



April 30, 2026

HEADWATER EXPLORATION INC. ANNOUNCES DIVIDEND INCREASE, FIRST QUARTER FINANCIAL RESULTS, GUIDANCE INCREASE AND DECLARATION OF QUARTERLY DIVIDEND

CALGARY, ALBERTA – Headwater Exploration Inc. (the "**Company**" or "**Headwater**") (TSX:HWX) is pleased to announce its operating and financial results for the three months ended March 31, 2026, guidance increase and increase in quarterly dividend. Selected financial and operational information is outlined below and should be read in conjunction with the unaudited interim condensed financial statements and the related management's discussion and analysis ("**MD&A**"). These filings will be available at www.sedarplus.ca and the Company's website at www.headwaterexp.com.

Financial and Operating Highlights

	Three months ended March 31,		Percent Change
	2026	2025	
Financial (thousands of dollars except share data)			
Total sales, net of blending expense ⁽¹⁾ ⁽⁴⁾	169,905	163,188	4
Adjusted funds flow from operations ⁽²⁾	97,359	92,359	5
Per share - basic ⁽³⁾	0.41	0.39	5
- diluted ⁽³⁾	0.41	0.39	5
Cash flows provided by operating activities	40,069	69,935	(43)
Per share - basic	0.17	0.29	(41)
- diluted	0.17	0.29	(41)
Net income	35,567	50,004	(29)
Per share - basic	0.15	0.21	(29)
- diluted	0.15	0.21	(29)
Capital expenditures ⁽¹⁾	66,740	62,847	6
Adjusted working capital ⁽²⁾	2,439	63,616	(96)
Shareholders' equity	757,568	723,431	5
Dividends declared	26,154	26,155	-
Per share	0.11	0.11	-
Weighted average shares (thousands)			
Basic	237,763	237,772	-
Diluted	239,366	237,813	1
Shares outstanding, end of period (thousands)			
Basic	237,763	237,774	-
Diluted ⁽⁵⁾	237,763	237,904	-
Operating (6:1 boe conversion)			
Average daily production			
Heavy crude oil (bbls/d)	21,857	19,511	12
Natural gas (mmcf/d)	13.0	14.5	(10)
Natural gas liquids (bbls/d)	135	142	(5)
Barrels of oil equivalent ⁽⁹⁾ (boe/d)	24,154	22,066	9
Average daily sales ⁽⁶⁾ (boe/d)	23,930	22,019	9
Netbacks (\$/boe) ⁽⁷⁾			
Operating			
Sales, net of blending expense ⁽⁴⁾	78.89	82.35	(4)
Royalties	(12.46)	(14.47)	(14)
Transportation	(5.79)	(5.41)	7
Production expenses	(8.20)	(7.93)	3
Operating netback ⁽³⁾	52.44	54.54	(4)
Realized losses on financial derivatives	(2.54)	(1.60)	59
Operating netback, including financial derivatives ⁽³⁾	49.90	52.94	(6)
General and administrative expense	(1.47)	(1.44)	2
Interest income and other expense ⁽⁸⁾	0.27	0.59	(54)
Current tax expense	(3.50)	(5.43)	(36)
Settlement of decommissioning liability	-	(0.05)	(100)
Adjusted funds flow netback ⁽³⁾	45.20	46.61	(3)

- (1) Non-GAAP financial measure. Refer to "Non-GAAP and Other Financial Measures" within this press release.
- (2) Capital management measure. Refer to "Non-GAAP and Other Financial Measures" within this press release.
- (3) Non-GAAP ratio. Refer to "Non-GAAP and Other Financial Measures" within this press release.
- (4) Heavy oil sales are netted with blending expense to compare the realized price to benchmark pricing while transportation expense is shown separately. In the interim financial statements blending expense is recorded within blending and transportation expense.
- (5) Restricted share units ("RSU") and performance share units ("PSU") have been excluded as the Company intends to cash settle these awards.
- (6) Includes sales of unblended heavy crude oil, natural gas and natural gas liquids. The Company's heavy crude oil sales volumes and production volumes differ due to changes in inventory. First quarter 2026 sales volumes comprised of 21,633 bbls/d of heavy oil, 13.0 mmcf/d of natural gas and 135 bbls/d of natural gas liquids. First quarter 2025 sales volumes comprised of 19,464 bbls/d of heavy oil, 14.5 mmcf/d of natural gas and 142 bbls/d of natural gas liquids.
- (7) Netbacks are calculated using average sales volumes.
- (8) Excludes unrealized foreign exchange gains/losses, accretion on decommissioning liabilities, interest on repayable contribution and interest on lease liability.
- (9) See "Barrels of Oil Equivalent."

FIRST QUARTER 2026 HIGHLIGHTS

- Achieved production of 24,154 boe/d representing an increase of 9% from the first quarter of 2025.
- Realized record adjusted funds flow from operations ⁽¹⁾ of \$97.4 million (\$0.41 per share basic ⁽²⁾).
- Achieved an operating netback inclusive of financial derivatives ⁽²⁾ of \$49.90/boe and an adjusted funds flow netback ⁽²⁾ of \$45.20/boe.
- Achieved net income of \$35.6 million (\$0.15 per share basic) equating to \$16.51/boe.
- Executed a \$66.7 million capital expenditure ⁽³⁾ program inclusive of development, exploration and secondary recovery implementation.
- Declared a cash dividend of \$26.2 million, or \$0.11 per common share. To date, Headwater has paid out cumulative dividends of \$343.7 million to shareholders (\$1.45 per common share).
- As at March 31, 2026, Headwater had adjusted working capital ⁽¹⁾ of \$2.4 million and no outstanding bank debt.

(1) Capital management measure. Refer to "Non-GAAP and Other Financial Measures" within this press release.

(2) Non-GAAP ratio. Refer to "Non-GAAP and Other Financial Measures" within this press release.

(3) Non-GAAP financial measure. Refer to "Non-GAAP and Other Financial Measures" within this press release.

DIVIDEND INCREASE AND GUIDANCE UPDATE

Beginning in the second quarter of 2026, Headwater's quarterly dividend will increase to \$0.12 per common share, representing a 9% increase from the previous quarterly dividend of \$0.11 per common share.

Exceptional year-to-date performance across our portfolio, complemented by improving declines from secondary recovery and higher commodity prices, have positioned Headwater to increase our dividend, accelerate growth and allocate incremental capital to projects improving profitability and asset duration.

The portfolio outperformance allows maintenance and growth capital to remain at \$110 million, while annual production guidance is increased to 25,000 boe/d from 24,500 boe/d.

The increase in production guidance in conjunction with the recent positive momentum in commodity pricing has elevated adjusted funds flow from operations to \$385 million from original guidance of \$300 million. The resulting increase in adjusted funds flow from operations allows Headwater to strategically deploy capital into the following initiatives that increase profitability and sustainability:

- \$15 million of incremental secondary recovery capital accelerating injection in the Wabiskaw, Grand Rapids and Clearwater formations;
- \$25 million of capital dedicated to a Marten Hills West oil pipeline infrastructure project that will provide approximately \$20 million per year in operating/transportation cost savings;
- \$25 million of land expenditures supporting continuation of organic growth and duration extension.

	Original 2026 Guidance ⁽¹⁾	Updated 2026 Guidance
2026 annual average production (boe/d)	24,500	25,000
Capital expenditures ⁽²⁾ (millions)	\$185	\$250
Comprised of:		
Maintenance and growth	\$110	\$110
Secondary recovery	\$50	\$65
Exploration	\$25	\$25
Infrastructure projects	-	\$25
Land	-	\$25
Adjusted funds flow from operations ⁽³⁾ (millions)	\$300	\$385
Annual dividend	\$0.44/common share	\$0.47/common share
Crude Oil - WTI	US\$60.00/bbl	US\$75.85/bbl

(1) Original guidance published on December 3, 2025.

(2) Non-GAAP financial measure. Refer to "Non-GAAP and Other Financial Measures" within this press release.

(3) Capital management measure. Refer to "Non-GAAP and Other Financial Measures" within this press release.

OPERATIONS UPDATE

GREATER PELICAN

The Wabiskaw discovery well drilled one year ago at 04/04-19-079-22W4 has paid out invested capital three times achieving a 365-day initial production rate of 465 bbls/d (170,000 bbls cumulative) and continues to produce at rates above 300 bbls/d. In addition, the two 4-leg Wabiskaw follow-up locations at 03/14-31-079-22W4 and 03/03-19-079-22W4 supported by polymer flood have achieved an average 120-day initial production rate of 415 bbls/d.

Headwater is excited to kick off our next drilling campaign that is anticipated to start early in the third quarter of 2026. The program includes an expansion of our polymer flood including 4 additional producing wells and 7 additional polymer injection wells. Once completed, Headwater will have six 4-leg multi-lateral producers supported by 9 polymer injection wells.

In addition, Headwater has six multi-lateral exploration tests and two vertical stratigraphic tests planned throughout the area that are targeting 3 independent prospects. The exploration program is expected to continue to unlock the identified resource throughout 94 sections of land in the area.

MARTEN HILLS WEST

In the first quarter of 2026, Headwater drilled 10 producing multi-lateral wells and 9 injection wells across the Clearwater sandstone, Clearwater E and Grand Rapids formations. Grand Rapids and Clearwater sandstone pool boundaries were expanded to the southeast by two wells drilled at 13-05-075-01W5. The 00/13-05-075-01W5 well, a Clearwater sandstone step-out test achieved a 30-day initial production rate of 295 bbls/d, while the 02/13-05-075-01W5 well, a Grand Rapids step-out test achieved a 30-day initial production rate of 363 bbls/d.

Further development of the Grand Rapids will remain a focus for the balance of 2026, including commissioning approximately 3 sections of secondary recovery and drilling 10-15 producing multi-lateral wells. By year end 2026, Headwater anticipates having close to 4 sections and more than 75% of Grand Rapids production supported by secondary recovery.

For the balance of year, the Clearwater sandstone and Clearwater E formations will also benefit from the drilling of 10-15 producing multi-lateral drills, which will be supported by the commissioning of an additional 3 sections of secondary recovery.

By year end 2026, it is estimated that 17 sections and more than 8,000 bbls/d (45%) of Marten Hills West production will be supported by secondary recovery.

SECONDARY RECOVERY

The increased near-term outlook for oil pricing has provided the opportunity to accelerate secondary recovery with an increase in spending from \$50 million to \$65 million. By year end 2026, it is anticipated that Headwater will have approximately 30 sections and greater than 60% of corporate oil volumes supported by secondary recovery. Declines are anticipated to fall below 20% in 2026 resulting in maintenance capital being less than 25% of adjusted fund flow from operations at US\$75 WTI.

MARTEN HILLS WEST PIPELINE PROJECT

In the third quarter of 2026, Headwater will start construction on an oil transportation pipeline connecting 17,000 bbls/d of oil from the Marten Hills West operating area into our sales connected 08-34-074-25W4 process facility in the core of Marten Hills. Once commissioned in the first half of 2027, more than 90% of Headwater's production volumes will be pipeline connected. This project is anticipated to generate more than \$20 million per year in operating/transportation cost savings. With estimated project costs of approximately \$35 million, these savings are expected to result in a payout period of less than two years, and it is anticipated that the project will payout multiple times over its life.

LAND & EXPLORATION

Year to date, Headwater has acquired 37 sections of land and remains committed to land acquisition and organic prospecting with an additional 3-5 new play concepts to be tested prior to year end.

Late in the first quarter of 2026, Headwater drilled a multi-lateral Lower Manville exploration test in the newly acquired Duncan area. The 00/12-04-072-15W4 discovery well has recently recovered load fluid and is currently producing 20 bbls/d of 10 API oil, with minimal associated water. Headwater is encouraged by the discovery and pleased with the geo-technical outcome; however, an improvement in oil quality or an advancement in technology is required to realize higher production rates and commercial results. Evaluation will continue through the summer, with a winter access follow-up planned for Q1 of 2027.

MCCULLY

McCully contributed \$10.4 million of cash flow ⁽¹⁾ through the first quarter of 2026 and generated approximately \$18.9 million of cash flow ⁽¹⁾ across the winter producing season ⁽²⁾. Headwater's structured hedging program for its McCully asset has provided consistent cash flow against highly volatile gas pricing experienced during the winter season. As of April 30, 2026, the McCully asset has been shut-in and is expected to resume production in the fourth quarter of 2026, upon realization of premium winter pricing.

(1) Non-GAAP financial measure. Refer to "Non-GAAP and Other Financial Measures" within this press release.

(2) Winter producing season is December 1, 2025 to April 30, 2026.

SECOND QUARTER DIVIDEND AND NORMAL COURSE ISSUER BID

The Board of Directors of Headwater (the "Board") has declared a quarterly cash dividend to shareholders of \$0.12 per common share payable on July 15, 2026, to shareholders of record at the close of business on June 30, 2026. This dividend is an eligible dividend for the purposes of the *Income Tax Act* (Canada).

The Company's normal course issuer bid (the "NCIB") expires on May 5, 2026. The Company intends to apply to the Toronto Stock Exchange to renew the NCIB.

OUTLOOK

Headwater's strong balance sheet and flexible capital budget allows for strategic optionality in capital allocation during times of market volatility.

We remain focused on total shareholder returns through a combination of organic expansion, enhanced oil recovery, dividends and strategic share buybacks.

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

FOR FURTHER INFORMATION PLEASE CONTACT:

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FORWARD LOOKING STATEMENTS: This press release contains forward-looking statements. The use of any of the words "guidance", "initial", "anticipate", "scheduled", "can", "will", "prior to", "estimate", "believe", "potential", "should", "unaudited", "forecast", "future", "continue", "may", "expect", "project", and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained herein, include, without limitation: updated 2026 production and capital guidance and the breakdown thereof; expected adjusted funds flow from operations and expected dividends; expected exploration program and timing of exploration and development in Greater Pelican, including the expansion of Headwater's polymer flood, that Headwater will have six 4-leg multi-lateral producers supported by 9 polymer injection wells upon completion and planned testing in the area, and the expectation that the exploration program will continue to unlock the identified resource throughout 94 sections of land in the area; the expectation that further development of the Grand Rapids will remain a focus for the balance of 2026, including commissioning approximately 3 sections of secondary recovery and drilling 10-15 producing multi-

lateral wells and that by year end 2026 Headwater anticipates having close to 4 sections and more than 75% of Grand Rapids production supported by secondary recovery; the expectation that Clearwater sandstone and Clearwater E formations will also benefit from 10-15 planned producing multi-lateral drills, supported by the commissioning of an additional 3 sections of secondary recovery in the balance of the year; that by year-end 2026 it is estimated that 17 sections and more than 8,000 bbls/d or 45% of Marten Hills West production will be supported by secondary recovery; the expectation that by year end 2026, Headwater will have approximately 30 sections and greater than 60% of corporate oil volumes supported by secondary recovery, with declines anticipated to fall below 20% in 2026; the expected timing and project costs of the Marten Hills West oil transportation pipeline; the benefits and anticipated result of the Marten Hills West oil transportation pipeline, including the expectation that the pipeline will result in approximately \$20 million per year of operating/transportation savings and expected payouts; the expectation to test 3-5 new play concepts prior to year-end; the expectation to drill a winter access follow-up in Duncan in Q1 2027; the anticipated timing of when the Company's McCully asset will resume production; the Company's intent to apply to the Toronto Stock Exchange to renew its NCIB; the anticipated terms of the Company's quarterly dividend, including its expectation that it will be designated as an "eligible dividend" and the Company's ability to focus on shareholder returns through a combination of organic expansion, enhanced oil recovery, dividends and strategic share buybacks. The forward-looking statements contained herein are based on certain key expectations and assumptions made by the Company, including but not limited to the availability of capital, current legislation, receipt of required regulatory approvals, the success of future drilling, development and waterflooding activities, the performance of existing wells, the performance of new wells, Headwater's growth strategy, general economic conditions, availability of required equipment and services, prevailing equipment and services costs, prevailing commodity prices. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the impact of tariffs and other trade retaliatory measure imposed by the United States, Canada and other countries; the risk that the upcoming 2026 USMCA review has a significant impact on the ability or costs of Canadian oil and gas companies to export their products into the United States or has other negative to the Canadian economy and/or the Company's business; disruptions to the Canadian and global economy resulting from major public health events, the impacts of the Russian-Ukrainian war, U.S.- Israel – Iran war (and other middle eastern conflicts) and United States interventions in Venezuela on the global economy and commodity prices; the impacts of inflation and supply chain issues and steps taken by central banks to curb inflation; pandemics, war, terrorist events, political upheavals and other similar events; events impacting the supply and demand for oil and gas including actions taken by the OPEC+ group; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks); commodity price and exchange rate fluctuations; changes in legislation affecting the oil and gas industry; the risks relating to the upcoming review of the United States-Mexico-Canada Agreement and the impacts on the Canadian economy and the Company's business uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the risk that Headwater's 2026 operating and financial results may not be consistent with its expectations; and the risk that the Company's McCully asset may not resume production when anticipated. Readers are cautioned that the foregoing list of factors is not exhaustive. Refer to Headwater's Annual Information Form dated March 5, 2026, on SEDAR+ at www.sedarplus.ca, and the risk factors contained therein.

FUTURE ORIENTED FINANCIAL INFORMATION: Any financial outlook or future oriented financial information in this press release, as defined by applicable securities legislation, has been approved by management of the Company as of the date hereof. Readers are cautioned that any such future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The Company and its management believe that the prospective financial information as to the anticipated results of its proposed business activities for 2026 has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, the Company's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results. The assumptions used in the updated 2026 guidance include: annual average production of 25,000 boe/d, WTI of US\$75.85/bbl, WCS of Cdn\$83.75/bbl, AGT US\$10.90/mmbtu, AECO of \$1.65 CAD/GJ, foreign exchange rate of US\$/Cdn\$ of 0.73, blending expense of WCS less \$1.10, royalty rate of 20.2%, operating and transportation costs of \$14.15/boe, G&A and interest expense of \$1.60/boe and cash taxes of \$4.50/boe. The AGT price is the average price for the winter producing months in the McCully field which include January to April and December. 2026 annual production guidance is expected to be comprised of: 23,180 bbls/d of heavy oil, 120 bbls/d of natural gas liquids and 10.2 mmcf/d of natural gas.

DIVIDEND POLICY: 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 flow 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 Board will adjust the Company's dividend policy from time to time and, as a result, future cash dividends could be reduced or suspended entirely.

BARRELS OF OIL AND CUBIC FEET OF NATURAL GAS EQUIVALENT: The term "boe" (or barrels of oil equivalent) and "Mcf" (or thousand cubic feet of natural gas equivalent) may be misleading, particularly if used in isolation. A boe and Mcf conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency

conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

INITIAL PRODUCTION (IP) RATES: References in this press release to IP 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. All IP rates presented herein represent the results from wells after all "load" fluids (used in well completion stimulation) have been recovered. 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.

NON-GAAP AND OTHER FINANCIAL MEASURES

In this press release, we use various non-GAAP and other financial measures to analyze operating performance and financial position. These non-GAAP and other financial measures do not have standardized meanings prescribed under IFRS and therefore may not be comparable to similar measures presented by other issuers. The term cash flow in this press release is equivalent to adjusted funds flow from operations.

Non-GAAP Financial Measures

Total sales, net of blending expense

Management utilizes total sales, net of blending expense to compare realized pricing to benchmark pricing. It is calculated by deducting the Company's blending expense from total sales. In the interim financial statements blending expense is recorded within blending and transportation expense.

	Three months ended March 31,	
	2026	2025
	<i>(thousands of dollars)</i>	
Total sales	176,721	170,155
Blending expense	(6,816)	(6,967)
Total sales, net of blending expense	169,905	163,188

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 March 31,	
	2026	2025
	<i>(thousands of dollars)</i>	
Cash flows used in investing activities	50,232	63,103
Change in non-cash working capital	16,508	(256)
Capital expenditures	66,740	62,847

Capital Management Measures

This press release contains the terms adjusted funds flow from operations and adjusted working capital, which are considered capital management measures. The term cash flow in this press release is equivalent to adjusted funds flow from operations.

Adjusted funds flow from operations

Management considers adjusted funds flow from operations to be a key measure to assess the Company's management of capital. Adjusted funds flow from operations is an indicator as to whether adjustments are necessary to the level of capital expenditures. For example, in periods where adjusted funds flow from operations is negatively impacted by reduced commodity pricing, capital expenditures may need to be reduced or curtailed to preserve the Company's capital structure and return of capital policy. Management believes that by excluding the impact of changes in non-cash working capital and adjusting for current income taxes in the period, adjusted funds flow from operations provides a useful measure of Headwater's ability to

generate the funds necessary to manage the capital needs of the Company. In addition to being a capital management measure, adjusted funds flow from operations is used by management to assess the Company's financial performance.

	Three months ended March 31,	
	2026	2025
	<i>(thousands of dollars)</i>	
Cash flows provided by operating activities	40,069	69,935
Changes in non-cash working capital	53,684	6,888
Current income taxes	(7,539)	(10,770)
Current income taxes paid	11,145	26,306
Adjusted funds flow from operations	<u>97,359</u>	<u>92,359</u>

Adjusted working capital

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

	March 31, 2026	December 31, 2025
	<i>(thousands of dollars)</i>	
Working capital (deficit)	(3,028)	29,951
Repayable contribution	(7,335)	(7,202)
Financial derivative receivable	(1,135)	(393)
Financial derivative liability	13,937	1,225
Adjusted working capital	<u>2,439</u>	<u>23,581</u>

Non-GAAP Ratios

Adjusted funds flow netback, operating netback and operating netback, including financial derivatives

Adjusted funds flow netback, operating netback and operating netback, including financial derivatives are non-GAAP ratios and are 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. 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. Operating netback, including financial derivatives is defined as operating netback plus realized gains (losses) on financial derivatives.

Adjusted funds flow from operations per share

Adjusted funds flow from operations per share 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 per share is calculated as adjusted funds flow from operations divided by weighted average shares outstanding on a basic or diluted basis.

Supplementary Financial Measures

Per boe numbers

This press release represents various results on a per boe basis including Headwater average realized sales price, net of blending, realized gains (losses) on financial derivatives per boe, royalty expense per boe, transportation expense per boe, production expense per boe, general and administrative expenses per boe, interest income and other expense per boe, current taxes per boe and settlement of decommissioning liability expense per boe. These figures are calculated using sales volumes.