

WESTPEAK RESEARCH ASSOCIATION

Headwater Exploration (TSX: HWX)

Energy – Oil and Gas Exploration and Production

Clearwater, Clear Upside

January 30, 2026

Headwater Exploration Inc. (“Headwater”, “Headwater Exploration”, or “the Company”) is a Canadian oil and gas company engaged in the exploration, development and production of crude oil, natural gas and natural gas liquids. The company operates primarily in the prolific Clearwater play in Alberta. Headwater is a near pure-play heavy oil producer as 97% of its ~20,000 boe/d production is geared towards it.

Industry Overview

Headwater operates in the Canadian oil and gas industry, focusing on a heavy crude oil-weighted portfolio. Despite ongoing energy transition efforts, fossil fuels continue to comprise ~76% of Canada’s total energy supply, underscoring the medium-term resilience of oil demand. This trend enables E&P companies to capitalize on growing demand for fossil fuels.

Thesis

Headwater is a growth-focused company, well-positioned to navigate volatile commodity price environments. Supported by a long-life Clearwater inventory, a strong balance sheet, and a low-cost operating structure, the company demonstrates durable financial stability. Headwater’s growth outlook is underpinned by continued waterflood expansion, declining corporate decline rates, and improving free cash flow conversion. Together, these factors highlight the company’s ability to deliver attractive shareholder returns and support meaningful upside potential.

Valuation

We initiate a **BUY** rating on Headwater Exploration with a price target of \$9.64, implying 18.4% upside from current levels. Our valuation is based primarily on a NAV framework, supplemented by forward EV/EBITDA multiples, reflecting the intrinsic value of Headwater’s long-life Clearwater asset base and capital-efficient growth profile.

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Equity Research	USD
Price Target	\$ 9.64
Rating	Buy
Share Price (Jan. 30 Close)	\$ 8.14
Total Return	18.4%

Key Statistics	
52 Week H/L	\$8.40/\$7.99
Market Capitalization	\$2.0B
Average Daily Trading Volume	0.82M
Net Cash	\$88.3M
Enterprise Value	\$2.0B
Net Debt/EBITDA	NM
Diluted Shares Outstanding	238.7M
Free Float	93.3%
Dividend Yield	5.1%

Analyst Forecast			
	2025E	2026E	2027E
Revenue	\$602M	\$612M	\$692B
EBITDA	\$481M	\$483M	\$558M
Net Income	\$276M	\$270M	\$321M
EPS	\$0.65	\$0.55	\$0.47
EV/Revenue	3.32x	3.27x	2.89x
EV/ EBITDA	4.16x	4.14x	3.58x



Company Overview

Business Fundamentals

Headwater Exploration Inc. is engaged in the exploration, development and production of crude oil, natural gas and natural gas liquids in Canada. Incorporated in 1996 and based out of Calgary, the company was formerly known as Corridor Resources Inc. until it changed its name in March 2020. Headwater currently has high quality oil production, reserves, and lands in the prolific Clearwater play in Alberta as well as natural gas production and reserves in the McCully Field in New Brunswick. The company is focused on providing superior corporate level returns by focusing on secondary recovery, organic expansion, dividends and strategic buybacks.

Geographic Breakdown

Headwater's assets are comprised of three core operations in the Clearwater play located in Alberta as well as the McCully Field near Sussex, New Brunswick. The Clearwater play is located primarily within the Peace River and Athabasca oil sands regions. Headwater owns and operates a natural gas processing plant in McCully Field, with a transmission line connected to the Maritimes and Northeast pipeline. The company's strategy focuses on developing large, oil-in-place resources to drive sustainable production growth, reduce declines, and lower sustaining capital intensity.

Marten Hills

Marten Hills represents Headwater's core operating area and the foundation of its Clearwater strategy. In FY24, Headwater had ~35% of corporate heavy oil production stabilized by secondary recovery and expects 50% of corporate heavy oil production to be supported by the end of FY25. Additionally, this operation made up ~37% of the company's total production in FY24.

West Marten Hills

West Marten Hills is a high-impact growth and optimization area, characterized by successful exploration and expanding secondary recovery since beginning its efforts 2022. The latest wells discovered here in FY25 are characterized by IP30 rates as high as 300 bbls/d. Headwater feels strongly that this area is key to extending reserve life and improving capital efficiency beyond the core Marten Hills footprint.

Greater Pelican

The Greater Pelican area represents Headwater's newest growth platform, highlighted by recent Wabiskaw discoveries and polymer flood pilots. As a part of the company's drilling program in FY25, the company discovered two wells of IP30 rates of 382 and 470 bbls/d. Greater Pelican

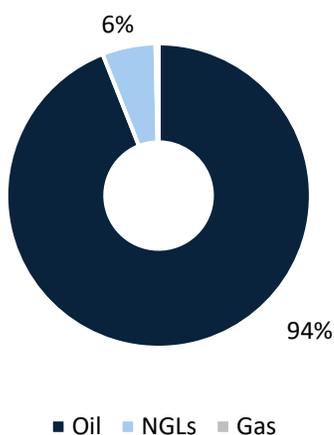


provides incremental production growth and meaningful upside to asset scale and duration over the medium term.

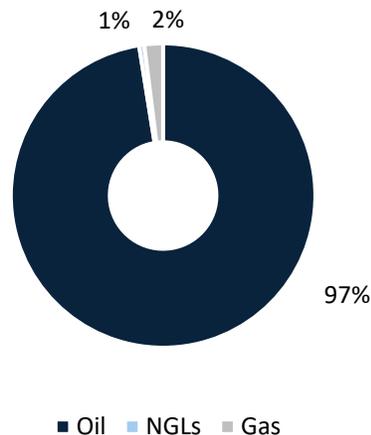
Production Breakdown

Headwater is a near pure-play oil producer, with ~94% of production and ~97% of revenue derived from heavy oil. The company primarily sells its production from the Marten Hills hub in Alberta.

Production Mix



Revenue Mix



Industry Analysis

General Industry

Headwater Exploration operates within the Canadian oil and gas industry as a near pure-play, oil-weighted exploration and production company. Canada is the fourth-largest crude oil producer globally and the third-largest exporter, with crude oil representing the largest share of the country's \$208B of total energy exports in 2024, of which ~96% were destined for the US. Despite ongoing energy transition efforts, fossil fuels continue to comprise ~76% of Canada's total energy supply, underscoring the medium-term resilience of oil demand.

2025 also marked Canada's entry into the global LNG markets as the first shipments were exported from the Kitmat facility in June of that year. Despite slow ramp ups from the facility, future Canadian LNG prospects look promising. Notably, two projects under development, the Woodfibre LNG and Cedar FLNG, are expected to begin ramping up in 2027 and 2029 respectively. These projects allow Western Canadian producers to access some of Northeast Asia's largest LNG importers like China, Japan, and South Korea.

Heavy Oil Industry Trends

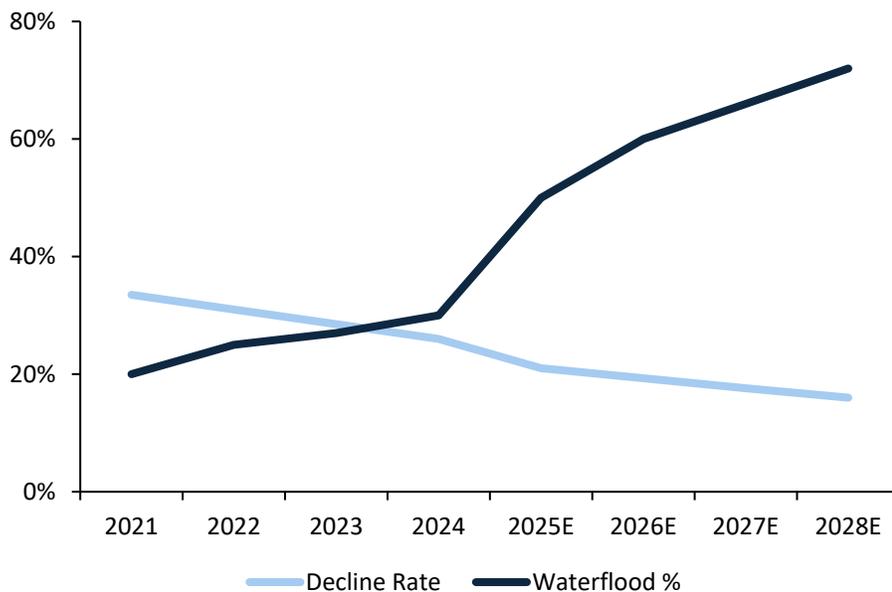
Global demand for heavy crude has strengthened amid shifting refinery configurations and tightening supply dynamics, with key Asian markets such as China, Japan and Singapore expanding their capacity to process heavier crudes. This expansion will support increased imports of Western Canadian heavy blends following trans-mountain export expansions.

In July 2025, Canadian heavy oil exports outside the US reached a record ~525 mbbbls/d, as Asian buyers sought lower-cost feedstocks. Simultaneously, traditional suppliers like Mexico and Venezuela have experienced declining heavy crude production leading to a further tightened supply. Furthermore, Canadian producers have demonstrated resilience to prolonged crude price weakness, with experts noting that efficiency improvements and lower operating costs have “battle-tested” the oilpatch against sub-\$60 prices, even as US shale peers are expected to cut output first in the face of weak benchmarks.

At the same time, OPEC+ has begun gradually shifting from supply restraint toward production increases in an effort to regain lost market share. After years of coordinated output cuts, OPEC+ producers have increasingly faced erosion of market share as non-OPEC supply, particularly from the US and Brazil, expanded during periods of higher prices. With global oil demand growth expected to remain modest relative to supply growth through 2026 and inventories rebuilding, OPEC+ appears more willing to tolerate softer prices in exchange for defending volumes. These actions will likely add to near-term crude market volatility while reinforcing the importance of cost-competitive, resilient producers.

Investment Theses

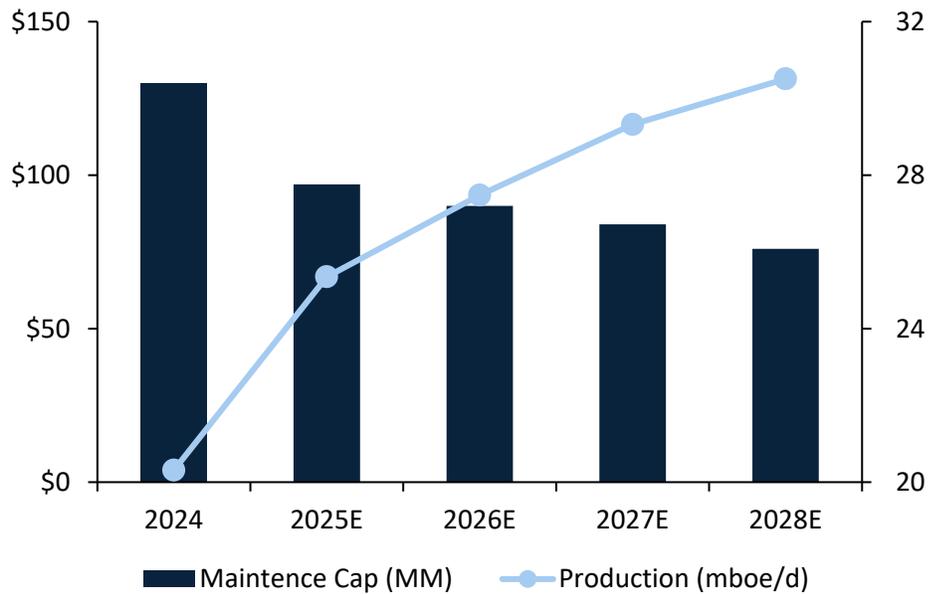
Waterflood Initiatives Driving Falling Decline Rates



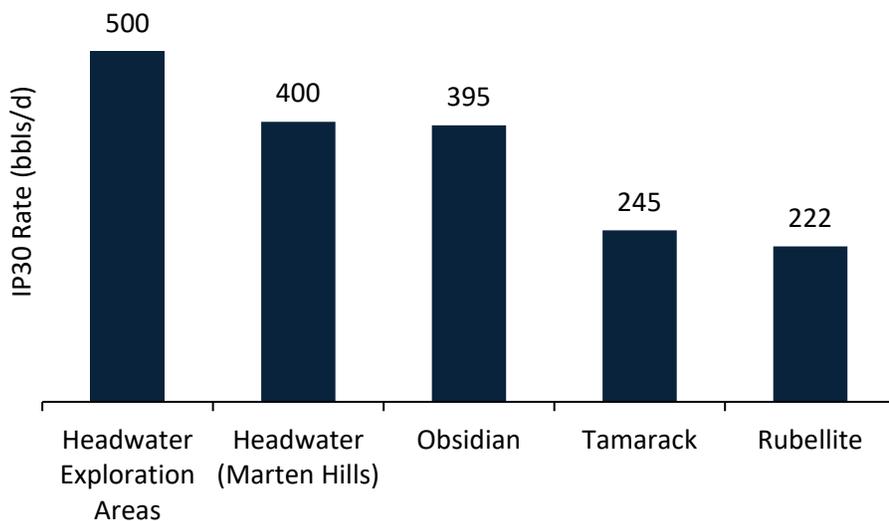
Headwater Exploration has made waterflooding a core pillar of its Clearwater development strategy. Waterflooding involves the injection of water into oil reservoirs in order to increase their production. Following early pilot success at Marten Hills in 2021, the company has steadily expanded waterflood infrastructure across its Clearwater asset base from. Over ~5 years, Headwater has increased its production supported by secondary recovery from ~2,000 bbls/d (<20% of total production in FY21) to ~11,000 bbls/d of production (>50% of total production in FY25). The company has

proved commerciality of secondary recovery across multiple formations including the Clearwater sandstone, Clearwater E, Grand Rapids and Wabiskaw. Headwater plans to keep investing capital in this initiative with management targeting an increase production to 14,000 bbls/d, equivalent to ~60%, by FY26 as additional injectors and water handling infrastructure are brought online. Marten Hills remains the most mature waterflood area and continues to anchor the program, while expansion across West Marten Hills and Greater Pelican is expected to further reduce corporate decline rates to <20%.

We believe that the market is undervaluing the rate at which Headwater will be able to expand this program across its exploration areas. Headwater’s waterflood execution could materially improve ultimate recovery relative to primary-only development and meaningfully extends asset life across the Clearwater fairway. By enhancing recovery from existing wells rather than relying solely on continuous drilling, Headwater can lower sustaining capital intensity, improve free cash flow durability, and reduce exposure to commodity price volatility. The model captures this by lowering the company’s operating costs on a \$/BOE basis by 5% YoY until FY31. Over the long term, continued expansion of secondary recovery is expected to support rising production, declining reinvestment rates, and structurally higher returns on capital.



Production Growth Underpinned by High-Quality Discoveries



Headwater Exploration has established a clear pathway to sustainable production growth driven by recent exploration success and the rapid transition of new discoveries into secondary recovery development. The discovery and delineation of the Grand Rapids formation at Marten Hills West has emerged as a material new growth leg. The eight multi-lateral wells brought onstream in FY25 delivering ~2,000 bbls/d and average 30-day IPs of ~300 bbls/d across the first five wells. Step-out testing has confirmed strong reservoir continuity and repeatability

across multiple miles, supporting management’s view that the Grand Rapids pool extends well beyond currently defined boundaries. With superior oil quality and reservoir characteristics, Headwater has already commissioned secondary recovery pilots in Grand Rapids, mirroring its proven Clearwater E development model, and plans to scale activity through FY26 with up to 20 additional multi-laterals and full-section secondary recovery implementation.

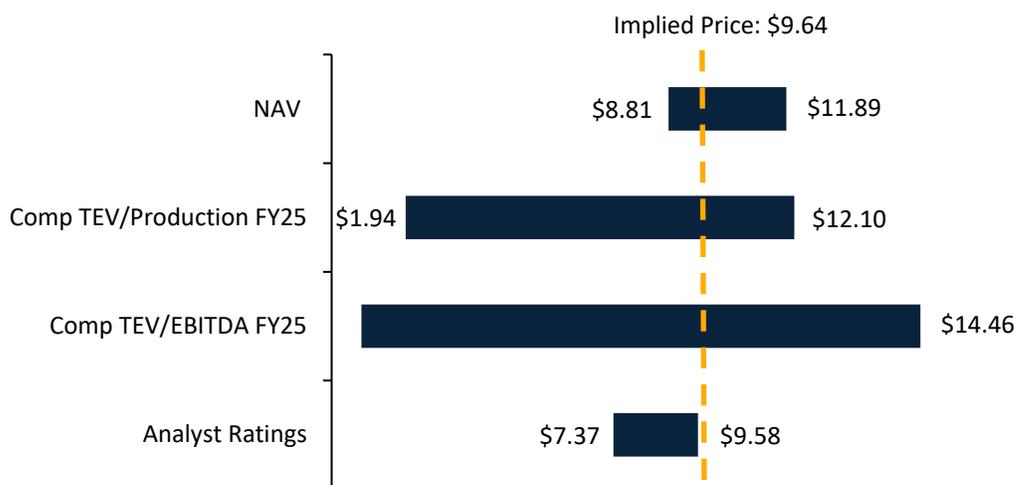
Beyond Marten Hills West, Greater Pelican continues to demonstrate meaningful growth and duration potential, highlighted by the Wabiskaw discovery well producing at rates >500 bbls/d in its first six months. The initiation of multi-lateral polymer flood pilots and ongoing delineation across stacked horizons positions the area to transition from exploration-led growth to development-driven production supported by secondary recovery. Across Marten Hills West more broadly, production now exceeds 15,000 bbls/d. These developments underpin Headwater’s ability to drive organic production growth while simultaneously improving sustainability and reinforcing the Company’s differentiated Clearwater growth profile. We believe these pilot projects have not yet been fully valued into Headwater’s valuation as they are still in early stages but have great potential to ensure the company’s upside for the foreseeable future.

Disciplined Capital Allocation Supports Attractive Shareholder Returns

Headwater’s strategic capital allocation has allowed it to continuously increase earnings and return of capital despite the flat oil and gas prices. The company has divided its capital expenditure across these key segments: growth and maintenance, secondary recovery and exploration. Its disciplined approach has allowed the company to have taken on no debt since Q1 2020 while still maintaining a Net Cash position of ~\$90M.

With this management, Headwater has demonstrated a shareholder-first capital allocation strategy, having paid \$318M in dividends to date. In Q1 2025, the company announced that it would raise its dividends by 10% to C\$0.44/share annually, raising its dividend yield to 6.3%. Additionally, in Q2 2025 Headwater launched an opportunistic Normal Course Issuer Bid (NCIB). To date, Headwater has bought back ~1.0M common shares for cancellation at an average price of C\$7.30/share. With low sustaining capital requirements and increasing free cash flow, Headwater retains flexibility to grow production, extend asset duration, and return capital to shareholders, concurrently supporting an attractive risk-adjusted total return profile through the cycle.

Valuation



Net Asset Value

Commodity Price Assumptions

Commodity prices were retrieved from various sources including McDaniel, S&P Capital IQ, and Bloomberg. The bull case reflects a 20% premium to base commodity price forecasts, and the bear case reflects a 10% discount to base commodity price forecasts. Furthermore, benchmark prices were calculated based on historical exposure.

Production Schedule Rate

The base decline rate reflects an average of industry sources reporting typical Clearwater decline rates. For crude oil and NGLs, a 10% increase was applied to the base rate to account for their slightly faster decline profiles, while natural gas production was adjusted downward by 10% to reflect its slower decline.

Comparable Company Analysis

A peer group of six Canadian oil-weighted exploration and production companies was selected based on similarities in asset base, production profile, and market capitalization. The selected peers include: Spartan Delta, Whitecap Resources, Tamarack Valley, Rubellite Energy, Baytex Energy, and Obsidian Energy. They span market capitalizations from approximately \$180 million to \$3.4 billion, compared to Headwater's market capitalization of roughly \$2.0 billion.

These companies represent a mix of light and heavy oil producers with varying degrees of scale and operating leverage, providing a relevant benchmark set for valuation. Using forward-looking TEV/EBITDA and TEV/Production multiples, Headwater screens attractively relative to peers, reflecting its strong capital efficiency, growing production base, and differentiated Clearwater exposure. Applying upper-quartile peer trading multiples in our analysis results in an implied upside, highlighting Headwater's relative undervaluation among Canadian E&P peers.

Catalysts

Waterflood Scaling and Production Mix Inflection (FY25–FY26)

The primary catalyst for Headwater is continued execution of its secondary recovery strategy, with waterflood-supported production expected to increase from ~50% of total volumes in FY25 to ~60% by FY26 as additional injectors, water handling facilities, and infrastructure come online across Marten Hills, West Marten Hills, and Greater Pelican. As a greater proportion of production shifts to waterflood-supported volumes, corporate decline rates are expected to fall below 20%, materially improving production sustainability. This decline moderation reduces sustaining capital requirements, enhances free cash flow conversion, and improves the visibility and durability of cash returns. As investors gain confidence in the long-life nature of the Clearwater asset base, this inflection is expected to support valuation multiple expansion and increased shareholder returns through dividends and buybacks.

Data Centre Demand

Rapid growth in global data centre demand, driven by AI, cloud computing, and digital infrastructure, is increasing the need for reliable, baseload power and reinforcing the role of hydrocarbons in the global energy mix. While natural gas is expected to supply the majority of incremental power demand, tighter gas and power markets indirectly support crude oil fundamentals by reducing fuel-switching risk and sustaining strong refining margins. For oil-weighted producers like Headwater, this environment provides a constructive macro backdrop that supports pricing resilience and cash flow stability, even in periods of broader commodity price volatility.

Risks

Commodity Prices & Macro Sensitivity

Headwater's cash flow remains exposed to WTI pricing and WCS differentials. These potentially volatile differentials can be driven by pipeline constraints, refinery outages, or broader macro shocks. Unlike larger peers with export optionality, Headwater currently sells its production exclusively into the Canadian market, thereby increasing exposure to regional short-term differential volatility. While the company's breakeven is estimated at ~US\$46 WTI (including maintenance capital and dividends), a sustained period of weak heavy oil pricing or widening WCS differentials could reduce free cash flow available for dividends, buybacks, and growth, limiting near-term valuation upside.

Asset Concentration Risk

Headwater's reserves and production highly concentrated in the Clearwater play, with this being a significant portion of the company's revenue source. While this concentration underpins operational efficiency and capital discipline, it also increases exposure to localized operational disruptions, reservoir-specific underperformance, or regulatory and infrastructure constraints. Any adverse development impacting the Clearwater play could have a disproportionately large impact on corporate production and cash flow relative to more geographically diversified peers.

Recommendation

Buy

We recommend a Buy rating on Headwater Exploration with an implied target price of \$9.64, representing 18.4% upside from current trading levels. The company's disciplined capital allocation, consistent free cash flow generation, and shareholder returns through dividends and buybacks support its investment appeal. In addition, continued production growth driven by waterflood expansion and exploration success serve as clear catalysts for incremental value creation.

Headwater's implied share price is derived using a blended valuation approach, applying a 90% weighting to Base Case in the NAV model and 10% forward TEV/EBITDA multiple. Greater emphasis is placed on the NAV to capture the intrinsic value of Headwater's long-life Clearwater resource and visible development inventory. Meanwhile the multiples-based approaches benchmark valuation against comparable Canadian oil-weighted E&P peers. Given Headwater's superior capital efficiency, concentrated asset base, and resilient cash flow profile, the company appears undervalued relative to peers, supporting a constructive outlook on the shares.

Appendix 1: Net Asset Value Model Output

Case: **Bear**

NPV of reserves (Enterprise Value)	\$1,510
Undeveloped Land	\$397
Other assets	
Cash & Investments	\$122
Working Capital	\$79
Total Assets	\$2,108
Debt	\$3
NAV	\$2,105
Shares outstanding	239
NAV/share	8.81

Current Share Price	8.14
Premium	8%

Case: **Base**

NPV of reserves (Enterprise Value)	\$1,755
Undeveloped Land	\$397
Other assets	
Cash & Investments	\$122
Working Capital	\$79
Total Assets	\$2,353
Debt	\$3
NAV	\$2,350
Shares outstanding	239
NAV/share	9.84

Current Share Price	8.14
Premium	21%

Case: **Bull**

NPV of reserves (Enterprise Value)	\$2,245
Undeveloped Land	\$397
Other assets	
Cash & Investments	\$122
Working Capital	\$79
Total Assets	\$2,843
Debt	\$3
NAV	\$2,840
Shares outstanding	239
NAV/share	11.89

Current Share Price	8.14
Premium	46%

Appendix 2: Commodity Price Deck

Bear Case

Year	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Oil (US\$/B)								
Western Texas Intermediate	\$76.55	\$59.85	\$59.85	\$59.85	\$59.85	\$59.85	\$59.85	\$59.85
Western Canada Select	\$61.03	\$50.22	\$46.26	\$49.14	\$54.18	\$55.17	\$56.25	\$57.42
Brent	\$80.55	\$63.09	\$60.75	\$64.26	\$70.20	\$71.55	\$72.99	\$74.43
Gas (US\$/Mcf)								
Henry Hub	\$2.20	\$4.14	\$3.78	\$3.78	\$3.87	\$4.05	\$4.14	\$4.32
AECO	\$1.07	\$1.40	\$2.20	\$2.70	\$2.80	\$2.70	\$2.80	\$2.90
TTF	\$38.57	\$38.03	\$32.65	\$26.48	\$23.60	\$22.14	\$21.87	\$21.87
JKM	\$13.54	\$13.35	\$11.00	\$10.71	\$10.92	\$11.14	\$11.37	\$11.59
NGLs (US\$/B)								
Condensate (Edmonton)	\$99.80	\$80.64	\$77.24	\$81.89	\$89.91	\$91.67	\$93.47	\$95.30
Butane (Edmonton)	\$48.50	\$33.98	\$34.92	\$37.12	\$40.94	\$41.76	\$42.60	\$43.45
Ethane (Edmonton)	\$11.20	\$10.08	\$10.08	\$11.20	\$12.36	\$12.61	\$12.86	\$13.12
Propane (Edmonton)	\$30.50	\$30.02	\$27.09	\$28.74	\$31.61	\$32.22	\$32.85	\$33.49
Exchange Rates								
CAD-USD	0.73	0.72	0.73	0.73	0.73	0.73	0.73	0.73
CAD-GBP	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54
CAD-EUR	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62

Base Case

Year	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Oil (US\$/B)								
Western Texas Intermediate	\$76.55	\$66.50	\$66.50	\$66.50	\$66.50	\$66.50	\$66.50	\$66.50
Western Canada Select	\$61.03	\$55.80	\$51.40	\$54.60	\$60.20	\$61.30	\$62.50	\$63.80
Brent	\$80.55	\$70.10	\$67.50	\$71.40	\$78.00	\$79.50	\$81.10	\$82.70
Gas (US\$/Mcf)								
Henry Hub	\$2.20	\$4.60	\$4.20	\$4.20	\$4.30	\$4.50	\$4.60	\$4.80
AECO	\$1.07	\$1.60	\$2.40	\$2.90	\$3.00	\$2.90	\$3.00	\$3.10
TTF	\$38.57	\$38.03	\$32.65	\$26.48	\$23.60	\$22.14	\$21.87	\$21.87
JKM	\$13.54	\$13.35	\$11.00	\$10.71	\$10.92	\$11.14	\$11.37	\$11.59
NGLs (US\$/B)								
Condensate (Edmonton)	\$99.80	\$89.60	\$85.82	\$90.99	\$99.90	\$101.86	\$103.85	\$105.89
Butane (Edmonton)	\$48.50	\$37.75	\$38.79	\$41.25	\$45.49	\$46.40	\$47.33	\$48.28
Ethane (Edmonton)	\$11.20	\$11.20	\$11.20	\$12.44	\$13.73	\$14.01	\$14.29	\$14.57
Propane (Edmonton)	\$30.50	\$33.35	\$30.10	\$31.94	\$35.12	\$35.80	\$36.50	\$37.21
Exchange Rates								
CAD-USD	0.73	0.72	0.73	0.73	0.73	0.73	0.73	0.73
CAD-GBP	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54
CAD-EUR	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62

Bull Case

Year	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Oil (US\$/B)								
Western Texas Intermediate	\$76.55	\$79.80	\$79.80	\$79.80	\$79.80	\$79.80	\$79.80	\$79.80
Western Canada Select	\$61.03	\$66.96	\$61.68	\$65.52	\$72.24	\$73.56	\$75.00	\$76.56
Brent	\$80.55	\$84.12	\$81.00	\$85.68	\$93.60	\$95.40	\$97.32	\$99.24
Gas (US\$/Mcf)								
Henry Hub	\$2.20	\$5.52	\$5.04	\$5.04	\$5.16	\$5.40	\$5.52	\$5.76
AECO	\$1.07	\$1.92	\$2.88	\$3.48	\$3.60	\$3.48	\$3.60	\$3.72
TTF	\$38.57	\$38.03	\$32.65	\$26.48	\$23.60	\$22.14	\$21.87	\$21.87
JKM	\$13.54	\$13.35	\$11.00	\$10.71	\$10.92	\$11.14	\$11.37	\$11.59
NGLs (US\$/B)								
Condensate (Edmonton)	\$99.80	\$107.52	\$102.98	\$109.19	\$119.88	\$122.23	\$124.62	\$127.07
Butane (Edmonton)	\$48.50	\$45.30	\$46.55	\$49.50	\$54.59	\$55.68	\$56.80	\$57.93
Ethane (Edmonton)	\$11.20	\$13.44	\$13.44	\$14.93	\$16.48	\$16.81	\$17.15	\$17.49
Propane (Edmonton)	\$30.50	\$40.02	\$36.12	\$38.32	\$42.14	\$42.96	\$43.80	\$44.65
Exchange Rates								
CAD-USD	0.73	0.72	0.73	0.73	0.73	0.73	0.73	0.73
CAD-GBP	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54
CAD-EUR	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62

Appendix 3: Production Schedule

Production Schedule	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<i>Decline Rate</i>	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
Declined Production	-	2,594	3,743	4,341	5,545	6,087	6,505	6,779	6,440	6,118
Added Production	-	7,649	6,372	9,639	7,926	7,926	7,712	5,288	5,024	4,773
Crude Oil (bbl/d)	11,411	16,466	19,095	24,394	26,774	28,614	29,821	28,330	26,913	25,568
Crude Oil (mdbl)	4,165	6,010	6,970	8,904	9,773	10,444	10,885	10,340	9,823	9,332
(Decline) Growth	0%	0%	16%	28%	10%	7%	4%	(5%)	(5%)	(5%)
% Total	89%	91%	94%	96%	97%	98%	98%	98%	98%	100%
<i>Decline Rate</i>	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
Declined Production	-	2	2	1	1	1	1	1	1	1
Added Production	-	2	(0)	(0)	0	1	1	1	1	(3)
Natural Gas (MMcf/d)	8	9	7	5	4	4	4	4	4	-
Natural Gas (boe/d)	1,367	1,467	1,150	859	707	707	687	653	620	-
Natural Gas (mboe)	499	535	420	314	258	258	251	238	226	-
(Decline) Growth	0%	0%	(22%)	(25%)	(18%)	0%	(3%)	(5%)	(5%)	(100%)
% Total	11%	8%	6%	3%	3%	2%	2%	2%	2%	0%
<i>Decline Rate</i>	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
Declined Production	-	14	23	16	23	-	-	-	-	-
Added Production	-	-	(8)	47	(75)	-	-	-	-	-
NGLs (bbl/d)	57	98	67	98	-	-	-	-	-	-
NGLs (mdbl)	21	36	24	36	-	-	-	-	-	-
(Decline) Growth	0%	0%	(32%)	46%	(100%)	0%	0%	0%	0%	0%
% Total	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Total Production (boe/d)	12,835	18,031	20,312	25,351	27,481	29,321	30,508	28,983	27,534	25,568
Total Production (boe)	4,684,653	6,581,193	7,413,880	9,253,074	10,030,565	10,702,044	11,135,476	10,578,702	10,049,767	9,332,171
Total Production (mboe)	4,685	6,581	7,414	9,253	10,031	10,702	11,135	10,579	10,050	9,332

Capital Expenditures (US\$ mm)	\$ 212,843,000	\$ 217,500,000	\$ 197,559,000	\$ 225,000,000	\$ 185,000,000	\$ 185,000,000	\$ 180,000,000			
Capital Efficiency (\$/boe/d)	\$ 27,866	\$ 32,657	\$ 23,944	\$ 24,026	\$ 23,337	\$ 23,397	\$ -	\$ -	\$ -	\$ -

Appendix 4: Operating Model

Income Statement (US\$ mm)	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Oil and Gas Revenue	\$378	\$452	\$502	\$510	\$576	\$659	\$637	\$616	\$597
- Royalties	\$63	\$79	\$0	\$0	\$0	\$0	\$0	\$0	\$0
% Revenue	17%	17%	17%	17%	17%	17%	17%	17%	17%
Sale Commodities for 3rd Parties	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
% Revenue	0%	0%	0%	0%	0%	0%	0%	0%	0%
Commodity Revenue	\$315	\$373	\$502	\$510	\$576	\$659	\$637	\$616	\$597
Interest and Other Income	\$3	\$2	\$4	\$4	\$4	\$5	\$4	\$4	\$4
Loss on Risk Management Contracts (Gain)	\$14	\$1	\$5	\$5	\$6	\$7	\$6	\$6	\$6
(\$/BOE)	\$2.13	\$0.12	\$0.54	\$0.51	\$0.54	\$0.59	\$0.60	\$0.61	\$0.64
Total Revenue	\$332	\$377	\$510	\$518	\$586	\$670	\$647	\$626	\$607
Cost of Goods Sold									
Transportation	\$47	\$50	\$64.10	\$69.48	\$74.13	\$77.13	\$73.28	\$69.61	\$64.64
(\$/BOE)	\$7.15	\$6.70	\$6.93	\$6.93	\$6.93	\$6.93	\$6.93	\$6.93	\$6.93
Commodities Purchased from 3rd Parties	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
% margin commodities 3rd parties	0%	0%	0%	0%	0%	0%	0%	0%	0%
Operating	\$35	\$40	\$47	\$48	\$49	\$48	\$44	\$42	\$39
(\$/BOE)	\$5.31	\$5.37	\$5.07	\$4.82	\$4.58	\$4.35	\$4.13	\$4.13	\$4.13
Gross Profit	\$250	\$287	\$399	\$401	\$463	\$544	\$530	\$515	\$504
Other Expenses									
G&A	\$10	\$11	\$14	\$15	\$16	\$16	\$16	\$15	\$14
(\$/BOE)	\$1.47	\$1.48	\$1.48	\$1.48	\$1.48	\$1.48	\$1.48	\$1.48	\$1.48
Impairment of financial assets (reversal)	\$4	\$9	\$6	\$6	\$6	\$6	\$6	\$6	\$6
Operating Income	\$237	\$267	\$379	\$379	\$441	\$522	\$508	\$494	\$483
Loss (gain) on foreign exchange	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gain on disposal of petroleum and natural gas proper	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EBITDA	\$237	\$267	\$379	\$379	\$441	\$522	\$508	\$494	\$483
Depletion, Depreciation, Amortization	\$89	\$91	\$119	\$129	\$138	\$144	\$137	\$130	\$120
(\$/BOE)	\$13.52	\$12.30	\$12.91	\$12.91	\$12.91	\$12.91	\$12.91	\$12.91	\$12.91
EBIT	\$148	\$176	\$260	\$250	\$303	\$378	\$372	\$364	\$363
Interest and Financing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(\$/BOE)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EBT	\$148	\$176	\$260	\$250	\$303	\$378	\$372	\$364	\$363
Taxes	\$35	\$42	\$61	\$59	\$72	\$89	\$88	\$86	\$86
%	24%	24%	24%	24%	24%	24%	24%	24%	24%
Net Income (loss)	\$113	\$134	\$198	\$191	\$231	\$288	\$284	\$278	\$277

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