



Headwater Exploration Inc.

CORPORATE PRESENTATION

TSX:HWX

May 2024



Outlook

| | 2024 Original Guidance ⁽¹⁾ | 2024 Revised Guidance ^{(1) (2)} |
|--|---------------------------------------|--|
| Average Daily Production | | |
| Annual Daily Production (boe/d) | 20,000 | 20,000 |
| Fourth Quarter Daily Production (boe/d) | 21,500 | 21,500 |
| Financial Summary (\$millions) | | |
| Adjusted Funds Flow From Operations ⁽⁴⁾ | 275 | 319 |
| Capital Expenditures ⁽³⁾ | 180 | 200 |
| Dividends ⁽⁶⁾ | 95 | 95 |
| Exit Adjusted Working Capital ⁽⁴⁾ | 58 | 86 |
| Pricing and Key Assumptions | | |
| Crude Oil – WTI (US\$/bbl) | 70.00 | 76.25 |
| Crude Oil – WCS (CDN\$/bbl) | 73.30 | 83.88 |

2024 Highlights

11% production per share growth projected from \$160 million of development capital, re-investment rate ⁽⁷⁾ of 50%

Included in the development capital is \$25 million committed to accelerating secondary recovery projects

\$40 million attributed towards land acquisition and exploration drilling

Stable quarterly dividend of \$0.10 per common share ⁽⁶⁾

Capitalization

| Headwater Exploration Inc. | TSX | HWX |
|--|--------|--------|
| Share Price (May 9th, 2024) | \$/sh. | \$7.62 |
| Shares Outstanding (Basic) | MM | 237.3 |
| Dilutives ⁽⁵⁾ | MM | 4.1 |
| Shares Outstanding (Fully Diluted) ⁽⁵⁾ | MM | 241.4 |
| 2024 Q1 Exit Adjusted Working Capital ⁽⁴⁾ | \$MM | \$48.8 |

Multi-Year Business Strategy

Grow base production while maintaining positive adjusted working capital for strategic opportunities

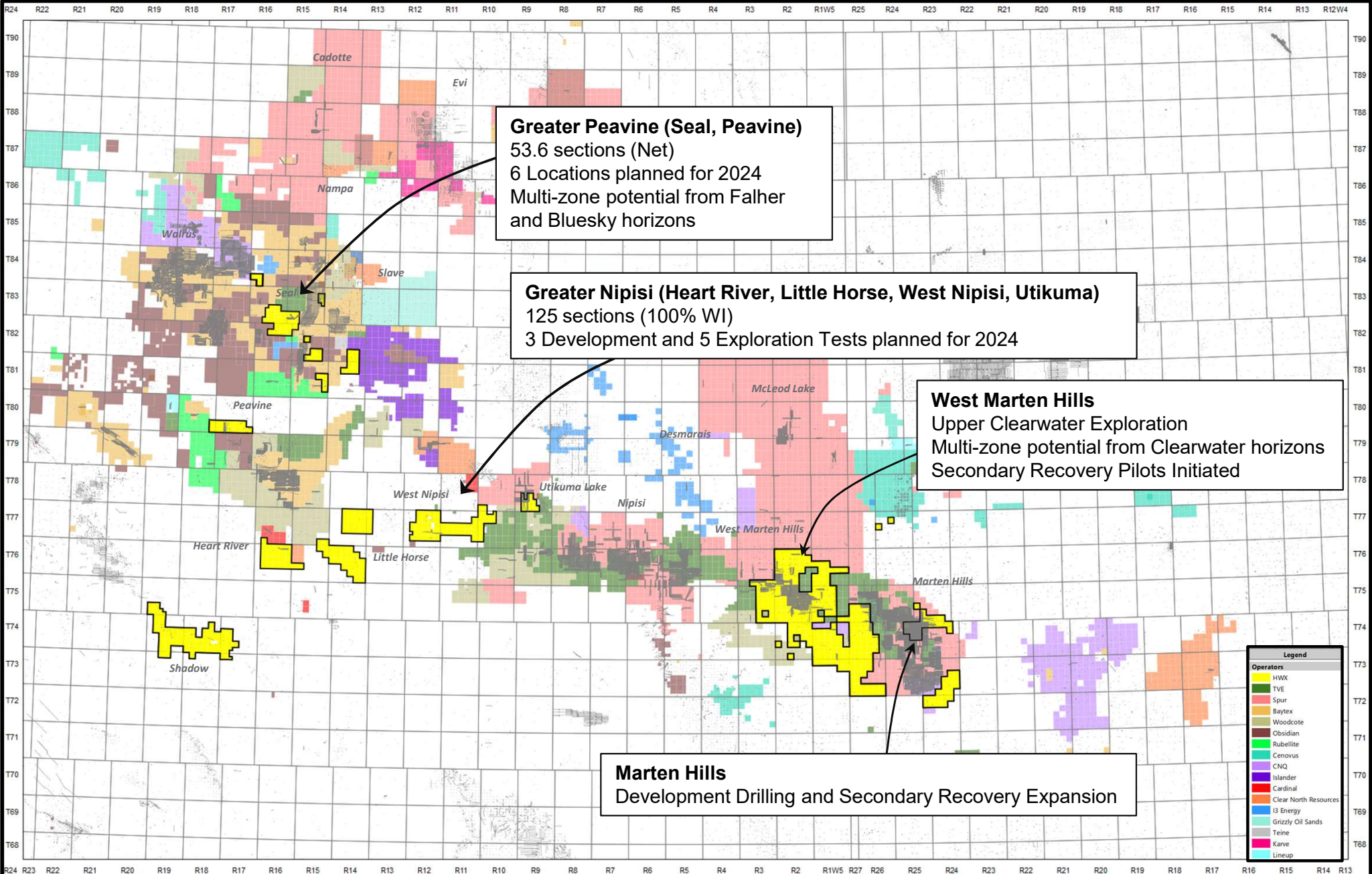
Continue to implement secondary recovery, providing asset duration and sustainable long-term returns

Continue adding incremental prospects through strategic land acquisitions and accretive M&A

Grow the quarterly dividend ⁽⁶⁾

REGIONAL CLEARWATER AREA

Total Land Holdings 525 net sections with 61.5 net sections added YTD 2024



Greater Peavine (Seal, Peavine)
 53.6 sections (Net)
 6 Locations planned for 2024
 Multi-zone potential from Falher and Bluesky horizons

Greater Nipisi (Heart River, Little Horse, West Nipisi, Utikuma)
 125 sections (100% WI)
 3 Development and 5 Exploration Tests planned for 2024

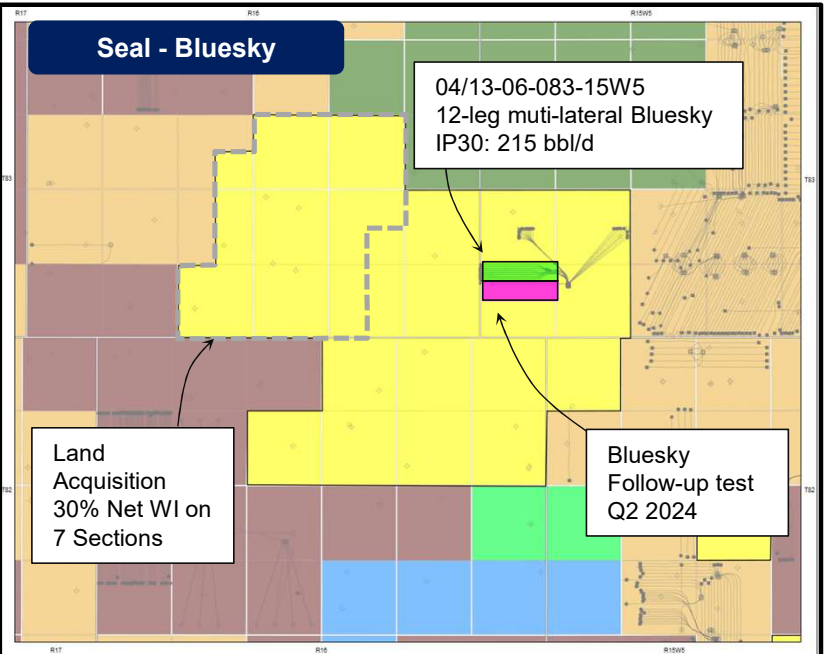
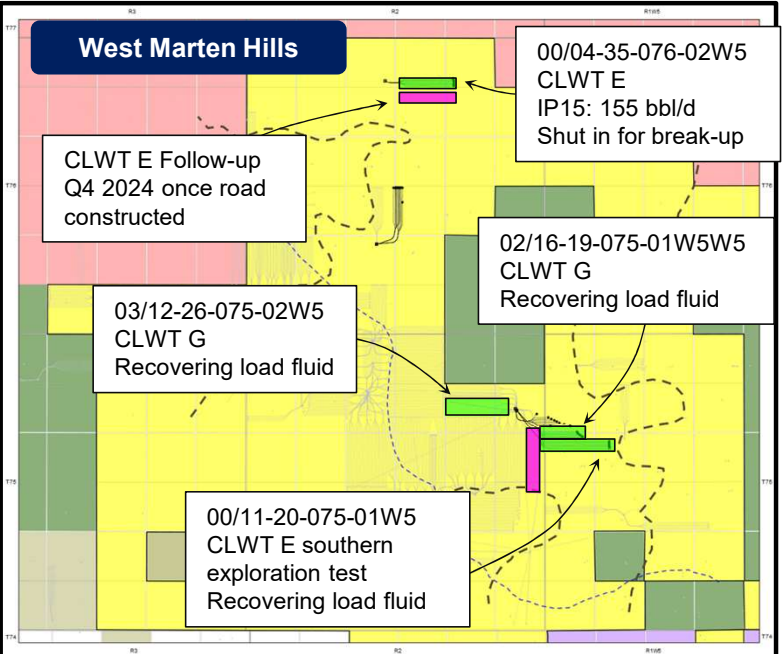
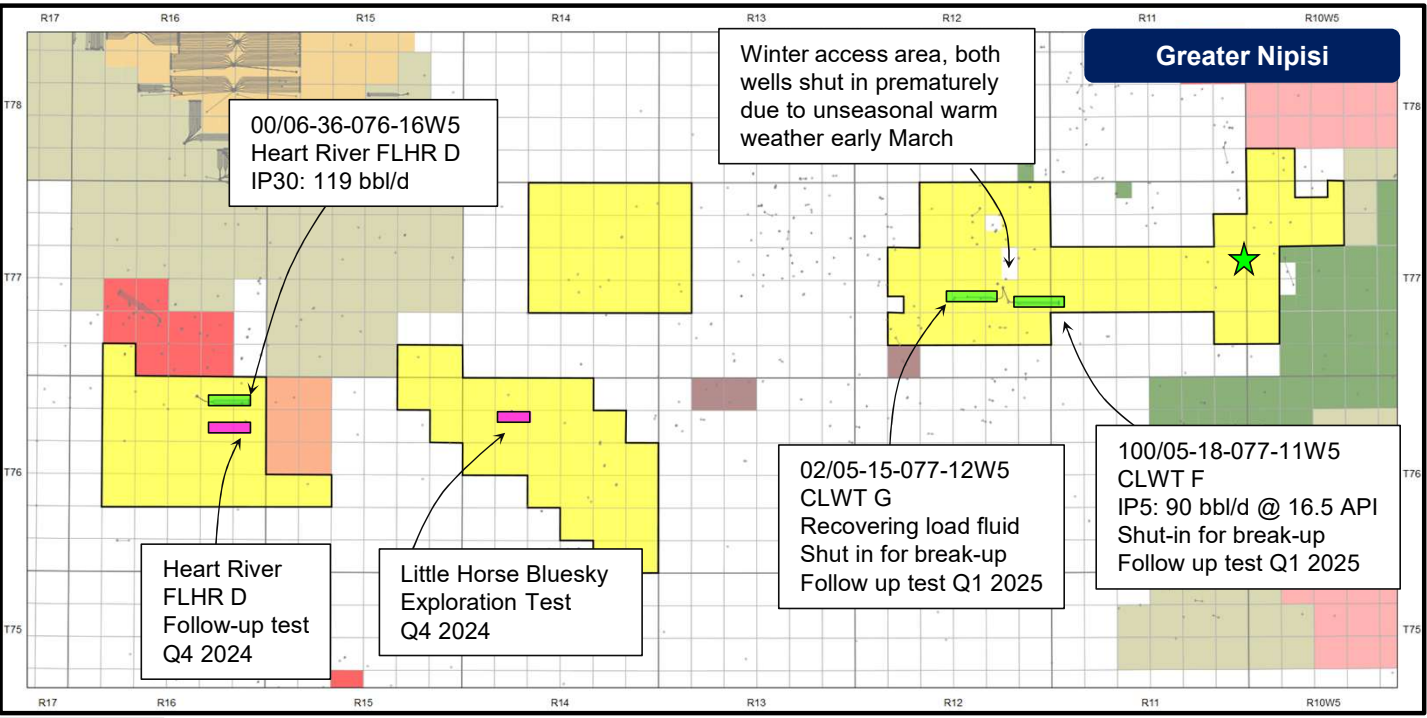
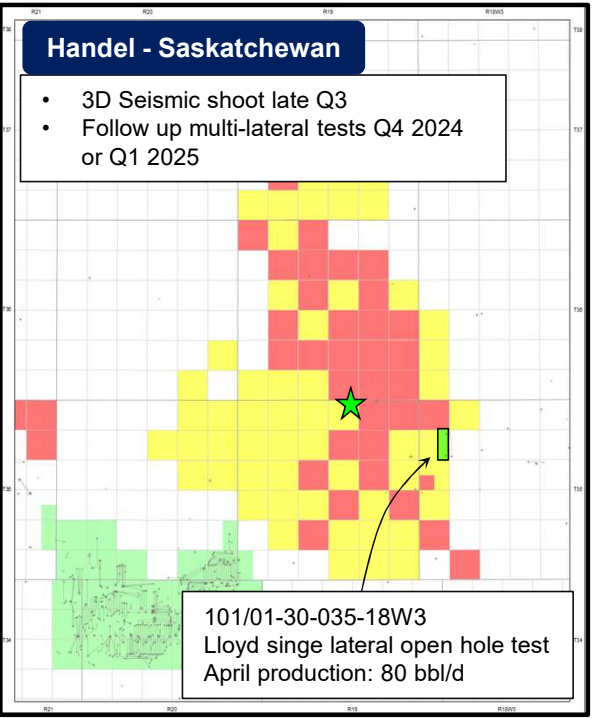
West Marten Hills
 Upper Clearwater Exploration
 Multi-zone potential from Clearwater horizons
 Secondary Recovery Pilots Initiated

Marten Hills
 Development Drilling and Secondary Recovery Expansion

2024 EXPLORATION



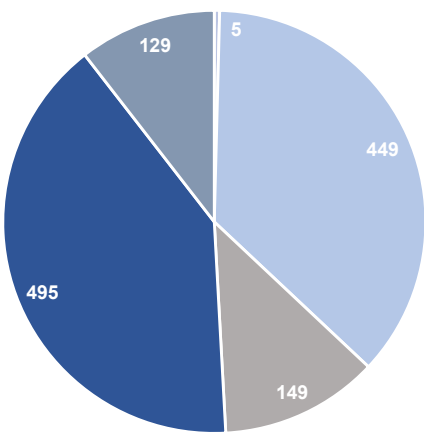
Successful Q1 Program Added > 1.5 Years of Inventory



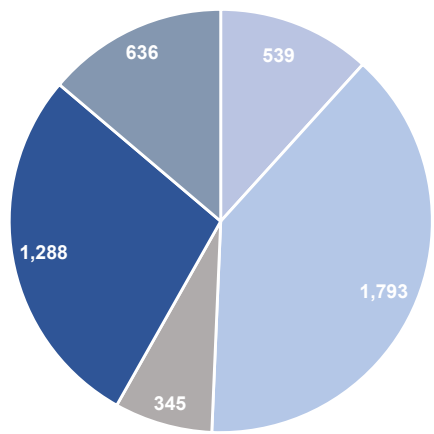
| Legend | |
|--|-----------------------|
| Locations | |
| ★ | Q1 Exploration |
| ★ | Strat Test |
| | Q2-Q4 Location |
| Operators | |
| | HWX |
| | TVE |
| | Spur |
| | Baytex |
| | Woodcote |
| | Obsidian |
| | Rubellite |
| | Cardinal |
| | Clear North Resources |
| | IS Energy |
| | Strathcona |



1,227 Identified Clearwater Area Locations



Clearwater Area OOIP of 4.6 Billion Barrels



■ Marten Hills Core ■ Marten Hills West ■ West Nipisi ■ Greater Peavine ■ Bluesky

■ Marten Hills Core ■ Marten Hills West ■ West Nipisi ■ Greater Peavine ■ Bluesky

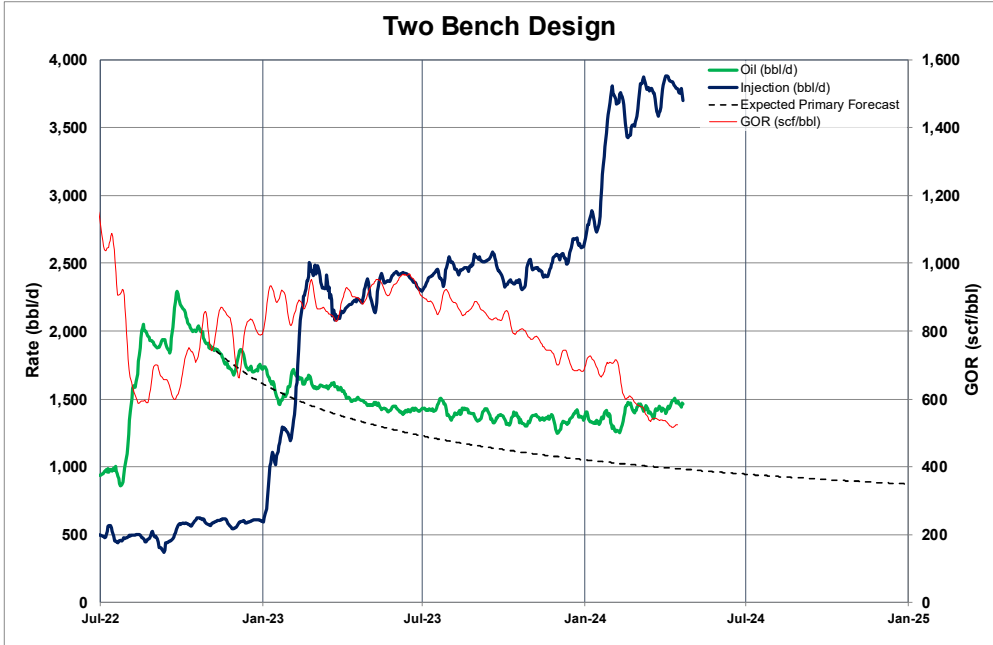
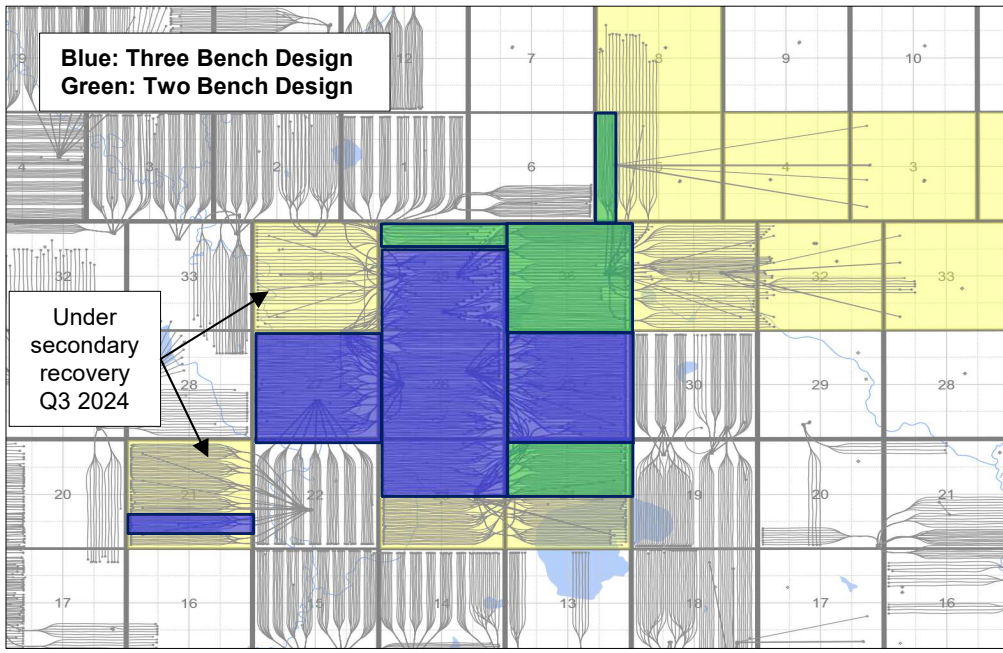
| Development Strategy @ US\$75 WTI & US\$15 WCS Differential | | | | | | | | | | | |
|---|------------|--------------------------------|------------------------------------|-------------------|--|-----------------------------|--|-------------------------------|--|--------------------------------------|--|
| Year | Production | Atax Funds Flow ⁽⁴⁾ | Dev Capital Program ⁽¹⁾ | Production Growth | Development Reinvestment Rate ⁽²⁾ | Exploration Capital Program | Total Capital Reinvestment Rate ⁽²⁾ | Free Cash Flow ⁽⁴⁾ | Dividend Payment @ \$0.40/share ⁽³⁾ | Post Dividend FCF ^{(3) (4)} | Exit Adjusted Working Capital ⁽⁴⁾ |
| | Boe/d | \$MM | \$MM | % | % | \$MM | % | \$MM | \$MM | \$MM | \$MM |
| 2024E | 20,000 | 319 | 160 | 11% | 50% | 40 | 63% | 119 | 95 | 24 | 86 |
| 2025E | 22,000 | 311 | 165 | 10% | 53% | 20 | 59% | 126 | 96 | 30 | 113 |

* 2025 Development Capital includes \$20 million for secondary recovery projects

- **Maintenance capital of \$130 million / year required to keep production flat at 22,000 BOE/d**
 - Less than 45% re-investment rate at \$75 WTI
 - Approximately \$5MM change to ATAX Funds Flow for every US\$1.00/bbl change in WTI or WCS
 - At current strip, 2024 ATAX funds flow is \$335MM
 - Offers flexibility for growth, accelerated secondary recovery, exploration and dividend increases

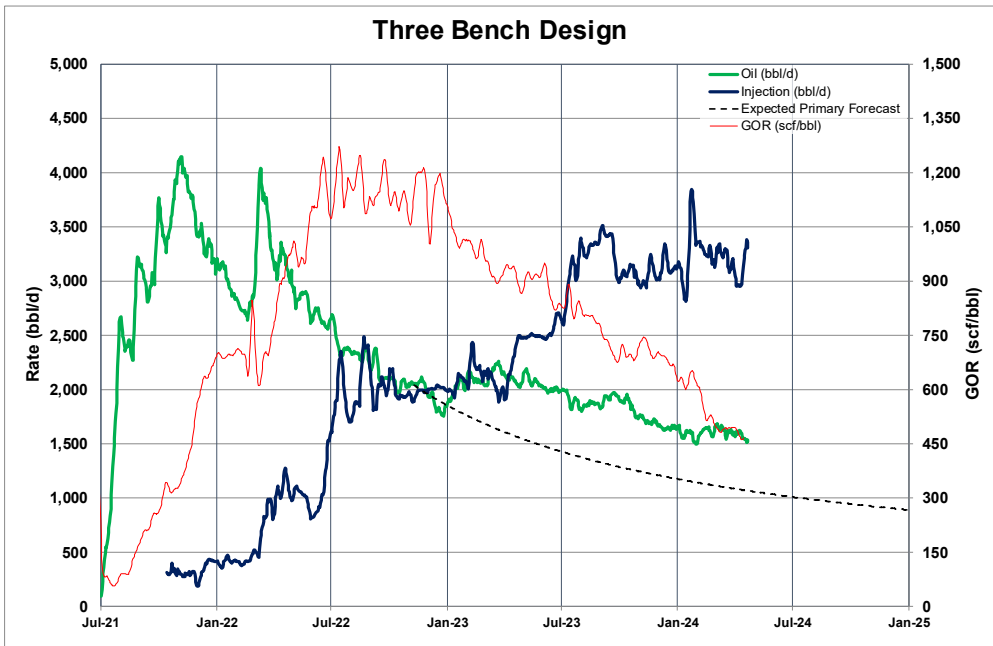
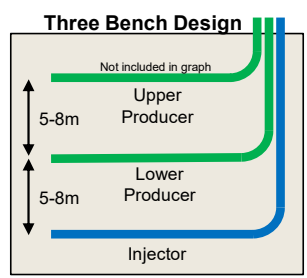
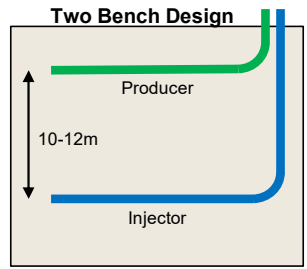
Location counts as of Jan 1, 2024. Assumes 9,000m lateral length. See Slide Notes and Advisories

Multi-Layer Support



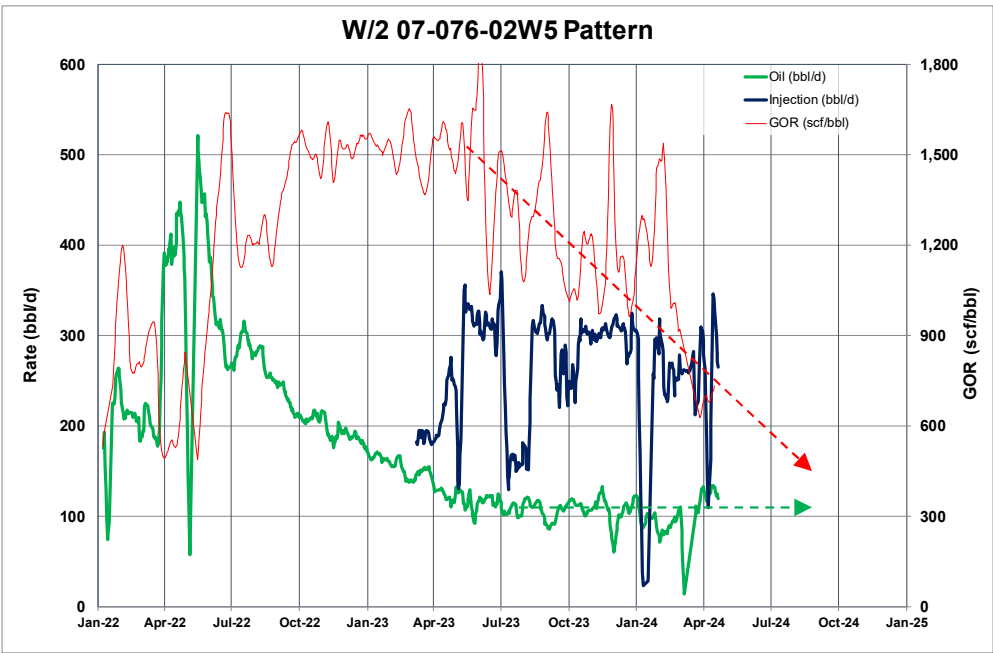
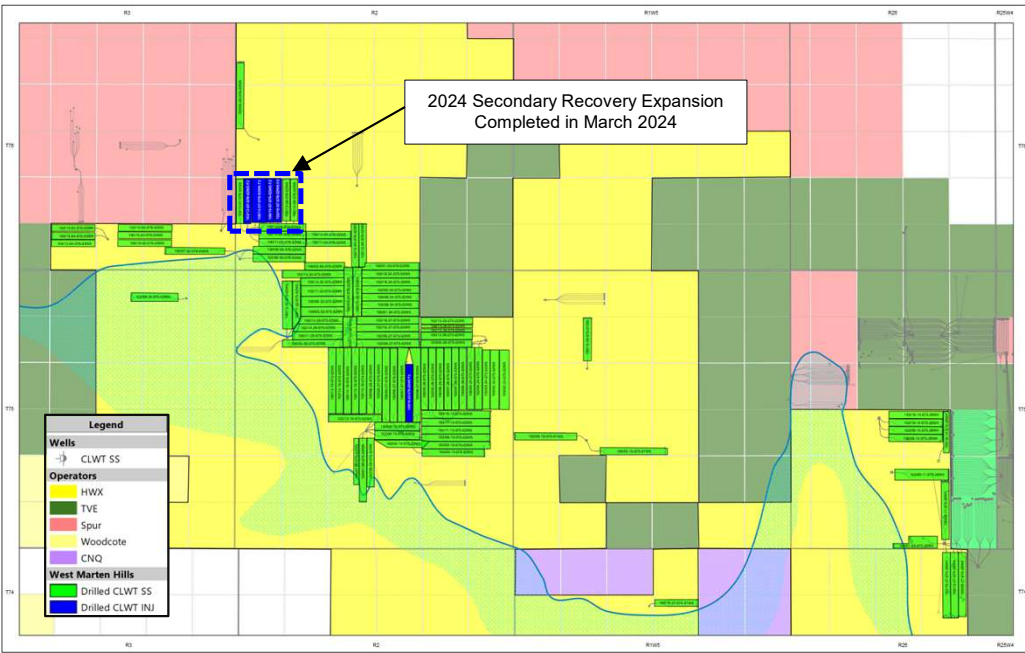
Marten Hills Core Secondary Recovery

- Oil rate stabilization and GOR suppression are evident in both designs
- Combined oil rate under support from 6 sections is stable at 3,000 bbl/d, growing to 4,000 bbl/d in 2024 with 2 additional sections converted
- Sections 21 & 34 to be under secondary recovery by Q3 2024
 - Section 21: Three bench design
 - Section 34: Two bench design



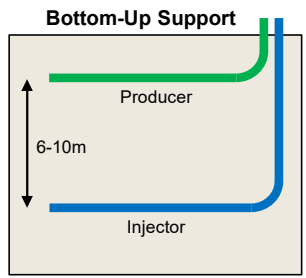


Marten Hills West Pilots – Utilizing Marten Hills Core Learnings



Marten Hills West Secondary Recovery

- Oil rate stabilization and GOR suppression are evident in pilots
- Full section pattern was implemented at Section 07-076-02W5 in Q1 2024
 - Initial injectivity strong at a 1.8 voidage replacement ratio
 - Expected to stabilize 300 bbl/d
 - Wide-spaced injector pilot showing encouraging injectivity



West Marten Hills – Section 7 Pattern

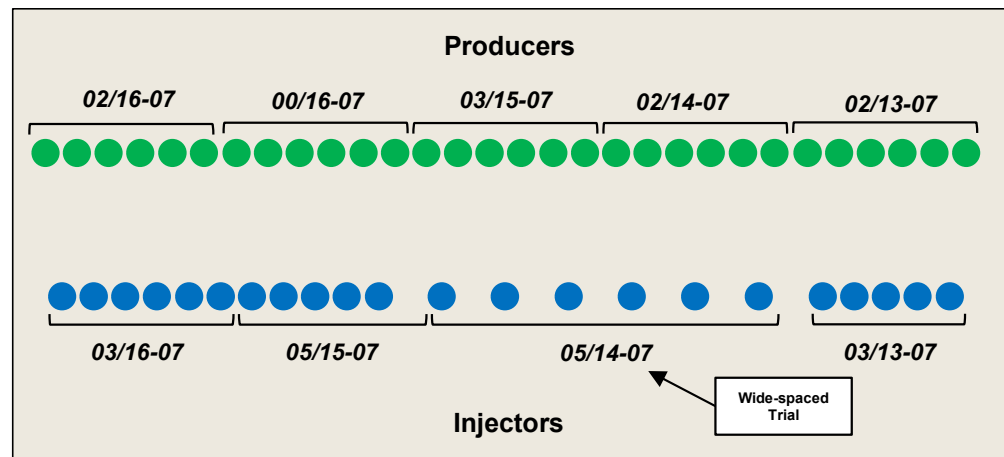
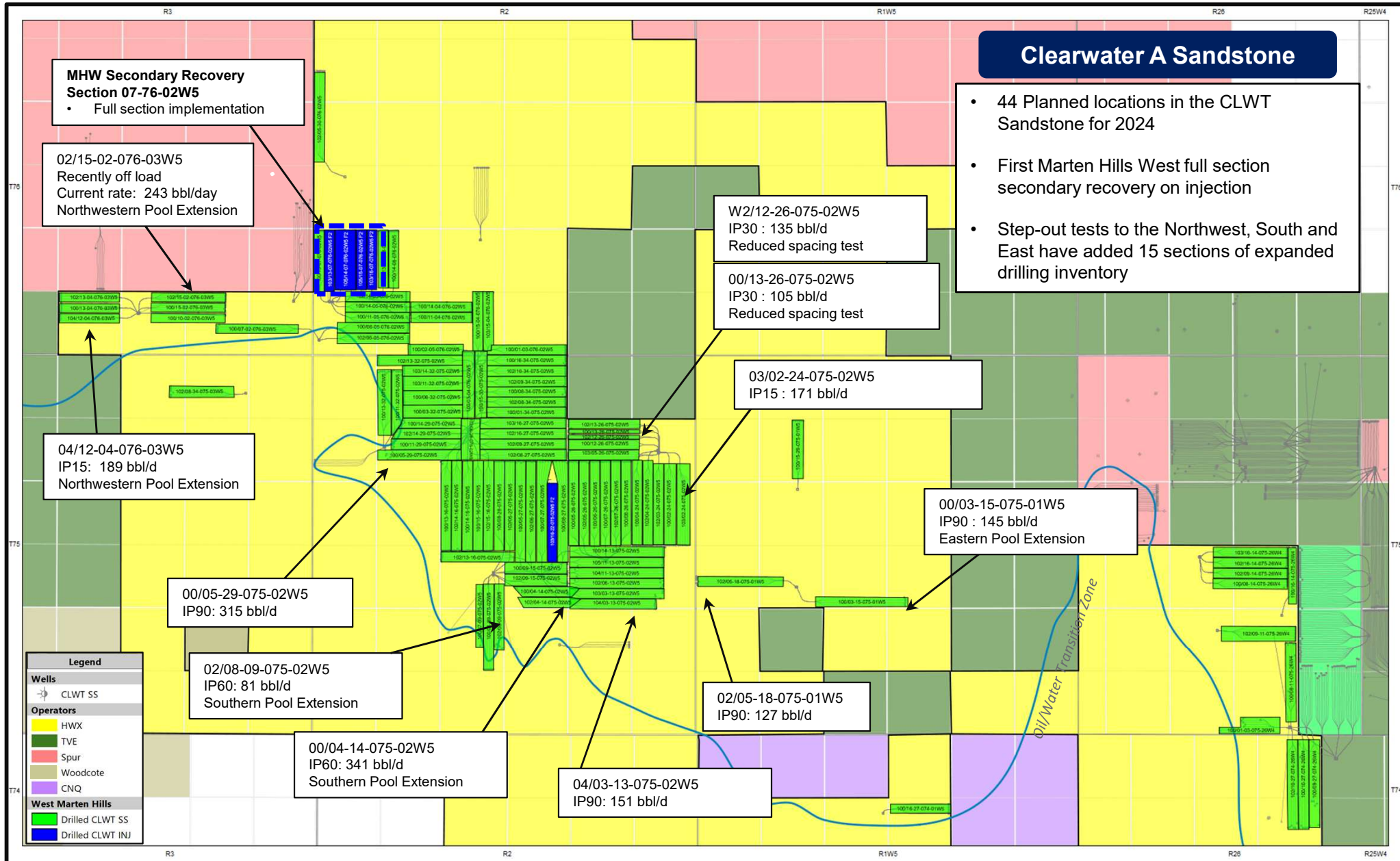


Diagram is a cross-sectional view – looking at well toes

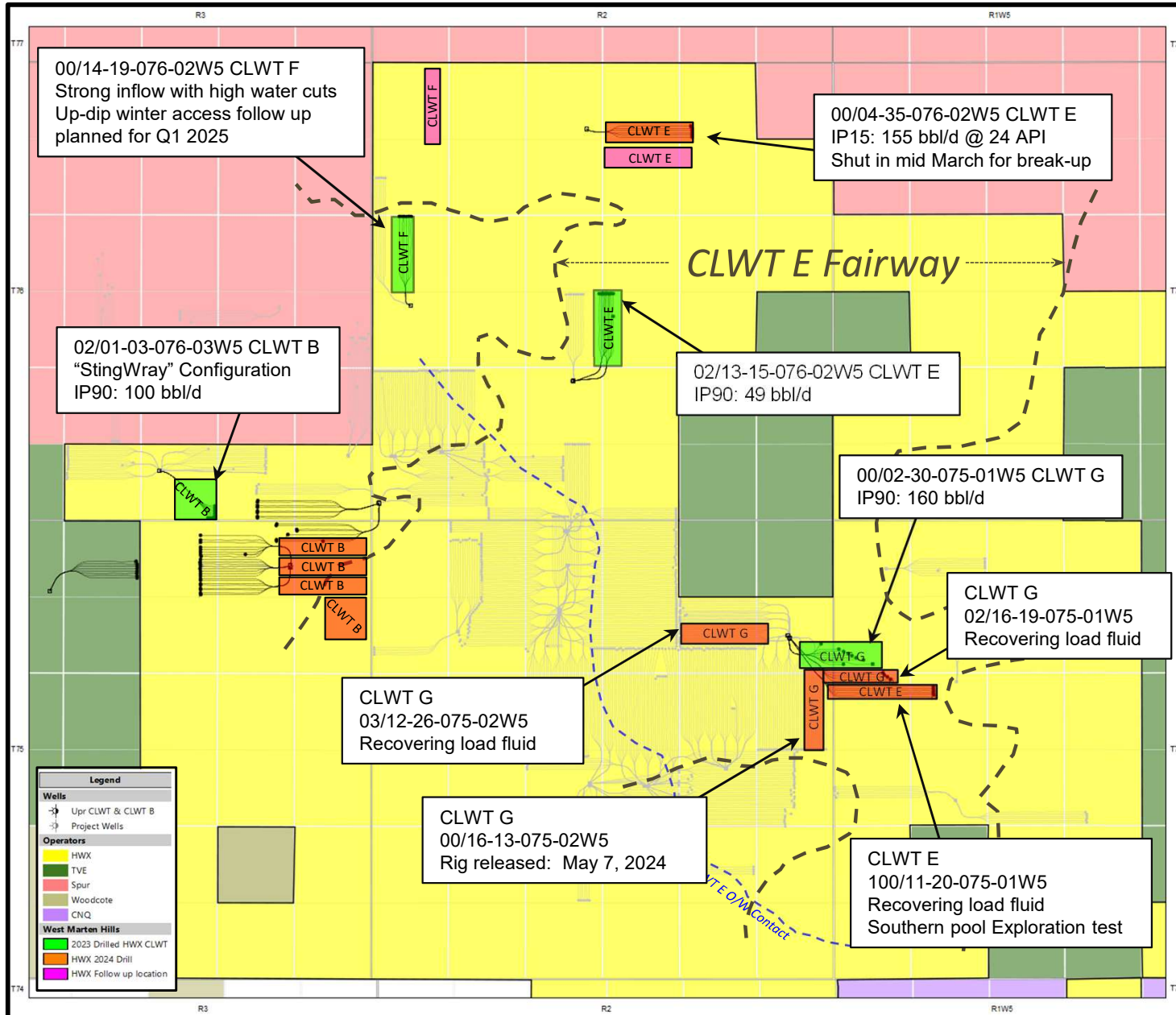
MARTEN HILLS WEST – CLEARWATER SANDSTONE

Continued Step-out Success; Continuing Secondary Recovery



MARTEN HILLS WEST EXPLORATION

Multi-Zone Clearwater Potential within Marten Hills West



Multiple Clearwater Zones

CLEARWATER E

- **00/04-35-076-02W5:** Achieved a 15-day initial production rate of 155 bbl/d before being shut in for break-up
- Validates CLWT E pool that covers approximately 15 sections across northern lands of Marten Hills West
- All season road to be constructed Q3 of 2024 to provide access to 4-35 and additional locations within the newly discovered pool
- 100/11-20-075-01W5 CLWT E exploration test was drilled in Q2 2024 for validation of a southern pool extension

CLEARWATER G

- **00/02-30-075-01W5 discovery well:** Achieved a 90-day initial production rate of 160 bbl/d
- Three follow up tests offsetting the 2-30 discovery were drilled in Q2 2024

CLEARWATER B

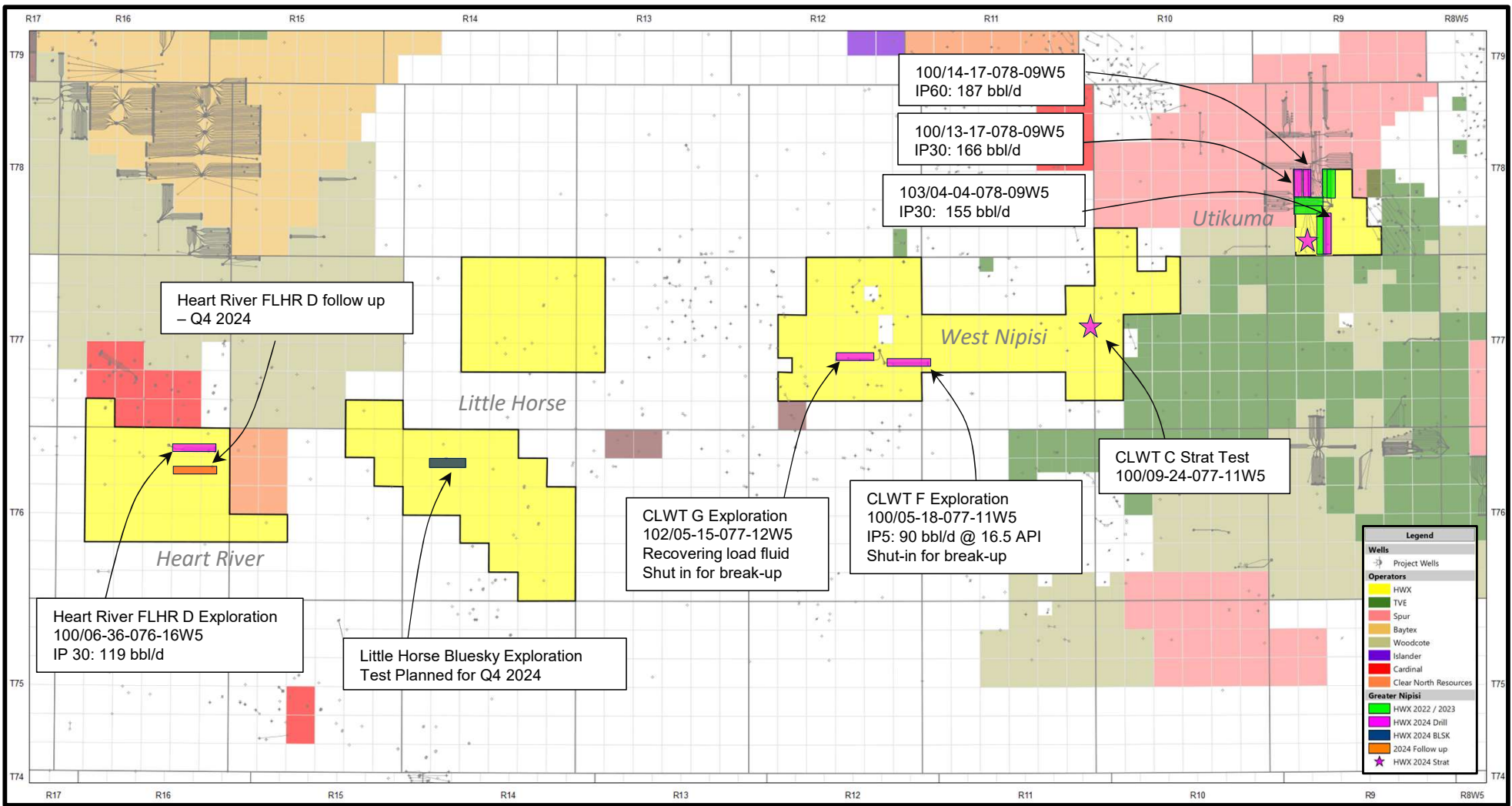
- Additional CLWT B StingWray and three multi-laterals to be drilled in 2024

CLEARWATER F

- Winter access follow up planned for Q1 of 2025

GREATER NIPISI – 125 SECTIONS

Clearwater Development & Multiple Clearwater Exploration Prospects



Exploration

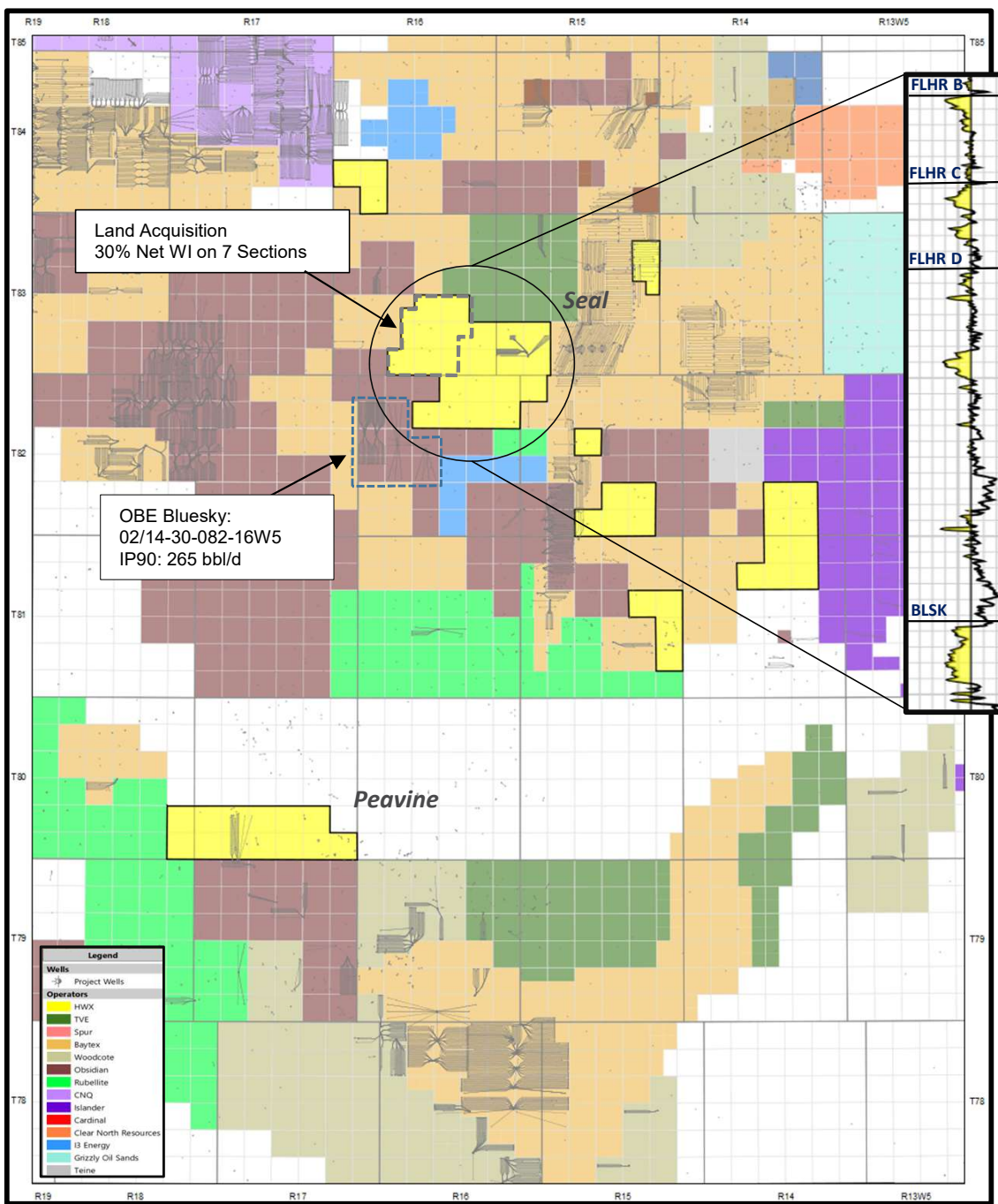
- **100/06-36-076-16W5 Heart River 6-Lateral Falher D Test:** Success with an IP 30 rate of 119 bbl/d @ 14 API oil. Follow-up test planned for Q4 of 2024 to further validate the Falher D pool estimated to be 12 sections in size.
- **100/05-18-077-11W5 West Nipisi 4-Lateral CLWT F Test:** Achieved a 5-day initial production rate of 90 bbl/d prior to being shut in for break up
- **102/5-15-077-12W5 West Nipisi 4-Lateral CLWT G Test:** encountered natural fractures while drilling resulting in high fluid rates and increasing water cuts during load recovery. Strong geo-technical shows while drilling. Shut in for break-up
- Follow up tests planned in both the CLWT F and CLWT G in West Nipisi winter 2025 once winter access can be established

West Nipisi Development Area

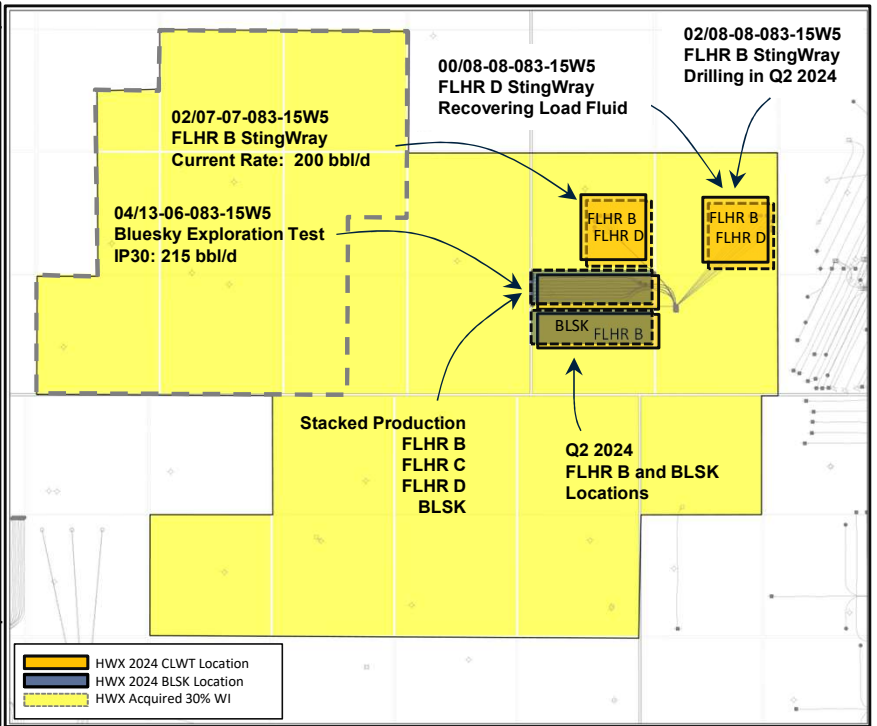
- 3 development wells drilled in Q1 2024, including a successful step-out to the southeast that validates the entire 7-section development area

GREATER PEAVINE

Multiple Productive Falher Sands and Bluesky Prospect Test



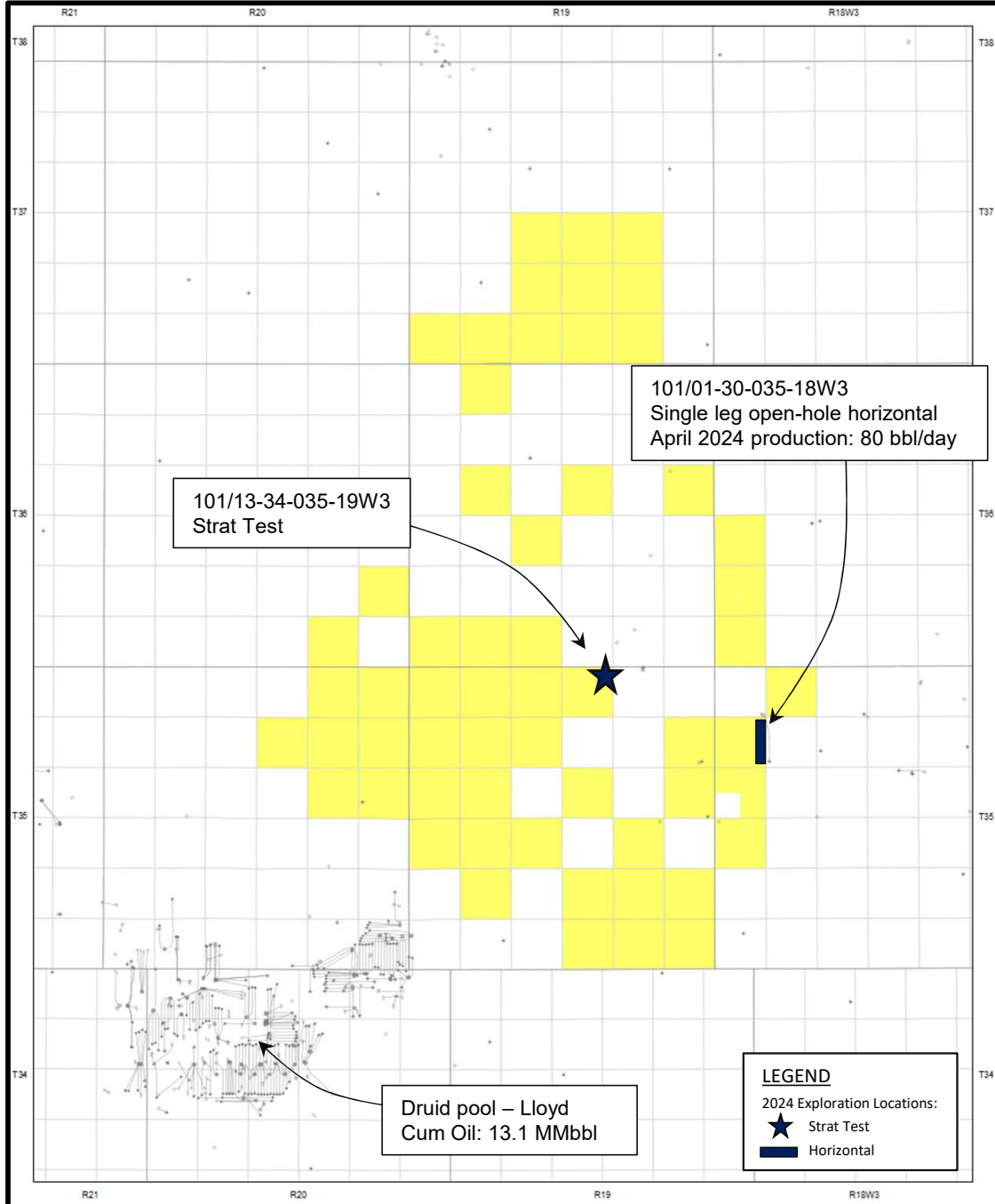
Seal



- Successful tests in the Falher B & Falher D have set up a 4-well Falher program for 2024 including additional “StingWray” tests
- Following up encouraging competitor results in section 30-082-16W5, a 12-leg multi-lateral Bluesky exploration test has been drilled at 04/13-06-083-15W5 achieving an IP30 oil rate of 215 bbl/day @ 12 API
 - Validates approximately 15 sections of prospective lands
 - Follow up Bluesky location planned in Q2 2024
- Falher B 03/13-06-083-15W5 discovery well: success with an IP90 rate of 116 bbl/d
 - Validates approximately 10 sections of prospective lands
- Falher D 00/07-07-083-15W5: “StingWray” success with an IP90 rate of 106 bbl/d
 - Results from the “StingWray” configuration shows > 50% production improvement from the original 8-leg discovery well at 13-06 validating est. 20 sections for development



W3 Mannville Heavy Oil



- **Large contiguous land block accumulated:**
- 57.75 Sections

- **Lloyd test: 101/01-30-035-18W3:**
- Open-hole, single-leg horizontal
- Encountered 1000m of excellent quality reservoir across the lateral
- Well placed on production early March 2024 and produced 80 bbl/d oil in the month of April

- **Strat test: 101/13-34-035-19W3:**
- Geological stratigraphic test to confirm structure and validity of 2D seismic signature

NEXT STEPS:

- 3D seismic program planned for late Q3 2024
- Follow up multi-lateral locations planned for late Q4 2024 or Q1 2025

Add incremental prospects through strategic land acquisitions and M&A

- Added 61.5 sections of land YTD 2024 in the Clearwater area, total Clearwater area lands now exceeding 525 net sections
- Added 24 sections of non-Clearwater lands YTD 2024, total Non-Clearwater lands now exceeding 177 net sections

Explore and Exploit

- Marten Hills West success resulting in current production of >11,000 bbl/d and CLWT SS potential from 45 sections
- Economic production proven from four different Clearwater sands in Marten Hills West
- Greater Nipisi success with two producing zones and four additional identified prospects tested in 2024
- Seal success in Q1 2024 with a Bluesky discovery and “StingWray” fan configuration wells in the Falher B and Falher D zones

Asset Duration – Implement Enhanced Oil Recovery

- 3,000 bbl/d of core area production stabilized and encouraging pilots in Marten Hills West with 200 bbl/d of stabilized production
- Core area production will be stabilized at 4,000 bbl/d with two incremental sections converted to secondary recovery in 2024
- Marten Hills West full section secondary recovery initiated in Q1 2024

Implement a return of capital strategy

- Quarterly cash dividend of \$0.10/share implemented Q4 2022

ESG Focus

- Minimal uninflated undiscounted corporate ARO of ~ \$65 million
- Active partner with Treaty 8 Nations supporting indigenous businesses and community initiatives
- Headwater has entered into an agreement to construct a natural gas gathering system in Marten Hills West, which is expected to allow the Company to conserve a meaningful amount of its natural gas production in the area



Headwater Exploration Inc.

Appendix

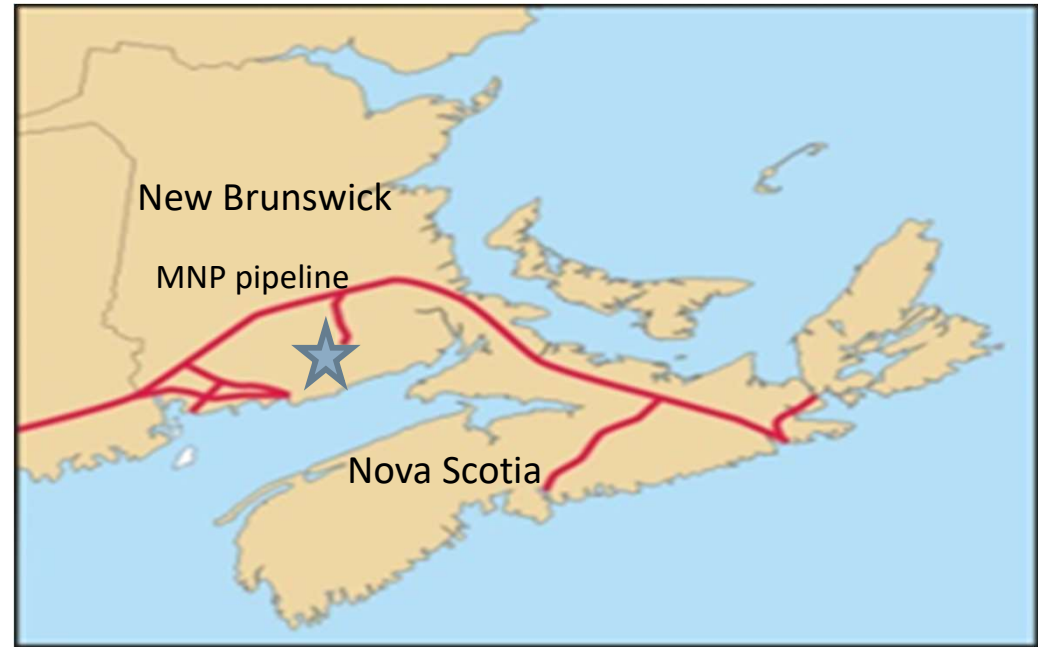
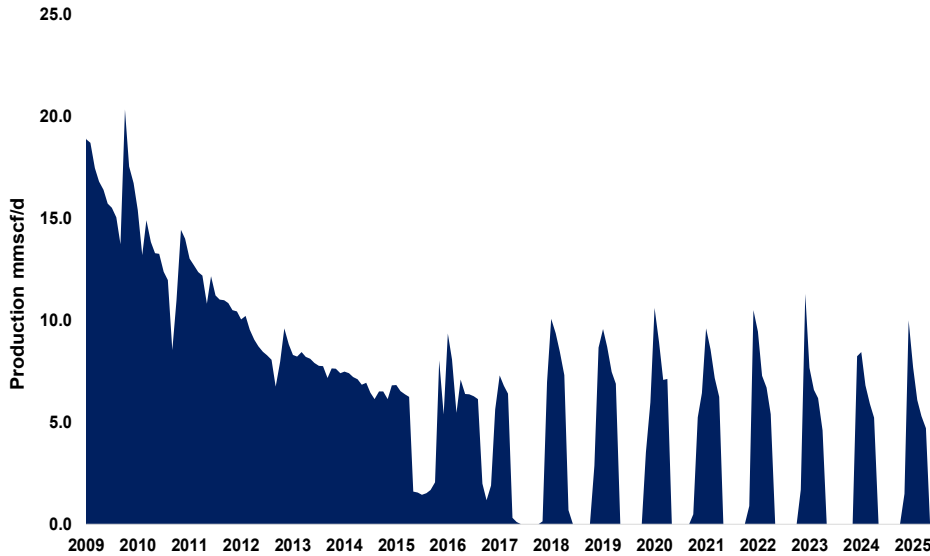
TSX:HWX

MCCULLY PRODUCING ASSET

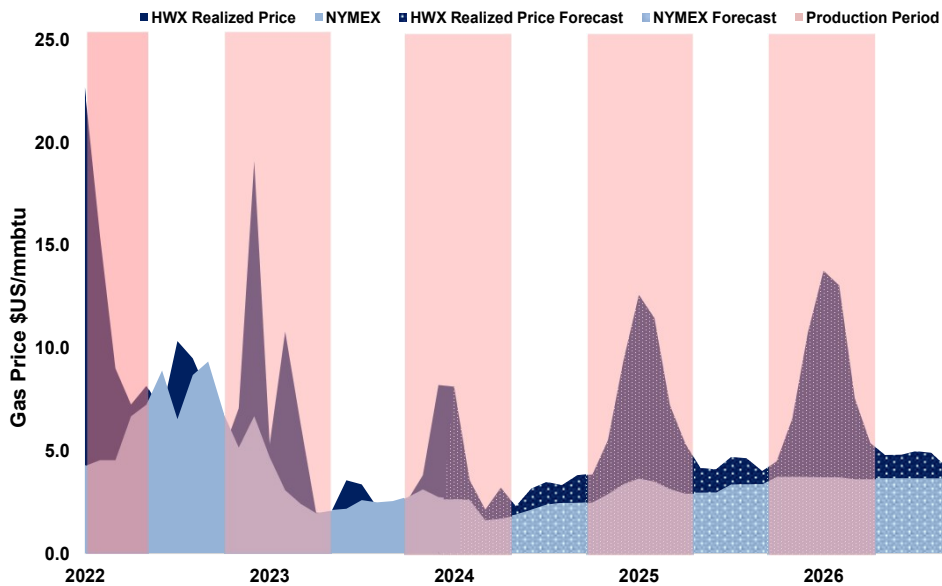
Dry Gas with 100% owned infrastructure and limited liability



McCully Asset Daily Production



HWX Realized Pricing and Strip Pricing (US\$/MMBTU)



Operational Summary

| | | |
|---|---------|----------------|
| Proved Developed Producing RLI ⁽¹⁾ | Years | 14.3 |
| Undiscounted Uninflated ARO ⁽²⁾ | \$MM | 11.4 |
| Average Seasonal Production Rate | mmscf/d | 6.5 |
| 2024 Estimated Operating Cashflow | \$MM | 14 |
| Yearly Maintenance Capital | \$MM | <0.5 |

- Asset is produced November through April and shut-in during summer months to capture premium pricing as highlighted
- Algonquin City-Gate is a unique Boston area demand driven market offering premium winter pricing

EXPERIENCED TEAM – MANAGEMENT AND DIRECTORS

Headwater Exploration Inc.



| | |
|---|--|
| <p>Neil Roszell, P. Eng. <i>Executive Chairman</i></p> | <ul style="list-style-type: none"> Former President, CEO and/or Executive Chairman and founder of Raging River Exploration Inc., Wild Stream Exploration Inc. and Wild River Resources Ltd. |
| <p>Jason Jaskela, P. Eng. <i>President, CEO & Director</i></p> | <ul style="list-style-type: none"> Former COO and founder of Raging River Exploration Inc. and VP Production and founder of Wild Stream Exploration Inc. |
| <p>Terry Danku, P. Eng. <i>Vice President, Engineering</i></p> | <ul style="list-style-type: none"> Former VP, Engineering of Raging River Exploration Inc. and Engineering Manager of Wild Stream Exploration Inc. |
| <p>Jonathan Grimwood, P.Geo <i>Vice President, New Ventures</i></p> | <ul style="list-style-type: none"> Former VP, Exploration of Raging River Exploration Inc., President of and founder of RMP Energy Inc. |
| <p>Georgia Little, CA, CPA <i>Interim CFO & Vice President Finance</i></p> | <ul style="list-style-type: none"> Former Controller at Headwater Exploration Inc. and VP Finance at Nauticol Energy Ltd. |
| <p>Scott Rideout <i>Vice President, Land</i></p> | <ul style="list-style-type: none"> Former VP, Land of Raging River Exploration Inc. and Manager Business Development and Land of Surge Energy Inc. |
| <p>Brad Christman <i>Chief Operating Officer</i></p> | <ul style="list-style-type: none"> Former Manager of Production and Facilities and founder of Raging River Exploration Inc. |
| <p>Dieter Deines, P.Geo <i>Vice President, Exploration</i></p> | <ul style="list-style-type: none"> Former Geoscience Manager at Tundra Oil & Gas Ltd. |
| <p>Kevin Olson</p> | <ul style="list-style-type: none"> Former director of Raging River Exploration Inc., Wild Stream Exploration Inc. and Wild River Resources Ltd. |
| <p>Chandra Henry</p> | <ul style="list-style-type: none"> Currently CFO & Chief Compliance Officer of Longbow Capital Inc. and Director of Whitecap Resources Inc. |
| <p>Stephen Larke</p> | <ul style="list-style-type: none"> Currently Director with Vermilion Energy Inc. and Topaz Energy Corp. |
| <p>Dave Pearce</p> | <ul style="list-style-type: none"> Currently Deputy Chairman with Azimuth Capital Management and former director of Raging River Exploration Inc. |
| <p>Phillip Knoll</p> | <ul style="list-style-type: none"> Director of Corridor since 2010. Formerly CEO of Corridor and currently a director of AltaGas Ltd. |
| <p>Kam Sandhar</p> | <ul style="list-style-type: none"> Currently Cenovus' Executive Vice-President and Chief Financial Officer |
| <p>Elena Dumitrascu</p> | <ul style="list-style-type: none"> Co-founder, Chief Technology Officer of Credivera |
| <p>Devery Corbin</p> | <ul style="list-style-type: none"> Former Chief of Staff for the Mayor of the City of Calgary |

Slide 1

1. Assumptions used in the 2024 guidance include: WTI of US\$76.25, WCS of Cdn\$83.88/bbl, AGT of US\$5.11/mmbtu, AECO of Cdn\$1.88/GJ, foreign exchange rate of Cdn\$/US\$ of 0.73, blending expense of WCS less \$2.20, royalty rate of 19.0%, operating and transportation costs of \$13.45/boe, G&A and interest income and other expense of \$1.30/boe and cash taxes of \$6.85/boe. The AGT price is the average price for the winter producing months in the McCully field which include January to April and November to December.
2. Forecasted 2024 annual production guidance comprised of: 18,650 bbls/d of heavy oil, 50 bbls/d of natural gas liquids and 7.8 mmcf/d of natural gas.
3. Capital expenditures is a non-GAAP financial measure. Please refer to Non-GAAP Advisory.
4. Adjusted funds flow from operations and exit adjusted working capital are capital management measures. Please refer to Non-GAAP Advisory.
5. Fully diluted shares outstanding includes 1.2 million stock options outstanding at a weighted average strike price of \$4.29 and 2.9 million performance share units. The number of outstanding performance share units has been adjusted for dividends. Restricted share units have been excluded as the Company intends to cash settle these awards.
6. See Dividend Advisory.
7. Reinvestment rate is a non-GAAP ratio. Please refer to Non-GAAP Advisory.

Slides 2, 3, 6, 7, 8, 9 & 10

Public data obtained from geoSCOUT. Please refer to Market, Independent Third Party and Industry Data Advisory.

Slide 4

Refer to Development Strategy Advisory.

1. Development capital program includes development capital expenditures before acquisitions, dispositions and other corporate expenditures and excludes land/new prospect exploration.
2. Reinvestment rate is calculated as capital expenditures divided by adjusted funds flow from operations (also referred to as Atax Funds Flow).
3. Dividend payment per share per year is calculated using basic common shares outstanding and post dividend annual free cash flow is calculated as free cash flow (see non-GAAP Advisory) net of dividends.
4. Adjusted funds flow from operations and adjusted exit working capital are capital measurement measures. Capital expenditures (also capital program), free cash flow and post dividend free cash flow are non-GAAP financial measures. Reinvestment rate is a non-GAAP ratio. Please refer to Non-GAAP Advisory.
5. See Dividend Advisory.
6. Management identified Clearwater locations. See Exploration Drilling Inventory Advisory.
7. Management's internal estimate of OOIP. Refer to OOIP Advisory.

Slides 3, 7, 8, 9, 10 & 11

IP: initial production rate of well, post load recovery, for a certain number of days. Refer to Initial Production Rates Advisory.

Slide 12

1. ARO as at March 31, 2024.
2. See Dividend Advisory.

Slide 14

1. Proved plus probable producing (P+P) reserves life index ("RLI") is calculated by dividing the P+P producing reserves by the average annual production for 2023.
2. As at December 31, 2023.
3. McCully operating cash flow includes financial derivatives. Operating cash flow including financial derivatives is a non-GAAP financial measure. Please refer to Non-GAAP Advisory.

Forward Looking Statements Advisory

This investor presentation of Headwater Exploration Inc. ("Headwater") contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements typically contains statements with words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", "guidance", "initial", "scheduled", "can", "prior to", "forecast", "future", or similar words suggesting future outcomes. In particular, this presentation contains forward-looking statements pertaining to the following: 2024 guidance including annual daily production and fourth quarter daily production (including production per share growth), capital expenditures and details of such capital expenditures, adjusted funds flow from operations, dividend payments and exit adjusted working capital; Headwater's multi-year business strategy and the expected benefits of such strategy including growing its base production while maintaining positive adjusted working capital, continuing to add incremental prospects through strategic land acquisitions and accretive M&A, continuing to implement secondary recovery providing asset duration and sustainable long-term returns and growing the quarterly dividend; Headwater's anticipated drilling locations and expected timing around exploration tests in 2024; Headwater's exploration and development strategy, including the 2024 and 2025 financial and production forecasts contained on slide 4 of this presentation; the anticipated maintenance capital required to maintain a flat level of production; the expectation that Headwater will have 4,000 bbl/d in 2024 supported with secondary recovery and the expectation sections 21 & 34 will be under secondary recovery by Q3 2024 in Marten Hills Core; the performance characteristics of the natural gas properties in McCully field including anticipated production, timing of operations, P+P reserves life index, average seasonal production rate, maintenance capital and abandonment and reclamation obligations; and Headwater's strategy with respect to the development of the Marten Hills assets including certain expected type curve and economics associated with drilling and waterflood operations. Statements relating to reserves and resources are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources 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 expectations and assumptions concerning the success of optimization and efficiency improvement projects, the availability of capital, current legislation, receipt of required regulatory approval, the success of future drilling, development and waterflooding activities, the performance of existing wells, the performance of new wells, Headwater's growth strategy, general economic conditions, availability of required equipment and services, prevailing equipment and services costs and prevailing commodity prices, 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); inflation risks; supply chain risks; commodity price and exchange rate fluctuations; the short and long-term impacts of the Covid-19 pandemic; wars (including Russia's military actions in Ukraine and the Israel-Palestine war); 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; the risk that Headwater's annual average production in 2024 and 2025 may be less than anticipated; the risk that Headwater's financial results in 2024 and 2025 may not be consistent with its guidance; the risk that Headwater's multi-year business strategy may not be successful; the risk that a greater level of maintenance capital may be required to maintain a flat level of production; and the risk that sections 21 & 34 may not go under secondary recovery when anticipated, or at all. Additional information on these and other factors that could affect Headwater's operations and financial results are included in its Annual Information Form for the year ended December 31, 2023, and other reports on file with Canadian securities regulatory authorities, which may be accessed through the SEDAR+ website (www.sedarplus.ca).

This investor presentation contains financial outlook and future oriented financial information (together, "FOFI") about Headwater including the Company's 2024 guidance, including its expected capital expenditures, dividend payments, adjusted funds flow from operations, adjusted working capital, dividend payments and exit adjusted working capital; Headwater's 2024 and 2025 financial forecasts contained on slide 4 of this presentation; the anticipated maintenance capital required to maintain a flat level of production; and the anticipated maintenance capital and abandonment and reclamation obligations at Headwater's natural gas properties in McCully field. 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.

The forward-looking statements and FOFI contained in this presentation are made as of the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements or FOFI, except as required by applicable law. The forward-looking statements and FOFI contained herein are expressly qualified by this cautionary statement.

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.

Advisory Relating to Development Strategy (Slide 4)

The Company has presented herein a two-year development strategy. The development strategy is based on a number of assumptions as presented in such slides including, without limitation: the required reinvestment rates required to maintain production; expected results from wells drilled in the areas; expected percentage of lands under waterflood and expected recovery factors resulting from waterfloods and other enhanced oil recovery options; average production per year resulting from such strategy; expected adjusted funds flow from operations, free cash flow and post dividend free cash flow; capital expenditures per year; expectations as to commodity prices, royalty rates, production costs, general and administrative expenses and certain other assumptions. Waterflood results in development strategy are based on management's analysis and interpretation of the results from analogous waterflood projects and pilots in the greater Clearwater area including management's analysis of how such results may apply to the Company's assets. See "Type Curve information and Well Economics" under oil and gas advisories. For the purposes of determining the adjusted funds from operations based on the three-year strategy presented, the following pricing assumptions have been utilized:

| | | 2024E | 2025E |
|--------------------|------------|----------|----------|
| WTI | US\$/bbl | \$ 76.25 | \$ 75.00 |
| WCS | Cdn\$/bbl | \$ 83.88 | \$ 81.60 |
| AECO | Cdn\$/GJ | \$ 1.88 | \$ 3.12 |
| AGT ⁽¹⁾ | US\$/mmbtu | \$ 5.11 | \$ 9.31 |
| FX | Cdn\$/US\$ | 0.73 | 0.74 |

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

(2) Strip pricing resulting in \$335M million of ATAX funds flow includes the following: US\$79.24/bbl WTI, -US\$14.92/bbl WCS differential, 1.37 FX rate, US\$5.11/mmbtu AGT

Such development strategy is not based on a budget or capital expenditures plan approved by the Board of Directors of the Company beyond 2024 and is not intended to present a forecast of future performance or a financial outlook. In addition, such development strategy does not represent management's expectations of the Company's future performance but rather is intended to present readers insight into management's view of the opportunities associated with the Company's assets as used by management for planning and strategy purposes based on the commodity pricing and other assumptions used for such strategy. In addition, the development strategy does not represent an estimate of reserves or resources or the future net present value of reserves or resources.

There is no certainty that the Company will proceed with all of the drilling of wells, enhanced oil recovery plans or other capital expenditures contemplated by the development strategy and even if the Company does proceed with such plans there is no certainty that the reserves or resources recovered will match the expectations used for such strategy. All future drilling, enhanced oil recovery plan and other capital expenditures will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.

There is no certainty that cash will be available for distribution to shareholders even if all assumptions are met as management and the Board of Directors of the Company have not made any decision to pay dividends or otherwise distribute cash to shareholders. Management and the Board of Directors of the Company may determine to utilize cash for other purposes if determined in the best interests of the Company to do so. See "Dividend Advisory".

The assumptions used for the development strategy presented herein are subject to a number of risks including the risks set out under the forward-looking advisory on the previous slide, the risk factors identified above and the risk factors set out in the Company's Annual Information Form for the year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca.



NON-GAAP MEASURES AND RATIOS

This investor presentation contains the terms “adjusted funds flow from operations (“AFFO”) or Atax funds flow”, “adjusted working capital”, “capital expenditures or capital program”, “free cash flow”, “post dividend free cash flow”, “operating cash flow”, “reinvestment rate”, “post dividend free cash flow per share” and “adjusted funds flow from operations netback” which do not have standardized meanings prescribed by International Financial Reporting Standards (“IFRS” or, alternatively, “GAAP”) and therefore may not be comparable with the calculation of similar measures by other companies. The non-GAAP and other financial measures used in this presentation, defined terms outlined below, are used by Headwater as key measures of financial performance and are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by operating activities or other measures of financial performance calculated in accordance with IFRS.

Capital Management Measures

Adjusted funds flow from operations or Atax fund flow (“AFFO”)

Management considers AFFO to be a key measure to assess the Company’s management of capital. In addition to being a capital management measure, AFFO is used by management to assess the performance of the Company’s oil and gas properties. Adjusted funds flow from operations is an indicator of operating performance as it varies in response to production levels and management of production and transportation costs. Management believes that by eliminating changes in non-cash working capital and adjusting for current income taxes in the period, AFFO is a useful measure of operating performance.

| | Three months ended March 31, | |
|---|-------------------------------|---------------|
| | 2024 | 2023 |
| | <i>(thousands of dollars)</i> | |
| Cash flows provided by operating activities | 55,047 | 60,201 |
| Changes in non-cash working capital | 4,628 | (8,414) |
| Current income taxes | (12,233) | (8,572) |
| Current income taxes paid | 29,004 | 15,942 |
| Adjusted funds flow from operations | <u>76,446</u> | <u>59,157</u> |

Adjusted working capital

Adjusted working capital is a capital management measure which management uses to assess the Company’s liquidity.

| | March 31, | December 31, |
|---------------------------------|-------------------------------|---------------|
| | 2024 | 2023 |
| | <i>(thousands of dollars)</i> | |
| Working capital | 58,336 | 78,610 |
| Repayable contribution | (11,619) | (11,405) |
| Financial derivative receivable | (205) | (3,758) |
| Financial derivative liability | 2,329 | 79 |
| Adjusted working capital | <u>48,841</u> | <u>63,526</u> |

Non-GAAP Financial Measures

Capital expenditures or capital program

Management utilizes capital expenditures to measure total cash capital expenditures incurred in the period. Capital expenditures represents capital expenditures – exploration and evaluation and capital expenditures – property, plant and equipment in the statement of cash flows in the Company’s interim financial statements.

| | Three months ended March 31, | |
|---|-------------------------------|---------------|
| | 2024 | 2023 |
| | <i>(thousands of dollars)</i> | |
| Cash flows used in investing activities | 51,580 | 57,957 |
| Proceeds from government grant | 177 | - |
| Change in non-cash working capital | 13,510 | 11,537 |
| Capital expenditures | <u>65,267</u> | <u>69,494</u> |

Free cash flow

Management uses free cash flow for its own performance measure and to provide shareholders and potential investors with a measurement of the Company’s efficiency and its ability to generate the cash necessary to fund its future growth expenditures. Free cash flow is defined as adjusted funds flow from operations less capital expenditures before dividends.

| | Three months ended March 31, | |
|-------------------------------------|-------------------------------|-----------------|
| | 2024 | 2023 |
| | <i>(thousands of dollars)</i> | |
| Adjusted funds flow from operations | 76,446 | 59,157 |
| Capital expenditures | (65,267) | (69,494) |
| Free cash flow | <u>11,179</u> | <u>(10,337)</u> |

Post dividend free cash flow

Post dividend free cash flow is defined as free cash flow net of dividends declared or paid in the period. This measure is used by the Company to assess the funds available for future growth after dividends.

Operating cash flow and operating cash flow including financial derivatives

Management uses operating cash flow and operating cash flow including financial derivatives as a measure of profitability. Operating cash flow is defined as sales net of royalties, blending and transportation and production expense. Operating cash flow including financial derivatives is defined as sales net of royalties, blending and transportation and production expense plus realized gains or losses on financial derivatives.



Non-GAAP Ratios

Reinvestment Rate

Management believes the reinvestment rate is a useful measure to analyze the ratio of funds generated by the Company and used for reinvestment and is calculated as total capital expenditures divided by AFFO.

Post dividend free cash flow per share

Post dividend free cash flow per share is a useful measure of potential shareholder return and is calculated as post dividend free cash flow divided by basic common shares outstanding.

Operating cash flow netback

Operating cash flow netback is calculated as operating cash flow divided by annual sales volumes.

Certain Oil and Gas Advisories

TYPE CURVE INFORMATION AND WELL ECONOMICS

Headwater has presented certain type curve information and well economics for certain development, exploration 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 and exploration drilling in the Marten Hills area and for determining the success of the performance of development and exploration 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 McDaniel (as defined below) in estimating the reserves volumes attributed to the Marten Hills assets.

EXPLORATION LANDS

This presentation discloses Headwater's newly acquired exploration lands. All exploration lands have specifically been identified by management based on evaluation of applicable geologic, seismic, engineering, analogous information, production and reserves data on prospective acreage and geologic formations. There is no certainty that the Company will develop all or any exploration sections identified and if developed there is no certainty that such development will result in additional oil and gas reserves, resources or production. The sections on which Headwater drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results and other factors.

EXPLORATION DRILLING INVENTORY

This presentation discloses the drilling locations and inventory associated with certain of Headwater's exploration prospects. All of the drilling locations and inventory associated with Headwater's exploration prospects are considered unbooked locations. Unbooked locations are internal estimates and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Un-booked locations do not have attributed reserves or resources. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. The majority of the unbooked drilling locations are associated with exploration prospects where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

RESERVES INFORMATION

Headwater currently has reserves in the Marten Hills, Greater Peavine and West Nipisi areas 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 McDaniel & Associates Consultants Ltd. ("McDaniel") of Headwater's reserves in its report dated March 6, 2024 and effective December 31, 2023, which was prepared in accordance with standards of the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") and is based on the average forecast prices as at January 1, 2024, 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, 2023, which may be accessed through the SEDAR+ website.

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.

Certain Oil and Gas Advisories

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. Corporate decline is calculated by the year over year reduction in the corporate production if the Company is not drilling any additional wells. 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.

INITIAL PRODUCTION RATES ADVISORY

References in this presentation to initial production rates, other short-term production rates or initial performance measures relating to new wells are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. Accordingly, the Company cautions that the test results should be considered to be preliminary.

ANALOGOUS INFORMATION

Certain information in this investor presentation may constitute "analogous information" as defined in 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.

OOIP ADVISORY

Original Oil-In-Place ("OOIP") is equivalent to Total Petroleum Initially-In-Place ("TPIIP") and has been estimated as March 7, 2024. TPIIP, as defined in the Canadian Oil and Gas Evaluations 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. The OOIP contained in this presentation has been internally estimated by Headwater management.

DIVIDEND ADVISORY

The amount of future cash dividends paid by the Company, if any, will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, including, among other things, adjusted funds from operations, fluctuations in commodity prices, production levels, capital expenditure requirements, acquisitions, debt service requirements and debt levels, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. Depending on these and various other factors, many of which will be beyond the control of the Company, the dividend policy of the Company from time to time and, as a result, future cash dividends could be reduced or suspended entirely.



MARKET, INDEPENDENT THIRD PARTY AND INDUSTRY DATA ADVISORY

Certain market, independent third party and industry data contained in this presentation is based upon information from government or other independent industry publications and reports or based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but the Company has not conducted its own independent verification of such information. This presentation also includes certain data derived from independent third parties, including, but not limited to: maps obtained from geoSCOUT on Slides 2, 3, 6, 7, 8, 9 & 10 of this presentation. While Headwater believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from independent third-party sources referred to in this presentation or ascertained the underlying assumptions relied upon by such sources.