook, Headwater has made the following assumptions:

- An average WTI price of US$41.06/bbl; an average WTI-WCS differential of US$12.41/bbl, an average AECO price of Cdn$2.89/mmbtu, an average NYMEX Henry Hub price of US$3.02/mmbtu, an average AGT price of CAD$5.36/mcf, an average US$/CAD$ exchange rate of 1.31.
- The 2021 preliminary outlook is conditional on receipt of regulatory and other approvals including approval under the Competition Act (Canada), the Toronto Stock Exchange, the shareholders of Headwater.

Slide 9

1. As at December 31, 2019.
2. As at September 30, 2020
3. Headwater has made the following assumptions: an average NYMEX Henry Hub price of US$2.98/mmbtu, an average AGT price of CAD$5.20/mcf, an average US$/CAD$ exchange rate of 1.31.

Forward Looking Statements Advisory

This investor presentation of Headwater Exploration Inc. ("**Headwater**") contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**"). More particularly, this investor presentation contains forward-looking statements concerning: the performance characteristics of the natural gas properties and related assets of Headwater (the "**Headwater Assets**"), including the associated decline rates, production rates, reserves life index, sales capacity, abandonment and reclamation obligations, and field based cashflow; the performance characteristics of the oil and natural gas properties (the "**Acquired Assets**") to be acquired (the "**Transaction**") from Cenovus Energy Inc. ("**Cenovus**"), including the anticipated 2020 exit production, the reserves associated with the Acquired Assets and the abandonment and reclamation obligations; Headwater's strategy with respect to the development of the Acquired Assets; the estimated working capital balance at January 1, 2021 of Headwater; Headwater's ability to use enhanced oil recovery techniques (including the use of polymer recovery post waterflood) with the Acquired Assets to increase recovery factors; the commodity prices at which the Acquired Assets are commercial and/or profitable; Cenovus' ownership position in Headwater following the completion of the Acquisition; the number of director nominees on the board of directors of Headwater from time to time following the Acquisition; the cash consideration to be paid to Cenovus by Headwater; the amount of capital to be dedicated to the exploration of the Acquired Assets each year to prove commerciality; expectations with respect to annualized average debt adjusted funds flow growth of Headwater; expectations with respect to annualized free cash flow; the number of sections of the Acquired Assets which are prospective; the use of fresh water with respect to the Acquired Assets; the environmental impact of the development of the Acquired Assets; expectations with respect to future emissions; type curves associated with the Acquired Assets; estimated ultimate recovery of the Acquired Assets; management of Headwater's operational strategy for 2021, 2022 and beyond relating to: the drilling of wells (including production, injection and service wells) and the timing thereof, the timing of commencing and completing the construction of facility for oil and gas handling and water injection, the average corporate production in the fourth quarter of 2021, the timing for implementation certain enhanced oil recovery techniques, the estimated full cycle project capital; the ability of Headwater to execute its five year business plan without accessing any debt; Headwater's 2021 preliminary pro forma outlook which includes expectations with respect to capital expenditures, average annual production, funds flow from operations, fourth quarter average production and Headwater’s working capital position at the end of 2021, Headwater’s operating netback; Headwater's ability to pay dividends in the future; Headwater's ability to complete additional acquisitions and deploy capital; the benefits to Headwater of Cenovus as a shareholder and strategic partner. 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 management of Headwater ("**Headwater Management**") including but not limited to the receipt of all regulatory and other approvals required for the Transaction, including approval under the *Competition Act* (Canada), the Toronto Stock Exchange, the shareholders of Headwater, as applicable; general economic conditions; availability of required equipment and services; assumptions of future commodity prices (including premiums);the outcome of the U.S. election and the impact on the economy and the oil ad gas industry generally; 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; failure to realize the anticipated benefits of the Transaction; delays or changes in plans with respect to exploration or development projects, capital expenditures, acquisitions or other corporate transactions; the uncertainty of reserve estimates (including the estimates in respect of the Acquired Assets); the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations, the short and long-term impacts of the Covid-19 pandemic, changes in legislation affecting the oil and gas industry, uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures.

This investor presentation contains financial outlook and future oriented financial information (together, "**FOFI**") about Headwater and the Acquired Assets including 2020 field based cashflow of the Headwater Assets, Headwater's working capital balance at year end 2020 and 2021, funds flow from operation for 2021, each of which are made as of November 6, 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.

Forward Looking Statements Advisory

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, the Acquired Assets, the Transaction, the 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, the Transaction, the Acquired Assets and Headwater Management.

Non-IFRS Measures and Certain Oil and Gas Advisories

NON-IFRS MEASURES

This investor presentation contains the terms "annualized average debt adjusted funds flow growth", "funds flow from operations (“FFO”)", “free cash flow”, "field-based cash flow“, “operating cash flow” “operating netback” and “Internal Rate of Return (“IRR”)" 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 that “annualized average debt adjusted funds flow growth” is a useful measure to compare transaction metrics on an unlevered basis and is calculated as annualized funds flow from operations before interest expense measured as the compounded growth over a 5-year period. Headwater Management believes that “field-based cash flow” is a useful measure of profitability. Field based cash flow is sales after deducting royalties, production and transportation expense. Headwater Management believes “IRR” is a useful measure to consider profitability of a particular well type. IRR is the annual rate of growth a project is expected to generate and is calculated by setting the net present value to zero. Headwater Management believes that “operating cash flow” and “operating netback“ 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 sales, realized financial derivative gains/losses and other revenue less estimated royalties, transportation expenses and production expenses. “Operating netback" is calculated based on estimates by Headwater Management for sales, realized financial derivative gains/losses and other revenue less estimated royalties, transportation expenses and production expenses on a per boe basis. 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. Free cash flow is defined as FFO after capital. Cash flow is the equivalent to funds flow from operations.

Additional information relating to these Non-IFRS Measures, including a reconciliation of 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 investor presentation contains the terms "P+P producing RLI" and "Breakeven – 20% WTI" which do 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 Acquired Assets, or Headwater Assets, as applicable; however, such measure is not a reliable indicator of the future performance of the Acquired Assets or Headwater Assets or value of its common shares. Breakeven – 20% WTI is defined on slide 11 (under heading Slide 5, note 2). P+P producing RLI is calculated by dividing the P+P producing reserves by the average annual production for that period.

PRODUCTION RATES

References in this investor presentation to well performance in the Clearwater area on slide 4 are useful in confirming the presence of hydrocarbons in such area, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in estimating the average production which may be attributable to the Acquired Assets.

ANALOGOUS INFORMATION

Certain information in this investor presentation may constitute “analogous information” as defined in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101"), including, but not limited to, information relating to the areas in geographical proximity to the Acquired Assets and production information related to wells that are believed to be on trend with the Acquired Assets. Headwater Management believes the information is relevant as it helps to define the characteristics of the Acquired Assets. Headwater is unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor. Such information is not an estimate of the reserves or resources attributable to lands held or to be held by Headwater and there is no certainty that the data and economics information for the Acquired Assets will be similar to the information presented herein. The reader is cautioned that the data relied upon by Headwater may not be analogous to the Acquired Assets.

Certain Oil and Gas Advisories

ESTIMATED ULTIMATE RECOVERY (EUR)

This investor presentation contains a metric commonly used in the oil and natural gas industry, "estimated ultimate recovery" or "EUR". The term EUR is the estimated quantity petroleum that is potentially recoverable or has already been recovered from a well. EUR does not have a standardized meaning and may not be comparable to similar measures presented by other companies. As such, it should not be used to make comparisons. Headwater Management uses EUR as a measure of performance and to provide shareholders with measures to compare the Acquired Assets over time; however, such measure is not a reliable indicator of the Acquired Assets' future performance and future performance may not compare to the performance in previous periods and therefore should not be unduly relied upon.

TYPE CURVE INFORMATION

Headwater has presented certain type curve information for the certain development and waterflood wells in the Clearwater area. The type curve information presented is based on historical production in respect of the Acquired Assets as well as production history from analogous Clearwater developments located in close proximity to the Acquired Assets. Such type curve information is useful in understanding Headwater Management's assumptions of well performance in making investment decisions in relation to development drilling in the Marten Hills area and for determining the success of the performance of development wells; however, such type curve information is not necessarily determinative of the production rates and performance of existing and future wells [type curves do not reflect the type curves used by GLJ (as defined below) in estimating the reserves volumes attributed to the Marten Hills assets].

RESERVES INFORMATION

Headwater currently has natural gas reserves in the McCully Field near Sussex, New Brunswick. The reserves information contained in this presentation in respect of Headwater Assets is based on an evaluation by GLJ Ltd. ("GLJ") of Headwater'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 ("COGE Handbook") and NI 51-101 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).

The reserves information contained in this presentation in respect of the Transaction is based on an evaluation by GLJ of the reserves associated with the Marten Hills assets in its report dated effective December 31, 2020 which was prepared in accordance with the COGE Handbook and NI 51-101 and and is based on average forecast prices of three consultant’s average (GLJ, McDaniel & Associates Consultants Ltd. and Sproule Associates Ltd.) as of October 1, 2020 (the "Acquisition Reserves Report").

Reserves are estimated remaining quantities of petroleum anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be sub-classified based on development and production status. Proved Reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations. Proved Developed Producing Reserves (or PDP Reserves) are a subset of Proved Reserves and are Proved Reserves which are producing at the time of the reserves evaluation.

Probable Reserves are those additional quantities of petroleum that are less certain to be recovered than Proved Reserves, but which, together with Proved Reserves, are as likely as not to be recovered.

All information in respect of past and current performance characteristics of the Acquired Assets has been provided by Cenovus to Headwater Management, or GLJ, its independent reserves evaluator. All forward looking statements in respect of the Acquired Assets are based on management of Headwater's reasonable expectations and assumes the completion of the Acquisition.