Headwater Exploration Inc.

CORPORATE PRESENTATION

TSX:HWX

June 2021

CAPITALIZATION AND GUIDANCE

2021 Outlook

	Guidance	Current Strip [1]
Average Daily Production		
Annual 2021 Daily Production (boe/d)	7,000 - 7,250	7,000 - 7,250
Q4 2021 Average Daily Production(boe/d	9,000 - 9,500	9,000 - 9,500
Financial Summary ($millions)		
Capital Expenditures	105 - 110	105 - 110
Adjusted Funds Flow From Operations	90 - 95	100 - 105
Exit 2021 Adjusted Working Capital	60	75 - 80
Pricing and Key Assumptions		
Crude Oil – WTI (US$/bbl)	62.00	66.00
Crude Oil – WCS (CDN$/bbl)	61.75	66.00
Natural Gas – AGT (US$/mmbtu)	4.56	5.09
Exchange Rate (US$/CDN$)	0.81	0.80

Capitalization

Headwater Exploration Inc.	*TSX*	**HWX**
Share Price (June 18, 2021)	*$/sh.*	$4.17
Shares Outstanding (Basic) [2]	*MM*	202.2
Dilutives (Avg strike $1.64/share) [2]	*MM*	40.2
Shares Outstanding (Fully Diluted) [2]	*MM*	242.4
Adjusted Working Capital (Apr 1, 2021)	*$MM*	$58
Tax Pool Balance (Jan 1, 2021)	*$MM*	$263

Value Proposition

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

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

See Slide Notes, Non-IFRS Measures and Advisories

HWX CURRENT OPERATIONS UPDATE

Q1 Learnings

- Optimal # of laterals to control losses and per lateral performance
- Drilling fluid systems influence performance in some areas

Q2 Operations

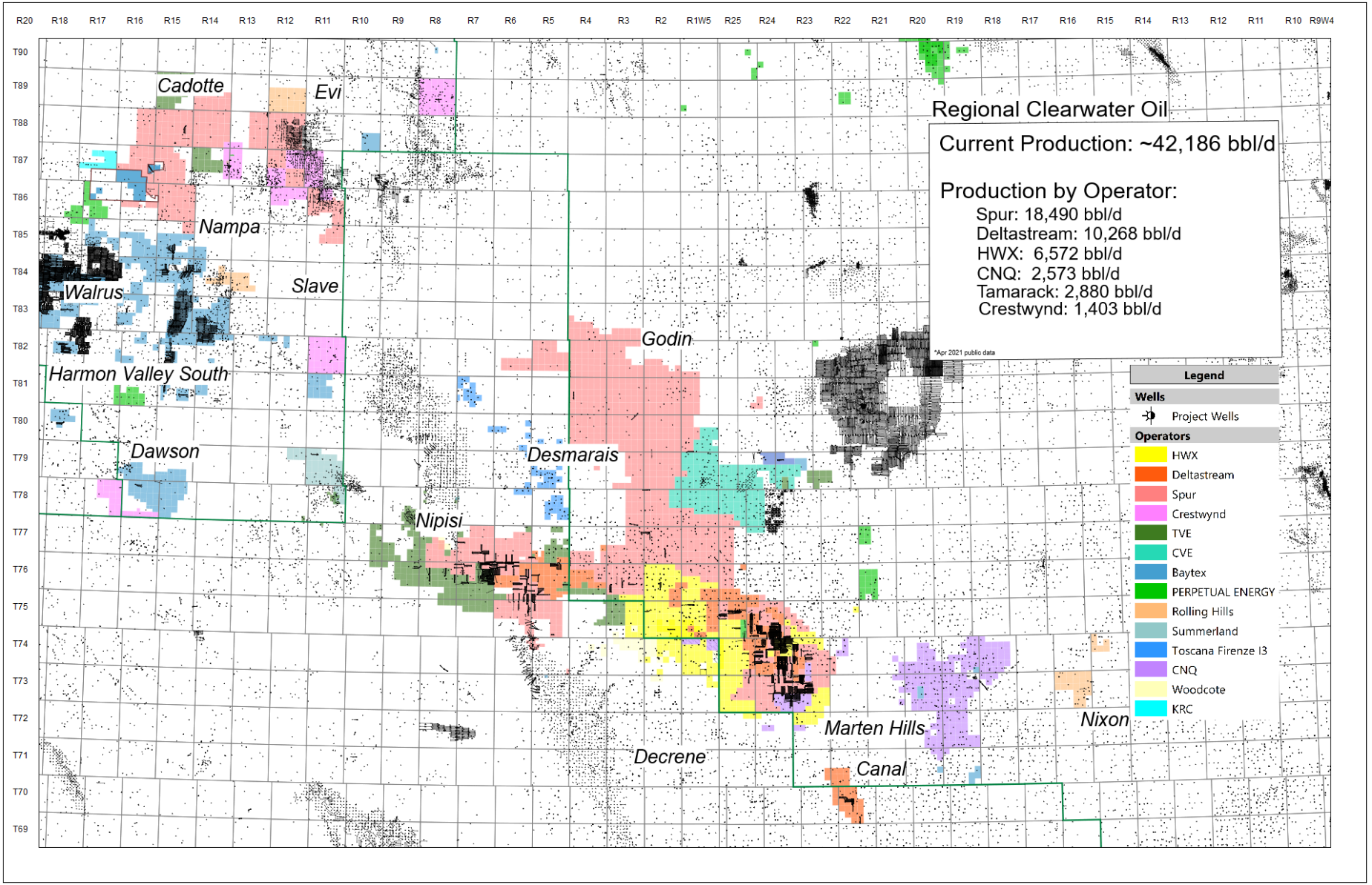
- Rig 1 – TD the first well on June 18th
- Rig 1 - spudded second well on June 19th
- Rig 2 - spudded third well on June 22nd
- Rig 3 - expected to spud before July 1st
- Gas plant construction ongoing

Q3/Q4 Operations

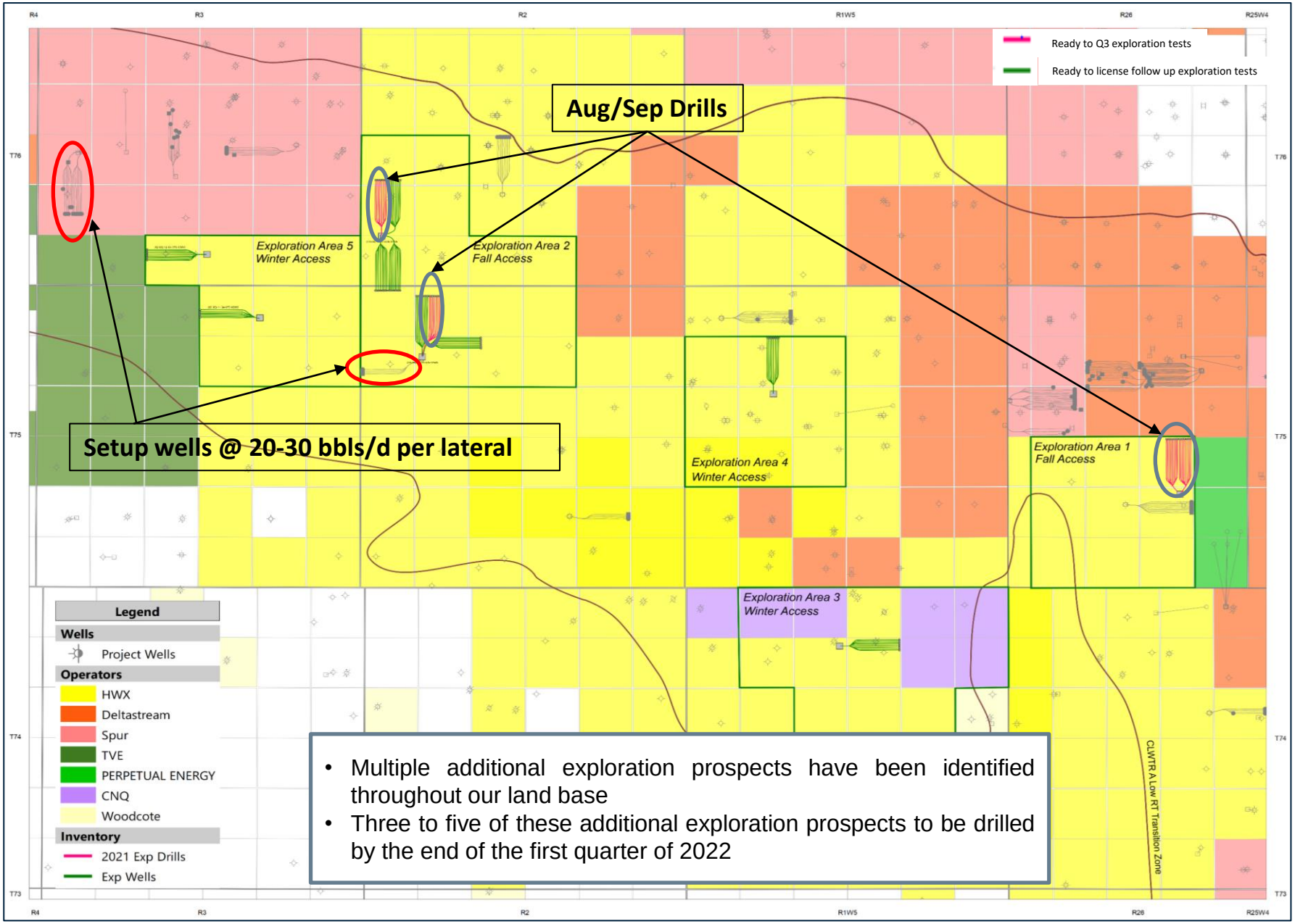
- Gas plant to be commissioned early July reducing emissions intensity by 50%
- Source wells to be commissioned in July
- Conversion of next 4 injectors in the F2 (middle horizon) are scheduled for August
- 15-20, 6-8 lateral development wells to be drilled June–Dec 2021
- 4+ exploration wells to be drilled with first spud anticipated in mid August
- 15,000 bbls/d oil processing facility construction expected to commence in early August
  - All long lead items have been sourced and secured

See Advisories

CLEARWATER REGIONAL MAP



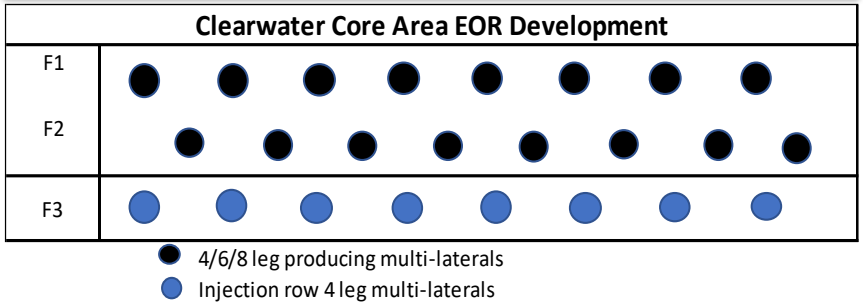
HWX EXPLORATION NEXT STEPS



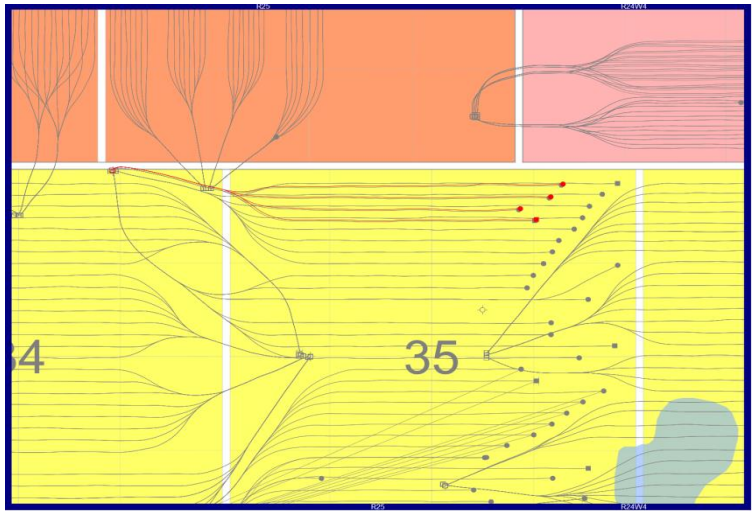
- Multiple additional exploration prospects have been identified throughout our land base
- Three to five of these additional exploration prospects to be drilled by the end of the first quarter of 2022

TWO WATERFLOOD STRATEGIES BEING EVALUATED

Bottom Waterflood

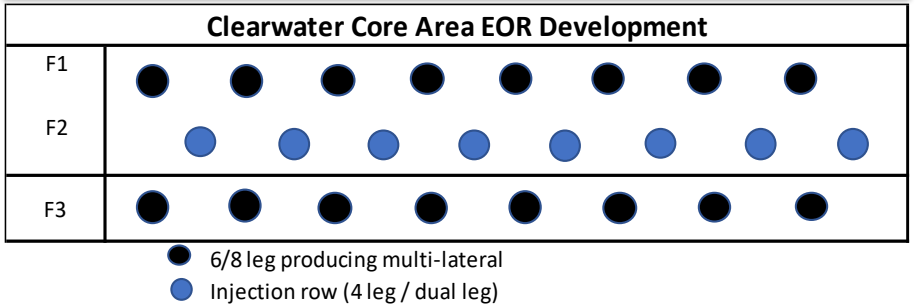


- F1 drilled as 6 leg and 8 leg multi-lateral producers
- F2 drilled as 6 leg multi-lateral producers
- F3 drilled as 4 leg multi-lateral injectors
- Flood from the bottom up
- SPUR analogies (see slide 7) are seeing increased oil rates, GOR reduction and strong flood conformation from this configuration
- Configuration currently being tested by HWX at 16-35-74-25W4

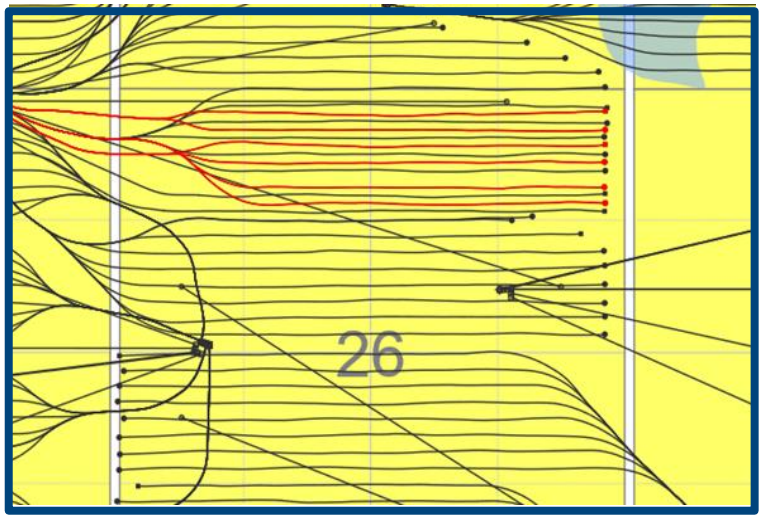


See Advisories

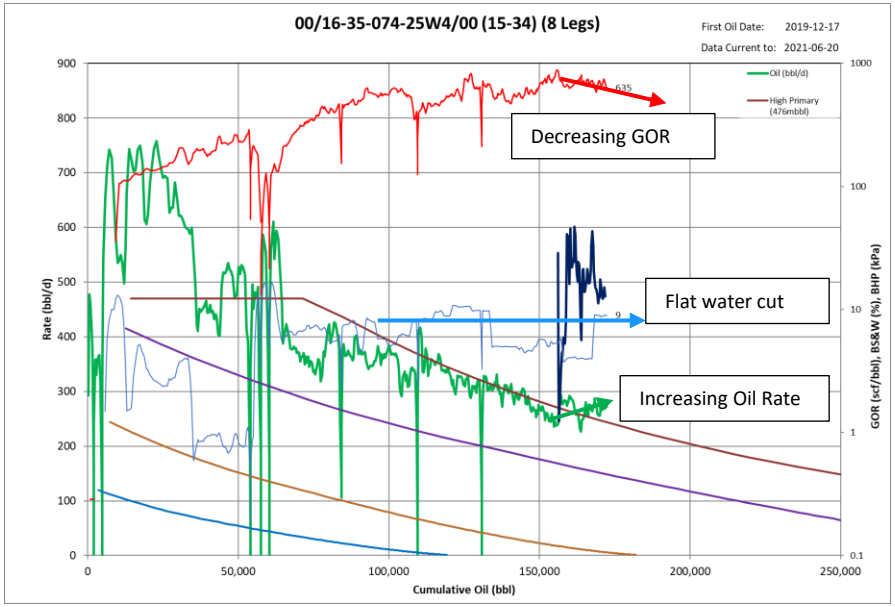
Center Waterflood

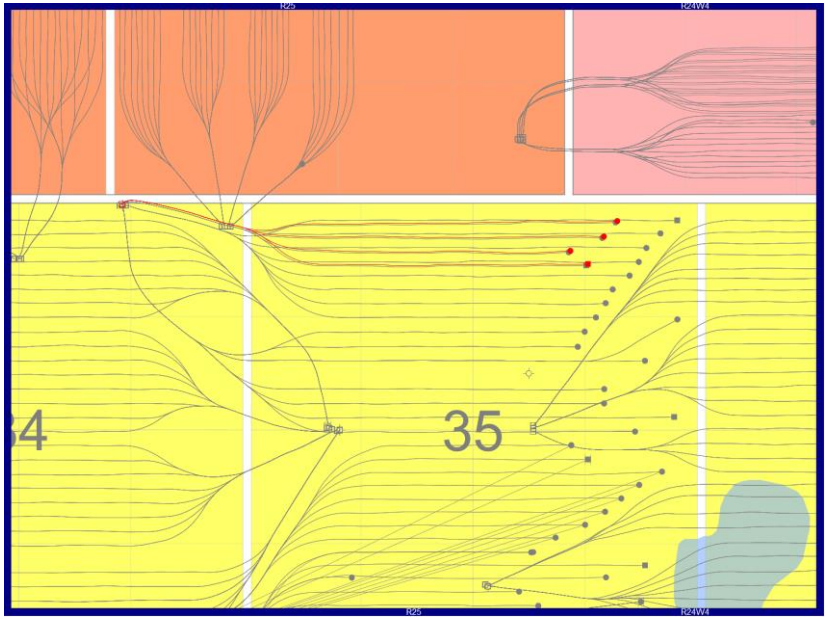


- F1 drilled as 6 leg and 8 leg multi-lateral producers
- F2 drilled as dual leg and 4 leg multi-lateral injectors
- F3 drilled as 6 leg and 8 leg multi-lateral producers
- Flood from center up and down
- Configuration to be tested by HWX in Q3 of 2021 with two dual leg and two single leg injectors in section 6-74-25W4 that were drilled Q1 2021



HEADWATER MARTEN HILLS 16-35-74-25W4 WATER INJECTION





16-35-074-25W4 Pattern:

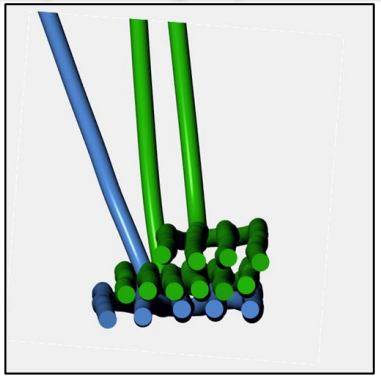
- First injection: April 15, 2021
- Four leg F3 injector (02/16-35-074-25W4)
- Eight leg F2 producer (00/16-35-074-25W4)
- Bottom-up waterflood
- Cumulative voidage replacement of ~0.2
- Decreasing GOR, stable water cut and increasing oil rates are all very encouraging
- HWX initial results, combined with other area operator's pilots are highly supportive of continued EOR implementation

See Advisories

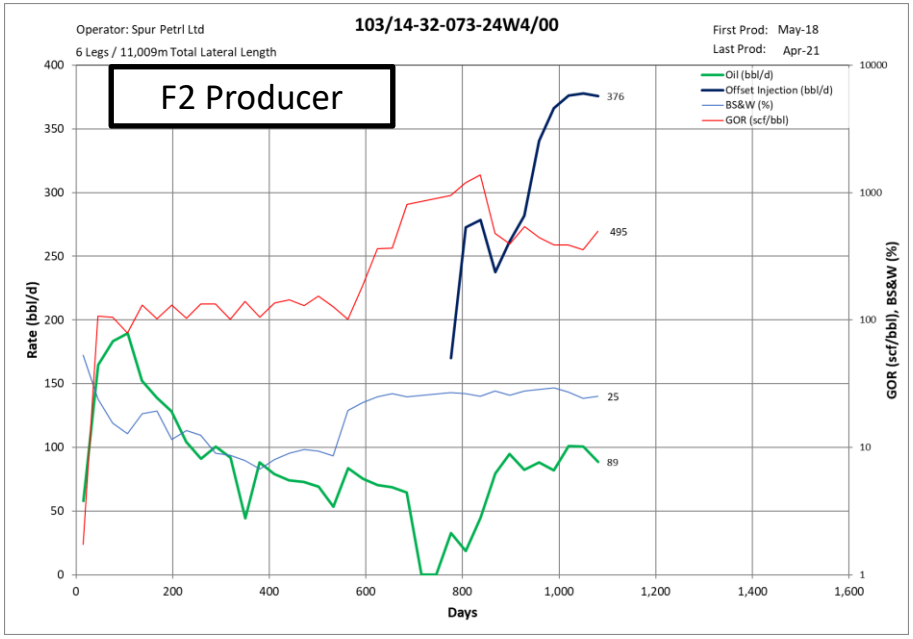
CLEARWATER BOTTOM WATERFLOOD PROJECTS

Spur Marten Hills Section 32-073-24W4 (Grandpa Burger)

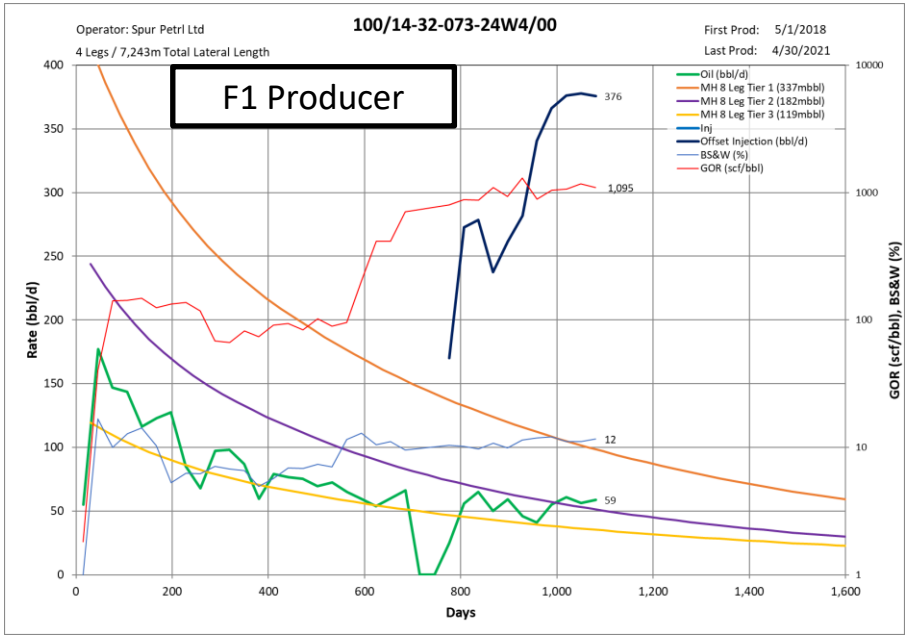
- 4 leg producer (F1), 6 leg producer (F2), 5 leg injector (F3)
- Bottom waterflood
- Injecting at ~ 375 bbls/day (3x VRRi)
- Gas-Oil-Ratio decreasing
- No premature water breakthrough
- Cumulative voidage replacement of 0.5x for full pattern and 0.85 considering only the F2



F2 producer is showing some great response with decreasing GOR, stable water cut and increasing oil rates



F1 producer is now showing some response with stable GOR, stable water cut and stable oil rate

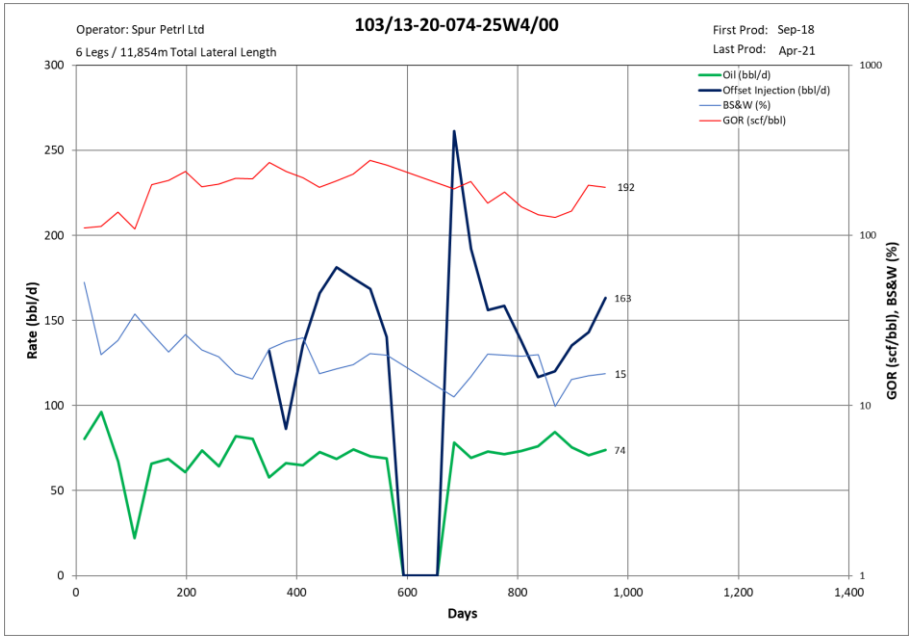


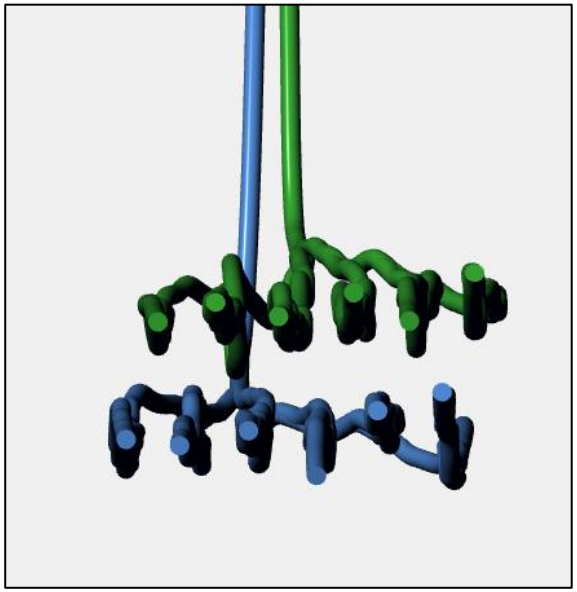
See Slide Notes and Advisories

CLEARWATER BOTTOM WATERFLOOD PROJECTS

Spur Marten Hills Section 20-074-25W4

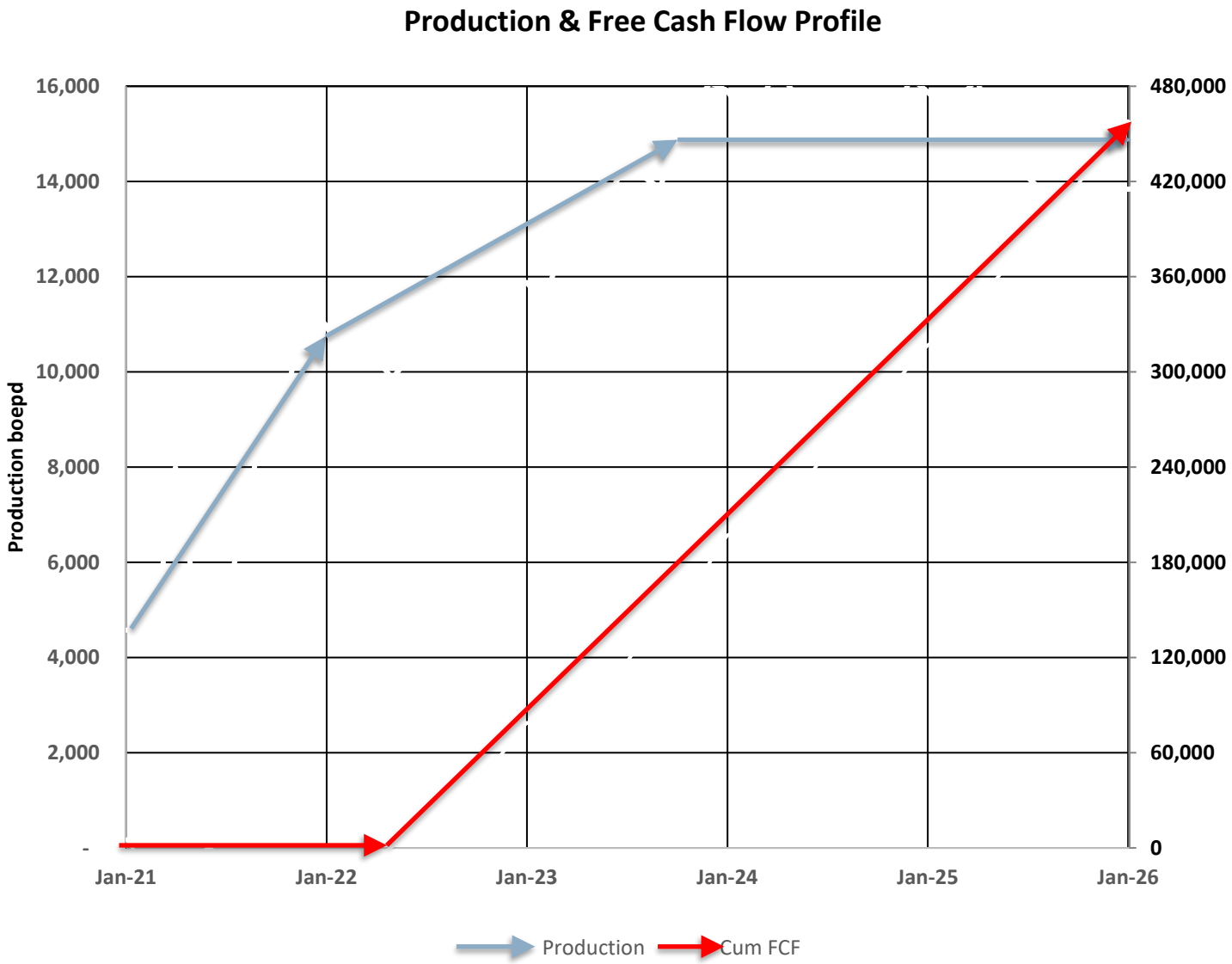
- 6 leg producer
- 6 leg injector
- Bottom waterflood
- Injecting at ~ 150 bbls/day (2x VRRi)
- Gas-Oil-Ratio continues to decrease
- No premature water breakthrough
- Oil rates continue to increase towards initial peak rates
- Current cumulative voidage replacement of 1.0x





See Slide Notes and Advisories

HEADWATER EXECUTION STRATEGY



2022 +

- Continue core acreage development and EOR implementation to get to sustainable production base of 13,000-14,000 boe/d
- Low decline EOR supported asset provides long term free cash flow generation
- Polymer pilot contemplated in 2023
- Evaluate additional multiple Clearwater and non clearwater exploration prospects (2022)
- Development of successful exploration areas which would be additive to base model

See Non-IFRS Measures, Slide Notes and Advisories

WHY HEADWATER

Relevance

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

Returns

- Headwater's business plan shows significant free cash flow, 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 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

- Minimal undiscounted uninflated corporate ARO of ~ $20MM
- Negligible freshwater usage (no fracture stimulation required)
- Environmental footprint minimized with pipeline connected multi-well pad development

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

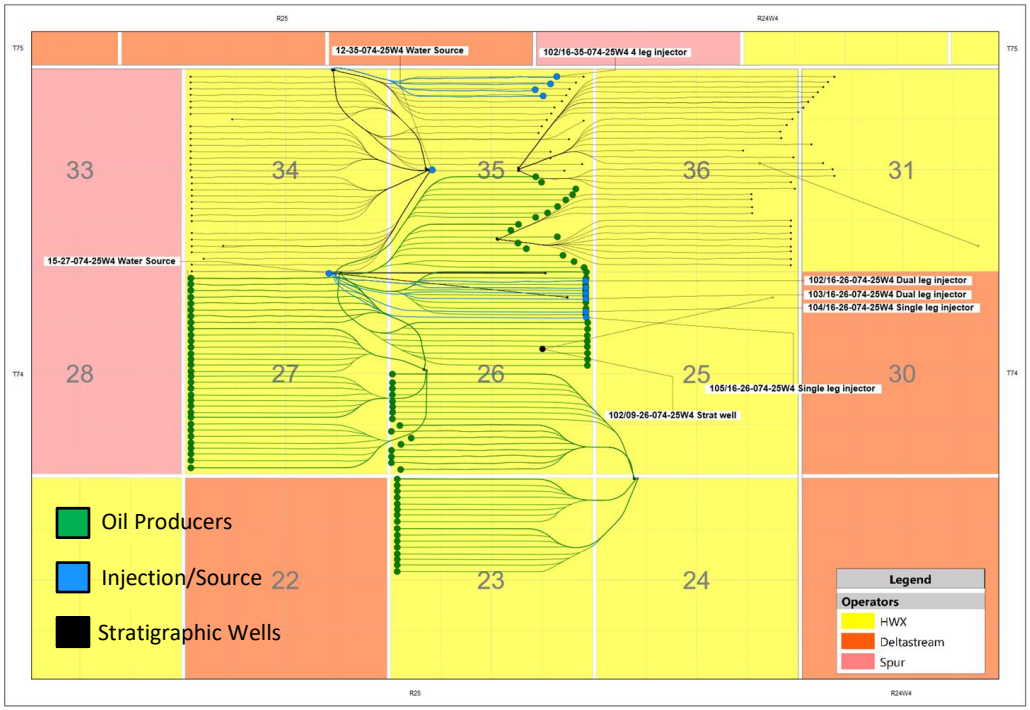
See Non-IFRS Measures and Advisories

Headwater Exploration Inc.

Appendix

TSX:HWX

HWX CORE AREA Q1 DRILLING RESULTS



Drilling Strategies Offer Insight to Optimization

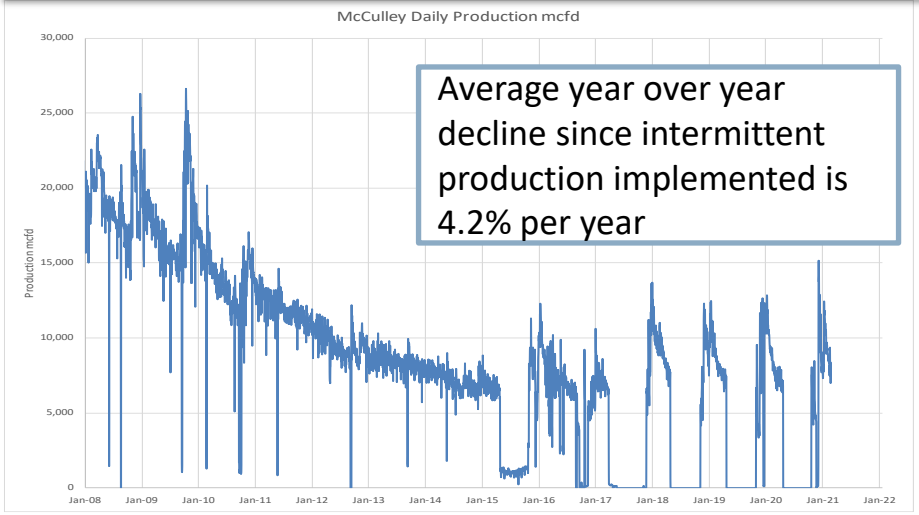
- Multiple drilling strategies were employed throughout the quarter testing capital efficiency and cycle time
- Mud systems, drill bit design, weight on bit, and steering techniques were all evaluated
- Data analytics including fluid analysis, tracer surveys and production monitoring offer key learnings on productivity and lateral contribution
- Combined analytics provide an optimal strategy to maximize capital efficiency on future drilling
- Q1 average per lateral ~40 bbls/d
- Optimization expected to yield >50 bbls/d per lateral

Section	April Producing bbls/d per 8-leg Well	Oil Quality Degree API	# of Laterals Drilled	Production per Lateral bbls/d
26-74-25w4	420	19	32	34 - 88
23-74-25w4	295	18	16	25 - 49
35-74-25w4	308	19	16	32 - 45
27-74-25w4	248	18	32	20 - 44

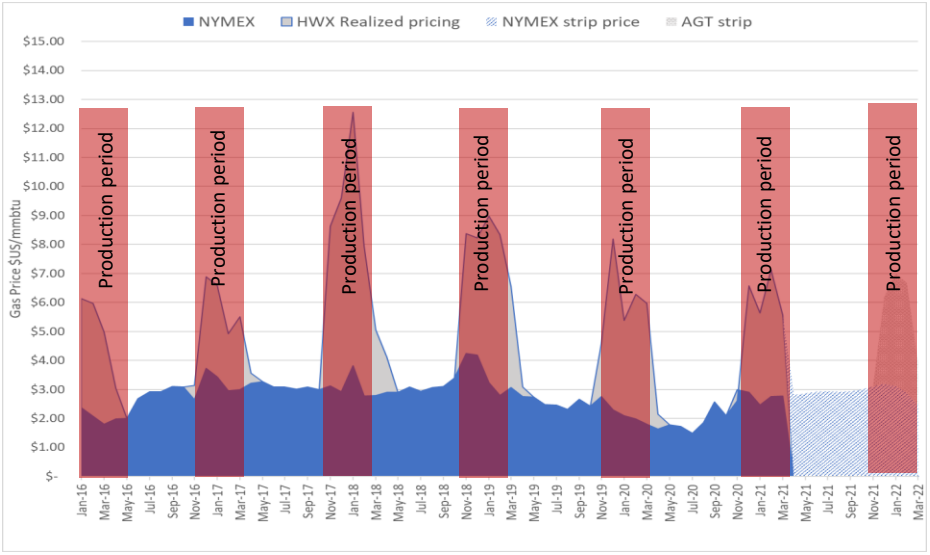
See Advisories

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

McCully Asset Daily Production



HWX Realized Pricing and Winter 2021/22 Strip (US$/MMBTU)



Operational Summary

Decline Rate	*%*	**5% - 7%**
P+P producing RLI [1]	*years*	**16**
Undiscounted uninflated ARO [2]	*$MM*	**11.7**
Gross producing wells		**32**
Net producing wells		**24.5**
Sales capacity	*mmscf/d*	**35**
2021 est. operating cash flow [3]	*$MM*	**8 - 9**

- 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 Slide Notes, Non-IFRS Measures and Advisories

EOR ANALOGY

Pelican Lake versus Marten Hills

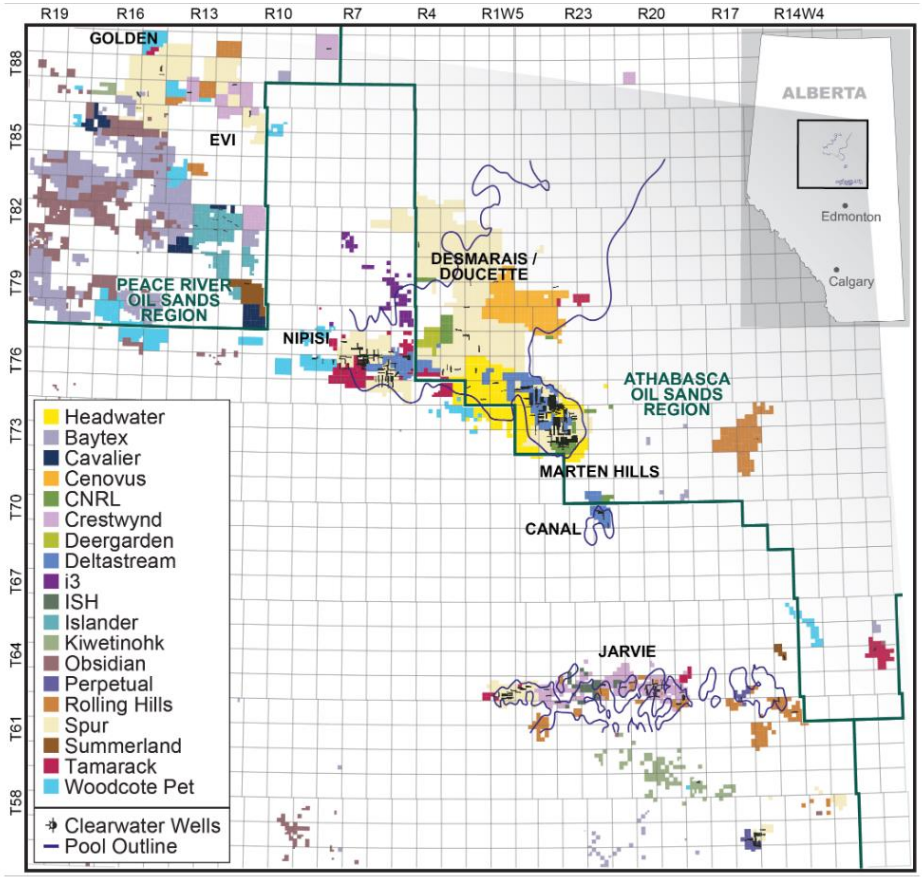
- Pelican Lake analyzed as Marten Hills Clearwater analogy
- HWX analysis of various Pelican Lake production areas indicate:
  - Estimated primary recovery of 3 - 6%
  - Estimated waterflood recovery of 12 - 15%
  - Estimated polymer flood recovery of 22 - 28%
- Pelican Lake exhibits similar reservoir and fluid characteristics as Marten Hills

Area	Net Pay (m)	Porosity (%)	Permeability (md)	Viscosity (cP)	Mobility	API
Marten Hills	20 - 30	30	~500	~250	~2	18 - 22
Pelican Lake	5 - 10	30	~1,500	~1,000	~1.5	16

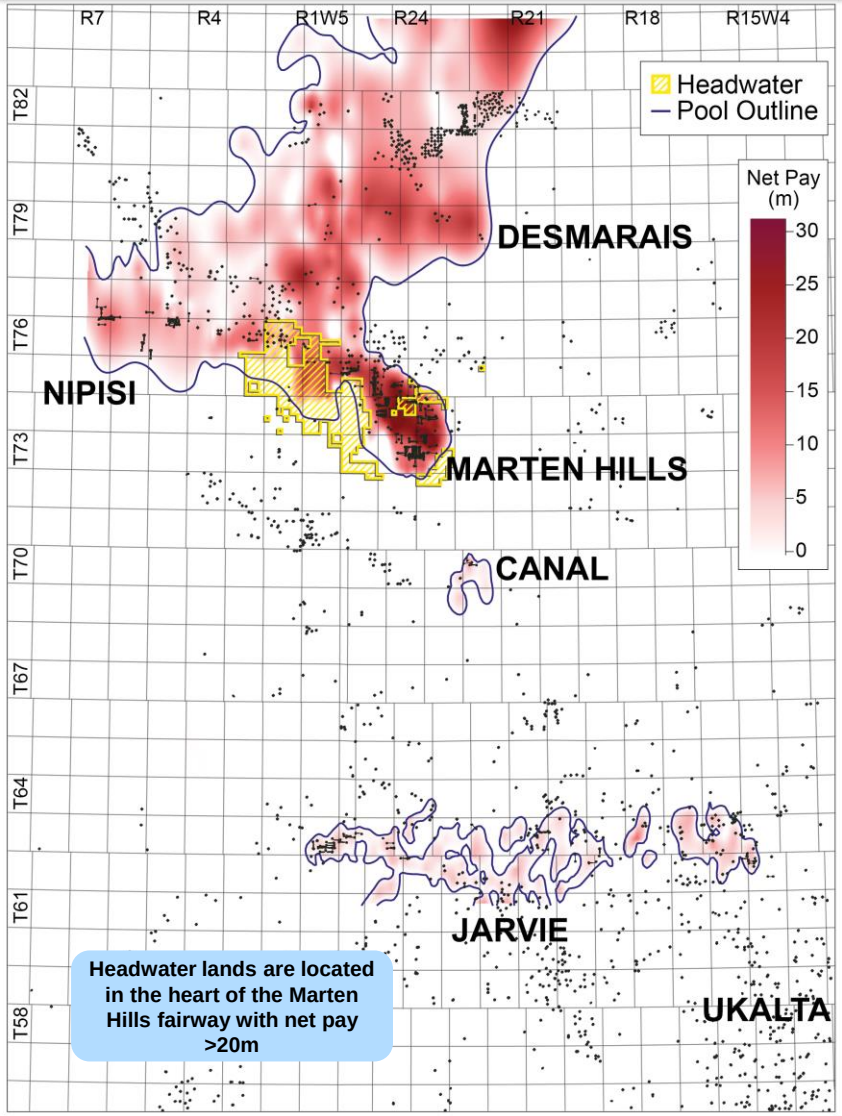
See Slide Notes and Advisories

CLEARWATER REGIONAL MAP

Clearwater Competitor Map (1)



Clearwater Net Pay Map (2)



See Slide Notes 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.
Sarah Walters	▪ Currently Cenovus's Senior Vice-President, Corporate Services
Kam Sandhar	▪ Currently Cenovus's Senior Vice-President, Conventional

SLIDE NOTES

Slide 1

1. Current Strip commodity pricing as of June 18, 2021. The AGT price is the average for the winter producing months in the McCully field which include January – March and November – December.
2. Basic shares outstanding consists of 202.2 million common shares of Headwater ("Headwater Shares") as at June 21, 2021. Fully diluted shares outstanding assumes 100% exercising of the Cenovus purchase warrants (15 million outstanding at a strike price $2.00/share), 100% exercising of the warrants issued pursuant to the non-brokered private placement (15.6 million outstanding at a strike price $0.92/share) and 100% vesting and exercising of stock options (9.6 million outstanding at a weighted average strike price of $2.26). The warrants issued pursuant to the non-brokered private placement have vested and are fully exercisable.

Slide 3 , 7 & 8

1. Public data obtained from geoSCOUT as of June 18, 2021.

Slide 10

1. Production and Free Cash Flow ("FCF") graph pricing assumptions:

		2021E	2022E	2023E	2024E	2025E+
WTI	US$/bbl	66.00	64.57	59.87	56.90	55.21
WCS	Cdn$/bbl	66.17	64.54	58.91	55.41	53.48
AECO	Cdn$/GJ	3.11	2.86	2.50	2.50	2.57
AGT	US$/mmbtu	5.09	7.57	6.43	6.60	7.23
FX	US$/Cdn$	1.25	1.24	1.25	1.25	1.26

(1) The AGT price is the average for the winter producing months in the McCully field which include January – March and November – December of the applicable year.

Slide 13

1. P+P producing RLI is calculated by dividing the P+P producing reserves by the average annual production for 2020.
2. As at December 31, 2020
3. Headwater has made the following assumptions: an average AGT price of US$5.09/mmbtu, an average US$/CAD$ exchange rate of 1.25. Pricing reflects natural gas production through the winter producing months (January to April, November, December).

Slide 14

1. Refer to Analogous advisory information in Certain Oil and Gas Advisories.
2. Management's internal interpretation and public data obtained from geoSCOUT.

Slide 15

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.

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: 2021 guidance including 2021 average production, fourth quarter 2021 average production, 2021 capital expenditures, adjusted funds flow from operations and exit adjusted working capital; details of Headwater's expected capital expenditures in 2021; the ability of Headwater to execute its five year business plan without accessing any debt; the expectation that enhanced oil recovery development will increase recovery factors; the number of potential sections with exploration potential; the expected timing of construction and commissioning of joint gas plant and expectation that emissions intensity will be reduced by 50%; expectation of rig timing; the expected timing of commencement of water injection, specifically that two source wells drilled in Q1 will be commissioned in Q3 2021; the expectation to drill 4 exploration wells with first spud in August 2021; the expectation of timing of the oil processing facility; certain expected type curve and economics associated with drilling and waterflood operations; the future success associated with bottom waterflood and centre waterflood implementation; Headwater's expected exploration and development plans for 2021 and 2022; Headwater's ability to continue to develop core acreage and EOR implementation to get sustainable base production of 13,000 – 14,000 boe/d; the expectation Headwater's balance sheet strength will allow for exploration acceleration without external equity; the expectation that Headwater's business plan will result in significant free cash flow, debt adjusted funds flow growth and the ability to pay meaningful dividends in the future; Headwater's expectation of having significant economic inventory; expected abandonment and reclamation obligations; the expectation that Headwater will use negligible fresh water in its operations and have minimal environment footprint; the estimated full cycle project capital; the benefits to Headwater of Cenovus as a shareholder and strategic partner; and Headwater's strategy with respect to the development of the Marten Hills assets. Additional forward looking information includes the performance characteristics of the natural gas properties in McCully field including timing for commencement and ending annual production from the McCully Field , 2021 expected operating cash flow, the associated decline rates, production rates, P + P reserves life index, sales capacity, abandonment and reclamation obligations, and operating cashflow. 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 including but not limited to general economic conditions; availability of required equipment and services; assumptions of future commodity prices (including premiums); the newly-inaugurated Biden administration in the U.S. and the impact on the economy and the oil and 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; 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 Marten Hills 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 including 2021 capital expenditures, Headwater's exit adjusted working capital balance at year end 2021, 2021 adjusted funds flow from operations. Such FOFI has been 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 disclaims 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 this presentation Headwater has set out a model of production and free cash flow for the next five years. This model is not intended as a forecast of future performance as management and the Board of Headwater have not approved a five-year development plan and it is unlikely that future performance will match the production and cash flow over the next five years as set out in the model. The model is used for the purposes of long-term business planning and it is set out herein to provide investors with an indication of the model and assumptions used for management's planning purposes.

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, 2020 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, Headwater management and the other information contained in this investor presentation. Without limitation, prospective investors and shareholders should consider the advice of their financial, legal, accounting, tax and other advisors prior to making investment decisions with respect to Headwater securities.

Non-IFRS Measures and Certain Oil and Gas Advisories

NON-IFRS MEASURES

This investor presentation contains the terms "debt adjusted funds flow growth", “adjusted funds flow from operations (“AFFO”)“, “free cash flow”, “adjusted working capital "and “operating 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 that “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 “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 sales, realized financial derivative gains/losses less estimated royalties, transportation and blending expenses and production expenses. Management uses AFFO to analyze operating performance and leverage. AFFO is calculated as cash flow provided by operating activities before changes in non-cash working capital and transaction costs. Free cash flow is defined as AFFO after capital expenditures. Cash flow is the equivalent to adjusted funds flow from operations. Adjusted working capital is used by the Company to measure liquidity. Adjusted working capital is defined as working capital excluding the effects of the Company’s financial derivatives and warrant liability. Additional information relating to these Non-IFRS Measures, including a reconciliation of AFFO to cash flow provided by operating activities and adjusted working capital to working capital, 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

In presenting type curves, inputs and economics information and in this presentation generally, Headwater has used a number of oil and gas metrics which do not have standardized meanings and therefore may be calculated differently from the metrics presented by other oil and gas companies. Such metrics include "P+P producing RLI“. P+P producing RLI is calculated by dividing the P+P producing reserves by the average annual production for that period. Such metrics have been included herein to provide readers with additional measures to evaluate the performance of the Marten Hills assets or McCully assets, as applicable; however, such measures are not a reliable indicator of the future performance of Headwater’s assets or value of its common shares.

PRODUCTION RATES

References in this investor presentation to well performance in the Clearwater area 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 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 Marten Hills assets and production information related to wells that are believed to be on trend with the Marten Hills assets. Headwater Management believes the information is relevant as it helps to define the characteristics of the Marten Hills 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 Marten Hills 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 Marten Hills 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 based on the expected production type curves for certain wells. 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 Marten Hills assets over time; however, EUR is not intended to represent an estimate of reserves and is not a reliable indicator of the Marten Hills assets' future performance. Future performance may not compare to the EUR or other well economics presented herein.

TYPE CURVE INFORMATION AND WELL ECONOMICS

Headwater has presented certain type curve information and well economics for certain development and waterflood wells in the Clearwater area. The type curve information and well economics presented are based on historical production in respect of Headwater's Clearwater assets as well as production history from analogous Clearwater developments located in close proximity to Headwater's Clearwater 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 and well economics are not necessarily determinative of the production rates and performance of existing and future wells. In addition, the type curves and well economics presented do not reflect the type curves used by GLJ (as defined below) in estimating the reserves volumes attributed to the Marten Hills assets. GLJ performance type curves used in the year end 2020 reserves report would only be comparable to the Tier 1 – Primary curves and have less estimated ultimate recoverable oil as compared to the Tier 1 – Primary curve.

RESERVES INFORMATION

Headwater currently has reserves in the Marten Hills area of Alberta and 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, 2020 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 January 1, 2021 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, 2020, which may be accessed through the SEDAR website (www.sedar.com).

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.