



October 29, 2025

## HEADWATER EXPLORATION INC. ANNOUNCES THIRD QUARTER OPERATING AND FINANCIAL RESULTS 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 and nine months ended September 30, 2025 and the declaration of its quarterly dividend. Selected financial and operational information is outlined below and should be read in conjunction with the unaudited condensed interim financial statements and the related management’s discussion and analysis (“MD&A”). These filings will be available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and the Company’s website at [www.headwaterexp.com](http://www.headwaterexp.com).

### Financial and Operating Highlights

	Three months ended September 30,		Percent Change	Nine months ended September 30,		Percent Change
	2025	2024		2025	2024	
<b>Financial</b> (thousands of dollars except share data)						
Sales, net of blending expense <sup>(1) (4)</sup>	146,511	151,740	(3)	448,507	436,163	3
Adjusted funds flow from operations <sup>(2)</sup>	80,394	84,185	(5)	246,971	248,654	(1)
Per share - basic <sup>(3)</sup>	0.34	0.35	(3)	1.04	1.05	(1)
- diluted <sup>(3)</sup>	0.33	0.35	(6)	1.03	1.04	(1)
Cash flows provided by operating activities	85,861	95,272	(10)	224,469	240,721	(7)
Per share - basic	0.36	0.40	(10)	0.94	1.02	(8)
- diluted	0.36	0.40	(10)	0.94	1.01	(7)
Net income	35,869	47,634	(25)	123,896	139,121	(11)
Per share - basic	0.15	0.20	(25)	0.52	0.59	(12)
- diluted	0.15	0.20	(25)	0.52	0.58	(10)
Capital expenditures <sup>(1)</sup>	68,671	58,196	18	182,222	174,180	5
Adjusted working capital <sup>(2)</sup>				36,444	64,411	(43)
Shareholders' equity				752,377	684,486	10
Dividends declared	26,264	23,767	11	78,574	71,261	10
Per share	0.11	0.10	10	0.33	0.30	10
Weighted average shares (thousands)						
Basic	237,828	237,484	-	237,788	236,285	1
Diluted	240,026	239,735	-	239,700	238,427	1
Shares outstanding, end of period (thousands)						
Basic				238,763	237,665	-
Diluted <sup>(5)</sup>				238,763	241,115	(1)
<b>Operating</b> (6:1 boe conversion)						
Average daily production						
Heavy crude oil (bbls/d)	20,948	19,718	6	20,241	18,689	8
Natural gas (mmcf/d)	8.4	3.4	147	11.2	6.8	65
Natural gas liquids (bbl/d)	169	64	164	165	72	129
Barrels of oil equivalent <sup>(9)</sup> (boe/d)	22,523	20,342	11	22,276	19,890	12
Average daily sales <sup>(6)</sup> (boe/d)	22,699	20,329	12	22,283	19,850	12
<b>Netbacks</b> (\$/boe) <sup>(7)</sup>						
Operating						
Sales, net of blending expense <sup>(4)</sup>	70.16	81.13	(14)	73.74	80.19	(8)
Royalties	(12.74)	(15.74)	(19)	(13.33)	(14.88)	(10)
Transportation	(5.68)	(5.90)	(4)	(5.58)	(5.60)	-
Production expenses	(7.01)	(7.46)	(6)	(7.45)	(7.25)	3
Operating netback <sup>(3)</sup>	44.73	52.03	(14)	47.38	52.46	(10)
Realized gains (losses) on financial derivatives	(0.06)	0.18	(133)	(0.66)	1.04	(163)
Operating netback, including financial derivatives <sup>(3)</sup>	44.67	52.21	(14)	46.72	53.50	(13)
General and administrative expense	(1.51)	(1.42)	6	(1.46)	(1.46)	-
Interest income and other <sup>(8)</sup>	0.40	0.76	(47)	0.48	0.84	(43)
Current tax expense	(5.07)	(6.54)	(22)	(5.10)	(7.14)	(29)
Settlement of decommissioning liability	-	-	-	(0.02)	(0.02)	-
Adjusted funds flow netback <sup>(3)</sup>	38.49	45.01	(14)	40.62	45.72	(11)

- (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) Performance share units ("PSUs") and restricted share units are cash settled. The accounting for PSUs changed from equity to cash settlement in the fourth quarter of 2024.
- (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. For the three months ended September 30, 2025, sales volumes comprised of 21,125 bbls/d of heavy oil, 8.4 mmcf/d of natural gas and 169 bbls/d of natural gas liquids (three months ended September 30, 2024 – 19,706 bbls/d heavy oil, 3.4 mmcf/d natural gas and 64 bbls/d natural gas liquids). For the nine months ended September 30, 2025, sales volumes comprised of 20,248 bbls/d of heavy oil, 11.2 mmcf/d of natural gas and 165 bbls/d of natural gas liquids (nine months ended September 30, 2024 – 18,648 bbls/d heavy oil, 6.8 mmcf/d natural gas and 72 bbls/d natural gas liquids).
- (7) Netbacks are calculated using average sales volumes.
- (8) Excludes unrealized foreign exchange gains/losses, accretion on decommissioning liabilities, interest on lease liability and interest on repayable contribution.
- (9) See "Barrels of Oil and Cubic Feet of Natural Gas Equivalent".

## THIRD QUARTER 2025 HIGHLIGHTS

- Achieved record production of 22,523 boe/d representing an increase of 11% from the third quarter of 2024.
- Realized adjusted funds flow from operations <sup>(1)</sup> of \$80.4 million (\$0.34 per share basic <sup>(2)</sup>) and cash flows from operations of \$85.9 million (\$0.36 per share basic).
- Achieved an operating netback, including financial derivatives <sup>(2)</sup> of \$44.67/boe and an adjusted funds flow netback <sup>(2)</sup> of \$38.49/boe.
- Achieved net income of \$35.9 million (\$0.15 per share basic) equating to \$17.17/boe.
- Executed a \$68.7 million capital expenditure <sup>(3)</sup> program inclusive of development, exploration and secondary recovery implementation.
- Declared a cash dividend of \$26.3 million, or \$0.11 per common share. To date, Headwater has paid out a cumulative dividend of \$291.4 million to shareholders (\$1.23 per common share).
- As at September 30, 2025, Headwater had adjusted working capital <sup>(1)</sup> of \$36.4 million, working capital of \$41.8 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.

## OPERATIONS UPDATE

Headwater has made additional progress on its capital reallocation program, while maintaining 2025 production guidance. Exceptional results in both the drilling and secondary recovery programs have allowed Headwater to reallocate a total of \$42 million (an additional \$7 million since our September 8, 2025 update) toward strategic opportunities intended to improve asset duration including new play delineation, expanded secondary recovery and land acquisition. The initial 2025 capital budget of \$225 million remains unchanged.

The additional development capital savings expected to be realized in the fourth quarter of 2025 will allow Headwater to accelerate further evaluation in the Greater Pelican area. The capital will be allocated towards a second polymer pilot, drilling of a saline water source well and to testing a previously untested Clearwater E zone.

### **Grand Rapids Formation in Marten Hills West**

With eight multi-lateral wells brought onstream in the past six months and two active secondary recovery pilots, Headwater now has 2,000 bbls/d producing from the Grand Rapids formation.

Headwater is excited to report the pool extension tests continue to exceed expectations, delivering similar oil quality and initial rates as the discovery well at 07/04-18-075-01W5, which has now achieved a 180-day initial production rate of 330 bbls/d.

The 00/01-36-074-02W5 well, our most southern test stepping out 3 miles from the discovery well, has achieved a 30-day initial production rate of 316 bbls/d of 18 API oil. The 02/08-11-075-02W5 well, our most western test stepping out 2 miles from the initial discovery well, recently finished recovering load fluid and is currently producing at 170 bbls/d.

The Grand Rapids formation is proving to be a highly prolific and repeatable prospect with an average 30-day initial production rate across the first 5 drilled wells of 300 bbls/d.

With superior oil quality and reservoir characteristics in the Grand Rapids, Headwater has recently commissioned two secondary recovery pilots at 05/16-13-075-02W5 and 06/12-07-075-01W5. The two pilots are configured as lateral floods similar to our Clearwater E development.

Headwater believes the Grand Rapids prospect extends well beyond the current defined pool boundaries and plans to drill 4-5 stratigraphic tests in the first quarter of 2026, intended to better define regional commerciality across Marten Hills West. In addition, across the balance of 2026, Headwater plans to drill up to 20 Grand Rapids multi-laterals and commission two full sections of Grand Rapids secondary recovery.

### **Greater Pelican**

Cumulative production from the 04/04-19-079-22W4 Wabiskaw discovery well has exceeded 90,000 bbls oil in the first six months of production and continues to produce at rates above 500 bbls/d.

Headwater is excited to report we are currently drilling our first multi-lateral polymer pilot at 03/14-31-079-22W4 and have added a second multi-lateral polymer pilot and a saline water source well to the 2025 capital program. It is anticipated that both polymer pilots will be commissioned and onstream before year-end.

The balance of 2025 will also include a multi-lateral Wabiskaw step-out delineation test and a multi-lateral Clearwater E exploration well. We are motivated to continue delineation of the Greater Pelican area which offers sustainability through stacked horizons and implementation of secondary recovery.

In 2026, Headwater plans to test 2-3 identified prospects across the broader Greater Pelican area in addition to further delineation drilling and implementation of secondary recovery through additional polymer flood development in the Wabiskaw formation.

### **Marten Hills West Development**

The 2025 year has been monumental for Marten Hills West with the discovery of the Grand Rapids pool, expansion of pool boundaries in both the Clearwater Sandstone and Clearwater E formations plus scaled commercial secondary recovery development spanning across three stacked formations.

Production from the area now exceeds 15,000 bbls/d. It is anticipated that by year-end, Headwater will have a total of 9 sections representing 4,500 bbls/d or 30% of the area's oil production supported by secondary recovery.

Looking ahead to 2026, resource expansion, asset duration and scaled sustainability will remain the focus. Headwater anticipates implementing another 6 sections of secondary recovery across the Clearwater Sandstone, Clearwater E and Grand Rapids formations. By year-end 2026, secondary recovery supported volumes will approach 50% of the area's oil production.

## **Marten Hills Core**

The core area remains our flagship commercial secondary recovery asset demonstrating the value proposition of lower declines and increasing recovery factors. Production has been flat at approximately 7,000 bbls/d for nearly two years.

## **McCully**

McCully is scheduled to be placed back on production at the beginning of December. We have hedged approximately 68% of McCully's estimated December 2025 to April 2026 production at a price of Cdn\$14.72/mmbtu. The aggressive hedging profile used at McCully provides consistency in the cash flow <sup>(1)</sup> which is expected to be approximately \$15 million over this upcoming winter season <sup>(2)</sup>.

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

(2) McCully's winter season is estimated to be December 2025 to April 2026.

## **FOURTH QUARTER DIVIDEND**

The Board of Directors of Headwater has declared a quarterly cash dividend to shareholders of \$0.11 per common share payable on January 15, 2026, to shareholders of record at the close of business on December 31, 2025. This dividend is an eligible dividend for the purposes of the *Income Tax Act* (Canada).

## **OUTLOOK**

Headwater now has more than 50% of corporate oil production supported by secondary recovery which is anticipated to grow to approximately 60% by year-end 2026.

Over the last three years Headwater's production has doubled while our maintenance capital has decreased by 30% as a result of continued investment in secondary recovery and improved capital efficiencies. Over the next three years we anticipate continued implementation of secondary recovery across our asset base, which we expect will result in a further 20% reduction in maintenance capital. The continued improvement in corporate decline rates and reduction in maintenance capital will allow Headwater to continue to increase sustainability, asset duration and free cash flow.

Positive working capital, industry leading maintenance capital requirements and a track record of strong capital allocation puts Headwater in a position of strength to navigate volatile market conditions.

Headwater remains focused on maximizing total shareholder returns and asset duration through organic expansion, sustainability with enhanced oil recovery, dividends and strategic buybacks under its ongoing normal course issuer bid.

Additional corporate information can be found in the Company's corporate presentation and on Headwater's website at [www.headwaterexp.com](http://www.headwaterexp.com).

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*FORWARD LOOKING STATEMENTS: This press release contains forward-looking statements. The use of any of the words "guidance", "initial", "anticipate", "scheduled", "can", "will", "prior to", "estimate", "believe", "potential", "should", "unaudited", "forecast", "future", "continue", "may", "expect", "project", and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained herein, include, without limitation: the expectation that additional development capital savings realized in the fourth quarter of 2025 will now allow Headwater to accelerate further evaluation in the Greater Pelican area and the capital will be allocated towards a second polymer pilot, drilling of a water source well and to testing a previously untested Clearwater E zone; the expected size of the Grand Rapids pool boundaries and plans to drill 4-5 stratigraphic tests in the first quarter of 2026 and up to 20 Grand Rapids multi-laterals and commission two full sections of Grand Rapids secondary recovery across the balance of 2026; the expected capital activity and timing in Greater Pelican including drilling a second multi-lateral polymer pilot and a water source well by year-end 2025; the expectation that both multi-lateral polymer pilots in the Greater Pelican area will be commissioned and onstream before year-end; the expectation that the balance of 2025 in Greater Pelican will also include a multi-lateral Wabiskaw step-out delineation test and a multi-lateral Clearwater E exploration well; the expectation in 2026 that Headwater plans to test 2-3 identified prospects across the broader Greater Pelican area in addition to further delineation drilling and implementation of secondary recovery through additional polymer flood development in the Wabiskaw formation; the expectation that by year-end 2025, Headwater will have a total of 9 sections representing 4,500 bbls/d or 30% of the area's oil production supported by secondary recovery in Marten Hills West and that in 2026, resource expansion, asset duration and scaled sustainability will remain the focus; the expectation that Headwater will implement another 6 sections of secondary recovery across the Clearwater Sandstone, Clearwater E and Grand Rapids formations in Marten Hills West and that by year-end 2026, secondary recovery supported volumes will approach 50% of the area's oil production; the expectation around timing of the McCully startup and the expectation that it will generate approximately \$15 million of cash flow over the winter season; the anticipated terms of the Company's quarterly dividend, including its expectation that it will be designated as an "eligible dividend"; Headwater's expectation that corporate oil production supported by secondary recovery is anticipated to grow to approximately 60% by year-end 2026; the expectation that over the next three years Headwater anticipates continued implementation of secondary recovery across its asset base, which is expected to result in a further 20% reduction in maintenance capital and continued improvement in corporate decline rates and reduction in maintenance capital will allow Headwater to continue to increase sustainability, asset duration and free cash flow; and that Headwater remains focused on maximizing total shareholder returns and asset duration through organic expansion, sustainability with enhanced oil recovery, dividends and strategic buybacks under its ongoing normal course issuer bid. The forward-looking statements contained herein are based on certain key expectations and assumptions made by the Company, including but not limited to expectations and assumptions concerning the success of optimization and efficiency improvement projects, the availability of capital, current legislation, receipt of required regulatory approvals, the success of future drilling, development and secondary recovery 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; risks associated with wildfires in areas in which the Company operates including safety of personnel, asset integrity and potential disruption of operations which could affect the Company's results, business, financial conditions or liquidity; the impact of tariffs and other trade retaliatory measure imposed by the United States, Canada and other countries; disruptions to the Canadian and global economy resulting from major public health events, the Russian-Ukrainian war and the conflict in the Middle-East and the impact on the global economy and commodity prices; the impacts of inflation and supply chain issues and steps taken by central banks to curb inflation; pandemics, 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; uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures and the risk that the Company's pools may be smaller than anticipated. Refer to Headwater's most recent Annual Information Form dated March 13, 2025, on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), and the risk factors contained therein.*

This press release contains financial outlook and future oriented financial information (together, "FOFI") about Headwater including anticipated cash flow in the McCully area. 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 press release 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.

**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 terms "Mcf" (or thousand cubic feet of natural gas equivalent) and "boe" (or barrels of oil equivalent) may be misleading, particularly if used in isolation. A Mcfe and 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.

**INITIAL PRODUCTION RATES:** References in this press release to initial production ("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 September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
	<i>(thousands of dollars)</i>		<i>(thousands of dollars)</i>	
Total sales	152,101	158,382	467,200	456,697
Blending expense	(5,590)	(6,642)	(18,693)	(20,534)
Total sales, net of blending expense	146,511	151,740	448,507	436,163

##### 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  
September 30,

Nine months ended  
September 30,

	2025	2024	2025	2024
	<i>(thousands of dollars)</i>		<i>(thousands of dollars)</i>	
Cash flows used in investing activities	62,881	63,136	166,765	180,920
Proceeds from government grant	-	-	-	354
Change in non-cash working capital	5,790	(4,940)	15,457	(7,094)
Capital expenditures	68,671	58,196	182,222	174,180

### Capital Management Measures

#### *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. In addition to being a capital management measure, adjusted funds flow from operations is used by management to assess the performance of the Company's oil and gas properties. Adjusted funds flow from operations is an indicator of operating performance as it varies in response to production levels and management of production and transportation costs. Management believes that by eliminating changes in non-cash working capital and restricted cash and adjusting for current income taxes in the period, adjusted funds flow from operations is a useful measure of operating performance.

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
	<i>(thousands of dollars)</i>		<i>(thousands of dollars)</i>	
Cash flows provided by operating activities	85,861	95,272	224,469	240,721
Changes in non-cash working capital	(5,181)	(9,092)	5,829	(2,678)
Current income taxes	(10,591)	(12,223)	(31,044)	(38,848)
Current income taxes paid	10,305	10,228	45,717	49,459
Restricted cash	-	-	2,000	-
Adjusted funds flow from operations	80,394	84,185	246,971	248,654

#### *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.

	As at September 30, 2025	As at December 31, 2024
	<i>(thousands of dollars)</i>	
Working capital	41,767	78,735
Repayable contribution	(7,068)	(10,916)
Financial derivative receivable	(549)	(3,088)
Financial derivative liability	2,294	2,847
Adjusted working capital	36,444	67,578

### 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 sales, net of blending expense per boe, 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, settlement of decommissioning liability expense per boe and net income per boe. These figures are calculated using sales volumes.