Headwater Exploration Inc.

CORPORATE PRESENTATION

TSX:HWX

April 2025

CAPITALIZATION, GUIDANCE AND BUSINESS STRATEGY

Outlook

Average Daily Production	2025 Guidance[1]
Annual Daily Production (boe/d) [2]	22,250
Financial Summary ($millions)	
Adjusted Funds Flow From Operations [4]	320
Capital Expenditures [3]	225
Dividends [6]	105
Exit Adjusted Working Capital [4]	45
Pricing and Key Assumptions	
Crude Oil – WTI (US$/bbl)	70.00
Crude Oil – WCS (CDN$/bbl)	79.40

Capitalization

Headwater Exploration Inc.	*TSX*	HWX
Share Price (April 1st, 2025)	*$/sh.*	$6.45
Shares Outstanding (Basic)	*MM*	237.8
Dilutives [5]	*MM*	0.1
Shares Outstanding (Fully Diluted) [5]	*MM*	237.9
2024 YE Exit Adjusted Working Capital [4]	*$MM*	$67.6

2025 Highlights

- 10% production per share growth from $150 million of maintenance and growth capital
- $50 million attributed towards secondary recovery with an estimated 50% of corporate oil production supported by year end 2025
- $25 million attributed towards exploration testing 5-7 new play concepts
- Quarterly dividend increased by 10% to $0.11 / common share commencing April 15th, 2025

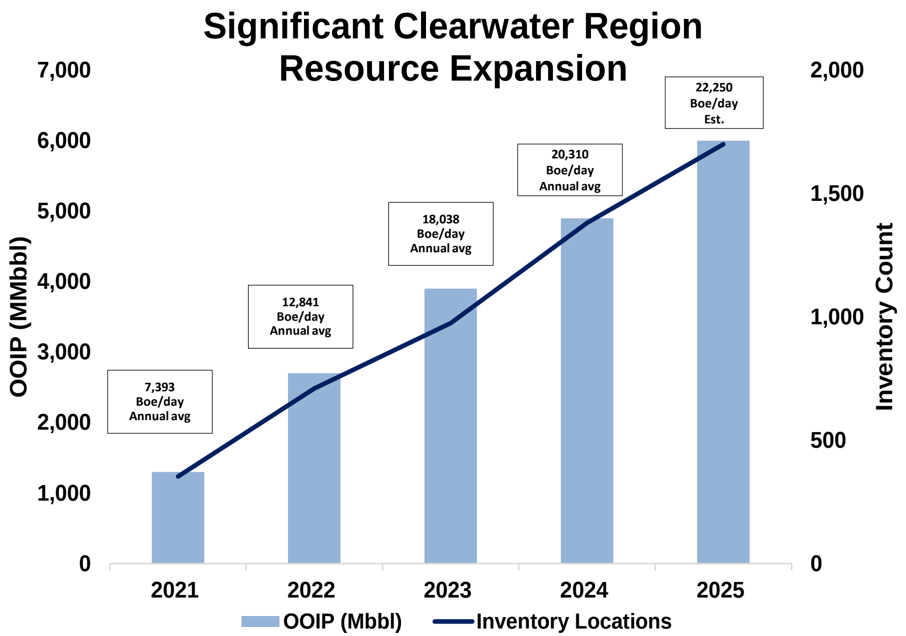
Multi-Year Business Strategy

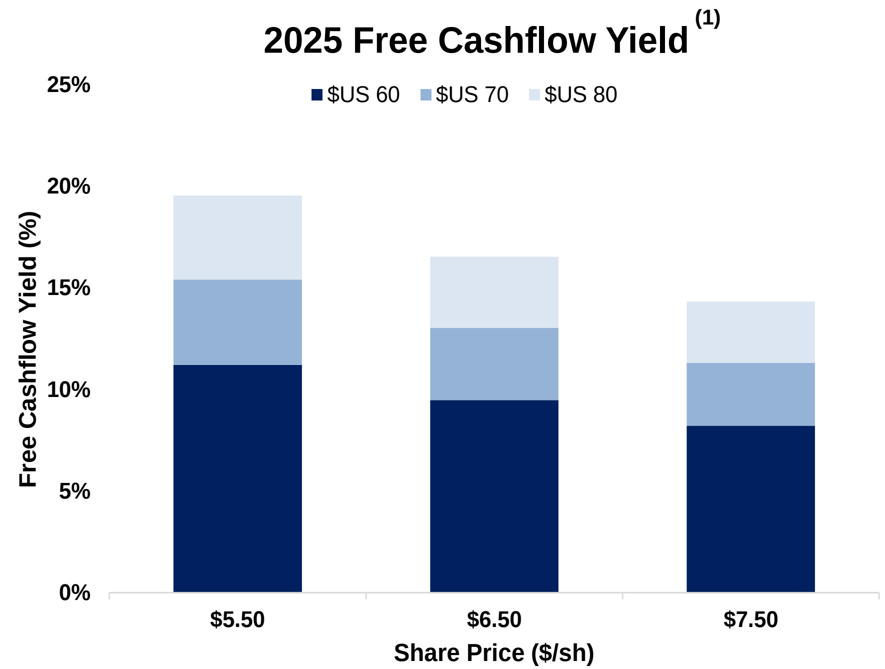
- Grow base production while maintaining a strong balance sheet for strategic opportunities
- Continue to implement secondary recovery, providing asset duration and sustainable long-term returns
- Continue adding incremental prospects through strategic land acquisitions and accretive M&A
- Grow the quarterly dividend [6]

See Slide Notes and Advisories including "Non-GAAP Advisory" and "Dividend Advisory".

HEADWATER EXPLORATION

Expanding Clearwater Resource Provides Flexibility in Future Capital Allocation





- ***Realized approximately 48% 4-year compound annual growth in inventory and OOIP organically while increasing production by 201%, all within cash flow***
- 6,000 MMbbl of identified OOIP with 68 MMbbl of Total Proved Plus Probable reserves booked as of year-end 2024
- Approximately 1,400 MMbbl of the identified OOIP has secondary recovery potential
  - *Fully developed, a 1% increase in recovery factor is 14 MMbbl of incremental reserves*

Resilient Free Cashflow: Base decline mitigation from secondary recovery results in increasing free cashflow yields

Lower base decline and strong capital efficiencies drive FCF, providing downside protection at US $60 WTI while capturing significant upside at US $80+ WTI through disciplined reinvestment and shareholder returns

Corporate Development Strategy @ US$70 WTI & Strip WCS Differentials (2) (3)

Year	Production	Production Growth	Atax Funds Flow	Maintenance Capital	Maintenance Capital Reinvestment Rate	Growth Capital	Secondary Recovery & Exploration Capital	Total Capital Reinvestment Rate	Total Capital Free Cash Flow	Dividend Payment	Dividend Payment
	Boe/d	%	$MM	$MM	%	$MM	$MM	%	$MM	$/sh	$MM
2025E	22,250	10%	320	118	37%	32	75	70%	95	0.44	105
2026E	24,400	10%	331	123	37%	47	50	66%	111	0.44	105
2027E	26,500	9%	353	125	35%	50	50	64%	121	0.44	105

(1) Free cash flow yield is calculated using maintenance capital only.

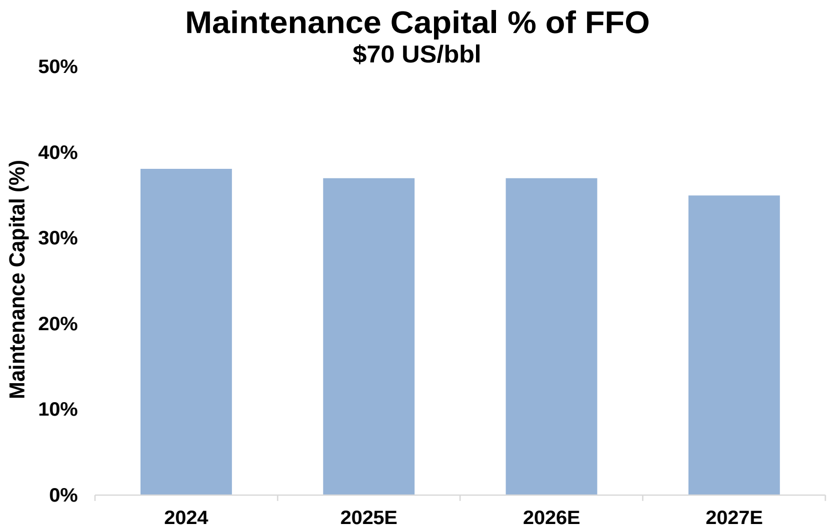
(2) Budgets and forecasts beyond 2025 are for illustrative purposes only and have not been finalized or approved by the Board of Directors.

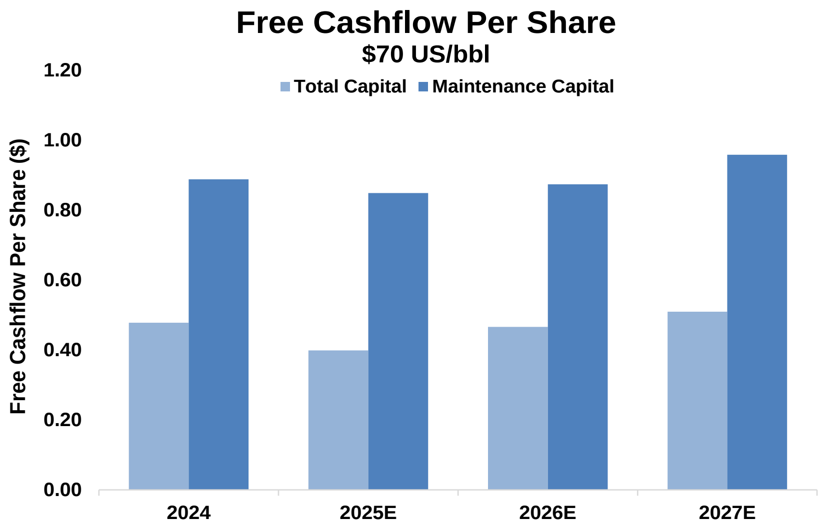
(3) WCS differentials USD: 2025 = $13.10, 2026 = $16.45, 2027 = $15.00

See Slide Notes and Advisories.

HEADWATER EXPLORATION

Leading Maintenance Capital Requirements Provides Capital Optionality





Capital Allocation

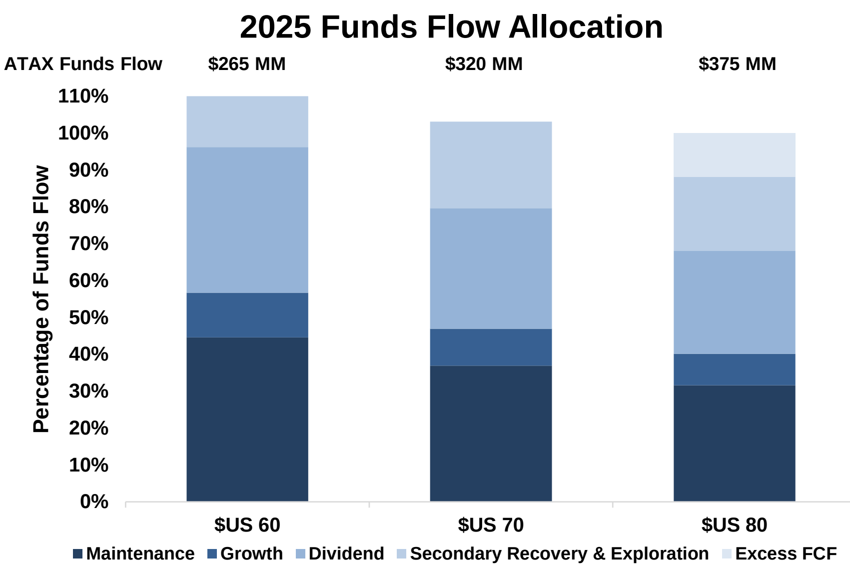
- ~10% yearly production per share growth
- $0.11 per common share quarterly dividend return of capital
- Sustainability through investment in exploration and secondary recovery

Resiliency

- $67.6 million positive adjusted working capital as at December 31, 2024
- Maintenance capital and dividend sustainable to US$53/bbl WTI
- Leading maintenance capital requirements of < 40% of funds flow at US$70/bbl WTI

Opportunity

- Over 800 sections of land and balance sheet strength for continued expansion
- 20 years of identified inventory
- Identified inventory has doubled over last two years through organic exploration



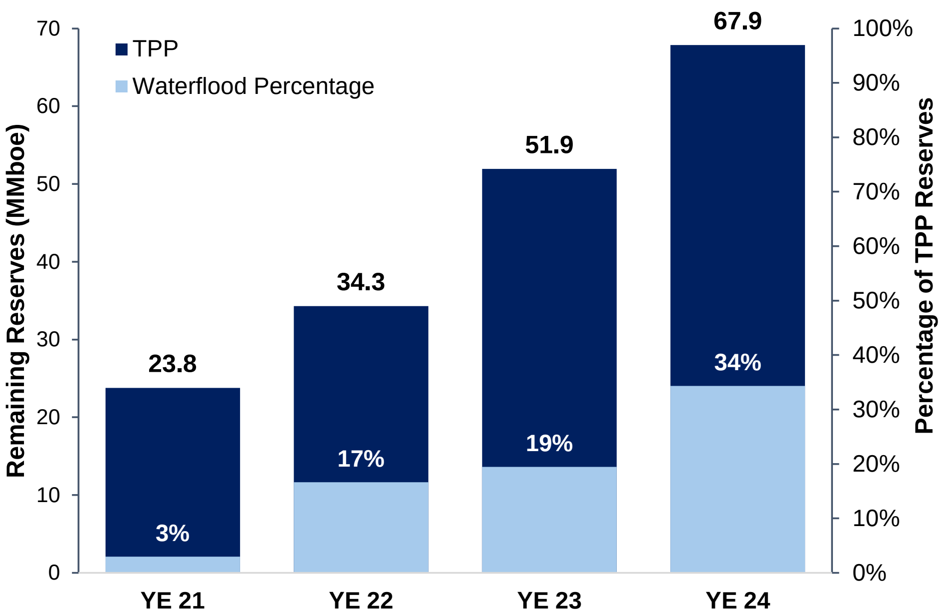
See Slide Notes and Advisories including "Exploration Drilling Inventory Advisory". Majority of identified inventory are considered unbooked locations.

YEAR END 2024 RESERVES SUMMARY

Reserve Category	Heavy Oil	Gas	Total	Year Over Year Change	Reserves Replacement Rate	F&D including FDC [1]	Recycle Ratio [2]
	Mbbl	MMcf	Mboe	(%)	(%)	$/boe	
Proved Producing	25,119	24,383	29,183	32%	196%	15.32	3.0
Total Proved	37,949	30,755	43,075	33%	242%	15.93	2.9
Total Proved Plus Probable	60,430	44,536	67,853	31%	315%	12.95	3.5

1. Heavy oil volumes include heavy crude oil and natural gas liquids
2. Total future development costs of $259.4 million proved reserves and $367.7 million proved plus probable reserves

TPP Reserves by Year (MMboe)



Summary

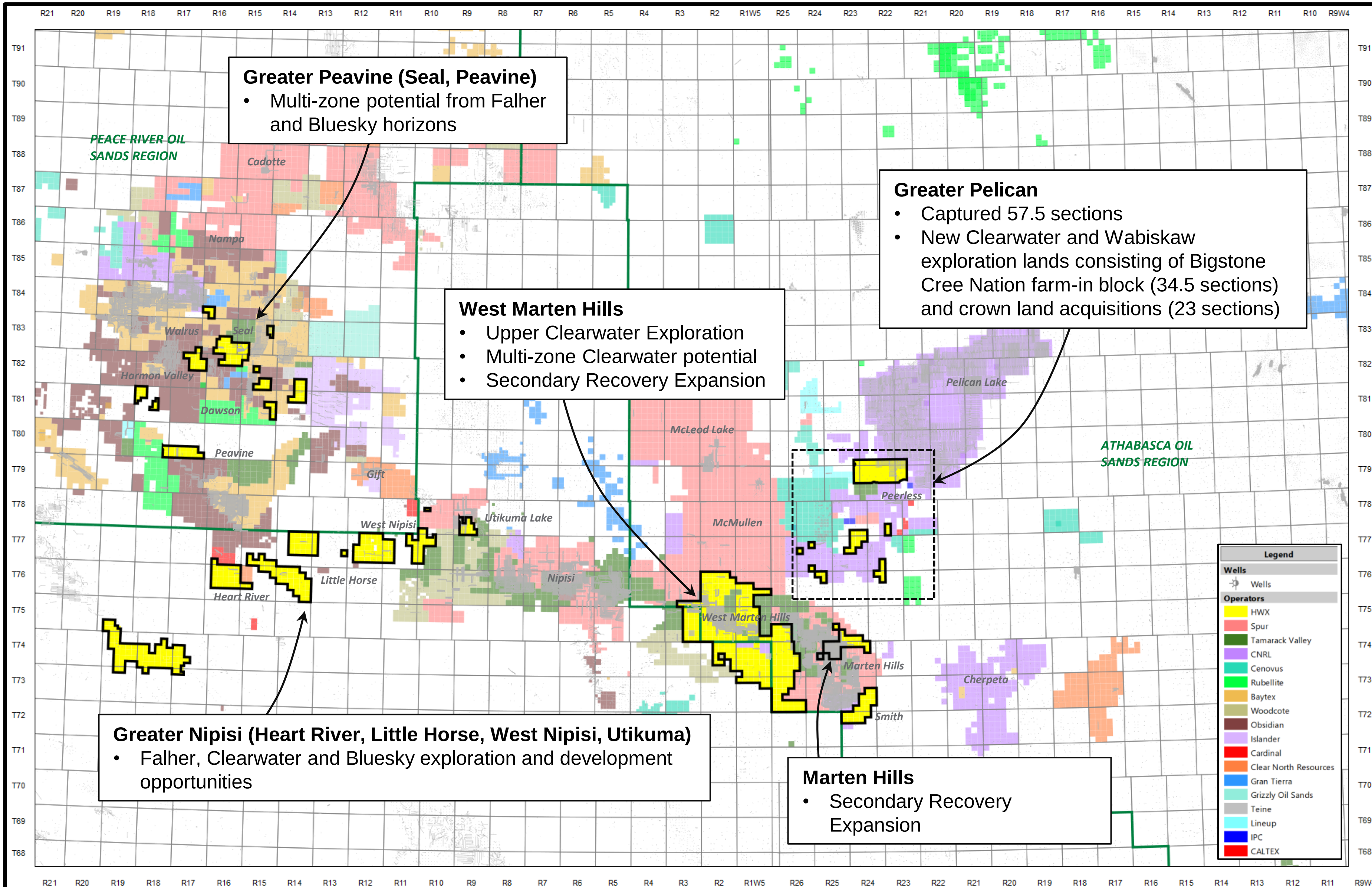
- PDP reserves increased by 7.1 mmboe (32%)
- TPP reserves increased by 16.0 mmboe (31%)
- 2P reserves associated with secondary recovery of 23.3 mmboe
- 180 2P undeveloped locations have been included in the reserve report
- **Realized 3-year compound annual growth of 44% in PDP reserves and 222% in secondary recovery supported reserves.**
- **Realized 3-year compound annual growth of 12% in PDP RLI with a 175% increase in production**

2022-2024 3-Year Average	
PDP Recycle Ratio:	2.7
TPP Recycle Ratio:	3.1
PDP F&D ($/boe):	18.64
TPP F&D ($/boe):	16.10

See Slide Notes and Advisories including “Reserves Information” and “Oil and Gas Metrics”

REGIONAL CLEARWATER AREA

Total Land Holdings over 600 net sections

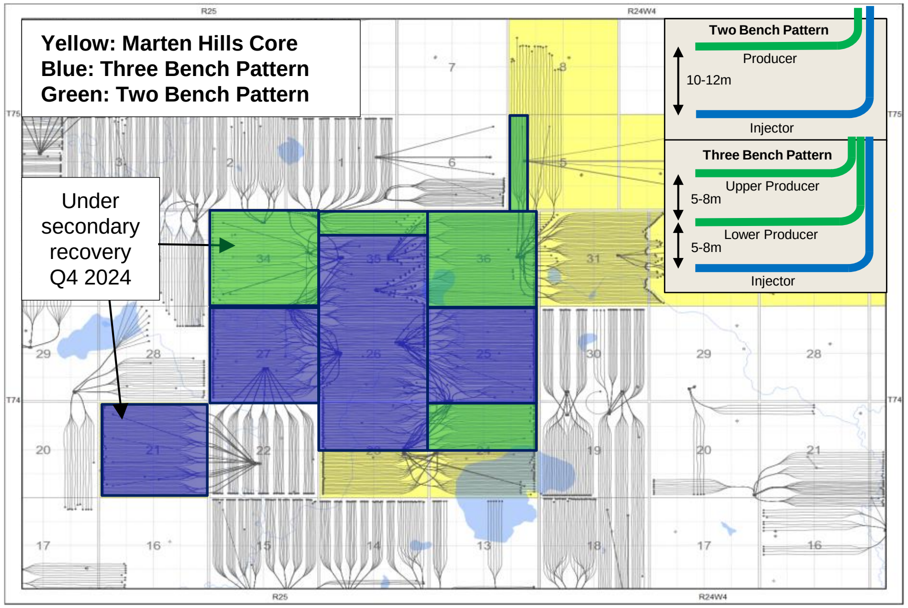


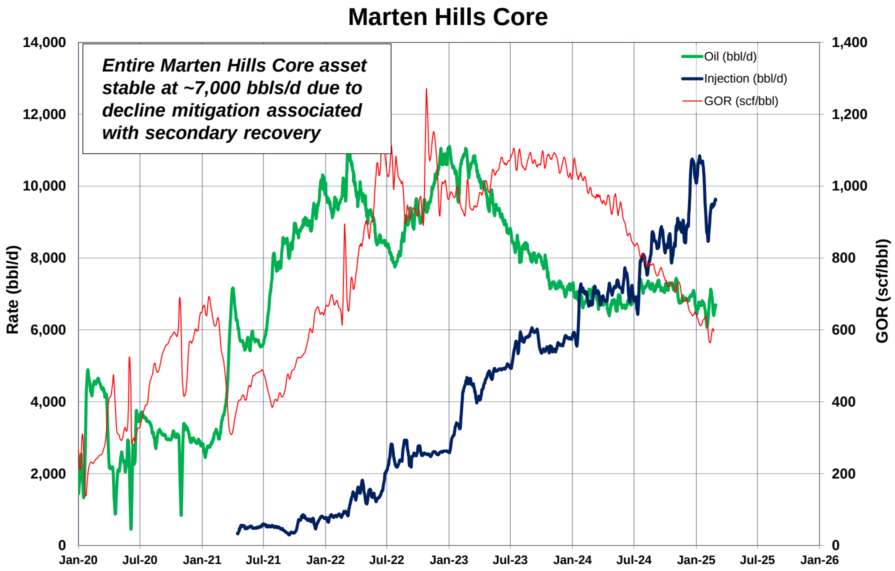
See Slide Notes and Advisories

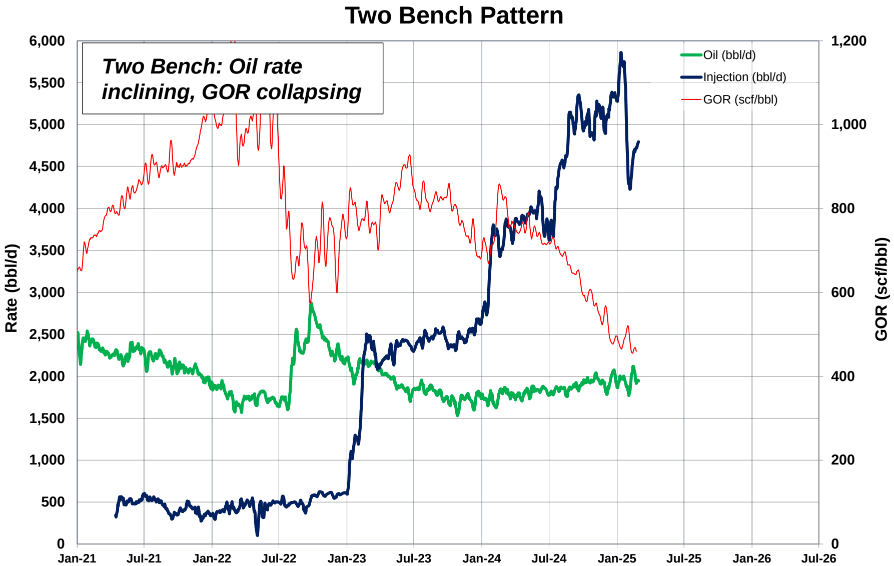
MARTEN HILLS CORE SECONDARY RECOVERY

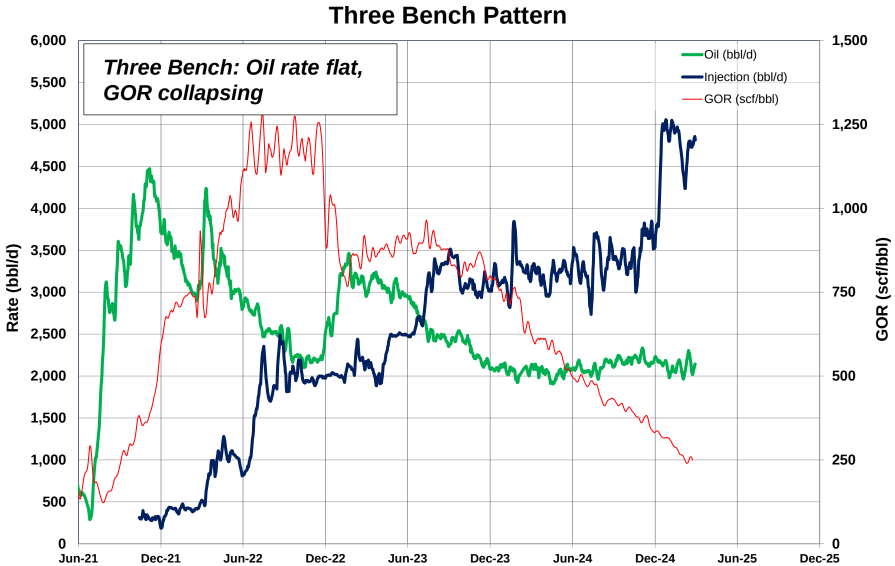
Strong results continue with 90% of core area sections supported

Multi-Layer Support





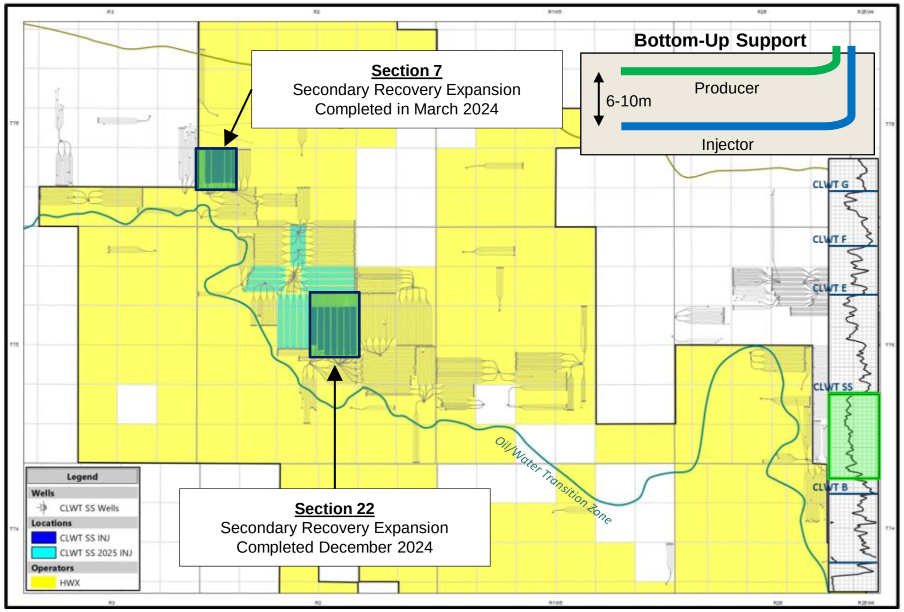


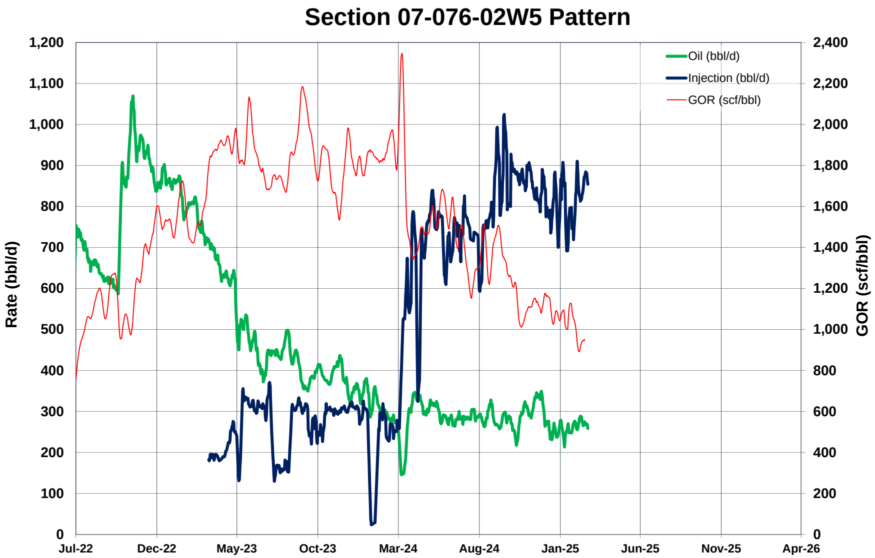


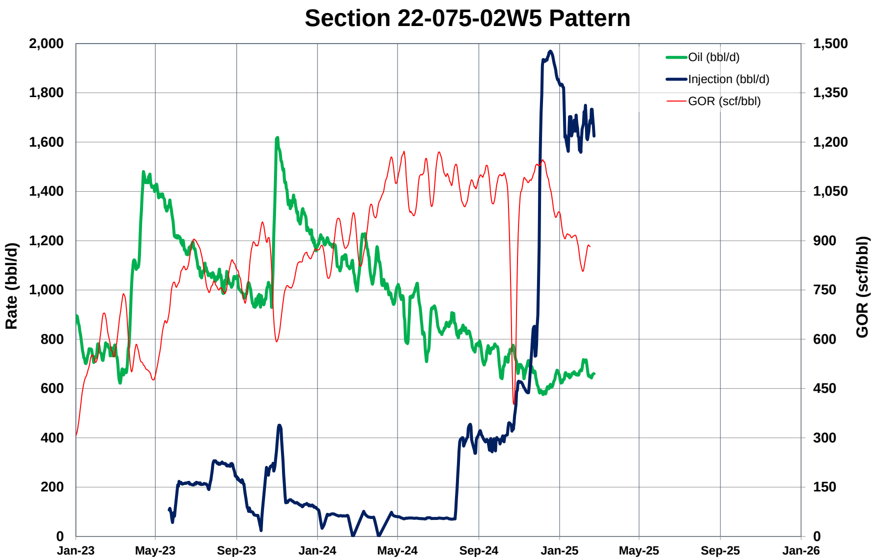
MARTEN HILLS WEST SANDSTONE SECONDARY RECOVERY

Response continues to improve with two full sections under secondary recovery

Marten Hills West – Utilizing Marten Hills Core Learnings





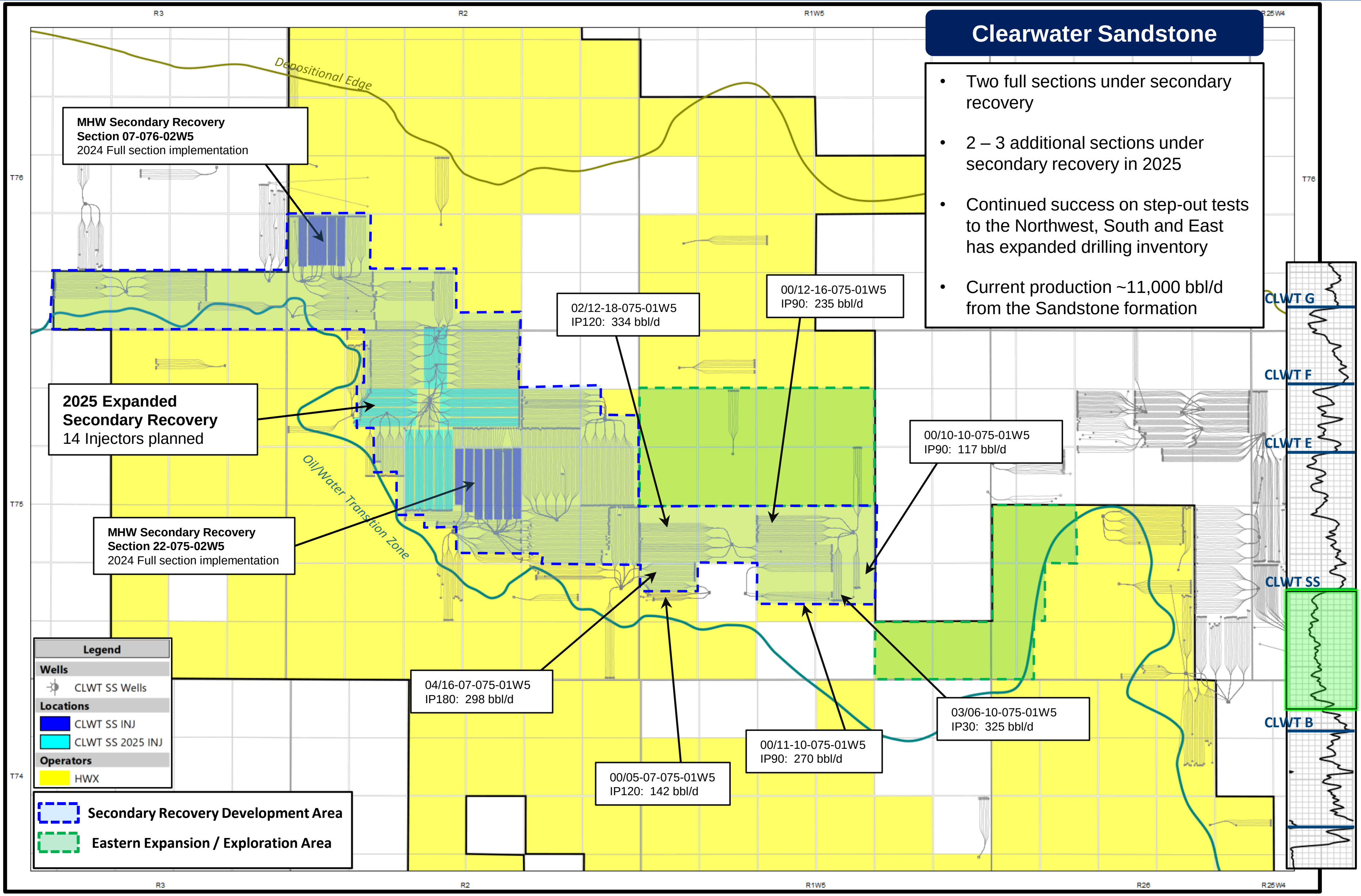


Marten Hills West Secondary Recovery

- Oil rate stabilization and GOR suppression are evident in both pilots
- Section 07-076-02W5 was fully supported in Q1 2024
  - Strong injectivity at a 2.2X voidage replacement ratio
  - Stabilized production at 280 bbl/d
- Section 22-075-02W5 was fully supported in Q4 2024
  - Strong injectivity at a 2.1X voidage replacement ratio
  - Production stabilizing at 650 bbl/d
- With 2025 capital program, a total of ~2,000 bbl/d will be supported by secondary recovery

MARTEN HILLS WEST – CLEARWATER SANDSTONE

Continued Step-out Success; Expanding Secondary Recovery

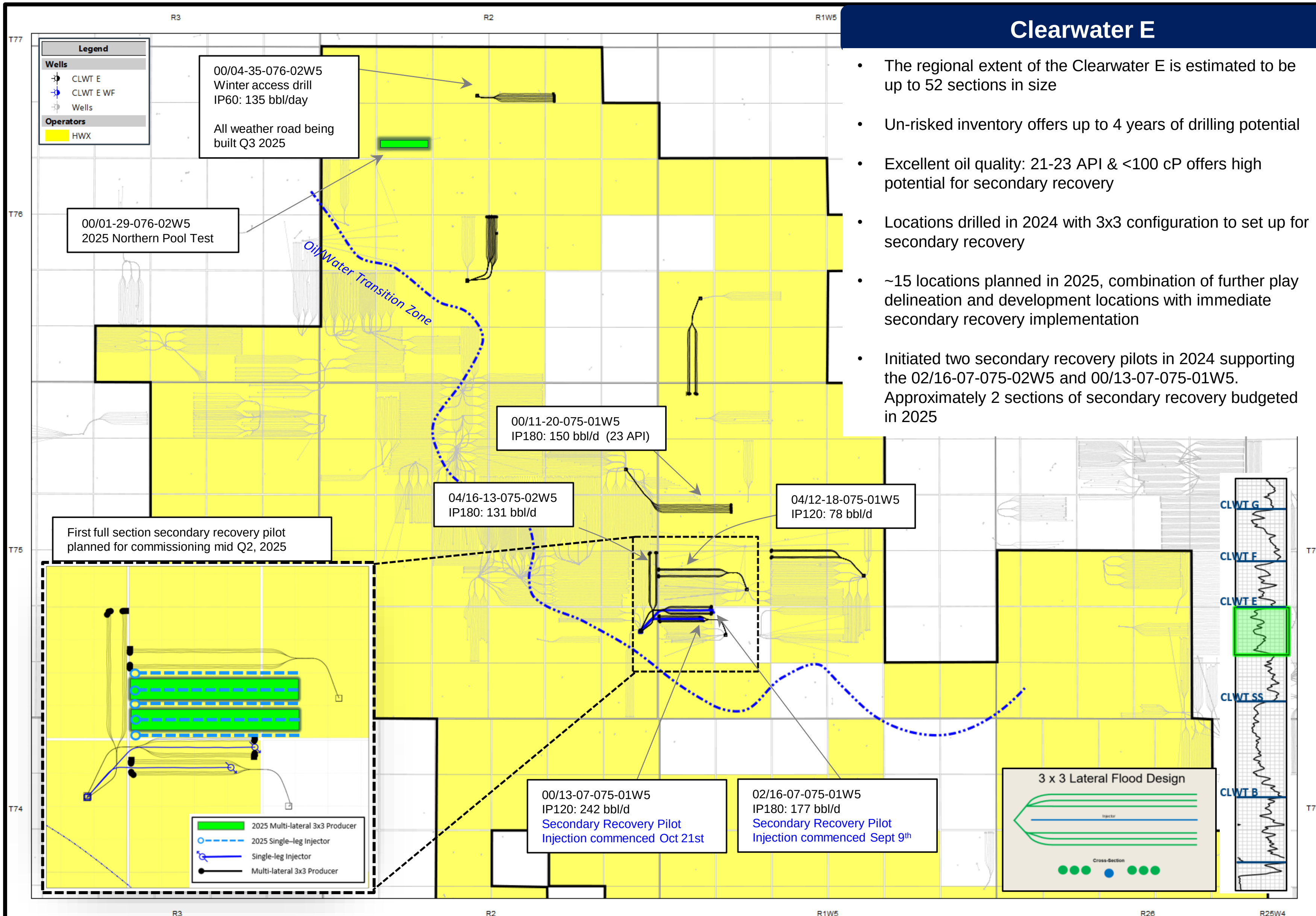


Clearwater Sandstone

- Two full sections under secondary recovery
- 2 – 3 additional sections under secondary recovery in 2025
- Continued success on step-out tests to the Northwest, South and East has expanded drilling inventory
- Current production ~11,000 bbl/d from the Sandstone formation

MARTEN HILLS WEST EXPLORATION

Clearwater E Pool Expansion - A new growth opportunity within Marten Hills West

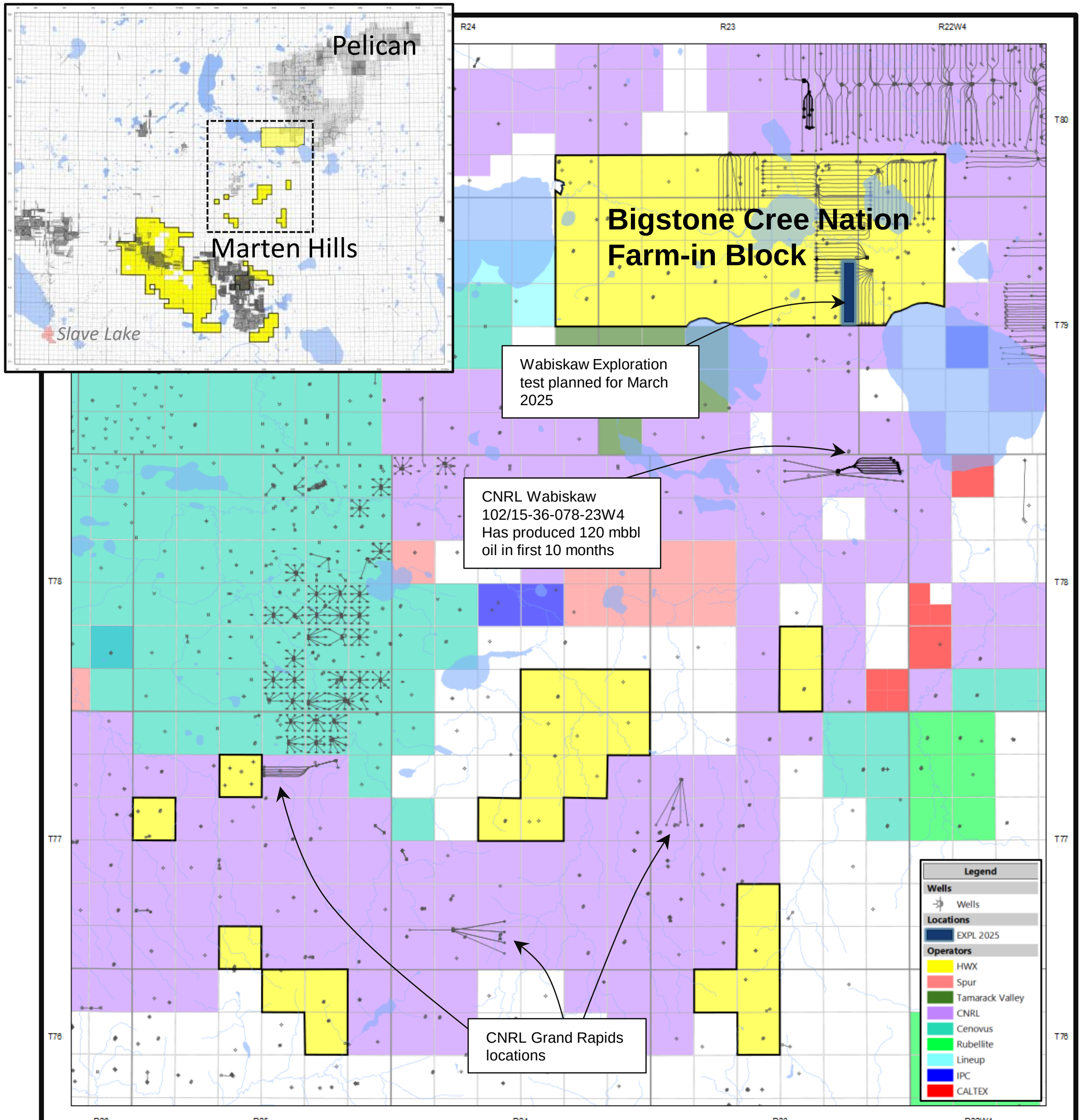


Clearwater E

- The regional extent of the Clearwater E is estimated to be up to 52 sections in size
- Un-risked inventory offers up to 4 years of drilling potential
- Excellent oil quality: 21-23 API & <100 cP offers high potential for secondary recovery
- Locations drilled in 2024 with 3x3 configuration to set up for secondary recovery
- ~15 locations planned in 2025, combination of further play delineation and development locations with immediate secondary recovery implementation
- Initiated two secondary recovery pilots in 2024 supporting the 02/16-07-075-02W5 and 00/13-07-075-01W5. Approximately 2 sections of secondary recovery budgeted in 2025

GREATER PELICAN

New Exploration Area Targeting Multiple Horizons



Greater Pelican

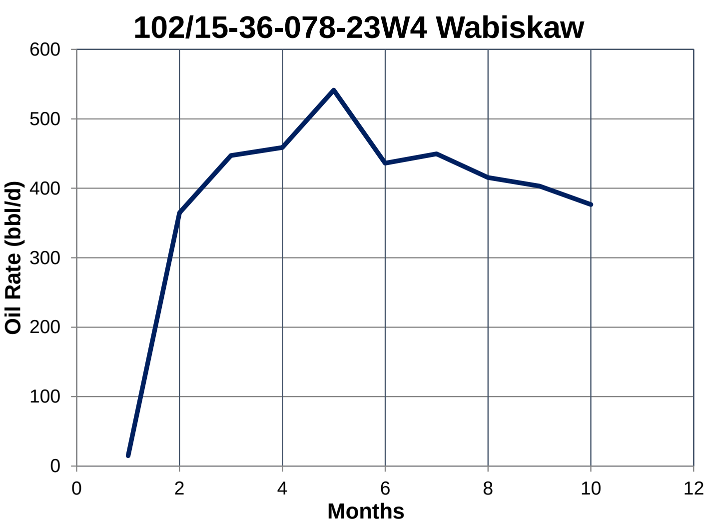
Bigstone Cree Nation Farm-in Block:

- 34.5 sections captured
- Initial Wabiskaw location planned for Q1 2025

Additional lands purchased at crown land sales:

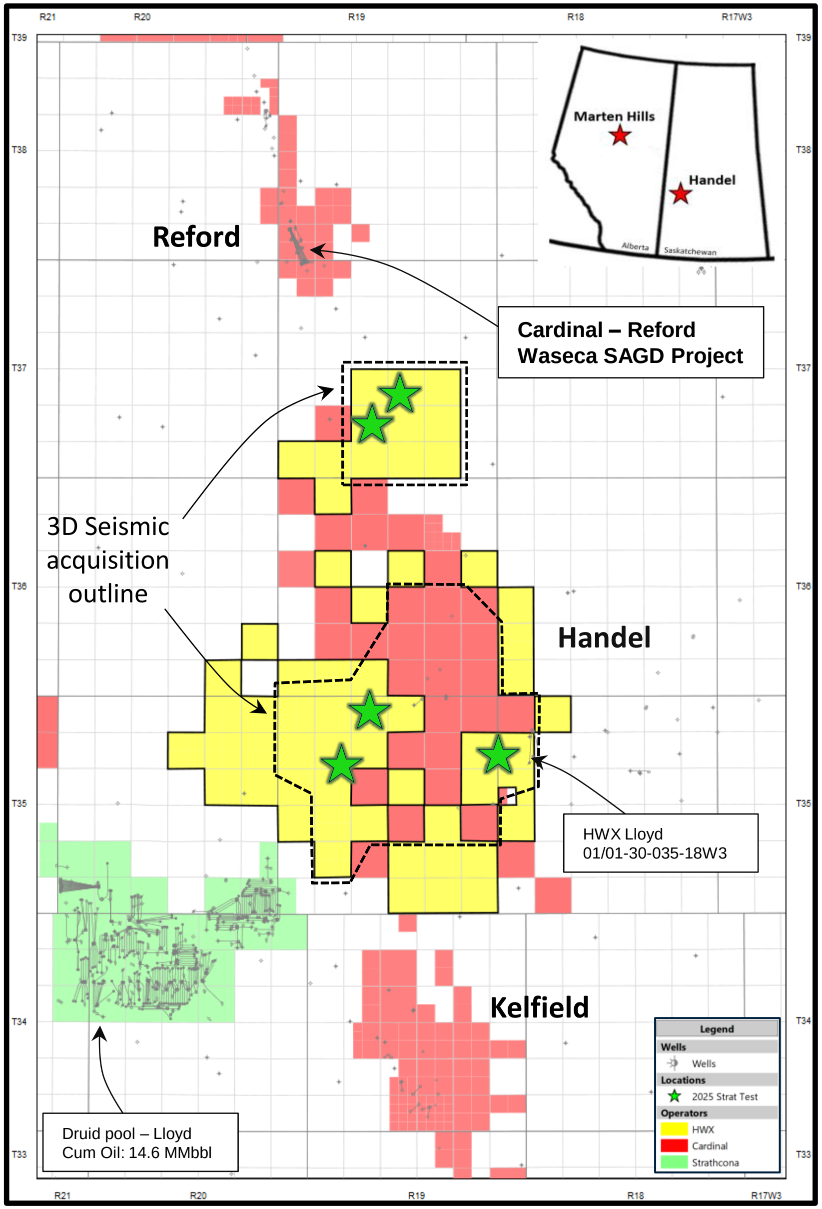
- 23 Sections of oil sands rights
- Exploration opportunities in the Upper Mannville, Grand Rapids, Clearwater, Wabiskaw, and McMurray zones

Greater Pelican will see 3-4 exploration concepts tested in 2025



SW SASKATCHEWAN

W3/W4 Mannville – SAGD and Conventional Heavy Oil Exploration



Handel

Large contiguous land block accumulated:

- 57.75 Sections

3D Seismic Acquisition:

- 39 sections of 3D seismic acquired – covering 29.6 sections of HWX lands
- Multiple Mannville targets identified, including the potential for conventional and thermal development
- Stratigraphic tests to evaluate seismic identified targets planned for the second half of 2025

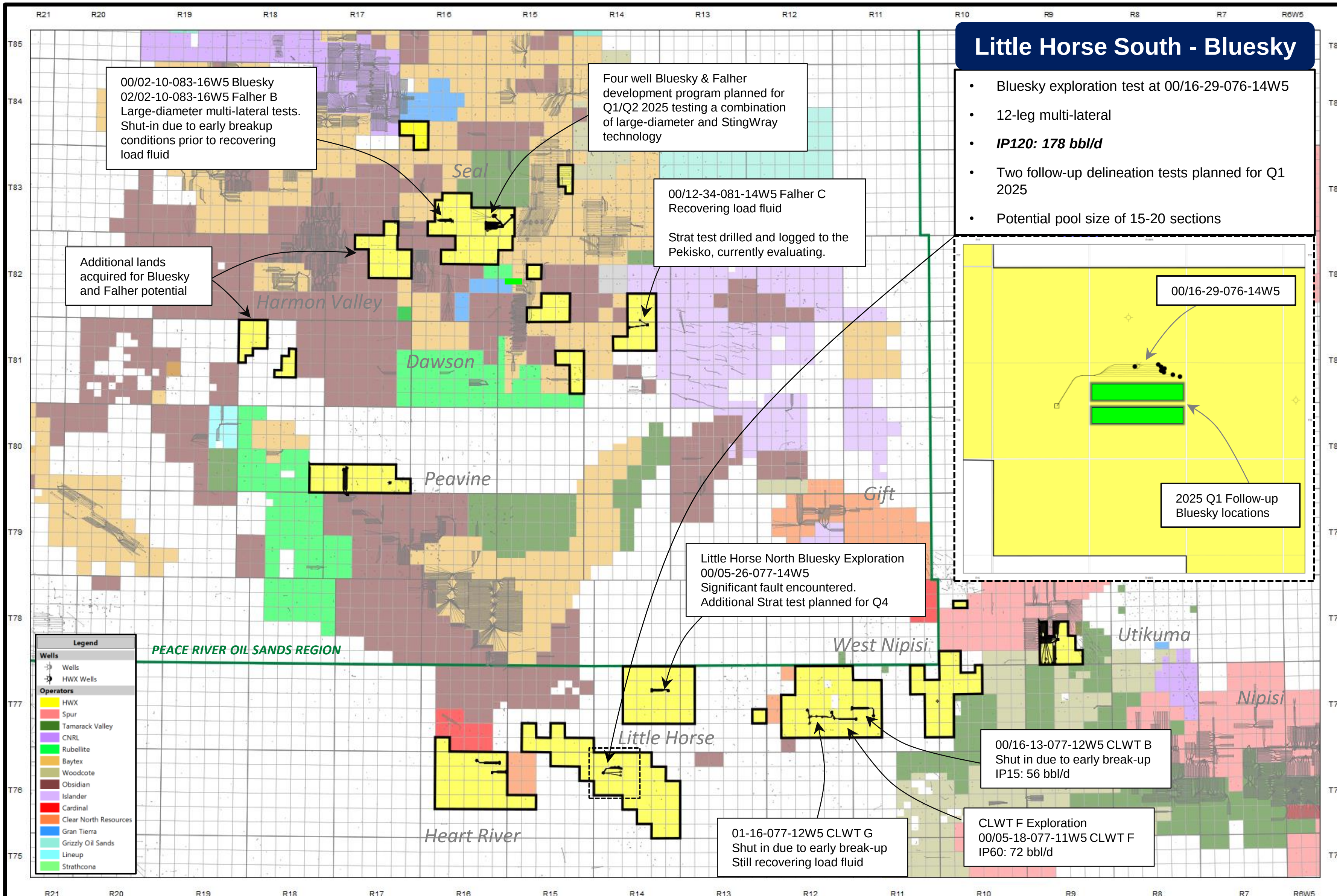
Thermal Opportunity (SAGD):

- A generic modular 6,000 bbl/day project (analogous to Cardinal's Reford) would involve initial capital of ~ $200 MM with capital efficiencies of ~ $35,000/boe/day

See Slides Notes and Advisories

GREATER NIPISI / PEAVINE – OVER 200 SECTIONS

Multiple Productive Zones in the Falher, Clearwater, and Bluesky



WHY HEADWATER

Add Incremental Prospects Through Strategic Land Acquisitions and M&A

- Total Clearwater lands now totaling over 600 net sections
- Total Non-Clearwater lands now exceeding 190 net sections

Explore and Exploit

- 11,000 bbl/d production from the MHW CLWT SS with regional extent exceeding 50 sections
- >700 bbl/d production from the newly discovered MHW CLWT E offering similar regional extent as the CLWT SS
- Economic production proven from four different Clearwater sands in Marten Hills West & three different sands in Seal
- Exploration success from the Bluesky formation in Little Horse

Asset Duration – Implement Enhanced Oil Recovery

- 90% of the Marten Hills Core area supported by secondary recovery at YE 2024
- Marten Hills West has two sections in the CLWT SS and two pilots in the CLWT E under secondary recovery
- Headwater now has approximately 35% of corporate oil production stabilized which has reduced the corporate decline by ~5%
- 50% of corporate oil production expected to be supported by YE 2025

Implement a Return of Capital Strategy

- Quarterly cash dividend of $0.10/share implemented Q4 2022; paid a total of $212.9 million ($0.90/share) since inaugural dividend
- Quarterly cash dividend increased by 10% to $0.11/share commencing April 15th 2025, with a record date of March 31, 2025

ESG Focus

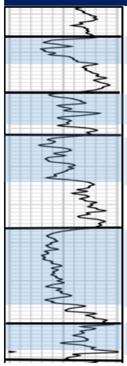
- Minimal uninflated undiscounted corporate ARO of ~ $76.1 million
- Active partner with Treaty 8 Nations supporting indigenous businesses and community initiatives
- Construction of the Marten Hills West natural gas gathering system is complete and has been commissioned initiating gas conservation from the area

Headwater Exploration Inc.

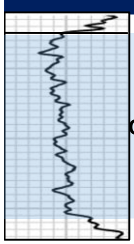
Appendix

HEADWATER EXPLORATION

Clearwater Secondary Recovery – Expanding Duration and Resource Capture



Marten Hills West	Zone	OOIP (MMbbl)	OOIP with Secondary Recovery Potential (MMbbl)	Sections Amenable to Secondary Recovery	Sections Currently Supported by Secondary Recovery	2024 P+P Year End Secondary Recovery Reserves (MMboe)	Current Production Supported by Secondary Recovery (bbl/day)	Comments
	CLWT G	34	-	-	-	-	-	Limited potential
	CLWT F	66	-	-	-	-	-	Limited potential
	CLWT E	540	249	18	1	0.8	295	Two pilots on injection
	CLWT SS	1,153	633	29	2	7.0	930	Proven secondary recovery, expansion in 2025
	CLWT B	138	-	-	-	-	-	Limited potential
Marten Hills West	Total	1,931	882			7.8	1,225	



Marten Hills Core	Zone	OOIP (MMbbl)	OOIP with Secondary Recovery Potential (MMbbl)	Sections Amenable to Secondary Recovery	Sections Supported by Secondary Recovery	2024 P+P Year End Secondary Recovery Reserves (MMbbl)	Current Production Supported by Secondary Recovery (bbl/day)	Comments
	CLWT SS	539	539	9	8	15.5	5,500	Proven secondary recovery
Secondary Reovery	Total	2,470	1,421			23.3	6,725	

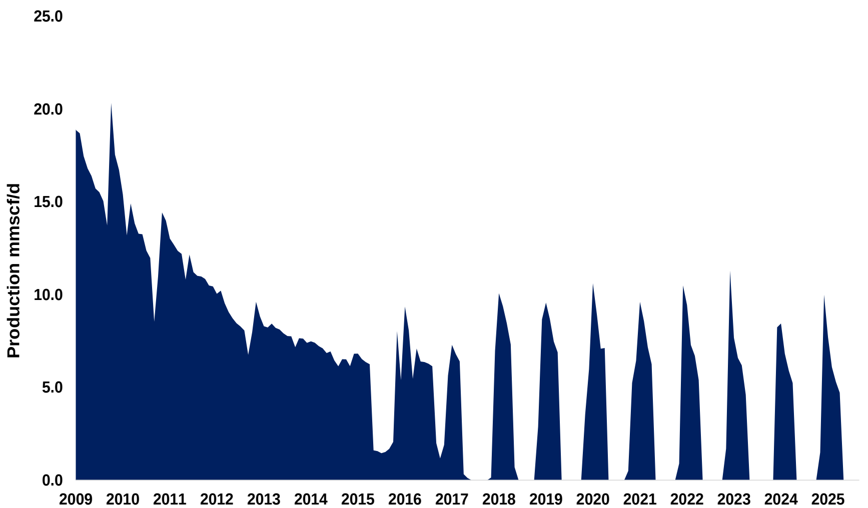
- ***Approximately 50% of Headwater's corporate oil production will be supported under secondary recovery by year-end 2025***
- ***It is estimated that secondary recovery has mitigated corporate decline by 5% – 7%, reducing maintenance capital by ~ $25 million***
- ***Analog reservoirs have experienced a doubling of recovery under secondary recovery for a total recovery of 8% – 10% of OOIP***
- ***Doubling recovery factor returns approximately 4 times the invested capital over the life of the asset at US$70 WTI***
- Three areas of large resource in place are currently under secondary recovery:
  - **Marten Hills Core** – 90% of the core area sections supported by secondary recovery
  - **West Marten Hills Sandstone** – Two full sections under secondary recovery with two to three additional sections planned for secondary recovery in 2025
  - **Clearwater E** – Two active secondary recovery pilots with two additional sections initiated under secondary recovery in 2025
- ***2024 year end proven plus probable reserves associated with secondary recovery are 23.3 MMboe***

See Slide Notes and Advisories including "OOIP Advisory" and "Analogous Information Advisory".

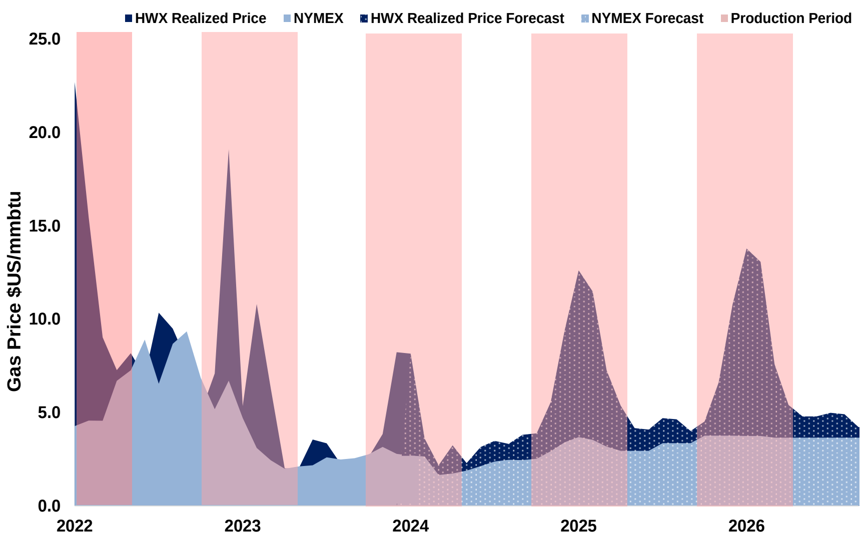
MCCULLY PRODUCING ASSET

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*	**12.5**
Undiscounted Uninflated ARO [2]	*$MM*	**11.4**
Average Seasonal Production Rate	*mmscf/d*	**6.5**
2024-2025 Winter Season Estimated FCF	*$MM*	**15**
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
- New purchaser effective April 1, 2024, with AGT pricing plus contract adder

See Slide Notes and Advisories

EXPERIENCED TEAM – MANAGEMENT AND DIRECTORS

Headwater Exploration Inc.

Management Team

Neil Roszell, P. Eng. *Executive 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, CEO & Director*	▪ Former COO and founder of Raging River Exploration Inc. and VP Production and founder of Wild Stream Exploration Inc.
Terry Danku, P. Eng. *Executive Vice President*	▪ Former VP, Engineering of Raging River Exploration Inc. and Engineering Manager of Wild Stream Exploration Inc.
Ali Horvath, CA, CPA *Chief Financial Officer*	▪ Former Controller and founder of Raging River Exploration Inc.
Brad Christman *Chief Operating Officer*	▪ Former Manager of Production and Facilities and founder of Raging River Exploration Inc.
Georgia Little, CA, CPA *Vice President, Finance*	▪ Former Controller at Headwater Exploration Inc. and VP Finance at Nauticol Energy Ltd.
Scott Rideout *Vice President, Land*	▪ Former VP, Land of Raging River Exploration Inc. and Manager Business Development and Land of Surge Energy Inc.
Dieter Deines, P. Geo *Vice President, Exploration*	▪ Former Geoscience Manager at Tundra Oil & Gas Ltd.
Jeff Magee, P. Eng *Vice President, Engineering*	▪ Former Manager of Engineering at Headwater Exploration Inc.
Wade Hein *Vice President, Operations*	▪ Former Manager of Production at Headwater Exploration Inc.

Board of Directors

Kevin Olson	▪ 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 Director of Whitecap Resources Inc.
Stephen Larke	▪ Currently Director with Vermilion Energy Inc. and Topaz Energy Corp.
Dave Pearce	▪ Currently Deputy Chairman with Azimuth Capital Management and former director of Raging River Exploration Inc.
Phillip Knoll	▪ Director of Corridor Resources Inc. since 2010. Formerly CEO of Corridor Resources Inc. and currently a director of AltaGas Ltd.
Kam Sandhar	▪ Currently Cenovus' Executive Vice-President and Chief Financial Officer
Elena Dumitrascu	▪ Co-founder, Chief Technology Officer of Credivera
Devery Corbin	▪ Former Chief of Staff for the Mayor of the City of Calgary

SLIDE NOTES

Slide 1
1. Assumptions used in the 2025 guidance released on December 5, 2024 include: annual average production of 22,250 boe/d, WTI of US$70.00/bbl, WCS of Cdn$79.40/bbl, AGT US$9.00/mmbtu, AECO of $2.20 CAD/GJ, foreign exchange rate of US$/Cdn$ of 0.72, blending expense of WCS less $1.90, royalty rate of 18.3%, operating and transportation costs of $13.95/boe, G&A and interest income and other expense of $1.30/boe and cash taxes of $4.70/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 2025 annual production guidance comprised of: 20,050 bbls/d of heavy oil, 60 bbls/d of natural gas liquids and 12.9 mmcf/d of natural gas.
3. Capital expenditures is a non-GAAP financial measures. 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. 2025 exit adjusted working capital has been updated to reflect the increase in actual 2024 adjusted working capital to $68 million from estimated 2024 adjusted working capital of $60 million.
5. Fully diluted shares outstanding includes 0.1 million stock options outstanding at a weighted average strike price of $4.56. Restricted share units ("RSUs") and performance share units ("PSUs") have been excluded as the Company intends to cash settle these awards.
6. See Dividend Advisory.

Slide 2 (Refer to Development Strategy Advisory)
1. Maintenance capital includes all capital expenditures required to support development to offset declines and hold production flat.
2. Maintenance capital reinvestment rate is calculated as maintenance capital divided by adjusted funds flow from operations (also referred to as Atax Funds Flow or cash flow).
   Total capital reinvestment rate is calculated as total capital expenditures divided by adjusted funds flow from operations (also referred to as Atax Funds Flow or cash flow).
3. Growth capital includes capital expenditures associated with previously discovered pools/identified locations before acquisitions, dispositions and other corporate expenditures and excludes maintenance capital, secondary recovery capital and exploration capital.
4. Exploration capital includes capital expenditures associated with new exploration prospects.
5. Adjusted funds flow from operations is a capital management measure. Capital expenditures (also maintenance capital, growth capital and exploration capital) and free cash flow are non-GAAP financial measures. Reinvestment rate and free cash flow yield are non-GAAP ratios. Please refer to Non-GAAP Advisory.
6. See Dividend Advisory.
7. Management's internal estimate of OOIP. Refer to OOIP Advisory.

Slide 3
1. Maintenance capital includes all capital expenditures required to support development to offset declines and hold production flat.
2. Growth capital includes capital expenditures associated with previously discovered pools/identified locations before acquisitions, dispositions and other corporate expenditures and excludes maintenance capital, secondary recovery capital and exploration capital.
3. Excess free cash is calculated as adjusted funds flow from operations after maintenance capital, growth capital, secondary recovery capital, exploration capital and dividends.
4. Free cash flow (or FCF) per share is a non-GAAP ratio. Please refer to Non-GAAP Advisory.
5. Total capital expenditures, maintenance capital, growth capital, exploration capital and excess free cash are non-GAAP financial measures while adjusted fund flow from operations (also referred to as Funds Flow or FFO) and adjusted working capital are capital management measures. Please refer to Non-GAAP Advisory.
6. See Dividend Advisory.
7. Management's internal estimate of identified inventory locations. The majority of identified inventory are considered unbooked locations. Refer to Exploration Drilling Inventory Advisory.

Slide 4
1. F&D= finding and development costs including changes in future development capital is a Non-GAAP ratio. Please refer to Non-GAAP Advisory.
2. Recycle ratio is a Non-GAAP ratio. Please refer to Non-GAAP Advisory.

Slides 5, 10, 11 & 12
Public data obtained from geoSCOUT. Please refer to Market, Independent Third Party and Industry Data Advisory.

Slides 2, 3, 9, 12 & 15
Management's internal estimate of OOIP and identified inventory locations. The majority of identified inventory are considered unbooked locations. Refer to OOIP Advisory and Exploration Drilling Inventory Advisory.
Management's internal estimate of OOIP with secondary recovery potential and sections amenable to secondary recovery.

Slides 8, 9 & 12
IP: initial production rate of well, post load recovery, for a certain number of days. Refer to Initial Production Rates Advisory.

Slide 13
1. ARO as at December 31, 2024.
2. See Dividend Advisory.

Slide 16
1. Proved developed producing (PDP) reserves life index ("RLI") is calculated by dividing the PDP reserves by the average annual production for 2024.
2. As at December 31, 2024.
3. Free Cash Flow ("FCF") 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: 2025 guidance including annual 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 a strong balance sheet for strategic opportunities, continuing to implement secondary recovery providing asset duration and sustainable long-term returns, continuing to add incremental prospects through strategic land acquisitions and accretive M&A and growing the quarterly dividend; the expectation that approximately 50% of Headwater's corporate oil production will be supported under secondary recovery by year-end 2025; the expectation to generate 10% production per share growth from $150 million of maintenance and growth capital; Headwater's anticipated drilling locations and expected timing around exploration tests in 2025; Headwater's exploration and development strategy, including the 2025, 2026 and 2027 financial and production forecasts contained on slide 2 of this presentation; the expectation that continued inventory expansion and secondary recovery advancement will provide the pathway for future growth and return of capital; the expectation that the Clearwater region remains opportunistic for continued land and inventory expansion; expected free cashflow yields at various share prices; the expectation that with the 2025 program in Marten Hills West, a total of approx. 2,000 bbl/d will be supported by secondary recovery; waterflood expansion in Marten Hills West Clearwater Sandstone; expected size of Marten Hills West Clearwater E pool and that the unrisked inventory offers up to 4 years of drilling potential; the expected drilling locations and secondary recovery developments in Marten Hills West Clearwater E; the expected timing of the Wabiskaw location; the expectation to test 3-4 exploration concepts in Greater Pelican in 2025; Handel development plan; Greater Nipisi/Peavine development plan and potential pool size; estimated abandonment and reclamation obligations; the performance characteristics of the natural gas properties in McCully field including anticipated production, timing of operations, PDP 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 Alberta 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; wars (including Russia-Ukraine war and the Israeli-Hamas-Hezbollah conflicts); risks that the U.S. and/or Canadian governments implement, maintain or increase the rate or scope of new tariffs; 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 2025, 2026 & 2027 (Development Strategy) may be less than anticipated; the risk that Headwater's financial results in 2025 may not be consistent with its guidance; the risk that Headwater's multi-year business strategy may not be successful; and the risk that a greater level of maintenance capital may be required to maintain a flat level of production. 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, 2024, 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 2025 guidance, including its expected capital expenditures, adjusted funds flow from operations, adjusted working capital, dividend payments and exit adjusted working capital; Headwater's financial forecasts contained on slide 2 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.

Development Strategy Advisory

Advisory Relating to Development Strategy (Slide 2)

The Company has presented herein a three-year development strategy which 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 and expected 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, Well Economics and Waterflood Performance" under oil and gas advisories.

The following pricing assumptions have been utilized for the 3-year Development Strategy table, as well as in all graphs/charts on slides 2 and 3:

		2025E	2026E	2027E
WCS Differential	**US$/bbl**	**$ (13.10)**	**$ (16.45)**	**$ (15.00)**
AECO	**Cdn$/GJ**	**$ 2.20**	**$ 3.00**	**$ 3.10**
AGT [1]	**US$/mmbtu**	**$ 9.00**	**$ 10.20**	**$ 9.60**
FX	**US$/Cdn$**	**0.717**	**0.717**	**0.735**

(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, adjusted for the contract adder.

Such development strategy is not based on a budget or capital expenditures plan approved by the Board of Directors of the Company beyond 2025 and are 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 or as required to grow to and maintain the production levels presented in the illustrative free cash flow model 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, 2024, which is available on SEDAR+ at www.sedarplus.ca.

Non-GAAP Advisory

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", "maintenance capital reinvestment rate', "total capital reinvestment rate", "free cash fow per share", "free cash flow yield", "F&D costs", "reserves replacement rate" and "recycle ratio" 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 December 31,		Year ended, December 31,	
	2024	2023	2024	2023
	(thousands of dollars)		*(thousands of dollars)*	
Cash flows provided by operating activities	76,016	90,690	316,737	303,316
Changes in non–cash working capital	14,774	(5,387)	12,096	(7,050)
Current income tax expense	(13,114)	(7,668)	(51,962)	(36,990)
Current income taxes paid	10,227	4,348	59,686	28,986
Adjusted funds flow from operations	87,903	81,983	336,557	288,262

Adjusted working capital

Adjusted working capital is a capital management measure which management uses to assess the Company's liquidity. Financial derivative receivable/liability have been excluded as these contracts are subject to a high degree of volatility prior to settlement and relate to future production periods. Financial derivative receivable/liability are included in adjusted funds flow from operations when the contracts are ultimately realized. Management has included the effects of the repayable contribution to provide a better indication of Headwater's net financing obligations.

	Year ended December 31,	
	2024	2023
	(thousands of dollars)	
Working capital	78,735	78,610
Repayable contribution	(10,916)	(11,405)
Financial derivative receivable	(3,088)	(3,758)
Financial derivative liability	2,847	79
Adjusted working capital	67,578	63,526

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 December 31,		Year ended December 31,	
	2024	2023	2024	2023
	(thousands of dollars)		*(thousands of dollars)*	
Cash flows used in investing activities	45,932	54,716	226,852	243,714
Proceeds from government grant	-	1,200	354	1,200
Change in non-cash working capital	2,754	(23,392)	(4,340)	(8,594)
Government grant	-	(2,474)	-	(2,474)
Capital expenditures	48,686	30,050	222,866	233,846

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 December 31,		Year ended December 31,	
	2024	2023	2024	2023
	(thousands of dollars)		*(thousands of dollars)*	
Adjusted funds flow from operations	87,903	81,983	336,557	288,262
Capital expenditures	(48,686)	(30,050)	(222,866)	(233,846)
Free cash flow	39,217	51,933	113,691	54,416

Non-GAAP Advisory

Non-GAAP Ratios

Maintenance Capital 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 maintenance capital divided by AFFO.

Total Capital 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.

Free cash flow per share and free cash flow yield

Free cash flow per share and free cash flow yield are useful measures of potential shareholder return and are calculated as free cash flow divided by basic common shares outstanding/free cash flow per share (maintenance capital only) divided by the Company's share price.

F&D Costs

F&D costs is used as a measure of capital efficiency. The F&D cost calculation includes all capital expenditure (exploration and development) for that period plus the change in future development capital ("FDC") for that period based on the evaluations completed by McDaniel as at December 31, 2024 as compared to the evaluation completed by McDaniel as at December 31, 2023. This total capital including the change in the FDC is then divided by the change in reserves for that period incorporating all revisions and production for that same period. Total proved developed producing F&D is calculated as follows = ($222.9 million (2024 capital expenditures) + -$26 thousand (change in FDC associated with proved developed producing reserves)) / (29,183 mboe – 22,071 mboe + 7,433 mboe) = $15.32 per boe. Total proved F&D is calculated as follows = ($222.9 million (2024 capital expenditures) + $63.8 million (change in FDC associated with total proved reserves)) / (43,075 mboe – 32,517 mboe + 7,433 mboe) = $15.93 per boe. Total proved plus probable F&D is calculated as follows = ($222.9 million (2024 capital expenditures) + $79.6 million (change in FDC associated with total proved plus probable reserves)) / (67,853 mboe – 51,925 mboe + 7,433 mboe) = $12.95 per boe.

Recycle Ratio

Recycle ratio is used as a measure of profitability. Recycle ratio is calculated as the Company's adjusted funds flow netback divided by F&D costs per boe.

Reserves Replacement Rate

Reserves replacement rate is the amount of oil added to the Company's PDP, TP or TPP reserves, divided by production. It is a measure of the ability of the Company to sustain production levels.

Certain Oil and Gas Advisories

TYPE CURVE INFORMATION, WELL ECONOMICS AND WATERFLOOD PERFORMANCE

Headwater has presented certain type curve information, well economics and waterflood performance for certain development, exploration and waterflood activities in Headwater's areas of operations. The type curve information, well economics and waterflood performance presented are based on historical production in respect of Headwater's assets as well as production history from analogous developments located in close proximity to Headwater's assets. Such type curve information is useful in understanding Headwater management's assumptions of expected performance in making investment decisions in relation to development and exploration activities in Headwater's areas of operations and for determining the success of the performance of development and exploration activities; however, such type curve information, well economics and waterflood performance are not necessarily determinative of the production rates and performance of existing and future wells or waterfloods. In addition, the type curves, well economics and waterflood performance presented do not reflect the type curves or reserves estimates used by McDaniel (as defined below) in estimating the reserves volumes attributed to Headwater's assets.

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. The majority 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 primarily in the Marten Hills, Greater Peavine and Greater 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 12, 2025 and effective December 31, 2024, 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, 2025, 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, 2024, 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 F&D costs, recycle ratio, reserves replacement rate; proved developed producing RLI "PDP RLI". F&D costs is used as a measure of capital efficiency. The F&D cost calculation includes all capital expenditure (exploration and development) for that period plus the change in future development capital ("FDC") for that period based on the evaluations completed by McDaniel as at December 31, 2024 as compared to the evaluation completed by McDaniel as at December 31, 2023. This total capital including the change in the FDC is then divided by the change in reserves for that period incorporating all revisions and production for that same period. Recycle ratio is used as a measure of profitability. Recycle ratio is calculated as the Company's adjusted funds flow netback divided by F&D costs per boe. Reserves replacement rate is the amount of oil added to the Company's PDP, TP or TPP reserves, divided by production. It is a measure of the ability of the Company to sustain production levels. PDP RLI is calculated by dividing the proved developed 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 Alberta 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 Headwater's assets and production information related to wells that are believed to be on trend with Headwater's assets. Headwater Management believes the information is relevant as it helps to define the characteristics of Headwater's 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 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 Headwater's assets.

OOIP ADVISORY

Original Oil-In-Place ("OOIP") is equivalent to Total Petroleum Initially-In-Place ("TPIIP") and has been estimated as of January 1, 2025. 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.

Certain Oil and Gas Advisories

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 5, 10, 11 & 12 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.