# Headwater Exploration Inc.

## CORPORATE PRESENTATION

TSX:HWX

April 2026

# THE HEADWATER ADVANTAGE

## Growing and Sustainable Total Shareholder Returns

HWX

## A Clearwater Focused Sustainable Oil Company

### Asset Scale & Duration

**Scale:**

- Oil production growth within cash flow of >650% since Dec 2020
- Current recovery of <1% of OOIP
- 5 yr PDP RLI and 11.7 yr TPP RLI
- New discoveries in the Grand Rapids formation at Marten Hills West and Wabiskaw formation at Greater Pelican

**Duration (Secondary Recovery):**

- Maintenance capital decreased by 30% since 2022, while production has doubled
- Maintenance capital <30% of cashflow at US$60 WTI by year-end 2026
- Decline forecasted at <20% by year end 2026, with further reductions to ~ 15% by 2028

### Shareholder Returns

**Growth:**

- Sustainable production growth of 5-10% while spending 35-40% of cash flow @ US$60WTI

**Dividend:**

- Cumulative dividends paid to date of $1.34 per share
- Current dividend yield of ~4%

**NCIB:**

- Instituted an opportunistic NCIB in Q2 2025
- To date, approximately 1.0 million shares bought back for cancellation at an average price of $7.30/share
- **No equity raised or debt incurred since Q1 2020**

***Growing Free Cashflow = Growing Total Shareholder Returns***

See Slide Notes and Advisories.

# ASSET SCALE & DURATION DRIVES INCREASING SHAREHOLDER RETURNS

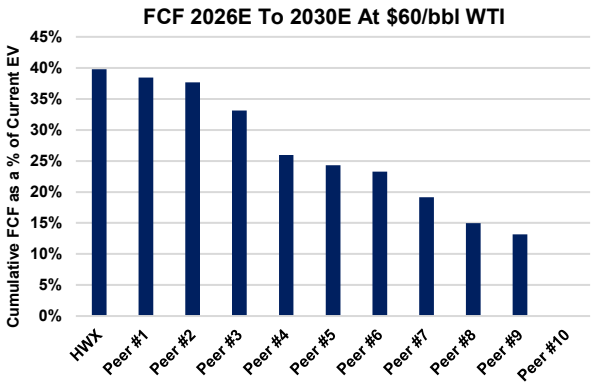
## Growing Wall of Free Cash Flow

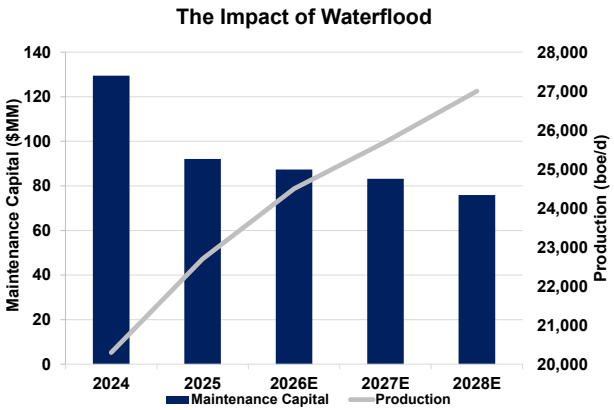
**INCREASING**

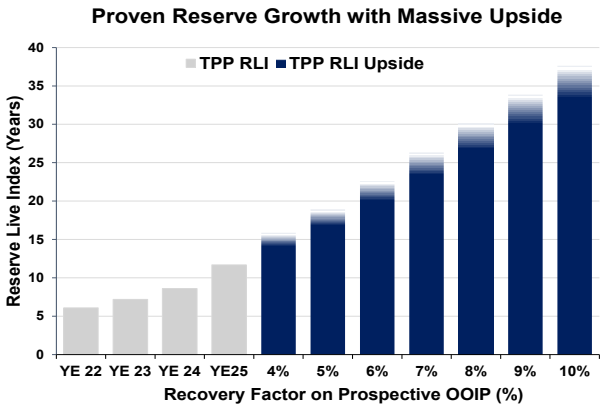
- Earnings
- Funds Flow
- Free Cash Flow
- Production
- Dividends
- Asset Duration

**DECREASING**

- Decline Rate
- Maintenance Capital




### Free Cashflow

- ~40% of current EV returned in cumulative free cash flow by 2030 at US$60 WTI (1)
- Returned to shareholders through:
  - Growth
  - Duration extension
  - Growing dividend
  - NCIB

### Secondary Recovery

- Maintenance capital: <30% of cash flow by YE 2026 at US$60 WTI
- Maintenance capital forecasted to be 24% of cash flow in 2028 at US$60 WTI
- Breakeven: US$46 WTI, including maintenance capital & dividend (2026E)
- Increasing earnings
- Increasing asset duration

### Proven Reserve Growth

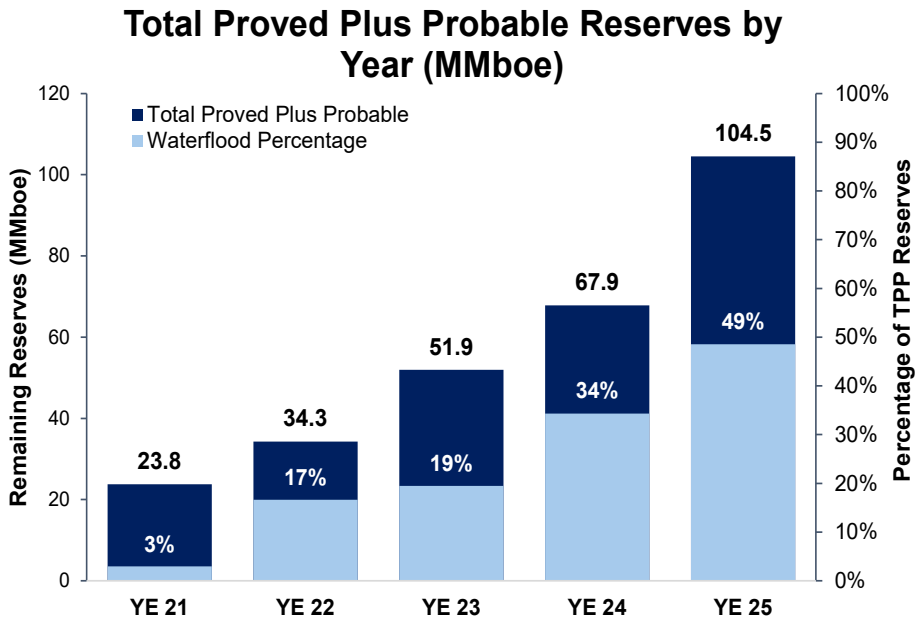
- Large risked OOIP with 3% recovery booked
- Increasing reserves
- Increasing RLI
- Increasing recovery factor
- Increasing asset duration

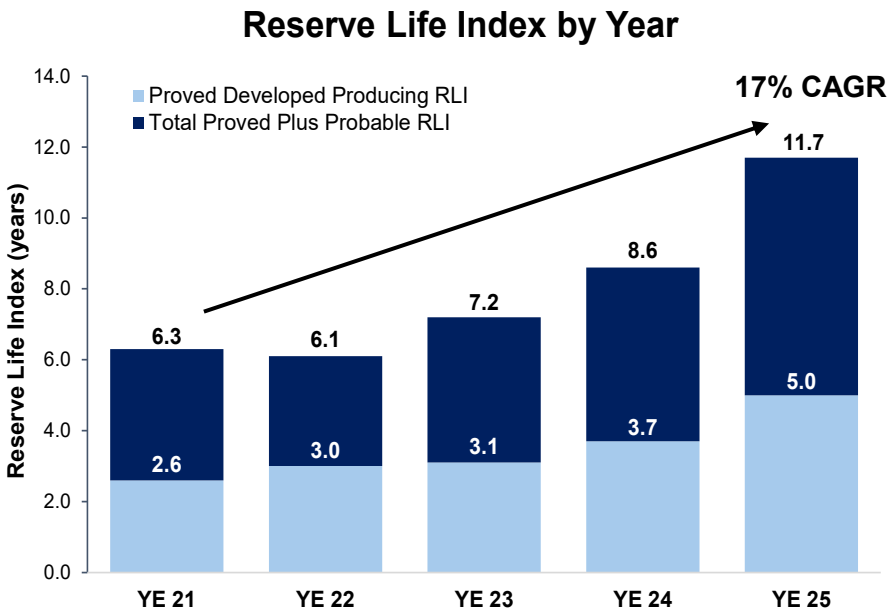
***Sustainable asset base offers high confidence in a growing wall of free cash flow at flat oil prices***

(1): Upper left graph FCF 2026E to 2030E is not an internal estimate. Forecasts provided by Peters & Co.
(2): Upper right graph: Reserve life index calculated at 25,000 boe/d. Risked OOIP of 3.5B. See OOIP advisory.
(3): See slide notes and advisories

# YEAR END 2025 RESERVES SUMMARY

| Reserve Category | Heavy Oil | Gas | NGL | Total | Year Over Year Change | Production Replacement | F&D including FDC [1] | Recycle Ratio [2] |
|---|---|---|---|---|---|---|---|---|
| | Mbbl | MMcf | Mbbl | Mboe | (%) | (%) | $/boe | |
| Proved Producing | 40,734 | 21,754 | 166 | **44,526** | 53% | 285% | 9.65 | 4.1 |
| Total Proved | 63,458 | 27,472 | 242 | **68,278** | 59% | 403% | 11.04 | 3.6 |
| Total Proved Plus Probable | 97,730 | 38,416 | 372 | **104,505** | 54% | 541% | 9.97 | 3.9 |




## Summary

- Year-over-year TPP reserves growth of 54%
- **Realized 4-year compound annual growth of 45% in TPP reserves**
- **Realized 4-year compound annual growth of 18% in PDP RLI on production that has increased 207%**

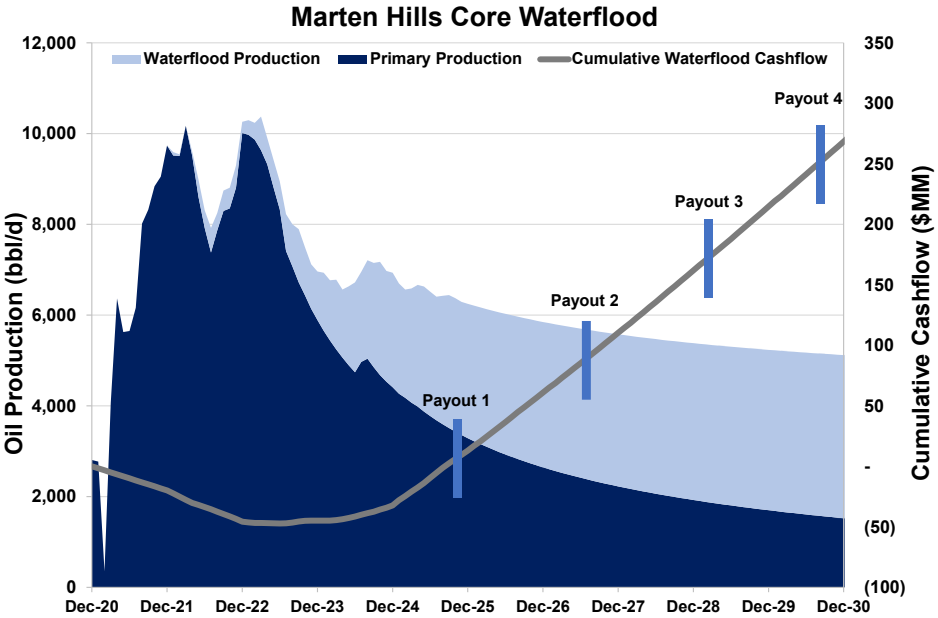
| TPP Booked Locations | Well Count |
|---|---|
| Primary | 277 |
| Waterflood | 99 |
| **Total** | **376** |

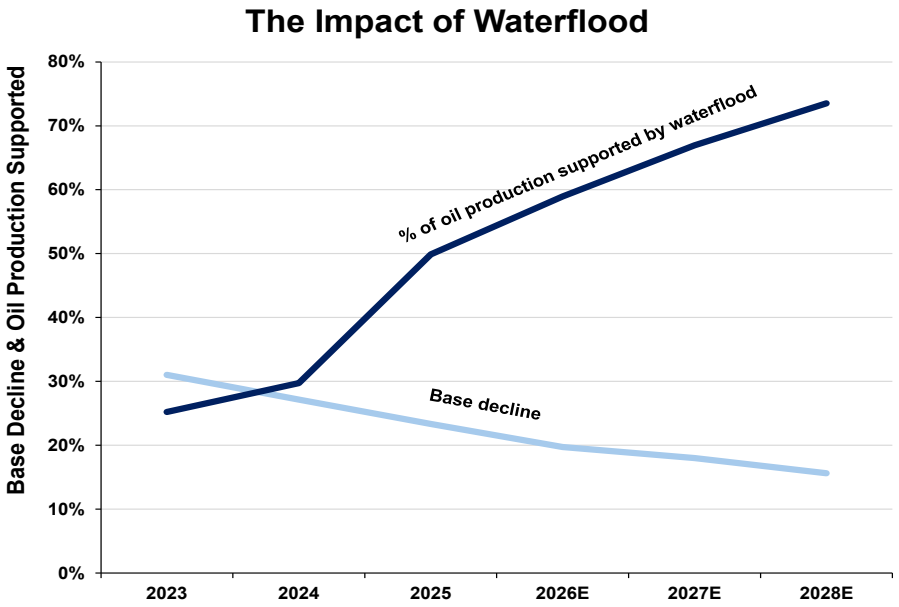
See Slide Notes and Advisories including "Reserves Information".

1. Total future development costs of $401.2 million proved reserves and $587.7 million proved plus probable reserves

# ASSET DURATION - THE WATERFLOOD ADVANTAGE

## Secondary Oil Recovery Drives Free Cash

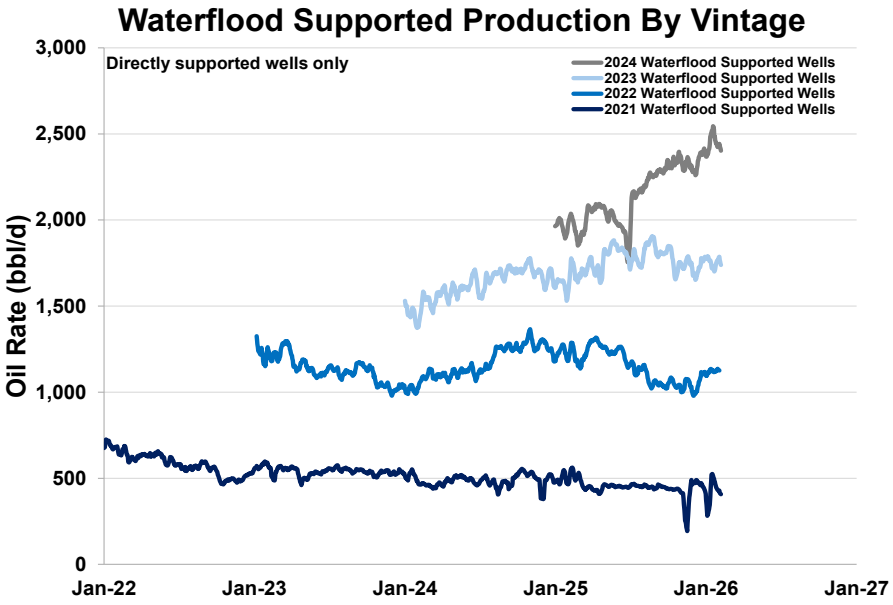



### Asset Duration

**Investment in waterflood is lowering base decline, reducing maintenance capital, and generating increasing free cash flow**

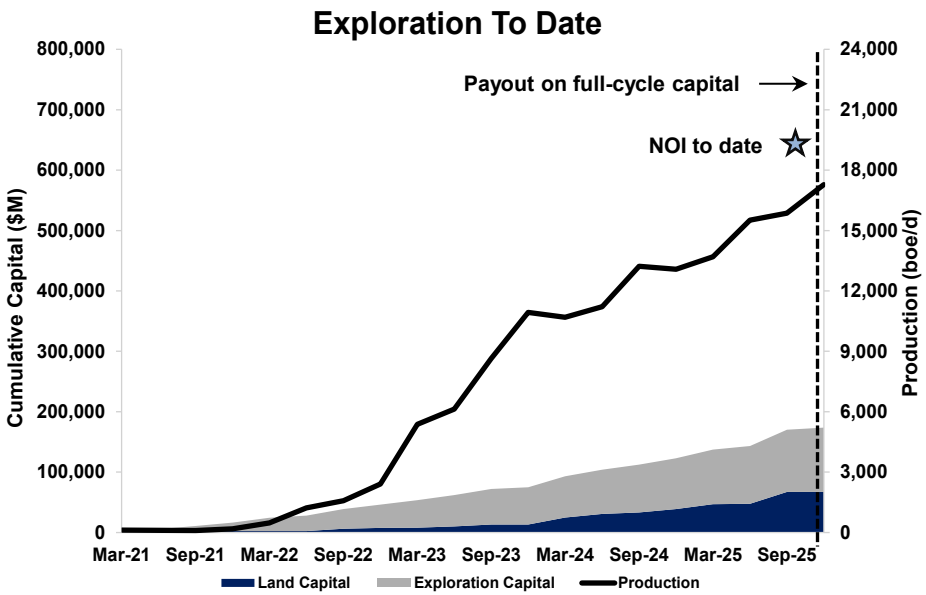
- Through waterflood, base decline is falling year over year, reducing maintenance and growth capital requirements
- Increasing free cash flow provides optionality for capital allocation, including growth, exploration and return of capital
- Marten Hills Core waterflood achieved first full-cycle payout in 2025 and will payout four times prior to YE 2030 at US$65 WTI

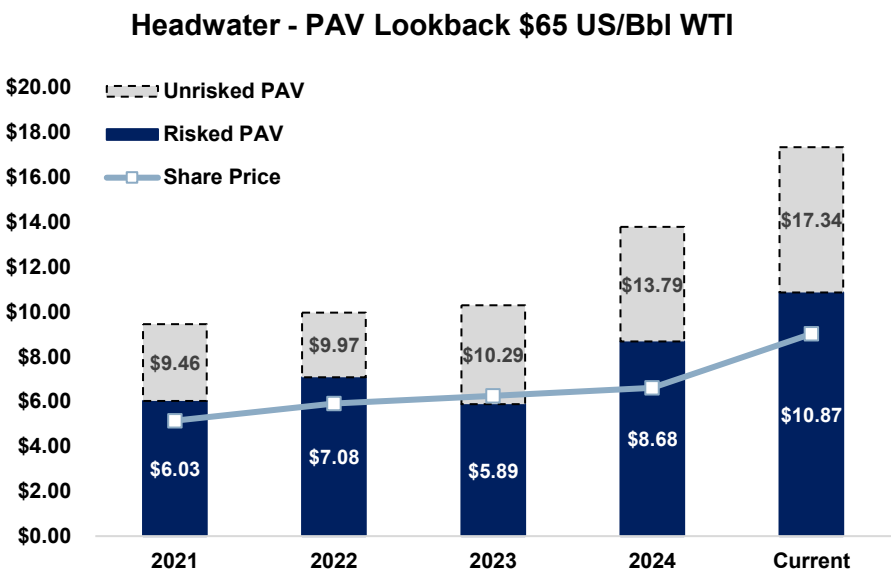



See Slide Notes and Advisories.

# THE HEADWATER ADVANTAGE

## Exploration Creates Production and Reserve Growth




### HWX Advantage

Since 2021, ex*cluding the original core Marten Hills property*, HWX has:

- Invested $173MM in land and full-cycle exploration
- Returned $650MM in NOI
- Payout on full cycle capital achieved in Q4 2025
- Increased production from less than 100 boe/d to current production ~17,000 boe/d
- Supporting ~6,100 bbl/d with secondary recovery
- Increased OOIP from ~1,300 MMbbl to >7,000 MMbbl
- Added >10 years of remaining inventory, with future secondary recovery expansion
- Produced <1% of OOIP

### HWX Future

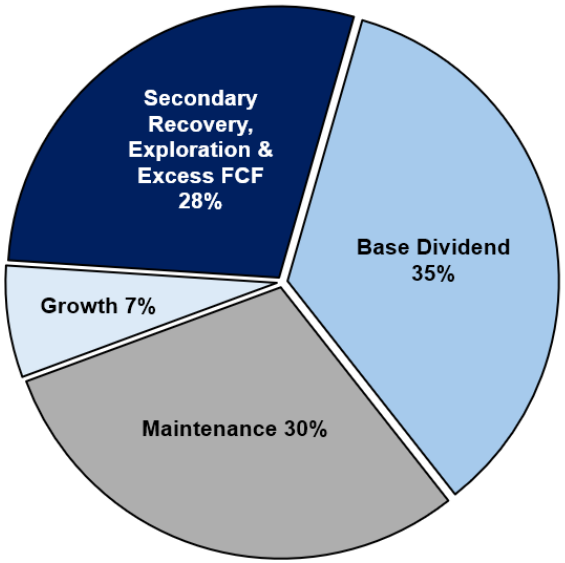
- Continue to be active in land acquisition
- Invest ~10% of funds flow in exploration
- Continued investment in secondary recovery
- Continued focus on asset longevity
- Continue to turn potential asset value (PAV) into shareholder returns
- History may not repeat…..but it often rhymes!

(1): Upper right graph PAV Lookback is not an internal estimate. Provided by Peters & Co.
(2): See slide notes and advisories

# ASSET DURATION & SHAREHOLDER RETURNS

## Proven Track Record of Disciplined Capital Allocation

### 2026 Capital Allocation at $US60/bbl WTI
### ATAX Funds Flow of $300MM



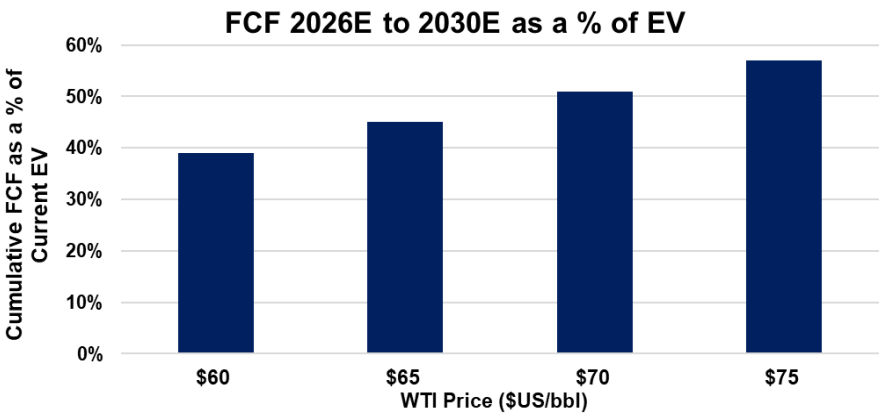

### Implied Share Price [1]

| | 2027E DAFCF Yield | | | |
|---|---|---|---|---|
| **HWX** | **6%** | **8%** | **10%** | **12%** |
| **US$65/B** | $16.50 | $12.40 | $9.95 | $8.30 |
| **US$70/B** | $18.90 | $14.20 | $11.40 | $9.50 |

- Median DAFCF Yield for the peer group at $65/bbl WTI & $70/bbl WTI is 7% & 9%, respectively

### Capital Allocation – Key to Total Shareholder Returns

- Balanced growth and declining maintenance capital provide a sustainable foundation for continued shareholder returns
- **Secondary recovery investment**
  - Mitigates decline, lowers maintenance capital, slows inventory depletion
  - Increases reserve life
  - Drives high MOIC and free cash flow
- **Land and exploration investment**
  - Extends asset longevity
  - Reinforces sustainability
- ***Carefully deployed free cash flow is key to total shareholder returns***




| | Since 2021 | Forward Looking |
|---|---|---|
| **Growth** | Growth from 3,900 boe/d to 24,250 boe/d | Sustainable production growth of 5-10% with 35%-40% of cashflow @ US$60WTI |
| **Waterflood** | 50% of current production under flood, 60% by YE 2026 | $50MM/year spend, high MOIC, decline and maintenance capital mitigation, increasing FCF |
| **Land** | Expanded our land base from 270 to over 800 net sections | Continuation of strategic land / small M&A to increase sustainability and total shareholder returns |
| **Exploration** | 3:1 Inventory replacement ratio in the past year | Continue to replace inventory faster than the depletion rate to improve duration |
| **Dividend** | Paid $318MM back to shareholders | Increasing free cash flow enables increasing dividend |
| **Buybacks** | ~ 1.0 million shares bought back at $7.30/share | NCIB in place for strategic buyback opportunities |

(1) Source: Peters and Co.
(2) Upper right graph FCF 2026E to 2030E is not an internal estimate. Forecasts provided by Peters & Co.
(3) See slide notes and advisories

# CAPITALIZATION, GUIDANCE AND BUSINESS STRATEGY

## Corporate Overview

### Outlook

| Average Daily Production | 2026 Guidance[1] |
|---|---|
| Annual Daily Production (boe/d) [2] | 24,500 |
| **Financial Summary ($millions)** | |
| Adjusted Funds Flow From Operations [4] | 300 |
| Capital Expenditures [3] | 185 |
| Annual Dividends ($0.44/share) [6] | 105 |
| **Pricing and Key Assumptions** | |
| Crude Oil – WTI (US$/bbl) | 60.00 |
| Crude Oil – WCS (CDN$/bbl) | 67.00 |

### Capitalization

| Headwater Exploration Inc. | *TSX* | HWX |
|---|---|---|
| Share Price (March 5th, 2026) | *$/sh* | $12.48 |
| Shares Outstanding (Basic and Diluted) [5] | *MM* | 237.8 |
| Market Capitalization | *$MM* | $2,968 |
| Q4 2025 Exit Adjusted Working Capital [4] | *$MM* | $23.6 |

### Prior Year Highlights

- Grand Rapids discovered in May 2025 and is now producing > 2,200 bbl/day with 4 secondary recovery pilots initiated
- Greater Pelican Wabiskaw discovered in April 2025 and is now producing 1,400 bbl/day with two polymer pilots commissioned supporting 850 bbl/day of production
- 50% of corporate oil production supported by secondary recovery
- Re-allocated $42MM of development capital to exploration and secondary recovery and delivered 22,776 boe/d production on original guidance of 22,250 boe/d

### 2026 Highlights

- 8% production per share growth at a 37% reinvestment rate of FFO
- $50MM allocated to secondary recovery
- $25MM allocated to exploration testing 8-10 play concepts
- 60% of corporate oil production to be supported by secondary recovery by year end resulting in < 20% corporate decline
- Rig flexibility offers capacity for budget expansion

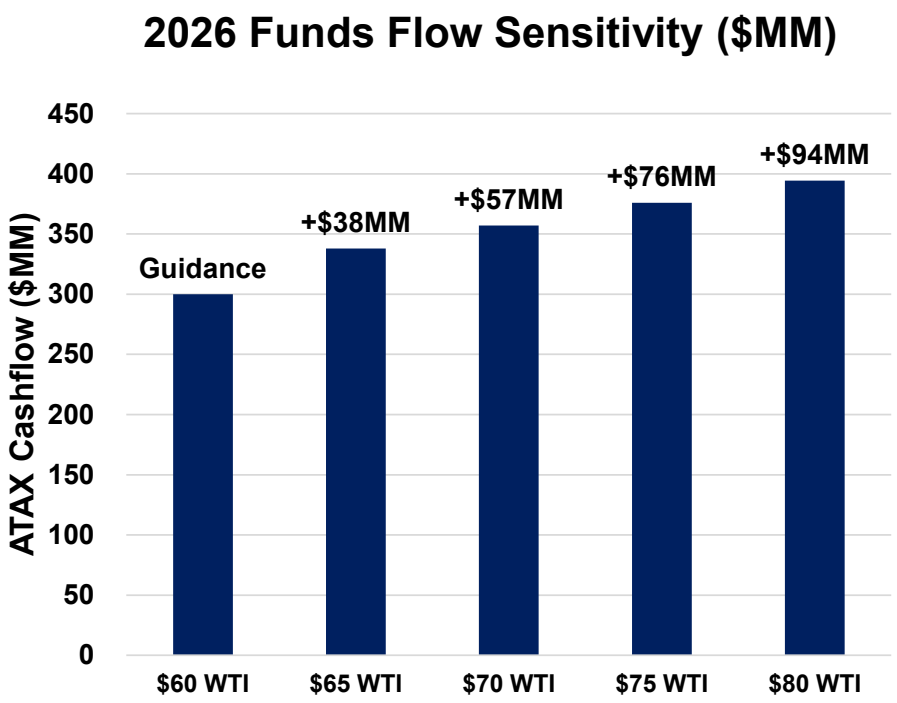
**Corporate Development Strategy @ US$60**

| Year | Production | ATAX Funds Flow | Maintenance Capital | Maintenance Capital Reinvestment Rate | Total Capital | Total Capital Reinvestment Rate | Production Growth | Dividend Payment | Excess Free Cash Flow |
|---|---|---|---|---|---|---|---|---|---|
| | Boe/d | $MM | $MM | % | $MM | % | % | $MM | $MM |
| 2026E | 24,500 | 300 | 90 | 30% | 185 | 62% | 8% | 105 | 10 |
| 2027E | 25,800 | 307 | 84 | 27% | 185 | 60% | 5% | 105 | 17 |
| 2028E | 27,100 | 314 | 76 | 24% | 180 | 57% | 5% | 105 | 29 |

See Slide Notes and Advisories.

# CAPITAL ALLOCATION FRAMEWORK

## Incremental FFO deployed through a proven, disciplined framework




### Incremental FFO capital allocation options

**Growth:**

- Increase growth above guidance of 8%

**Secondary Recovery:**

- Increase spend on enhanced recovery to lower declines and improve recovery

**Land and Exploration:**

- Active land acquisition strategy and testing of new exploration concepts

**Return of Capital:**

- Return excess cash via dividends and opportunistic share buybacks

1) See Slide Notes and Advisories.
2) Q2-Q4 2026 pricing assumptions: WCS Differential: US$(13.83)/bbl to WTI, 1.38 US$/Cdn$
3) Q2-Q4 2026 funds flow netbacks: US$65 WTI: $35.29, US$70 WTI: $38.14, US$75 WTI: $40.98, US$80 WTI: $43.73

# THE MULTI-ZONE BENEFIT

## One pad producing 1,000 bbl/d from three different zones

### Multi-Zone Benefit

**Multiple zones targeted from one pad**

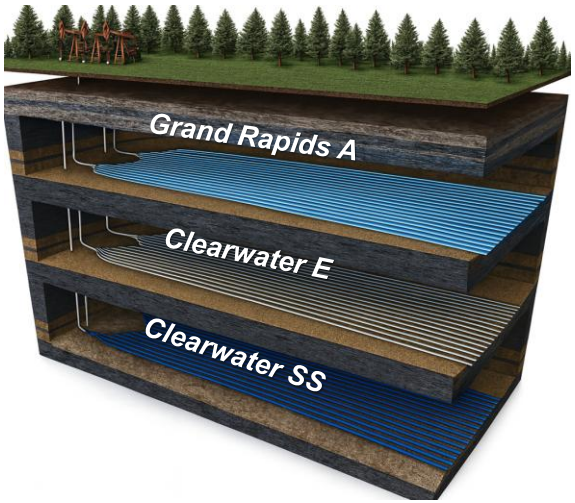
- Tested 2 Clearwater zones and the newly discovered Grand Rapids
- Multiple zones: "half-cycle" well costs for consecutively discovered zones
- 6 producing wells remaining to be drilled
- All three zones will be converted to waterflood

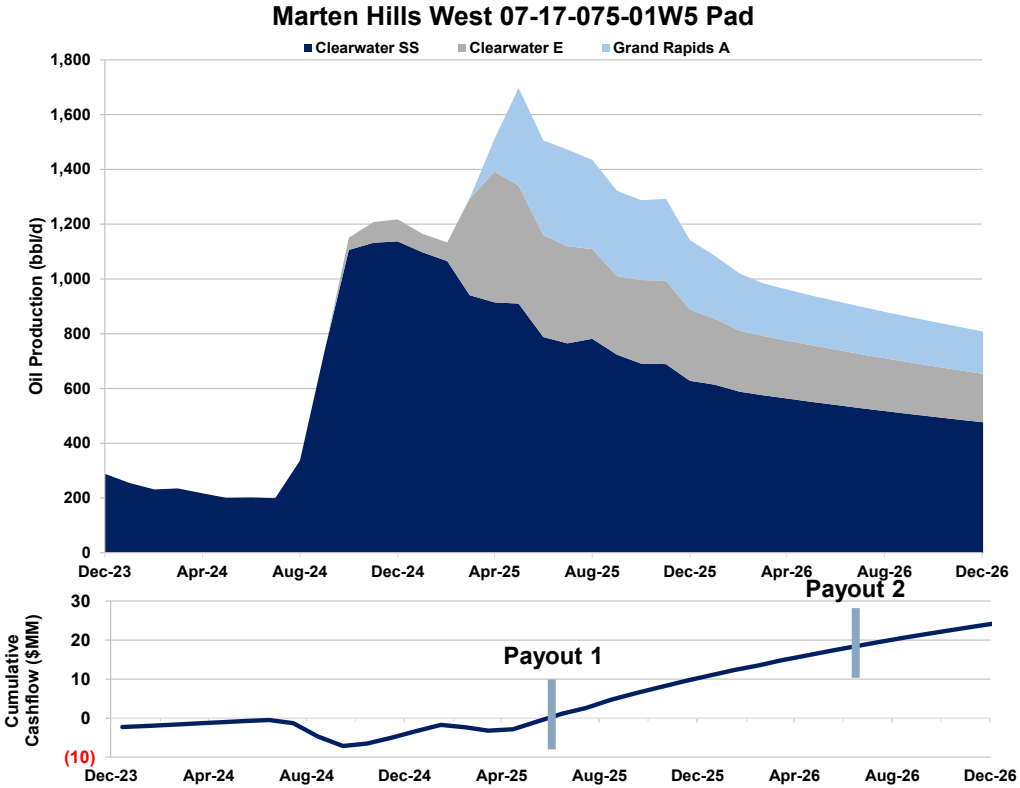
**Pad Summary (primary):**

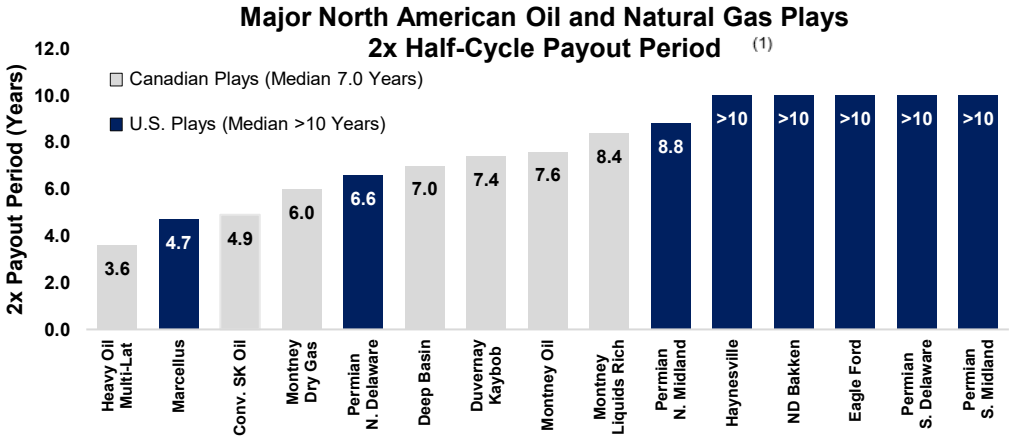
- Capital: $19.3MM
- First payout June 2025
- Run-rate NOI: $14MM/yr (US$65 WTI)

**Triple Stacked Opportunity (US$65 WTI):**

- Full Cycle Primary NPV0: ~$65MM
- Full Cycle Primary + Waterflood NPV0: ~$115MM



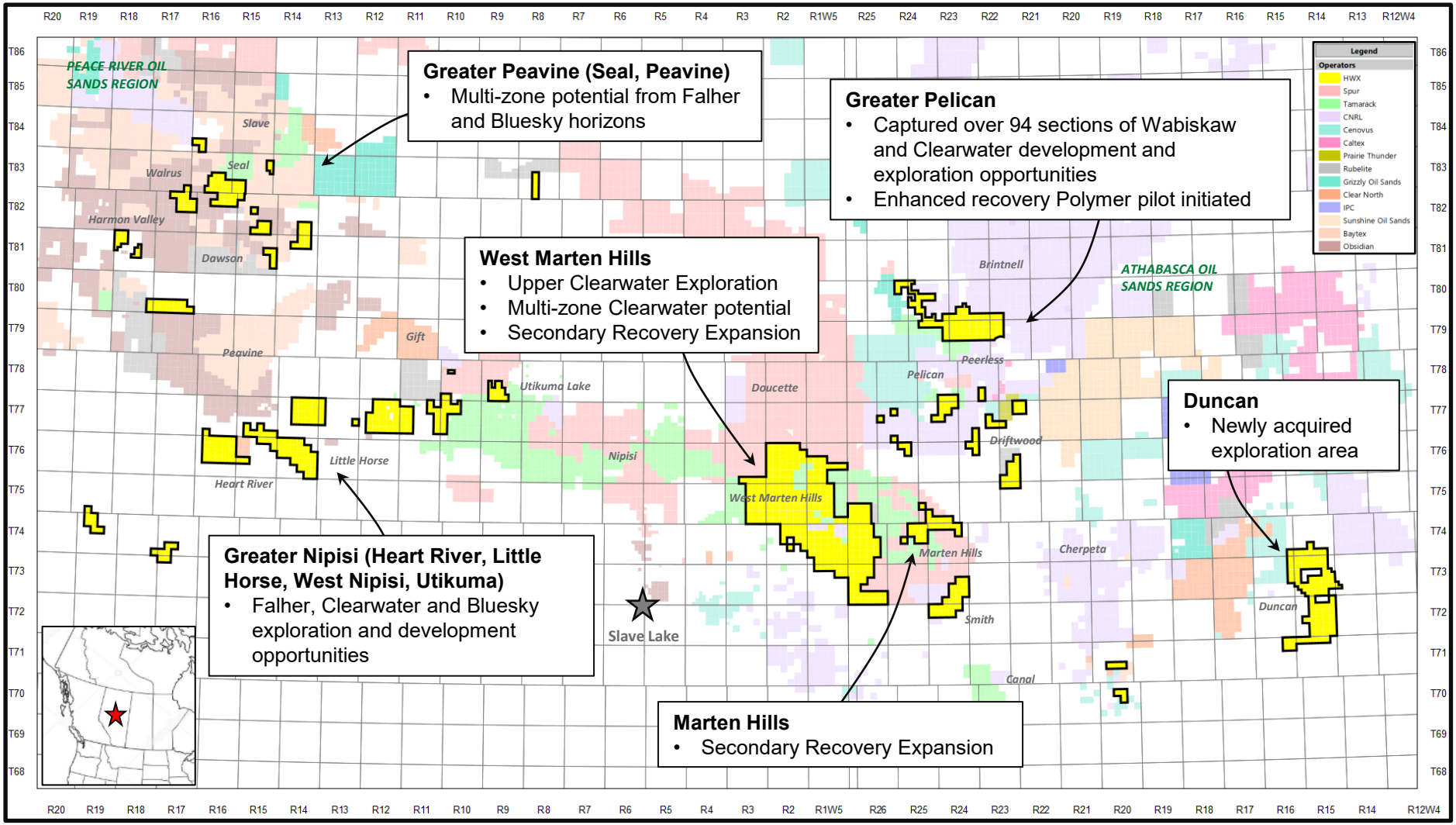




See Slide Notes and Advisories.

(1) Source: Peters and Co.

# REGIONAL CLEARWATER AREA

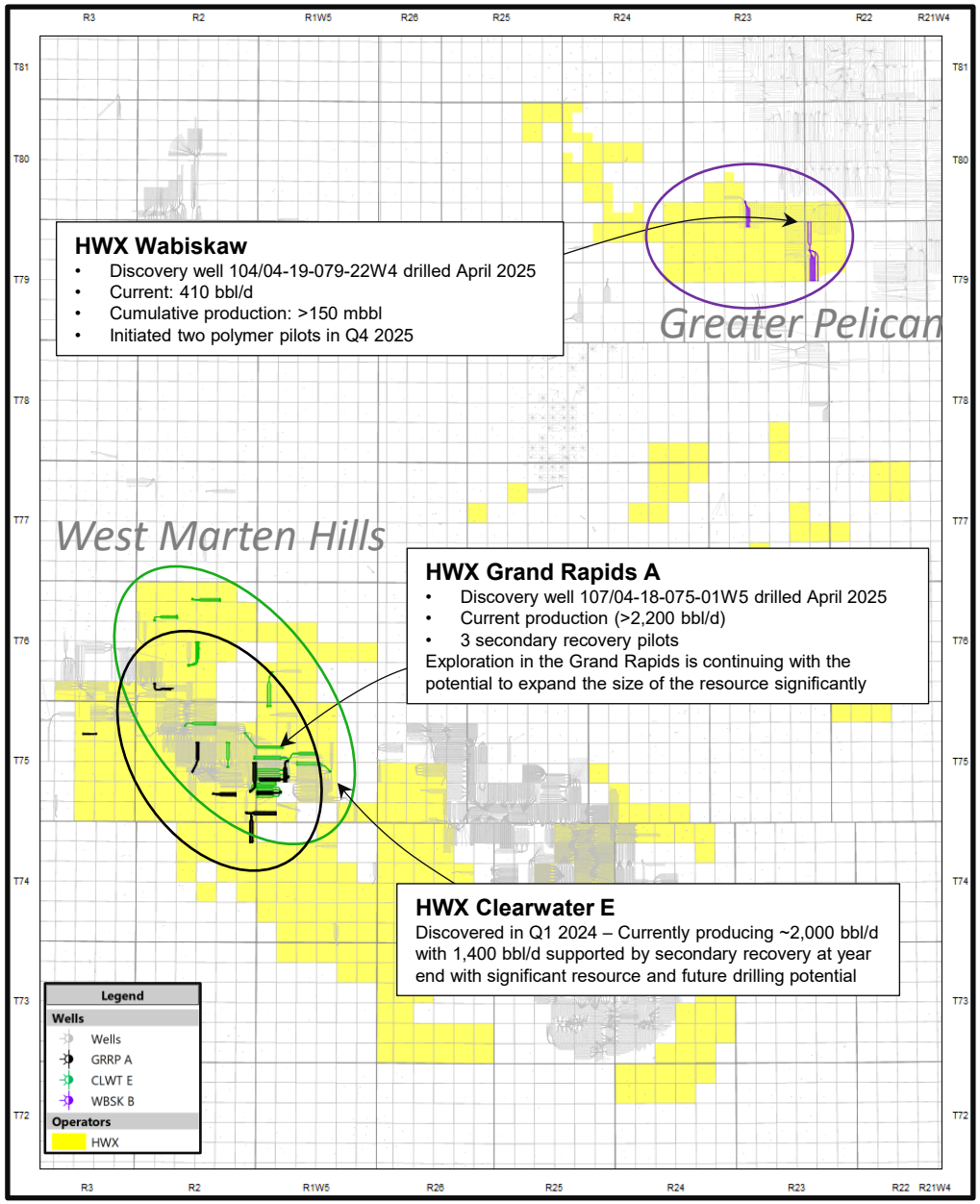
## Total Land Holdings over 650 net sections




See Slide Notes and Advisories.

# ORGANIC EXPLORATION SUCCESS ADDING TO INVENTORY

## Over 1 Bbbl of OOIP discovered over the past 2 years with secondary recovery potential

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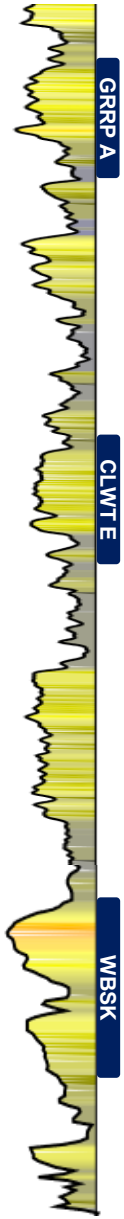



**Grand Rapids A – West Marten Hills**

- Discovery well drilled in Q2 2025
- Current production from GRRP A: > 2,200 bbl/d
- Cumulative oil production: > 370,000 bbl
- OOIP of initial pool discovery: 250 MMbbl (20 sections)
- Identified drilling inventory of initial pool discovery: >100
- Secondary recovery potential – three waterflood pilots on injection, 4th to commence injection in Q2

**Clearwater E– West Marten Hills**

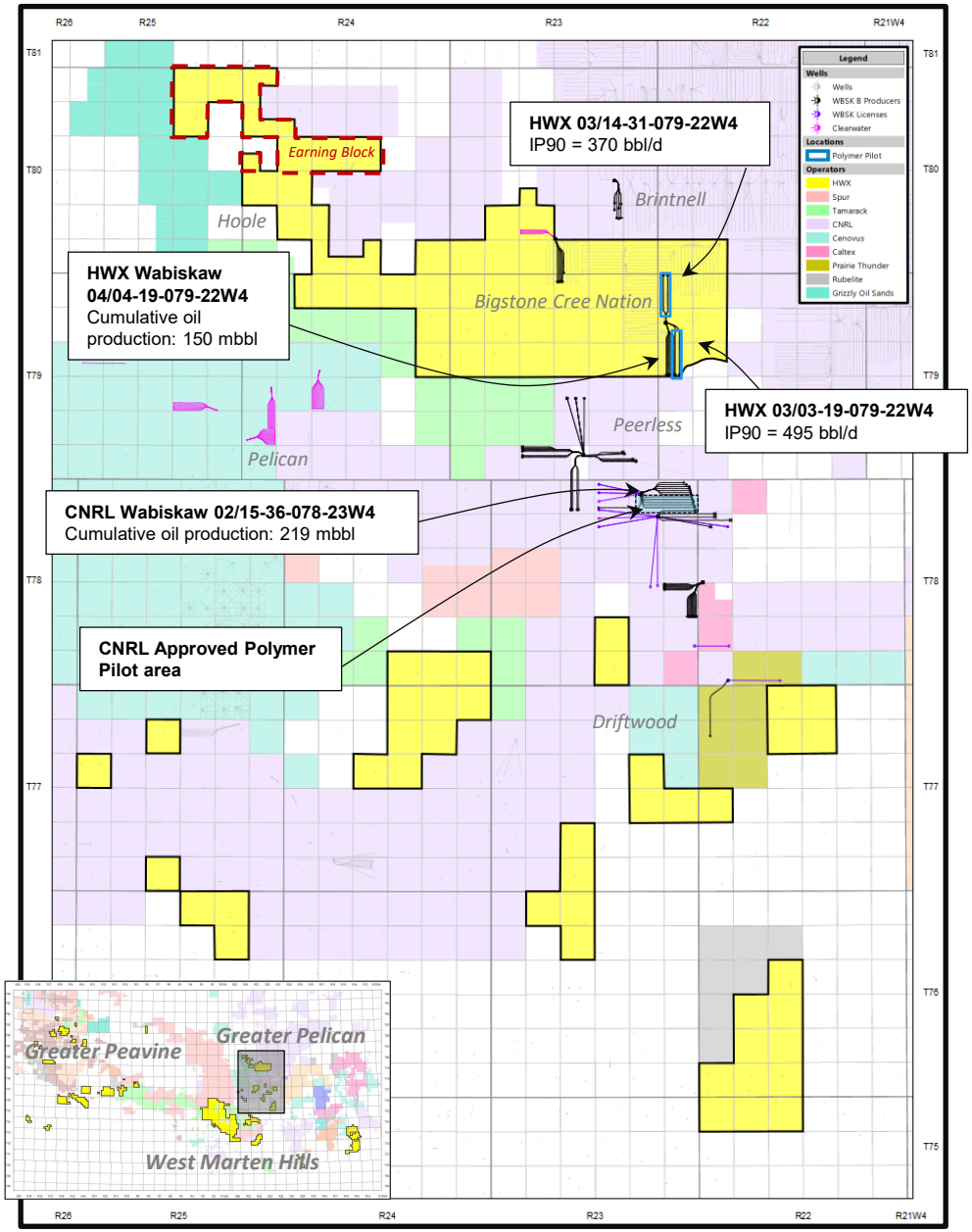
- Discovery well drilled in Q1 2024
- Current production from CLWT E: ~2,000 bbl/d
- Cumulative oil production: > 750,000 bbl
- OOIP of discovery: 563 MMbbl (52 sections)
- Identified drilling inventory: >250
- Secondary recovery potential – two sections of waterflood on injection

**Wabiskaw – Greater Pelican**

- Discovery well drilled in Q2 2025
- Current Production: 1,400 bbl/d
- Cumulative oil production: >230,000 bbl
- OOIP of discovery: 275 MMbbl (28 sections)
- Identified drilling inventory: >90
- Secondary recovery potential – two polymer pilots commissioned mid December 2025 with strong injection

# GREATER PELICAN

## Initiated Polymer Pilot; Continued Exploration Program on Expanding Landbase




## Greater Pelican – 1,400 bbl/d

**Wabiskaw Exploration (BCN Farm-in Block):**

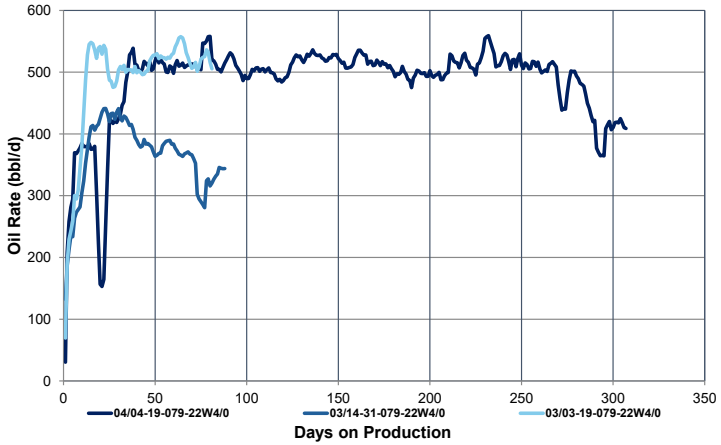
- 104/04-19-079-22W4 Wabiskaw B
  - IP300: 494 bbl/d of 16.5 API oil
  - Current Production: ~ 410 bbl/d
- Two polymer pilots commissioned mid December with strong production and injection rates
  - 03/14-31-079-22W4 (4 leg) IP90 = 370 bbl/day
  - 03/03-19-079-22W4 (4 leg) IP90 = 495 bbl/day
- 00/13-34-079-23W4 Q4 exploration multi-lateral
  - Encountered excellent reservoir
  - However, encountered a structural low near the toes of the well, yielding an IP30 of 80 bbl/day at 70% watercut
- The 00/03-03-079-23W4 single leg lateral follow-up was drilled 3/4 of the length of a typical lateral leg and yielded an IP20 = 37 bbl/day, consistent with the per meter inflow of our successful Wabiskaw wells

**Significant land position acquired:**

- Captured over 94 sections
- Exploration opportunities in the Upper Mannville, Grand Rapids, Clearwater, Wabiskaw, and McMurray zones

**2026 Plans:**

- 6 to 10 development/exploration locations
- 4 to 8 injector locations

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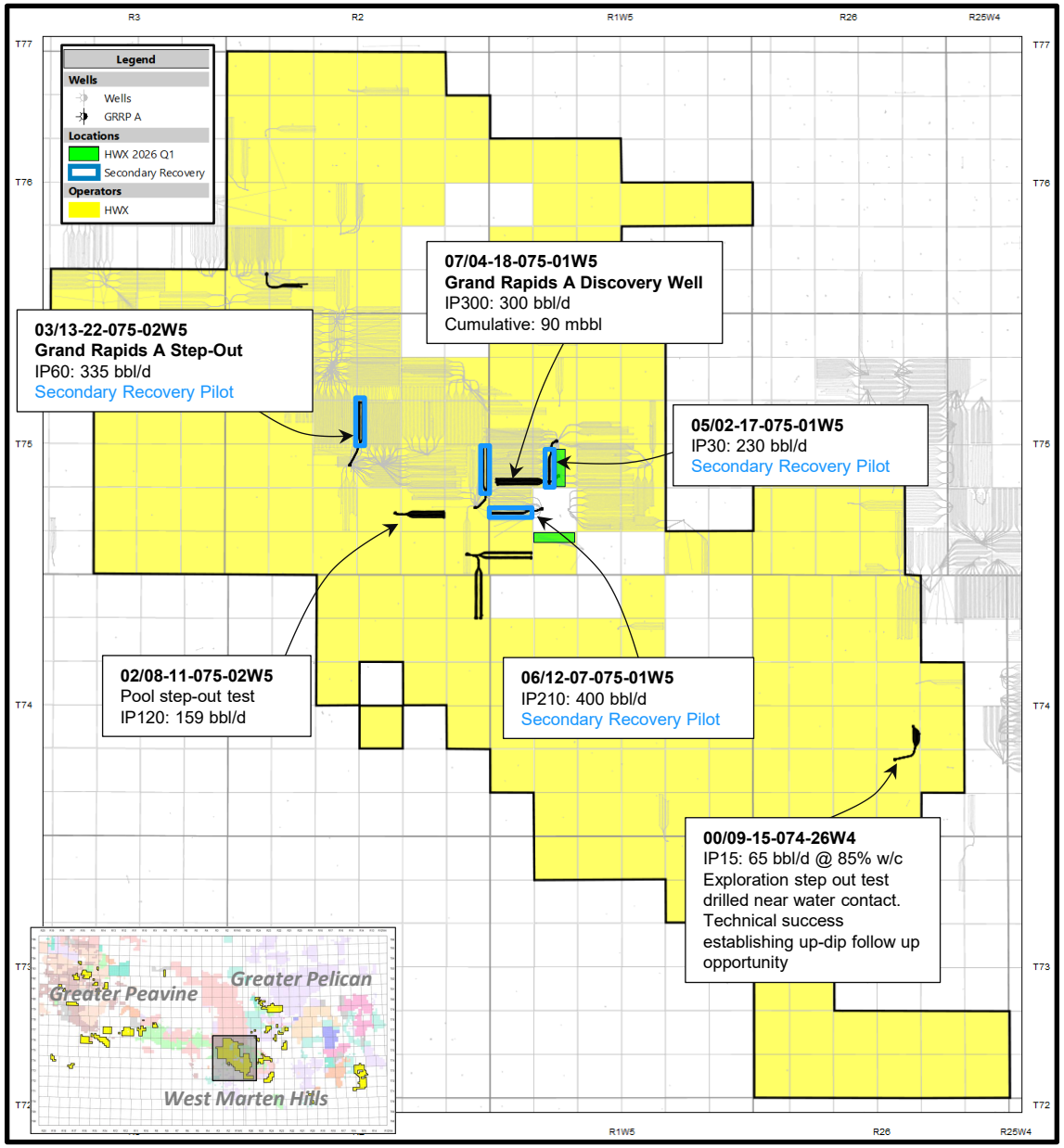
# WEST MARTEN HILLS

## Grand Rapids A - Prospect Delineation; Initiating Secondary Recovery




## Grand Rapids A – >2,200 bbl/d

**GRRP A Exploration test 107/04-18-075-01W5 (6-leg multi-lateral)**

- IP300: 300 bbl/d (19.5 API)
- > 2X payout in 10 months of production

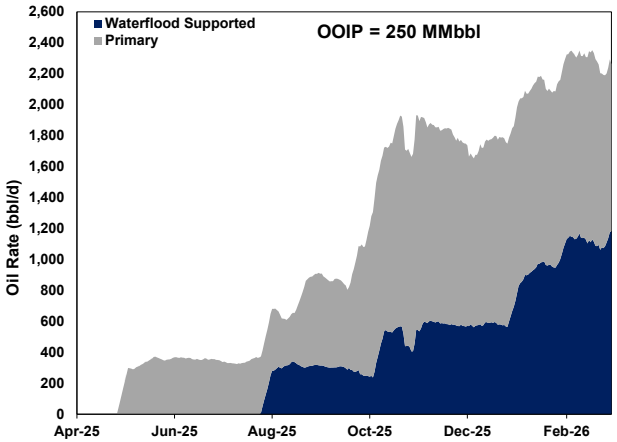
**GRRP A Step-out 103/13-22-075-02W5 (6-leg multi-lateral)**

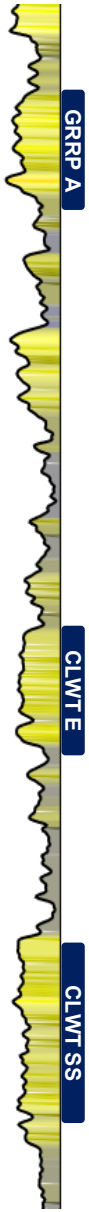
- IP60: 335 bbl/d (19 API)
- 3-mile step-out
- Associated injector drilled and on-stream in mid-February

- Three secondary recovery pilots commissioned
- **Grand Rapids A potential:**
- Discovery well pool size of ~ 20 sections and 250 MMbbl OOIP
- Average IP-30 of 265 bbl/d from first 9 wells drilled in pool
- **There is significant resource potential in additional mapped pools on HWX lands that require future exploration tests**

**2026 Plans:**

- 15 to 20 development/exploration locations
- 10 to 15 injector locations

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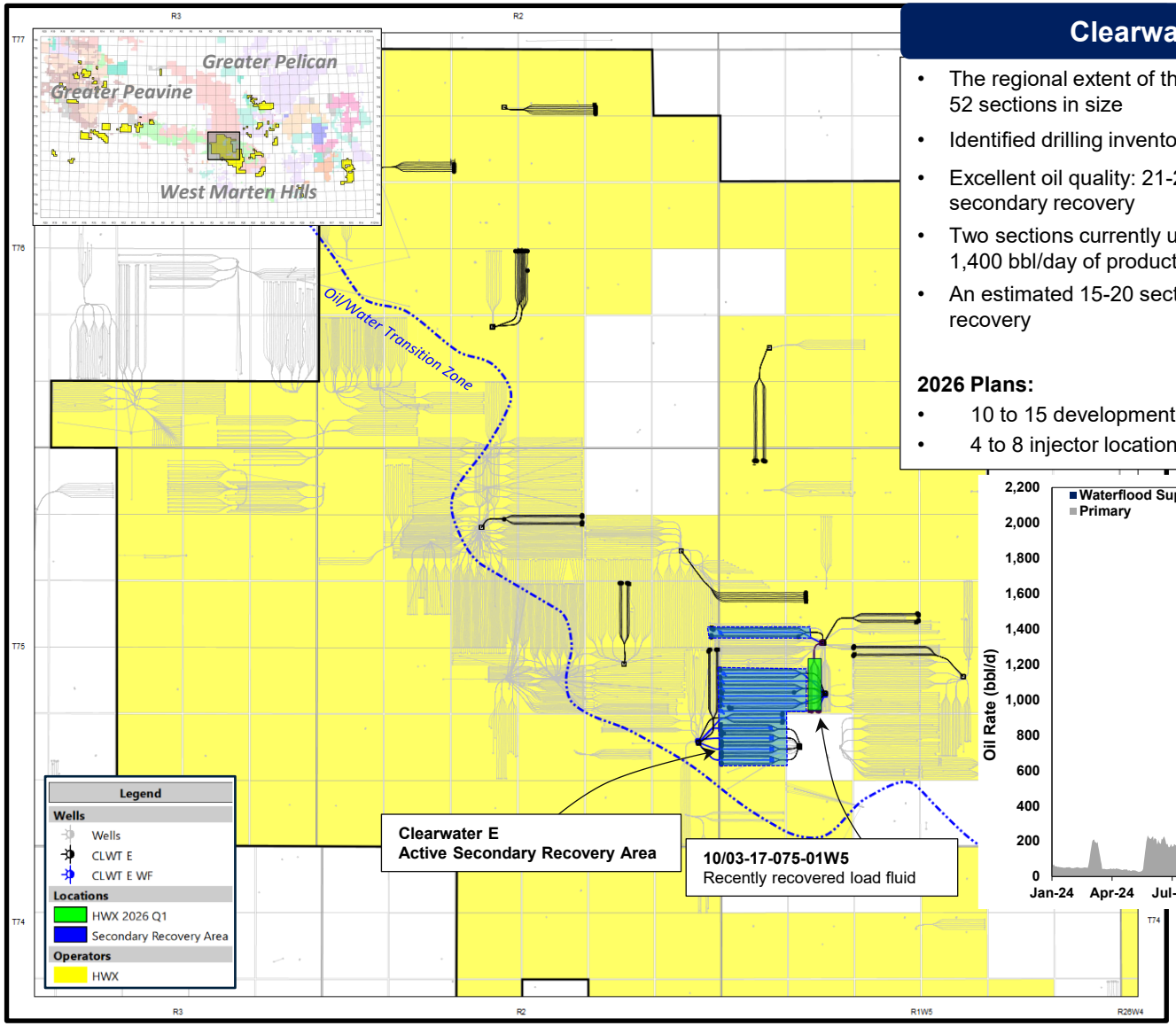
# WEST MARTEN HILLS

## Clearwater E – Expanding Secondary Recovery

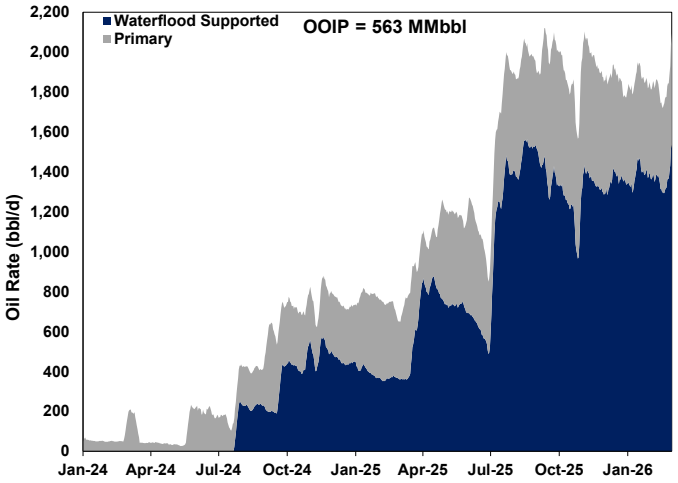



### Clearwater E – 2,000 bbl/d

- The regional extent of the Clearwater E is estimated to be up to 52 sections in size
- Identified drilling inventory: >250
- Excellent oil quality: 21-23 API & <100 cP offers high potential for secondary recovery
- Two sections currently under secondary recovery supporting 1,400 bbl/day of production
- An estimated 15-20 sections are amenable for secondary recovery

**2026 Plans:**

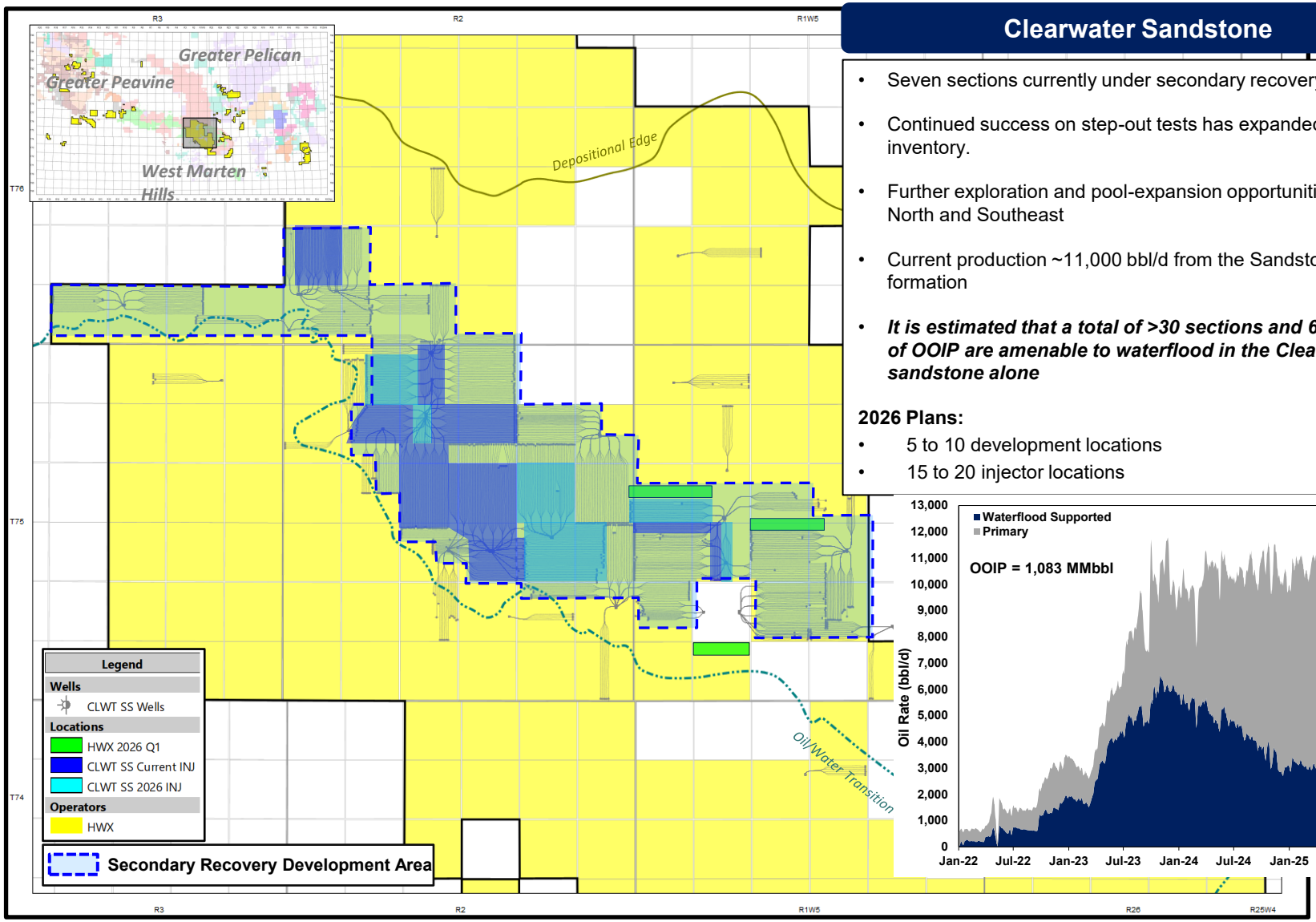
- 10 to 15 development locations
- 4 to 8 injector locations



See Slide Notes and Advisories.

# WEST MARTEN HILLS

## Clearwater Sandstone – Step-out Success; Expanding Secondary Recovery

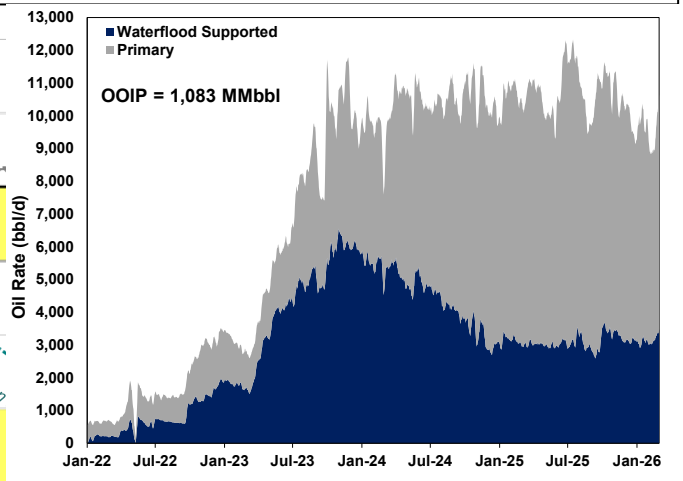



### Clearwater Sandstone

- Seven sections currently under secondary recovery
- Continued success on step-out tests has expanded drilling inventory.
- Further exploration and pool-expansion opportunities to the North and Southeast
- Current production ~11,000 bbl/d from the Sandstone formation
- ***It is estimated that a total of >30 sections and 600 MMbbl of OOIP are amenable to waterflood in the Clearwater sandstone alone***

**2026 Plans:**

- 5 to 10 development locations
- 15 to 20 injector locations



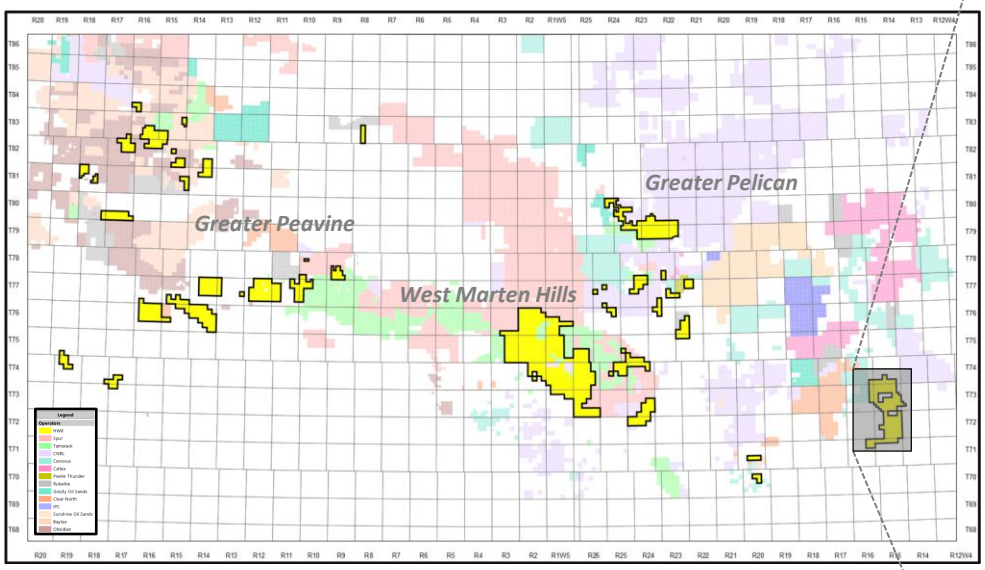
See Slide Notes and Advisories.

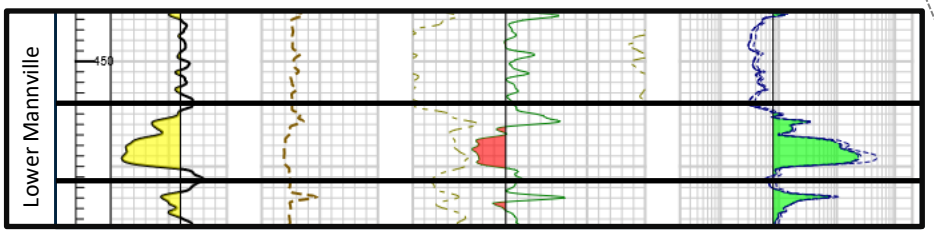
# DUNCAN – LOWER MANNVILLE

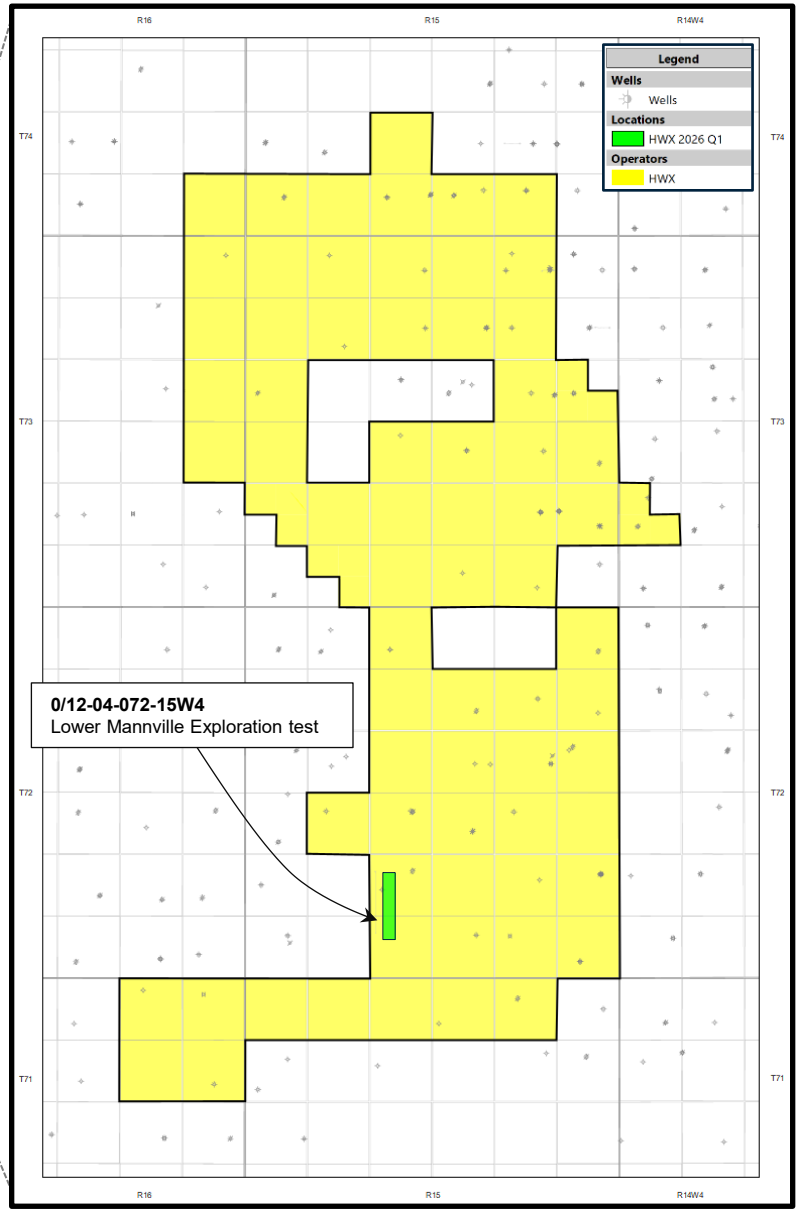
## New Exploration Area with Large Contiguous Land Captured

### Duncan

- 68 Sections of Crown land acquired in 2025/2026
- Initial exploration test in Lower Mannville zone spud Feb 24, 2026




See Slide Notes and Advisories.

# THE HEADWATER ADVANTAGE

## Growing and Sustainable Total Shareholder Returns

### Total Shareholder Returns

***Asset Scale***
Top decile netback with a large resource in place and an exploration program allowing for continued production & reserve growth

***Capital Allocation***
Capital allocation and discipline maximize free cash flow and financial flexibility

***Duration***
Industry-leading low sustaining capital due to operational efficiency and secondary recovery

***Return of Capital***
Sustainable dividend with an opportunistic NCIB

***No Equity Issued or Debt Incurred Since Q1 2020***

***History*** — ***Today*** — ***Future***

**Shareholder Returns**

***Growth***
- *Production growth from ~ 3,900 boe/day to ~ 24,250 boe/day*

***Return of Capital***
- *Paid $318 MM to shareholders to date*
- *~ 1.0 million shares bought back for cancellation at $7.30/share*

**Asset Scale & Duration**

***Maintenance Capital***
- *50% of corporate production under secondary recovery*
- *Decline reduction from >35% in 2020 to <20% in 2026*

***Inventory & Reserve Growth***
- *Expanded land, inventory and secondary recovery potential within cash flow*
- *3% of prospective OOIP booked at YE2025*

**Shareholder Returns**

***Growth***
- *Strategic capital allocation allows for a continued increase in earnings and return of capital at flat pricing*

***Return of Capital***
- *Base annual dividend of $0.44/share*
- *Additional returns using increased dividends and opportunistic buybacks*

**Asset Scale & Duration**

***Maintenance Capital***
- *Further reduction of declines to less than 20%*
- *Maintenance capital continues to decline with secondary recovery*

***Inventory & Reserve Growth***
- *Additional prospects on shallower sands and prospective acreage with continued secondary oil recovery will drive reserve life growth*

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

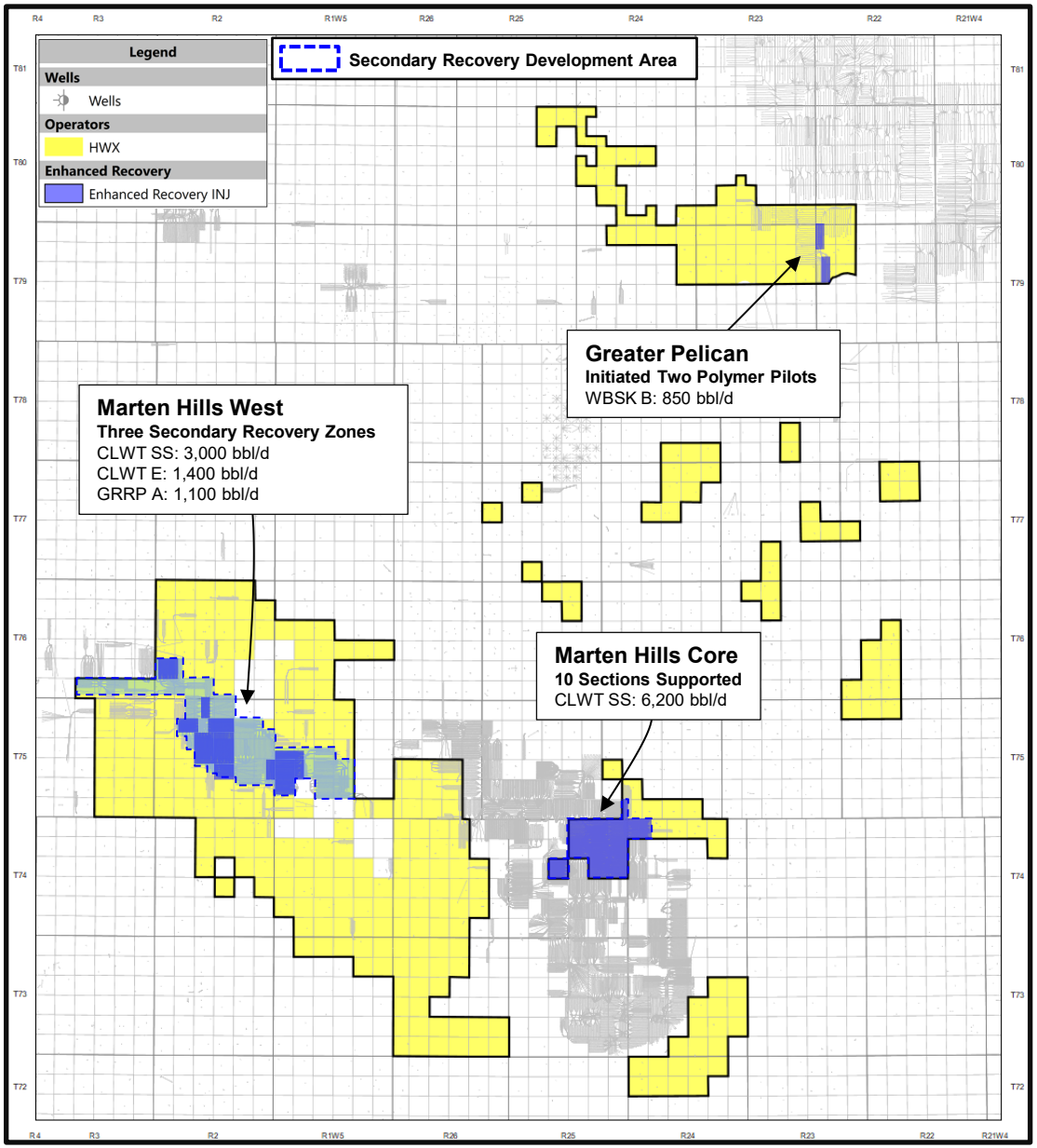
# Headwater Exploration Inc.

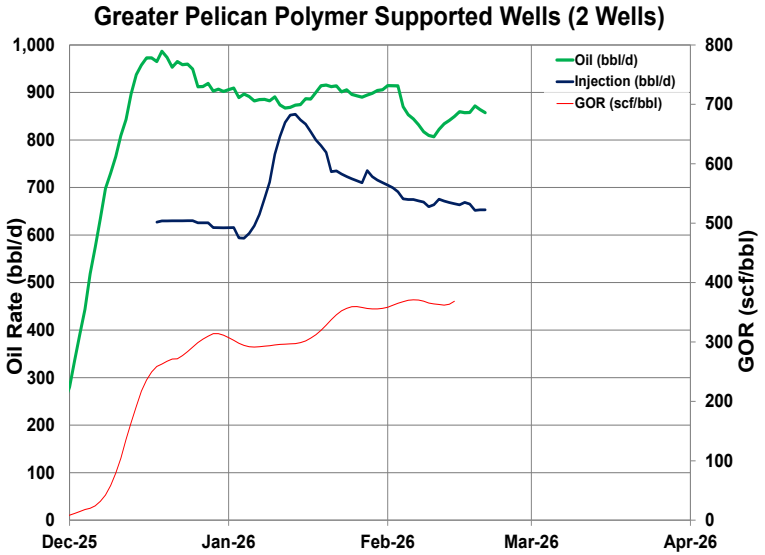
## Appendix

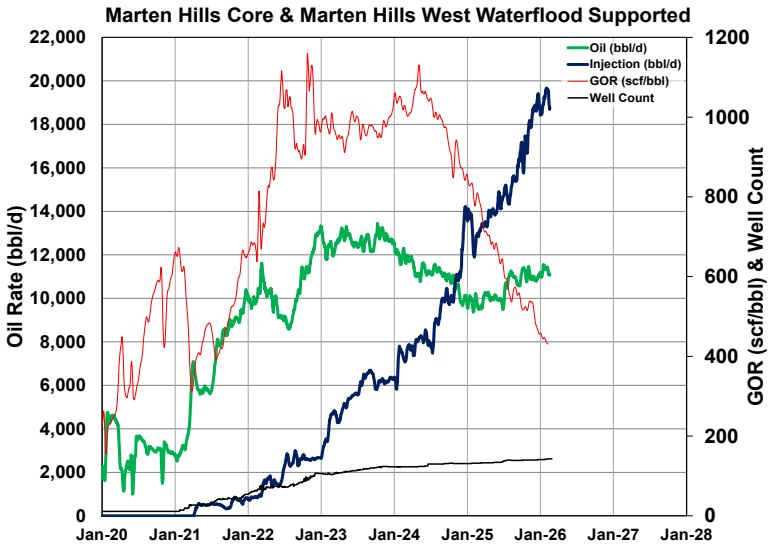
TSX:HWX

# MARTEN HILLS & GREATER PELICAN SECONDARY RECOVERY

## Secondary Recovery Core Development Areas



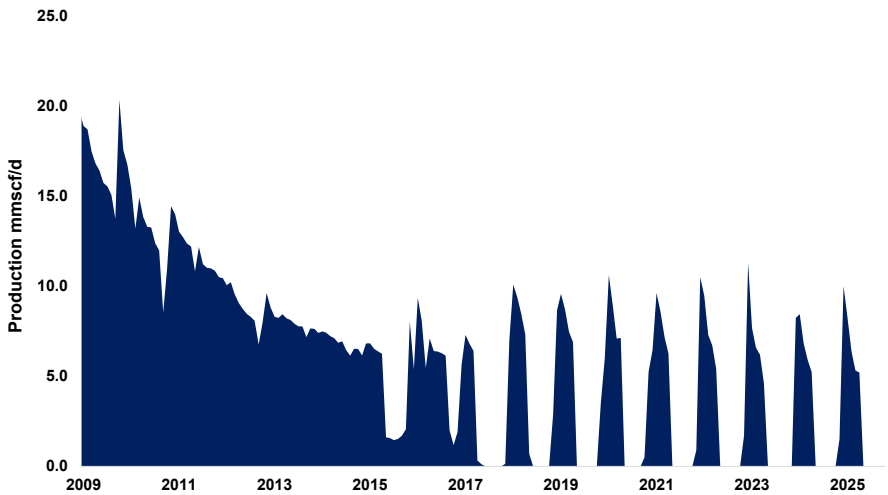



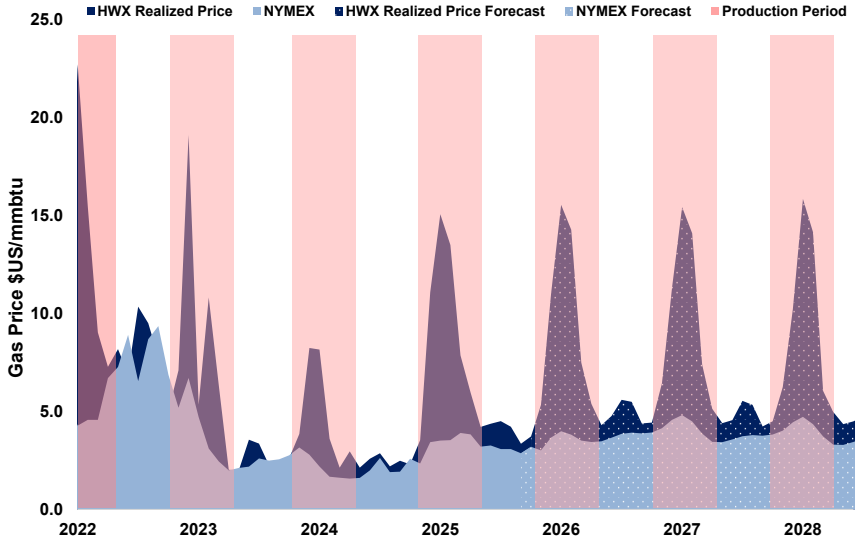
# MCCULLY PRODUCING ASSET

## Dry Gas with 100% owned infrastructure and limited liability

### McCully Asset Daily Production



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




See Slide Notes and Advisories.

### Operational Summary

| | | |
|---|---|---|
| Proved Developed Producing RLI [1] | *Years* | **12.0** |
| Undiscounted Uninflated ARO [2] | *$MM* | **11.3** |
| Average Seasonal Production Rate | *mmscf/d* | **6.5** |
| 2025-2026 Estimated Winter Season FCF | *$MM* | **17.0** |
| Yearly Maintenance Capital | *$MM* | **<0.5** |

- Asset is produced December 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.

### Management Team

| | |
|---|---|
| **Neil Roszell, P. Eng.**<br>*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.**<br>*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.**<br>*Executive Vice President* | ▪ Former VP, Engineering of Raging River Exploration Inc. and Engineering Manager of Wild Stream Exploration Inc. |
| **Ali Horvath, CA, CPA**<br>*Chief Financial Officer* | ▪ Former Controller and founder of Raging River Exploration Inc. |
| **Brad Christman**<br>*Chief Operating Officer* | ▪ Former Manager of Production and Facilities and founder of Raging River Exploration Inc. |
| **Georgia Little, CA, CPA**<br>*Vice President, Finance* | ▪ Former Controller at Headwater Exploration Inc. and VP Finance at Nauticol Energy Ltd. |
| **Scott Rideout**<br>*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**<br>*Vice President, Exploration* | ▪ Former Geoscience Manager at Tundra Oil & Gas Ltd. |
| **Jeff Magee, P. Eng**<br>*Vice President, Engineering* | ▪ Former Manager of Engineering at Headwater Exploration Inc. |
| **Wade Hein**<br>*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. |
| **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. |
| **Kam Sandhar** | ▪ Currently Cenovus' Executive Vice-President and Chief Financial Officer |
| **Cheree Stephenson** | ▪ Currently VP Finance & CFO at Topaz Energy Corp. |
| **Karen Nielsen** | ▪ Former Executive Vice President and Chief Commercial Officer at ATCO EnPower |

# SLIDE NOTES

**Slide 1**

1. Oil production growth is Q4 2025 oil production compared to December 2020 oil production.
2. OOIP is management's internal estimate. Refer to OOIP Advisory and Drilling Inventory Advisory.
3. Reserve life index (RLI) is calculated by dividing reserves by Q4 2025 annualized production. RLI is an oil and gas metric. Please refer to Non-GAAP Advisory and Certain Oil and Gas Advisories.
4. Cashflow is equivalent to Adjusted Funds Flow from Operations which is a capital management measure. Please refer to Non-GAAP Advisory.
5. Maintenance Capital is a supplementary financial measure. Please refer to Non-GAAP Advisory.
6. See Dividend Advisory.
7. The Toronto Stock Exchange ("TSX") has granted approval for Headwater to commence a normal course issuer bid (the "NCIB"). Under the NCIB, Headwater may purchase for cancellation up to 19,020,755 common shares of Headwater, representing approximately 10% of its 237,774,464 issued and outstanding common shares as at April 30, 2025 less common shares held by directors, executive officers and principal securityholders (holders holding greater than 10% of the issued and outstanding common shares) of the Company. The total number of common shares that Headwater is permitted to purchase is subject to a daily purchase limit of 177,411 common shares, representing 25% of the average daily trading volume of 709,647 common shares on the TSX calculated for the six-month period ended April 30, 2025; however, Headwater may make one block purchase per calendar week which exceeds the daily repurchase restrictions. The NCIB is expected to commence on May 6, 2025, and will terminate on the earlier of: (i) the date on which the issuer has acquired all common shares sought pursuant to the NCIB; or (ii) to May 5, 2026 unless earlier terminated at the option of the Company, upon prior notice being given to the TSX. The common shares will be purchased on behalf of Headwater by a registered broker through the facilities of the TSX and through other alternative Canadian trading platforms at the prevailing market price at the time of such transaction. The actual number of common shares purchased under the NCIB, the timing of purchases, and the price at which the common shares will be purchased, will depend on future market conditions. Headwater believes that, from time to time, the market price of the common shares may not fully reflect the underlying value of the common shares and at such times the purchase of common shares would be in the best interests of the Company. As a result of such purchases, the number of issued common shares will be decreased and, consequently, the proportionate share interest of all remaining shareholders will be increased on a pro rata basis.
8. Free Cash Flow for the purposes of this presentation, is a supplementary financial measure and is calculated as Adjusted Funds Flow from Operations net of Maintenance Capital only. Please refer to Non-GAAP Advisory.
9. Dividend yield of approximately 4% based on a closing share price on March 5, 2026, of $12.48/share.

**Slides 1,2, 5, 11, 13, 14, 15 & 17**

In certain slides, management has presented its internal estimate of OOIP, drilling locations and duration of its drilling inventory. The majority of identified inventory are considered unbooked locations. Refer to OOIP Advisory and Drilling Inventory Advisory.

**Slide 2**

1. Funds Flow is equivalent to Adjusted Funds Flow from Operations which is a capital management measure. Please refer to Non-GAAP Advisory.
2. See Dividend Advisory.

Graph: FCF 2026E To 2030E At $60/bbl WTI

1. FCF 2026E to 2030E is not an internal estimate nor is it intended to represent management's forecast of free cash flow. Forecasts provided by Peters & Co. Peer group includes TVE, PXT, ATH, SCR, CJ, SGY, SOIL, BTE, IPCO, OBE.
2. Free Cash Flow is Adjusted Funds Flow from Operations net of Maintenance Capital only. In the FCF as a % of Current EV graph, FCF does not include hedging gains/losses. Free cashflow may not have been calculated by Peters & Co. in the same manner as the Company has calculated free cashflow. EV is equivalent to Enterprise Value which is market capitalization plus net debt.
3. Maintenance Capital is a supplementary financial measure. Please refer to Non-GAAP Advisory.

Graph: Proven Reserve Growth with Massive Upside

1. TPP RLI represents 2025 year-end booked reserves from 2025 McDaniel reserve report. RLI Upside represents a recovery factory applied to Management's estimate of risked OOIP. See OOIP advisory. RLI is an oil and gas metric. Please refer to Non-GAAP Advisory and Certain Oil and Gas Advisories.

**Slide 3**

1. Reserves information is based on an evaluation by McDaniel & Associates Consultants Ltd. ("McDaniel") of Headwater's reserves in its report effective December 31, 2025. Refer to Certain Oil and Gas Advisories.
2. RLI and production replacement are oil and gas metrics. Please refer to Non-GAAP Advisory and Certain Oil and Gas Advisories.
3. F&D including FDC and recycle ratio are non-GAAP ratios. Please refer to Non-GAAP Advisory.
4. CAGR is the compound annual growth rate representing the measure of annual growth over multiple time periods.

**Slide 4**

1. Free Cashflow is a supplementary financial measure and is calculated as Adjusted Funds Flow from Operations net of management's estimate of Maintenance Capital. Please refer to Non-GAAP Advisory.
2. Cashflow is equivalent to Adjusted Funds Flow from Operations which is a capital management measure. Please refer to Non-GAAP Advisory.

Graph: Marten Hills Core Waterflood

1. Cumulative waterflood cash flow is management's estimate of net operating income (NOI) from its waterflood operation net of management's estimate of secondary recovery capital. NOI is a non-GAAP measure. Please refer to Non-GAAP Advisory.
2. Payout reflects when secondary recovery capital has been fully recovered through NOI. See Oil and Gas Metris Advisory. The following assumptions were used in the payout (cumulative NOI) of $83 million (spend to date) of waterflood capital :

| Year | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Waterflood Wedge Production (bbl/d)** | 0 | 295 | 771 | 1940 | 2735 | 3104 | 3288 | 3410 | 3499 | 3569 |
| **Operating netback ($/bbl)** | 41.22 | 62.24 | 42.95 | 45 | 45.73 | 42.39 | 41.07 | 41.33 | 41.34 | 41.26 |

3. Operating netback is a non-GAAP ratio. Please refer to Non-GAAP Advisory.

**Slide 5**

1. Exploration to date is all of Headwater's assets excluding Marten Hills Core and McCully assets.
2. Net operating income ("NOI") is a non-GAAP measure. Please refer to Non-GAAP Advisory. "NOI to date" is up to and including December 31, 2025.
3. Funds Flow is equivalent to Adjusted Funds Flow from Operations which is a capital management measure. Please refer to Non-GAAP Advisory.
4. PAV Lookback is not an internal estimate. Provided by Peters & Co. PAV= Potential Asset Value and incorporates the risked upside beyond what is booked in TPP reserves.

**Slide 6**

1. Maintenance Capital is a supplementary financial measure. Please refer to Non-GAAP Advisory as well as the Oil and Gas Metrics Advisory.
2. Growth Capital includes capital expenditures associated with previously discovered pools/identified locations contributing to increased production (before acquisitions, dispositions and other corporate expenditures and excludes maintenance capital, waterflood capital and exploration capital). Please refer to Oil and Gas Metrics Advisory.
3. Exploration Capital includes capital expenditures associated with new exploration prospects. Please refer to Oil and Gas Metrics Advisory.

# SLIDE NOTES CONTINUED

**Slide 6 (continued)**

4. Excess Free Cashflow is calculated as Adjusted Funds Flow from Operations less Capital Expenditures and Dividends. Excess Free Cashlow is a non-GAAP measure. Please refer to Non-GAAP Advisory.
5. Free Cashflow (FCF) is a supplementary financial measure and is calculated as Adjusted Funds Flow from Operations net of management's estimate of Maintenance Capital. Please refer to Non-GAAP Advisory.
6. MOIC is Multiple on Invested Capital and represents how many times an initial investment has been recouped. Please refer to Oil and Gas Metrics Advisory.
7. See Dividend Advisory.

Graph: FCF 2026E To 2030E At $60/bbl, $65/bbl, $70/bbl & $75/bbl WTI

1. FCF 2026E to 2030E is not an internal estimate nor is it intended to represent management's forecast of free cash flow. Forecasts provided by Peters & Co.
2. Free Cash Flow is Adjusted Funds Flow from Operations net of Maintenance Capital only. In the FCF as a % of Current EV graph, FCF does not include hedging gains/losses. Free cashflow may not have been calculated by Peters & Co. in the same manner as the Company has calculated free cashflow. EV is equivalent to Enterprise Value which is market capitalization plus net debt.
3. Maintenance Capital is a supplementary financial measure. Please refer to Non-GAAP Advisory.

Implied Share Price Table

1. DAFCF means Debt Adjusted Free Cash Flow
2. FCF 2027E is not an internal estimate nor is it intended to represent management's forecast of free cash flow. Forecasts provided by Peters & Co. Peer group includes TVE, PXT, ATH, SCR, CJ, SGY, SOIL, BTE, IPCO, OBE.
3. Free Cash Flow is Adjusted Funds Flow from Operations net of Maintenance Capital only.
4. Maintenance Capital is a supplementary financial measure. Please refer to Non-GAAP Advisory.

**Slide 7**

1. Assumptions used in the updated 2026 guidance include: annual average production of 24,500 boe/d, WTI of US$60.00/bbl, WCS of Cdn$67.00/bbl, AGT US$10.60/mmbtu, AECO of $3.10 CAD/GJ, foreign exchange rate of US$/Cdn$ of 0.72, blending expense of WCS less $1.10, royalty rate of 17.2%, operating and transportation costs of $14.15/boe, G&A and interest income and other expense of $1.60/boe and cash taxes of $3.30/boe. The AGT price is the average price for the winter producing months in the McCully field which include January to April and December.
2. Forecasted 2026 annual production guidance comprised of: 22,500 bbls/d of heavy oil, 120 bbls/d of natural gas liquids and 11.3 mmcf/d of natural gas.
3. Capital Expenditures (or Total Capital) 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.
5. 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.

**Corporate Development Strategy (Slide 7) – also refer to Development Strategy Advisory**

1. Maintenance Capital is a supplementary financial measure. Please refer to Non-GAAP Advisory.
2. Growth Capital includes capital expenditures associated with previously discovered pools/identified locations contributing to increased production (before acquisitions, dispositions and other corporate expenditures and excludes maintenance capital, waterflood capital and exploration capital).
3. Exploration Capital includes capital expenditures associated with new exploration prospects.
4. Adjusted Funds Flow from Operations which is a capital management measure. Please refer to Non-GAAP Advisory.
5. See Dividend Advisory.
6. Excess Free Cashflow is calculated as Adjusted Funds Flow from Operations net of all Capital Expenditures and Dividends. Please refer to Non-GAAP Advisory.
7. Reinvestment rate is a supplementary financial measure. Please refer to Non-GAAP Advisory.

**Slide 9**

1. NOI is a non-GAAP measure. Please refer to Non-GAAP Advisory.
2. Payout reflects when 07-17 pad capital has been fully recovered through NOI. See Oil and Gas Metris Advisory. The following assumptions were used in the payout (cumulative NOI) of $19.2 million of capital expenditures on the 07-17 pad:

| Year | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|
| **Production (bbl/d)** | 178 | 481 | 1355 | 929 |
| **Operating netback ($/bbl)** | 30.05 | 45 | 45.86 | 40.7 |

3. Operating netback is a non-GAAP ratio. Please refer to Non-GAAP Advisory.

Graph: Major North American Oil and Natural Gas Plays – Half-Cycle Payout Period

1. Source: Peters & Co. Limited estimates based on US$58.00/B WTI, US$3.75/Mcf NYMEX, $3.00/Mcf AECO. Notes: (1) Heavy Oil Multi-Lat includes Clearwater and Mannville plays. (2) Certain U.S. plays include an average of core and non-core acreage. (3) Given our use of averages across large datasets, there will be variability in payouts and ranking within each play.

**Slides 10 & 12**

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

**Slides 11, 12 & 13**

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

**Slide 17**

1. Maintenance Capital is a supplementary financial measure. Please refer to Non-GAAP Advisory.
2. Free Cashflow is Adjusted Funds Flow from Operations net of Maintenance Capital only.
3. See Dividend Advisory.

**Slide 20**

1. Proved developed producing (PDP) reserves life index ("RLI") is calculated by dividing the PDP reserves by 2025 production.
2. As at December 31, 2025.

# Forward Looking Statements Advisory

This investor presentation of Headwater Exploration Inc. ("Headwater" or the "Company") 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: the anticipated reduction to decline rates by 2028; the expectation of achieving sustainable production growth of 5-10% while spending 35-40% of cash flow at US$60 WTI; anticipated trends in respect of earnings, funds flow, free cash flow, production, dividends, asset duration, decline rate and maintenance capital; anticipated trends with respect to increasing reserves, RLI, recovery factors and asset duration; expectations of returns to shareholders through growing dividends, extending duration of the Company's assets, growing production and share buybacks with the Company's NCIB; expected 2026 maintenance capital; anticipated trends with respect to decreasing maintenance capital, increasing earnings, increasing asset duration and sustainable cashflow; the expectation that ~40% of current EV is returned to shareholders in cumulative free cash flow by 2030 at US$60/bbl WTI; the expectation that maintenance capital will be less than 30% of cash flow in 2026 at US$60 WTI; the expectation that maintenance capital will be 24% of cash flow in 2028 at US$60 WTI; the expectation that Headwater's breakeven price is US$46 WTI, including maintenance capital & dividend for 2026; the expectation that through waterflood, base decline is falling year over year, reducing maintenance and growth capital requirements; the expectation that increasing free cash flow provides optionality for capital allocation, including growth, dividend increases and share buybacks; the expectation that Marten Hills Core waterflood will have its second, third and fourth payouts expected prior to 2030; estimated date of payout on full cycle capital; estimated OOIP; the intention to invest approximately 10% of funds flow in exploration and be active in land acquisitions; the forecasted capital allocation for 2026 found on slide 6 of this presentation and the anticipated benefits therefrom; expectations outlined and entitled "Forward Looking" on slide 6 of this presentation; expectation production per share growth; the expectation that 60% of corporate oil production to be supported by secondary recovery resulting in corporate decline less than 20%; the expectation that rig flexibility offers capacity for budget expansion; expectations of future secondary recovery expansion; 2026 guidance and outlook including annual daily production, adjusted funds flow from operations, capital expenditures and dividends; that 6 producing wells remain to be drilled and that all three zones will be converted to waterflood at the Marten Hills West 07-17-075-01W5 Pad; anticipated future oil production, anticipated cumulative cash flow and payout dates on the Marten Hills West 07-17-075-01W5 Pad; certain development opportunities, secondary recovery and exploration, multi-zone potential and expansion outlined on slide 9 of this presentation; anticipated drilling inventory; expectations regarding potential locations, secondary recovery potential, future drilling potential, drilling inventory and expansion potential on slide 10 of the presentation; the expected drilling plans for Greater Pelican in 2026; the expected drilling plans in Grand Rapids A in 2026; the expected drilling plans in Marten Hills West (Clearwater Sandstone and Clearwater E) in 2026; expectations regarding the discovery well pool sizes; the expectation that there is significant resources potential in additional mapped pools on Headwater lands that require future exploration tests; the drilling potential of unrisked inventory at Clearwater E; expectations regarding timing of secondary recovery; estimates regarding total sections and OOIP that are amenable to waterflood in the Clearwater sandstone; and the planned expectations of future shareholder returns and asset scale and duration found on slide 16 of this presentation including expectations regarding strategic capital allocation, additional returns using increased dividends and opportunistic buybacks, further reduction declines, maintenance capital declines, and additional prospects and prospective acreage; anticipated FCF for the McCully Asset in the 2025/2026 winter season; and forecasted realized pricing and strip pricing for 2026. 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 current WTI pricing and that such pricing will remain relatively consistent in the future; 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's 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; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks); uncertainty of the level of capital expenditures required to maintain production levels; inflation risks; supply chain risks; commodity price and exchange rate fluctuations; wars (including Russia-Ukraine war and the U.S., Israel and Iran conflict and other middle easter 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 2026, 2027 & 2028 (Development Strategy) may be less than anticipated; the risk that Headwater's financial results in 2026 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, 2025, 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") including 2026 forecasted capital allocations; 2026 guidance and outlook including annual daily production, adjusted funds flow from operations, capital expenditures and dividends; and anticipated cumulative cash flow and payout dates on the Marten Hills West 07-17-075-01W5 Pad. 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 and Long-Term Potential Outcomes (Slide 7)

The Company has presented various information, metrics and potential outcomes relating to its strategy, operations and development plans through to 2028 (and in certain instances beyond 2028) including expected projected declines in 2028 (slide 1); potential production and maintenance capital requirements through to 2028 (slide 2); potential cumulative free cash flow as a percentage of enterprise value through 2030 (slide 2); payout from waterflood operations (slide 4); percentage of oil production supported by waterflood and base declines through 2028 (slide 4); maintenance capital, adjusted funds flow and cumulative cashflow through 2028 (slide 4); and the three-year corporate development strategy (slide 7). Such information, metrics and potential outcomes are based on a number of assumptions as presented in such slides including, without limitation: the maintenance capital 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 secondary oil recovery options; average production per year resulting from such strategies; expected adjusted funds flow from operations and expected free cash flow; capital expenditures per year; dividend rates; expectations as to commodity prices, royalty rates, production costs, general and administrative expenses and certain other assumptions. Waterflood results in the development strategy are based on management's analysis and interpretation of the Company's waterflood results to date as well as waterflood 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 “Certain Economics and Waterflood Performance” under oil and gas advisories.

The following pricing assumptions have been utilized for the three year corporate development strategy table on slide 7:

| | | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| WTI | US$/bbl | $ 60.00 | $ 60.00 | $ 60.00 |
| WCS Differential | US$/bbl | $ 12.05 | $ 12.00 | $ 12.00 |
| AECO | Cdn$/GJ | $ 3.10 | $ 3.10 | $ 3.00 |
| AGT (1) | US$/mmbtu | $ 10.60 | $ 10.40 | $ 9.70 |
| FX | US$ to Cdn$ | 0.72 | 0.72 | 0.72 |

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

The 3-year corporate development strategy as well as the other information, metrics and potential outcomes through 2028 (and in certain instances beyond 2028) presented herein are not based on a budget or capital expenditures plan approved by the Board of Directors of the Company beyond 2026 and are not intended to present a forecast of future performance or a financial outlook. In addition, the development strategy and such other information, metrics and potential outcomes presented herein do not represent management's expectations of the Company's future performance but rather are 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 commodity pricing and other assumptions used for such strategy. In addition, the development strategy and the other information, metrics and potential outcomes presented herein are not intended to 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 drilling of all of the wells, secondary oil recovery plans or other capital expenditures contemplated by the development strategy and/or by the other information, metrics and potential outcomes presented herein. In addition, even if the Company does proceed with all of the drilling of wells, secondary oil recovery plans or other capital expenditures contemplated by the development strategy and/or by the other information, metrics and potential outcomes presented herein, there is no certainty that the reserves or resources recovered will match the expectations used for such strategy, information, metrics and potential outcomes. All future drilling, secondary oil recovery plan and other capital expenditures will ultimately depend upon the availability of capital, determinations of the Company's management and the Board of Directors on allocation 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 the amount of future dividends or other distributions of 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 and for the other information, metrics and potential outcomes 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, 2025, which is available on SEDAR+ at www.sedarplus.ca.

# Non-GAAP Advisory

CAPITAL MANAGEMENT MEASURES, NON-GAAP MEASURES, SUPPLEMENTARY FINANACIAL MEASURES, NON-GAAP RATIOS AND OIL AND GAS METRICS

This investor presentation contains the terms 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 ("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. AFFO 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 restricted cash 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, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | *(thousands of dollars)* | | *(thousands of dollars)* | |
| Cash flows provided by operating activities | 72,668 | 76,016 | 297,137 | 316,737 |
| Changes in non–cash working capital | 7,376 | 14,774 | 13,205 | 12,096 |
| Current income tax expense | (9,176) | (13,114) | (40,220) | (51,962) |
| Current income taxes paid | 8,386 | 10,227 | 54,103 | 59,686 |
| Restricted cash | - | - | 2,000 | - |
| Adjusted funds flow from operations | 79,254 | 87,903 | 326,225 | 336,557 |

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 AFFO 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, | |
|---|---|---|
| | 2025 | 2024 |
| | *(thousands of dollars)* | |
| Working capital | 29,951 | 78,735 |
| Repayable contribution | (7,202) | (10,916) |
| Financial derivative receivable | (393) | (3,088) |
| Financial derivative liability | 1,225 | 2,847 |
| Adjusted working capital | 23,581 | 67,578 |

**Non-GAAP Financial Measures**

Capital Expenditures

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, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | *(thousands of dollars)* | | *(thousands of dollars)* | |
| Cash flows used in investing activities | 61,120 | 45,932 | 227,885 | 226,852 |
| Proceeds from government grant | - | - | - | 354 |
| Change in non-cash working capital | (15,054) | 2,754 | 403 | (4,340) |
| Capital expenditures | 46,066 | 48,686 | 228,288 | 222,866 |

Net Operating Income (NOI)

Management calculates NOI as revenue net of royalties, blending and transportation expense and production expenses. NOI is used in operational and capital allocation decisions.

| | Three months ended December 31, | | Year ended, December 31, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | *(thousands of dollars)* | | *(thousands of dollars)* | |
| Sales | 150,080 | 163,107 | 618,280 | 619,804 |
| Royalties | (22,876) | (27,372) | (103,987) | (108,307) |
| Blending and transportation | (18,211) | (17,061) | (70,858) | (68,063) |
| Production | (16,019) | (15,133) | (61,349) | (54,551) |
| Net operating income | 93,974 | 103,541 | 382,086 | 388,883 |

Excess Free Cashflow

Excess Free Cashflow is calculated as AFFO less Capital Expenditures and dividends.

| | Three months ended December 31, | | Year ended, December 31, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | *(thousands of dollars)* | | *(thousands of dollars)* | |
| Adjusted funds flow from operations | 79,254 | 87,903 | 326,225 | 336,557 |
| Capital expenditures | (46,066) | (48,686) | (228,288) | (222,866) |
| Dividends | (26,154) | (23,776) | (104,728) | (95,037) |
| Excess free cashflow | 7,034 | 15,441 | (6,791) | 18,654 |

# Non-GAAP Advisory

**Supplementary Financial Measures**

Free Cashflow (FCF)

FCF for this corporate presentation is defined as AFFO net of Maintenance Capital.

Maintenance Capital

Maintenance Capital includes all Capital Expenditures required to support development to offset declines and hold production flat.

Net Present Value (NPV)

NPV is a supplementary financial measure comprised of the before tax NPV for TPP reserves as determined in accordance with NI 51-101.

Reinvestment Rate

Management believes the reinvestment rate is a useful supplementary financial measure to analyze the ratio of funds generated by the Company and used for reinvestment and is calculated as total maintenance and growth capital expenditures divided by adjusted funds flow from operations.

Maintenance capital reinvestment rate is strictly maintenance capital expenditures divided by adjusted funds flow from operations.

Total capital reinvestment rate is total capital expenditures (including maintenance, growth, exploration and waterflood) divided by adjusted funds flow from operations.

**Non-GAAP Ratios**

Operating netback

Operating netback is defined as sales less royalties, transportation and blending costs and production expense divided by sales volumes in the period. Sales volumes exclude the impact of purchased condensate and butane.

Adjusted funds flow netback

Adjusted funds flow netback is a non-GAAP ratio and is used by management to better analyze the Company's performance against prior periods on a more comparable basis. Adjusted funds flow netback is defined as adjusted funds flow from operations divided by sales volumes in the period.

F&D costs per boe

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, 2025 as compared to the evaluation completed by McDaniel as at December 31, 2024. 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 = ($228.3 million (2025 capital expenditures) +- 47 thousand (change in FDC associated with proved developed producing reserves)) / (44,526 mboe – 29,183 mboe + 8,313 mboe) = $9.65 per boe. Total proved F&D is calculated as follows = ($228.3 million (2025 capital expenditures) + $141.8 million (change in FDC associated with total proved reserves)) / (68,278 mboe – 43,075 mboe + 8,313 mboe) = $11.04 per boe. Total proved plus probable F&D is calculated as follows = ($228.3 million (2025 capital expenditures) + $220 million (change in FDC associated with total proved plus probable reserves)) / (104,505 mboe – 67,853 mboe + 8,313 mboe) = $9.97 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.

**Oil and Gas Metrics**

Reserve life index ("RLI") (years)

RLI is a measure of how long a particular category of reserves will last (in years) at the current rate of production. It is calculated by taking the total quantity of reserves (boe) divided by annualized Q4 2025 production (boe/d) except on slide 18, McCully RLI is calculated as PDP reserves divided by 2025 production.

Production replacement

Production replacement measures how much annual production has been replaced by new reserve additions. It is calculated by taking the total change in reserves (boe) divided by 2025 annual production (boe).

# Certain Oil and Gas Advisories

CERTAIN ECONOMICS AND WATERFLOOD PERFORMANCE

Headwater has presented certain projected operational and economic performance and waterflood performance for certain development, exploration and waterflood activities in Headwater's areas of operations. The projected operational and economic performance 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 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 information, including projected operational and economic performance and waterflood performance, is not necessarily determinative of the production rates and performance of existing and future wells or waterfloods. In addition, the projected operational and economic performance 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.

DRILLING INVENTORY

This presentation discloses the drilling locations and inventory (including the estimated duration of inventory) associated with certain of Headwater's lands. Many of the drilling locations and inventory associated with Headwater's lands 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. Unbooked 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. The duration of the drilling inventory is based on management's forecast of the number of wells to be drilled per year. 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. In addition, there is no certainty that the Company will drill the wells at the rate currently expected. 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. Some 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. There is also uncertainty that the drilling locations actually drilled will allow the Company to maintain the drilling rate over the time frame as currently anticipated.

RESERVES INFORMATION

Any 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 January 15, 2026 and effective December 31, 2025, 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, 2026, of three independent reserves evaluation firms. Additional information regarding reserves data and other oil and gas information will be included in Headwater's Annual Information Form for the year ended December 31, 2025, expected to be released on or around March 5, 2026.

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 reserves life index (or RLI), production replacement, maintenance capital, growth capital, exploration capital, multiple on invested capital (or MOIC), decline rates, and payout. RLI is calculated by dividing the reserves or resources volumes by the average annual production or annualized Q4 production (slide 3) (actual or in some cases forecast) for that period. Production replacement measures how much annual production has been replaced by new reserve additions. Maintenance capital is management's estimates relating to the amount of capital expenditures (either on a historic basis or on forecast basis for future years) spent on maintaining production at a constant rate. Growth capital is management's estimates relating to the amount of capital expenditures (either on a historic basis or on forecast basis for future years) spent on growing production above the previous year's production rate on the Company's development properties. Exploration capital is capital expenditures associated with exploration prospects. MOIC represents management's estimate of how many times an initial investment has been recouped. Corporate decline is calculated by the year over year reduction in the corporate production if the Company is not drilling any additional wells. Payout reflects when capital expenditures relating to a certain project have been fully recouped based on net operating income from such project. 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, 2026. 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.

# Certain Oil and Gas Advisories

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. 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.