



Headwater Exploration Inc. Report on Modern Slavery 2025

Introduction:

Headwater Exploration Inc. (the "Company", "Headwater", "we" or "our") is a Canadian resource company engaged in the exploration for and development and production of petroleum and natural gas in Canada. Headwater is a public company existing under the Alberta Business Corporations Act with common shares listed on the Toronto Stock Exchange under the symbol "HWX". Headwater's principal place of business is located at 1400, 215 – 9th Avenue S.W., Calgary, Alberta, T2P 1K3 and our registered office is located at 2400, 525 - 8th Avenue S.W., Calgary, Alberta, T2P 1G1.

This report (the "Report") represents Headwater's response to Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "Act") for the financial year ending December 31, 2025.

Steps to prevent and reduce the risks of forced labour and child labour:

Headwater has made the following steps to prevent and reduce the risk of forced labour and child labour in our business and supply chains:

- Established a Vendor Code of Conduct (the "Vendor Code") specifically addressing child labour, human trafficking and slavery;
- Screened new suppliers through various due diligence procedures; and
- Engaged external counsel to help understand the requirements of the Act.

Structure, activities and supply chains:

Structure and activities

Headwater is a Canadian-based oil and gas producer headquartered in Calgary, Alberta. In 2025, Headwater achieved corporate annual average production of 22,776 BOE/d, consisting of 20,707 Bbls/d of heavy crude oil, 11.5 MMcf/d of natural gas and 160 Bbls/d of NGLs. The Company executed its 2025 capital expenditure program of \$228.3 million, drilling a total of 61.0 net crude oil wells. Headwater has two distinct material operations including:

- Clearwater heavy oil operations in Alberta, Canada. Headwater spent approximately \$224.5 million on capital expenditures in 2025 and achieved annual average production of 22,280 BOE/d, consisting of 20,707 Bbls/d of heavy crude oil, 8.5 MMcf/d of natural gas and 158 Bbls/d of NGLs. The Company's Clearwater assets/operations are located in northern Alberta and primarily target conventional heavy oil from the Clearwater, Grand Rapids and Wabiska formations.
- McCully natural gas operations in New Brunswick, Canada. In 2025, Headwater's natural gas production averaged 3.0 MMcf/d and its NGLs production averaged 2 Bbls/d from the McCully Field. No development operations occurred in 2025 as the lifting of the fracking

moratorium in the Sussex region remained uncertain. As part of its production optimization strategy, the Corporation shut-in its natural gas production in the McCully Field in New Brunswick on May 1, 2025, and resumed production on December 1, 2025. The McCully Field is located approximately 12 km northeast of Sussex, New Brunswick.

Headwater operates solely within Canada. Below is map outlining the locations of Headwater's assets and operations in Canada in 2025.



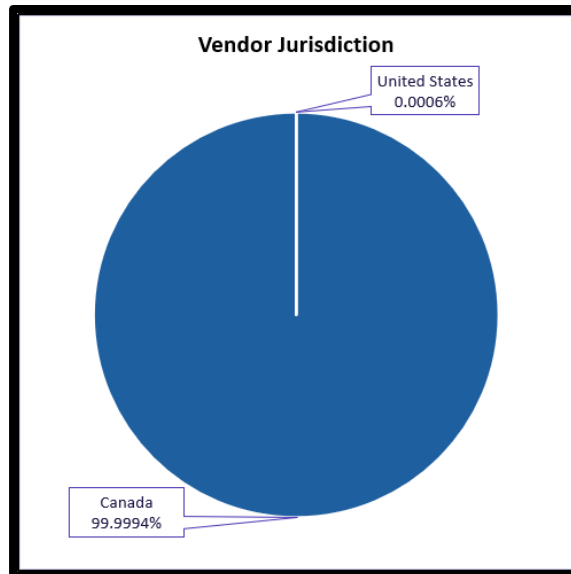
All of Headwater's employees and contractors are located in Canada. As of December 31, 2025, the Corporation had 35 employees and 9 consultants in the Calgary head office, 1 employee in Halifax, 3 employees in the field in New Brunswick, 32 consultants in the field in Alberta and 1 consultant in the field in New Brunswick.

Headwater has one inactive wholly owned subsidiary with no material assets.

For additional information regarding the corporate structure, operations and industry conditions of Headwater, see the Company's Annual Information Form for the year ended December 31, 2025, which can be accessed at SEDAR+ at www.sedarplus.ca.

Supply chains

Headwater engages a variety of suppliers and service providers primarily within Canada. Nearly 100% of our direct capital and operating spend in 2025 was related to suppliers domiciled in Canada, with well under 1% domiciled in the United States. We strive to build relationships with suppliers who align with our values as outlined in our Vendor Code. Our 2025 direct supply chain spend by jurisdiction is presented below:



Policies and due diligence processes:

Policies

Headwater requires the highest standards of professional and ethical conduct from our partners, vendors and suppliers. Headwater vendors are required to read and comply with our Vendor Code in all respects.

Our Vendor Code specifically addresses human rights, stating that: *"vendors must comply with all applicable employment and labour laws and regulations. This includes but is not limited to requirements regarding minimum wage, working hours, overtime, days of rest, compensation and freedom of association."*

The Vendor Code also specifically addresses child labour, human trafficking and slavery, stating that: *"vendors must employ personnel who meet the applicable minimum legal age requirement to work in the countries or jurisdictions in which they operate. Vendors must not use child, forced or enslaved labour under any circumstances, whether in the form of compulsory, trafficked, involuntary, slave, modern slavery, mental and/or physical coercion or other forms."*

For internal stakeholders, Headwater has established a Code of Business Conduct and Ethics (the "Code") where the Company outlines that we require the highest standards of professional and ethical conduct from our directors, officers and employees. The Code specifically prohibits forced and child labour, stating that: *"we have a strong commitment to conducting our business in a manner to ensure that we do not participate in or otherwise allow any forced labour or child labour to occur in any way related to our business and operations. The Corporation follows and expects that any third-parties or business partners follow all child labour, youth employment, or equivalent laws and regulations within the regions which they operate. Further information relating to this matter can be found in the Corporation's Human Rights Policy."* All employees of the Company are required to sign off on the Code annually.

In 2024, Headwater established a Human Rights Policy which outlines expectations surrounding ethical business conduct, forced labour and child labour and in 2025, employees were required to reconfirm their commitment and understanding of the policy.

Headwater has a Corporate Governance and Compensation Committee which has reviewed the Code and the Human Rights Policy. The Company's Board of Directors has approved these policies.

The corporate governance policies noted above are located on the Company's website at the following link: <https://headwaterexp.com/corporate-governance/>.

Due diligence processes

Headwater has adopted a third-party verification system for contractors and vendors; this online tracking system assists in validating vendors during onboarding, including verifying vendors' insurance and health and safety programs, conducting online vendor orientations, etc. Each vendor that completes work for Headwater must be verified and meet or exceed Headwater's requirements. Beyond onboarding, vendors use our third-party verification system to access correspondence from Headwater, as well as to read and acknowledge certain required communications, including information and due diligence related to the Act. In the event certain communications are not acknowledged by vendors, follow-up reminders are sent.

Parts of business and supply chains that carry a risk of forced labour or child labour and the steps taken to assess and manage that risk:

Headwater believes our operational modern slavery risk is low as 100% of the Company's employees, consultants and field staff are located in Canada. Additionally, 100% of our total direct supplier spend was procured from vendors within Canada and the United States which are inherently lower-risk jurisdictions.

We appreciate that some of our suppliers procure goods originating from outside Canada and the United States and further work is required to assess this risk.

Measures taken to remediate any forced labour or child labour or to remediate the loss of income to the most vulnerable families that has resulted from any remediation measures:

During the year ended December 31, 2025 (and to the date of this Report), Headwater is not aware of any instances of forced labour or child labour in our operations or supply chains and as such, we have not engaged in any remediation measures.

Training provided to employees:

As part of the onboarding process, all new employees are required to acknowledge that they have received, read and understand the Code (which, as noted, specifically addresses forced and child labour). All employees are also required to read and acknowledge the Code annually as part of Headwater's annual compliance procedures.

In 2024, Headwater held a training session, facilitated by our legal counsel, for field staff and those responsible for procurement within the Company.

In the past, Headwater has also distributed correspondence to all employees of the Company educating them on the requirements of the Act and Headwater's commitment to high ethical standards. The Vendor Code has been distributed to employees to ensure employees are familiar with the expectations regarding Headwater's suppliers, partners and service providers.

How the entity assesses our effectiveness in ensuring that forced labour and child labour are not being used in our business and supply chains:

Headwater believes our operational modern slavery risk is low. 100% of the Company's employees, consultants and field staff are located in Canada and have been hired through proper recruitment, remuneration and compliance procedures, while nearly 100% of Headwater's direct capital and operating spend in 2025 was procured from suppliers domiciled in Canada. Canada ranks in the top quartile of countries with respect to the Human Freedom Index and has long-standing labour laws in effect.

Headwater has established a Vendor Code and undertakes due diligence procedures for new suppliers, partners and service providers.

Through Board oversight including the Corporate Governance and Compensation Committee, the Company has established policies to address the fight against forced and child labour including Headwater's Code and Human Rights Policy.

Approval and attestation:

This Report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board of Directors of Headwater.

In accordance with the requirements of the Act, I attest that I have reviewed the information contained in the Report. Based on my knowledge, and having exercised all reasonable due diligence, I attest that the information contained in the Report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Signed: "Jason Jaskela"
Full name: Jason Jaskela
Title: President and Chief Executive Officer
Date: April 30, 2026

I have the authority to bind Headwater.