



January 6th, 2025

HEADWATER EXPLORATION INC. PROVIDES FOURTH QUARTER PRODUCTION RESULTS AND ENTRANCE INTO A NEW OPERATING AREA

CALGARY, ALBERTA – Headwater Exploration Inc. (the "**Company**" or "**Headwater**") (**TSX:HWX**) is pleased to report fourth quarter average production volumes of approximately 21,500 BOE/d and significant land expansion in the Clearwater fairway.

Greater Pelican Area

Headwater is excited to announce a new partnership with the Bigstone Cree Nation ("BCN"). A new farmout agreement supported by the Chief and Council of the BCN contemplates Headwater drilling up to four commitment wells with commensurate bonus payments paid by the Company, which would result in Headwater earning leases across 34.5 sections of highly prospective land in the Greater Pelican area. The agreement is subject to final IOGC (as defined below) regulatory approval. Headwater has started the surface land acquisition process and is anticipating drilling our first multi-lateral earning well, targeting the Wabiskaw formation late in the first quarter of 2025.

In addition, Headwater has successfully acquired 23 sections of land in the Greater Pelican area through crown land sales which offset the lands accessed through the Bigstone Cree Nation agreement.

The Headwater team has identified multiple prospective horizons within the newly acquired 57.5 section Greater Pelican area and plans to test 2-3 of the prospects within the 2025 calendar year.

Greater Peavine Area

Headwater has successfully closed on a 10 section land acquisition in the Greater Peavine area. The new lands, which offset our core Seal lands, offer targets in the multi-zone Falher and Bluesky formations. With the newly acquired lands, Headwater now has 65 net sections of land in the Greater Peavine area.

Land Acquisition and Exploration

The Headwater team continues its pursuit of organic growth opportunities having accumulated 193 sections of land in the 2024 calendar year. Headwater now has over 600 sections of land within the Clearwater fairway in addition to 192 sections of non-Clearwater acreage in oily fairways across the basin.

Headwater expects to spend approximately \$25 million on exploration drilling in 2025 testing 5-7 new play concepts and 8-10 follow up tests on plays discovered in 2024.

Additional corporate information can be found in the Company's corporate presentation and on Headwater's website at www.headwaterexp.com.

FOR FURTHER INFORMATION PLEASE CONTACT:

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FORWARD LOOKING STATEMENTS: *This press release contains forward-looking statements. The use of any of the words "guidance", "initial", "anticipate", "scheduled", "can", "will", "prior to", "estimate", "believe", "potential", "should", "unaudited", "forecast", "future", "continue", "may", "expect", "project", and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained herein, include, without limitation, the terms of the agreement with Bigstone Cree Nation; the expectation of being able to drill four commitment wells to earn leases across 34.5 sections of highly prospective land in the Greater Pelican Lake area; the timing for receiving regulatory approval for the agreement with the Bigstone Cree Nation from Indian Oil and Gas Canada ("IOGC"); the anticipated timing for drilling the first well targeting the Wabiskaw formation; the anticipated prospective horizons within the newly acquired 57.5 section Greater Pelican area; the Company's plans to test 2-3 of the prospects in the Greater Pelican area within the 2025 calendar year; the anticipated targets in the multi-zone Falher and Bluesky formations in the Greater Peavine area; and the Company's plans to spend approximately \$25 million on exploration drilling in 2025 testing 5-7 new play concepts and 8-10 follow up tests on plays discovered in 2024. The forward-looking statements contained herein are based on certain key expectations and assumptions made by the Company, including but not limited to expectations and assumptions concerning obtaining approvals from IOGC, the ability to obtain surface rights for drilling in the Greater Pelican area, the Company and all counterparties will satisfy their obligations under contracts, the success of optimization and efficiency improvement projects, the availability of capital, current legislation, receipt of required regulatory approvals, 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, prevailing commodity prices and certain other guidance assumptions. Although the Company 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 the Company can give 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 in receiving all regulatory approvals, including from the IOGC, for its operations, risks that counterparties will not satisfy contractual obligations, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the risks of political events and policies impacting the oil and gas industry and the Company; the Russian-Ukrainian war and the middle eastern conflicts and the impact on the global economy and commodity prices; the impacts of inflation and supply chain issues and steps taken by central banks to curb inflation; pandemics and other major health events, war, terrorist events, political upheavals and other similar events; events impacting the supply and demand for oil and gas including actions taken by the OPEC + group; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas industry and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Refer to Headwater's Annual Information Form dated March 7, 2024, on SEDAR+ at www.sedarplus.ca, and the risk factors contained therein.*

BARRELS OF OIL AND CUBIC FEET OF NATURAL GAS EQUIVALENT: *The term "boe" (or barrels of oil equivalent) and "Mcf" (or thousand cubic feet of natural gas equivalent) may be misleading, particularly if used in isolation. A boe and Mcf 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.*

PRODUCTION VOLUMES: *With respect to the 2024 fourth quarter production volumes presented herein, such volumes are comprised of: 20,300 bbls/d of heavy oil, 30 bbls/d of natural gas liquids and 7.0 mmcf/d of natural gas.*