



**MANAGEMENT INFORMATION CIRCULAR DATED APRIL 27, 2020
FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD JUNE 15, 2020**

HEADWATER EXPLORATION INC.
NOTICE OF ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS TO BE HELD
JUNE 15, 2020

TO THE HOLDERS OF COMMON SHARES

Notice is hereby given that an annual and special meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Common Shares**") of Headwater Exploration Inc. ("**Headwater**" or the "**Corporation**") will be held as a virtual only meeting via live audio webcast online at <https://web.lumiagm.com/249526196> on Monday, June 15, 2020, at 10:00 a.m. (Calgary time) for the following purposes:

1. to receive the financial statements of the Corporation for the year ended December 31, 2019 and the auditor's report thereon;
2. to consider and, if thought appropriate, to elect directors of the Corporation;
3. to consider and, if thought appropriate, to appoint the auditors of the Corporation, authorizing the directors to fix their remuneration as such;
4. to consider and, if thought appropriate, to pass an ordinary resolution ratifying and approving a new share option plan for the Corporation and approving all unallocated options under such share option plan as more particularly described under "*Matters to be Acted Upon at the Meeting – Ratification and Approval of New Share Option Plan*" in the accompanying management information circular of the Corporation dated April 27, 2020 (the "**Information Circular**");
5. to consider and, if thought appropriate, to pass an ordinary resolution confirming a new form of by-laws of the Corporation, including advance notice provisions, as more particularly described under "*Matters to be Acted Upon at the Meeting – Confirmation of New Form of By-laws*" in the accompanying Information Circular; and
6. to transact such further and other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The nature of the business to be transacted at the Meeting and the specific details of the matters proposed to be put to the Meeting are described in further detail in the accompanying Information Circular.

The record date for the determination of Shareholders entitled to receive notice of and to vote at the Meeting is April 27, 2020 (the "**Record Date**"). Shareholders whose names have been entered in the register of Shareholders at the close of business on that date will be entitled to receive notice of and vote at the Meeting, provided that, to the extent a Shareholder transfers the ownership of any of his or her Common Shares after such date and the transferee of those Common Shares establishes that he or she owns the Common Shares and requests, not later than 10 days before the Meeting, to be included in the list of Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Common Shares at the Meeting.

This year, to proactively deal with the unprecedented public health impact of the 2019 coronavirus disease, also known as COVID-19, and to mitigate risks to the health and safety of our communities, Shareholders, employees and other stakeholders, Headwater will hold its Meeting in a virtual only format, which will be conducted via live audio webcast commencing at 10:00 a.m. (Calgary time) on June 15, 2020. Shareholders will have an equal opportunity to participate at the Meeting online regardless of their geographic location.

Shareholders who are unable to attend the virtual Meeting or any adjournment thereof are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. To be effective, the accompanying form of proxy must be mailed so as to reach or be deposited with Computershare Trust Company of Canada, Proxy Dept., 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, or by facsimile at 1-866-249-7775, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time set for the Meeting or any adjournment thereof. Registered Shareholders may also use the internet site at www.investorvote.com to transmit their voting instructions or vote by phone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America).

The instrument appointing a proxy shall be in writing and shall be executed by the Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

The persons named in the accompanying form of proxy are directors and officers of the Corporation. Each Shareholder has the right to appoint a proxyholder other than such persons, who need not be a Shareholder, to attend the virtual Meeting and to act for such Shareholder and on such Shareholder's behalf at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the Shareholder's appointee should be legibly printed in the blank space provided.

DATED this 27th day of April, 2020.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Neil Roszell"

Neil Roszell

Chair and Chief Executive Officer

HEADWATER EXPLORATION INC.
MANAGEMENT INFORMATION CIRCULAR
FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MONDAY, JUNE 15, 2020

DATED: APRIL 27, 2020

Solicitation of Proxies

This management information circular (this "**Information Circular**") is furnished in connection with the solicitation of proxies by the management of Headwater Exploration Inc. ("**Headwater**" or the "**Corporation**") for use at the annual and special meeting (the "**Meeting**") of the holders ("**Shareholders**") of common shares ("**Common Shares**") of the Corporation to be held on Monday, June 15, 2020 at 10:00 a.m. (Calgary time) as a virtual only meeting via live audio webcast online at <https://web.lumiagm.com/249526196> and at any adjournment thereof, for the purposes set forth in the Notice of Annual and Special Meeting. **Shareholders will not be able to attend the Meeting in person.** A summary of the information Shareholders will need to attend the Meeting online is provided below. Shareholders should also refer to the "Virtual AGM User Guide 2020" that was provided with their form of proxy or voting instruction form.

The board of directors of the Corporation (the "**Board**") have fixed the record date for the Meeting at the close of business on April 27, 2020 (the "**Record Date**").

Forms of proxy must be addressed to and reach Computershare Trust Company of Canada ("**Computershare**"), Proxy Dept., 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, or by facsimile at 1-866-249-7775, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding of the Meeting or any adjournment thereof.

Registered shareholders may also use the internet site at www.investorvote.com to transmit their voting instructions or vote by phone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America). Shareholders should have the form of proxy in hand when they access the website and will be prompted to enter their control number, which is located on the form of proxy. If Shareholders vote by internet, their vote must be received not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for the holding of the Meeting. The website may be used to appoint a proxy holder to attend online and vote on a Shareholder's behalf at the Meeting and to convey a Shareholder's voting instructions.

Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote their Common Shares, included in the list of Shareholders entitled to vote at the Meeting prepared as at the Record Date, except to the extent that any such Shareholder transfers their Common Shares after the Record Date and the transferee of such Common Shares, having produced properly endorsed certificates evidencing such Common Shares or having otherwise established that he or she owns such Common Shares, demands, not later than ten (10) days before the Meeting, that the transferee's name be included in the list of Shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such Common Shares at the Meeting.

Unless otherwise stated, information provided in this Information Circular is given as at April 27, 2020.

The instrument appointing a proxy shall be in writing and shall be executed by the Shareholder or the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

The persons named in the enclosed form of proxy are directors and officers of the Corporation. Each Shareholder has the right to appoint a proxyholder other than the persons designated above, who need not be a Shareholder, to attend and to act for the Shareholder at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the Shareholder's appointee should be legibly printed in the blank space provided.

The Virtual Only Meeting

This year, to proactively deal with the unprecedented public health impact of the 2019 coronavirus disease, also known as COVID-19, and to mitigate risks to the health and safety of the Corporation's communities, Shareholders, employees and other stakeholders, the Meeting will be held in a virtual only format. The virtual Meeting will be conducted via live audio webcast. Shareholders will have an opportunity to participate at the Meeting online regardless of their geographic location.

Attending and Participating at the Meeting

Registered Shareholders and duly appointed proxyholders will be able to listen to the Meeting, ask questions and vote online, all in real time, provided they are connected to the Internet and comply with all of the requirements set out herein.

Non-registered Shareholders (Beneficial Shareholders (as defined below)) who have not duly appointed themselves as proxyholders may still attend the Meeting as guests. Guests will be able to listen to the Meeting but will not be able to vote at the Meeting.

- Go to <https://web.lumiagm.com/249526196> in your web browser. For details, refer to the "Virtual AGM User Guide 2020" that was provided with the accompanying form of proxy or voting instruction form.
- If you have voting rights (registered Shareholders and duly appointed proxyholders), select "I have a Control Number" and follow the instructions.
- If you do not have voting rights (Beneficial Shareholders and guests), select "I am a Guest" and fill in the form. See "*Registration of a Proxyholder for Online Meeting Participation*" below.

See "*Participating and Voting at the Meeting*" below for additional instructions on voting. The Corporation recommends that Shareholders log in to the site at least thirty (30) minutes before the time of the Meeting.

Logging into the Meeting to Vote – Registered Shareholders and Duly Appointed Proxyholders

Registered Shareholders and duly appointed proxyholders, including Beneficial Shareholders who have duly appointed themselves as proxyholder, can participate, ask questions and vote, all in real time, during the Meeting by:

- Logging in online at <https://web.lumiagm.com/249526196>

The Corporation recommends that Shareholders log in at least thirty (30) minutes before the time of the Meeting.

- Clicking "I have a Control Number" and then entering your Control Number (see below) and Password "HWX2020" (case sensitive).

For more detailed instructions or if you have questions about the Meeting, refer to the "Virtual AGM User Guide 2020" that was provided with the accompanying form of proxy or voting instruction form.

For registered Shareholders, the Control Number is located on the accompanying form of proxy or in the email notification received from Computershare. For duly appointed proxyholders, provided that the instructions provided in this Information Circular have been followed, Computershare will provide a Meeting-specific control number by e-mail after the proxy deposit deadline has passed. See "*Registration of a Proxyholder for Online Meeting Participation*" below.

Participating and Voting at the Meeting

Attending the Meeting online gives Shareholders an opportunity to hear directly from management and the Board. Registered Shareholders and duly appointed proxyholders can participate, ask questions and vote online by following the instructions herein and in the "Virtual AGM User Guide 2020" that was provided with the accompanying form of proxy or voting instruction form.

Registered Shareholders who wish to participate and vote at the Meeting do not need to complete or return the accompanying form of proxy. A Control Number is located on the accompanying form of proxy and it may be used to login to the Meeting and vote at the Meeting by completing a ballot online during the Meeting. If a registered Shareholder submits a form of proxy, they do not need to vote again at the Meeting as their vote will already be recorded. Registered Shareholders who submit proxies in advance of the Meeting can still attend the Meeting and not vote. If they do vote at the Meeting again, the online vote will revoke their previously submitted proxy.

Beneficial Shareholders who wish to attend the Meeting and vote by completing a ballot online during the Meeting must appoint themselves as their own proxyholders by following the instructions herein. See "*Registration of a Proxyholder for Online Meeting Participation*" and "*Beneficial Holders of Common Shares*" below.

Registration of a Proxyholder for Online Meeting Participation

The following applies to Shareholders who wish to appoint someone as their proxyholder other than the management designees named in the form of proxy or voting instruction form to attend the virtual Meeting and vote on their behalf. This includes Beneficial Shareholders who wish to appoint themselves as proxyholder to attend and participate in the virtual Meeting. Shareholders who wish to appoint someone other than the management designees as their proxyholder to attend and participate at the Meeting as their proxy and vote their Common Shares **MUST** submit their form of proxy or voting instruction form, as applicable, appointing that person as proxyholder (see "*Solicitation of Proxies*" above and "*Beneficial Holders of Common Shares*" below) **AND** must register that proxyholder, as described below. **Registering a Shareholder's proxyholder is an additional step to be completed AFTER such Shareholder has submitted their form of proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving the Meeting-specific control number from Computershare that is required in order to participate and vote at the Meeting.** If you are a Beneficial Shareholder and you wish to participate or vote at the Meeting, you must appoint yourself as proxyholder by inserting your own name in the space provided on the form of proxy or VIF sent to you by your intermediary, and follow all of applicable instructions provided by your intermediary **AND** you must also register yourself as your proxyholder, as described below. By doing so, you are instructing your intermediary to appoint you as proxyholder. Beneficial Shareholders who have not appointed themselves as proxyholder (and registered as instructed below) cannot vote online during the Meeting. This is because the Corporation and its transfer agent, Computershare, do not maintain the records for Beneficial Shareholders and the Corporation has no knowledge of your shareholdings or entitlement to vote, unless you appoint yourself as proxyholder.

Shareholders must register their proxyholder in advance of the Meeting. Before registering, you must first appoint your proxyholder (see above). To register a proxyholder, Shareholders MUST visit <https://www.computershare.com/Headwater> by 10:00 a.m. (Calgary time) on Thursday, June 11, 2020 and provide Computershare with the required proxyholder contact information, so that Computershare may provide the proxyholder with a Meeting-specific control number via email. Without a Meeting-specific control number, proxyholders will not be able to attend and vote online at the Meeting.

Beneficial Holders of Common Shares

The information set forth in this section is provided to beneficial holders of Common Shares who do not hold their Common Shares in their own name ("**Beneficial Shareholders**"). Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Beneficial Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted (for or against/withhold from resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting Common Shares for their clients. The Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares

are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to Broadridge. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their Common Shares or website address where Common Shares can be voted. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction request or a proxy with a Broadridge sticker on it cannot use that instruction request or proxy to vote Common Shares directly at the Meeting as the proxy must be returned as directed by Broadridge well in advance of the Meeting in order to have the Common Shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by Broadridge well in advance of the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker (or agent of the broker), a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote their Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

See "*The Virtual Only Meeting – Registration of a Proxyholder for Online Meeting Participation*" above.

Notice-And-Access

Headwater has elected to use the "notice-and-access" provisions under National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* (the "**Notice-and-Access Provisions**") for the Meeting in respect of mailings to Beneficial Shareholders but not in respect of mailings to registered Shareholders. The Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that reduce the volume of materials which are mailed to shareholders by allowing a reporting issuer to post an information circular in respect of a meeting of its shareholders and related materials online.

Headwater has also elected to use procedures known as 'stratification' in relation to the use of the Notice-and-Access Provisions. Stratification occurs when a reporting issuer using the Notice-and-Access Provisions provides a paper copy of an information circular and, if applicable, a paper copy of financial statements and related management's discussion and analysis ("**Financial Information**"), to some shareholders together with a notice of a meeting of its shareholders. In relation to the Meeting, registered Shareholders will receive a paper copy of the Notice of Annual and Special Meeting, this Information Circular and a form of proxy whereas Beneficial Shareholders will receive a notice containing information prescribed by the Notice-and-Access Provisions and a voting instruction form. Furthermore, a paper copy of the Financial Information in respect of Headwater's most recently completed financial year was mailed to all registered Shareholders and those Beneficial Shareholders who previously requested to receive such information.

Revocability of Proxy

A Shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends the Meeting at which such proxy is to be voted, voting at the Meeting online will revoke such person's previous proxy. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or the Shareholder's attorney authorized in writing deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof or in any other manner permitted by law, including pursuant to the provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**").

Persons Making the Solicitation

The solicitation is made on behalf of the management of the Corporation. The costs incurred in the preparation and mailing of the enclosed form of proxy, Notice of Annual and Special Meeting and this Information Circular will be borne by the Corporation. In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other

means of communication and by directors, officers and employees of the Corporation, who will not be specifically remunerated therefore.

Exercise of Discretion by Proxy

The Common Shares represented by proxy in favour of management nominees shall be voted on each online ballot at the Meeting and, where the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares shall be voted for or against/withheld from voting on each online ballot in accordance with the specification so made.

In the absence of such specification, the Common Shares will be voted in favour of the matters to be acted upon. The persons appointed under the form of proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the enclosed form of proxy, the Notice of Annual and Special Meeting and this Information Circular. At the time of printing this Information Circular, management of the Corporation knows of no such amendment, variation or other matter.

MATTERS TO BE ACTED UPON AT THE MEETING

1. Financial Statements and Auditor's Report

Pursuant to the ABCA, the Board will place before the Shareholders at the Meeting the audited financial statements of the Corporation for the year ended December 31, 2019 and the auditor's report thereon, which accompany this Information Circular. Shareholder approval is not required in relation to the audited financial statements.

2. Election of Directors

The Board has determined that the number of directors to be elected at the Meeting be fixed at seven (7). As such, at the Meeting, Shareholders will be asked to elect seven (7) directors to hold office until the next annual meeting or until their successors are elected or appointed.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of the election as directors of the seven (7) nominees hereinafter set forth:

Neil Roszell	Jason Jaskela	Chandra Henry	Phillip R. Knoll
Stephen Larke	Kevin Olson	David Pearce	

The directors will be elected on an individual basis and the voting for or withhold on one director will be mutually exclusive to the voting for or withhold on any other director.

The names, provinces and countries of residence of the persons nominated for election as directors, the number of voting securities of the Corporation beneficially owned, or directed or controlled, directly or indirectly, the offices held by each in the Corporation, the period served as director and the principal occupation and background of each are set forth below. The information as to Common Shares beneficially owned or directed or controlled, directly or indirectly, is based upon information furnished to the Corporation by the nominees as of April 27, 2020.

Name, Province and Country of Residence and Position with the Corporation	Principal Occupation and Background	Director Since	Number of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly ⁽⁴⁾
Neil Roszell Alberta, Canada Chair, Chief Executive Officer and Director	Chair and Chief Executive Officer of the Corporation since March 4, 2020. Prior thereto, Chair and Chief Executive Officer of 2143289 Alberta Ltd. (formerly Headwater Exploration Inc.) from December 2019 to March 4, 2020; prior thereto, Chair of Baytex Energy Corp. (" Baytex ") from August 22, 2018 until December 2019; prior thereto, various roles with Raging River Exploration Inc. (" Raging River "), including Executive Chair and Chief Executive Officer and President and Chief Executive Officer from 2011 until August 2018. Mr. Roszell received a Bachelor of Applied Science degree in Engineering from the University of Regina in 1991.	2020	1,586,956
Jason Jaskela Alberta, Canada President, Chief Operating Officer and Director	President and Chief Operating Officer of the Corporation since March 4, 2020. Prior thereto, President and Chief Operating Officer of 2143289 Alberta Ltd. (formerly Headwater Exploration Inc.) from December 2019 to March 4, 2020; prior thereto, Executive Vice President and Chief Operating Officer at Baytex from August 2018 until September 2019; prior thereto, Chief Operating Officer and Vice President, Production of Raging River from March 2012 until August 2018. Mr. Jaskela graduated with a Bachelor of Science degree in Engineering in 2000.	2020	4,347,840
Chandra Henry ⁽¹⁾⁽²⁾ Alberta, Canada Director	Chief Financial Officer and Chief Compliance Officer of Longbow Capital Inc. (" Longbow "), a private equity investment management company based in Calgary, Alberta that invests predominantly in the western Canadian energy sector, since June 2019. Prior thereto, various senior finance positions including Chief Financial Officer of WestBlock Inc. from 2018 to 2019, Director of Finance for GMP Securities L.P. from 2016 to 2017 and Chief Financial Officer of FirstEnergy Capital Corp. from 2001 to 2016. Ms. Henry has a Bachelor of Commerce degree from the University of Calgary and has earned the Chartered Professional Accountant (CPA, CA), Chartered Financial Analyst (CFA) and Institute of Corporate Directors (ICD.D) designations.	2020	271,739

Name, Province and Country of Residence and Position with the Corporation	Principal Occupation and Background	Director Since	Number of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly⁽⁴⁾
Phillip R. Knoll ⁽³⁾ Alberta, Canada Director	President of Knoll Energy Inc., a private energy consulting company, since 2006. Mr. Knoll served as interim Co-CEO of AltaGas Ltd. from July to December 2018. Mr. Knoll was the Chief Executive Officer of the Corporation from 2010 to 2014. Mr. Knoll holds a Bachelor of Applied Science from the Technical University of Nova Scotia in Chemical Engineering. He is a Professional Engineer and a member of the Institute of Corporate Directors.	2010	395,618
Stephen Larke ⁽¹⁾⁽²⁾ Alberta, Canada Director	Independent businessman since 2017. Prior thereto, an Operating Partner and Advisory Board member with Azimuth Capital Management Inc., an energy-focused private equity fund, from 2005 to 2017; prior thereto, a Managing Director and Executive Committee member with Calgary-based Peters & Co. Limited, a private investment firm from 2005 to 2015. Mr. Larke has a Bachelor of Commerce degree (Distinction) from the University of Calgary and has earned the Chartered Financial Analyst (CFA) and Institute of Corporate Directors (ICD.D) designations. In addition, Mr. Larke is a Fundamentals of Sustainability Accounting (FSA) Credential Holder.	2020	815,217
Kevin Olson ⁽¹⁾⁽³⁾ Alberta, Canada Lead Independent Director	President of Camber Capital Corp., a private equity fund, since March 2019. Prior thereto, President of Kyklopes Capital Management Ltd., a private equity fund, from 2011 to February 2019. Mr. Olson holds a Bachelor of Commerce degree (Distinction) majoring in finance and accounting from the University of Calgary.	2020	2,173,913
David Pearce ⁽²⁾⁽³⁾ Alberta, Canada Director	Deputy Managing Partner at Azimuth Capital Management Inc., an energy-focused private equity fund, since July 2014. Mr. Pearce has a Bachelor of Science degree in Mechanical Engineering (Honors) from the University of Manitoba.	2020	543,478

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance and Sustainability Committee.
- (3) Member of the Reserves Committee.
- (4) The information as to Common Shares beneficially owned, directly or indirectly, is based upon information furnished to Headwater by the nominees. All of the directors meet or exceed the Corporation's minimum share ownership requirement for directors. See "Statement of Executive Compensation – Share Ownership Guidelines".

Majority Voting for Directors

The Board has adopted a policy (the "**Majority Voting Policy**") stipulating that if the number of Common Shares voted in favour of the election of a particular director nominee at a Shareholders' meeting is less than the number of Common Shares withheld from voting for that nominee, the nominee will immediately submit his or her resignation to the Board, with the resignation to take effect when and if such resignation is accepted by the Board. The Corporate Governance and Sustainability Committee will consider the director nominee's offer to resign and will make a recommendation to the Board as to whether or not to accept the resignation. The Corporate Governance and Sustainability Committee will be expected to recommend acceptance of the resignation except in exceptional circumstances.

The Board will consider the Corporate Governance and Sustainability Committee's recommendation and make a decision as to whether to accept the director's offer to resign within 90 days of the date of the meeting. The decision of the Board will be announced by way of a press release, which, if the Board has decided to reject such resignation, will include the reasons for rejecting the resignation. No director who is required to tender his or her resignation shall participate in the deliberations or recommendations of the Corporate Governance and Sustainability Committee or the Board. The Board shall accept the resignation absent any exceptional circumstances.

If a director's offer of resignation is accepted, at the Board's discretion, it may fill the vacancy through the appointment of a new director whom the Board considers appropriate in accordance with the Corporation's by-laws and articles and applicable laws. The Majority Voting Policy does not apply in circumstances involving contested director elections.

A copy of the Majority Voting Policy is available on Headwater's website at www.headwaterexp.com.

Advance Notice By-law

The Corporation has adopted a new form of by-laws (the "**Amended By-laws**"), subject to confirmation of the Amended By-laws by Shareholders at the Meeting, which contain advance notice provisions regarding advance notice of nominations of directors of the Corporation (the "**Advance Notice Provisions**"). The Advance Notice Provisions provide that advance notice to the Corporation must be made in circumstances where nominations of persons for election to the Board are made by Shareholders other than pursuant to: (i) a "proposal" made in accordance with the ABCA; or (ii) a requisition of a meeting made pursuant to the ABCA.

The Advance Notice Provisions fix a deadline by which Shareholders must submit director nominations to the Chief Financial Officer of the Corporation prior to any annual or special meeting of Shareholders and outlines the specific information that a nominating Shareholder must include in the written notice to the Chief Financial Officer of the Corporation for an effective nomination to occur. No person nominated by a Shareholder will be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of the Advance Notice Provisions.

In the case of an annual meeting of Shareholders, notice to the Chief Financial Officer of the Corporation must be made not less than 30 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement. In the case of a special meeting of Shareholders (which is not also an annual meeting), notice to the Corporation must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

If Notice-and-Access Provisions are used for delivery of proxy related materials in respect of a meeting described above and the notice date in respect of the meeting is not less than 50 days before the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the date of the applicable meeting.

In the event of an adjournment or postponement of an annual meeting or special meeting of Shareholders or any announcement thereof, a new time period shall commence for the giving of timely notice.

The Board may, in its sole discretion, waive any requirement of the Advance Notice Provisions of the Amended By-laws.

If Shareholders reject the confirmation of the Amended By-laws at the Meeting, these Advance Notice Provisions will cease to have effect immediately following the Meeting. See *"Matters to be Acted Upon at the Meeting – Approval of New Form of By-laws"*.

Corporate Cease Trade Orders or Bankruptcies

No proposed director is as at the date hereof, or has been, within 10 years of the date hereof, a director or chief executive officer or chief financial officer (or any executive officer, for the purpose of subsection (iii)) of any company, including the Corporation, that: (i) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days (an "**order**"); (ii) after that person ceased to act in that capacity, was the subject of an order that resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer; or (iii) is or has, within 10 years before the date of this Information Circular become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets, while that person was acting in that capacity.

No proposed director has, within the ten (10) years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Penalties or Sanctions

No proposed director has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

3. Appointment of Auditors

Unless otherwise directed, it is management's intention to vote the proxies in favour of appointing the firm of KPMG LLP, Chartered Professional Accountants, of Calgary, Alberta to serve as auditors of the Corporation until the next annual meeting of the Shareholders and to authorize the directors to fix their remuneration as such. KPMG LLP has been the Corporation's auditors since March 25, 2020.

On March 25, 2020, the Board unanimously approved that the Corporation change auditors from PricewaterhouseCoopers LLP ("**PwC LLP**") to KPMG LLP. There were no "reportable events" within the meaning of National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**") involving the Corporation and PwC LLP in connection with the audits of the Corporation's two most recently completed financial years or in connection with any subsequent period up to and including March 25, 2020. See Schedule "D" to this Information Circular for a copy of the reporting package in respect of such change of auditor.

For information relating to the fees paid to PwC LLP in the two most recently completed financial years see the information set out under the heading "*Audit Committee Information*" in the Corporation's annual information form dated March 25, 2020, which is available on SEDAR at www.sedar.com.

4. Ratification and Approval of New Share Option Plan

On March 25, 2020, the Board approved the adoption of a new share option plan for the Corporation (the "**New Option Plan**"), subject to ratification and approval of the New Option Plan by Shareholders at the Meeting. The Board adopted the New Option Plan to replace the Corporation's old stock option plan, the amended and restated stock option plan (the "**2008 Option Plan**") dated effective March 27, 2008, which was approved by Shareholders at the annual and special meeting of Shareholders held on May 15, 2008. In adopting the New Option Plan, the Board considered the compensation arrangements of its peer group relative to the Corporation's compensation practices, as well as the common current corporate practices and rules, including those of the TSX and Institutional Shareholder Services Inc., relative to those that were in place when the 2008 Option Plan was adopted in 2008. Assuming that the New Option Plan is ratified and

approved by Shareholders at the Meeting, the Corporation will cease to make grants under the 2008 Option Plan. Once all options ("**Options**") to purchase Common Shares under the 2008 Option Plan have been exercised and/or have expired, the 2008 Option Plan will no longer be an incentive plan of the Corporation. If the New Option Plan is not ratified and approved by Shareholders at the Meeting, the Corporation expects to continue to make grants under the 2008 Option Plan. Additionally, the Board approved the grant of 5,065,000 Options under the New Option Plan to certain officers, employees and service providers of the Corporation, of which: (i) an aggregate of 4,265,000 Options were granted to certain officers (3,750,000 Options), employees (265,000 Options) and service providers (250,000 Options) at an exercise price of \$1.06; (ii) 600,000 Options were granted to an officer at an exercise price of \$1.00; and (iii) 200,000 Options were granted to an employee at an exercise price of \$1.13. If the New Option Plan is not approved by Shareholders at the Meeting, such Options will not be exercisable.

The following description of the New Option Plan is qualified, in its entirety, to the terms of the New Option Plan. The full text of the New Option Plan is attached to this Information Circular as Schedule "A". Capitalized terms used in this section and not otherwise defined therein are defined in the New Option Plan.

The purpose of the New Option Plan is to promote a proprietary interest in the Corporation and greater alignment of interests between directors, officers, employees and consultants of the Corporation and Shareholders, provide a compensation system for such directors, officers, employees and consultants that is reflective of their responsibility and commitment to the Corporation and to assist the Corporation in attracting and retaining experienced individuals to act as officers, employees and consultants of the Corporation. The New Option Plan is administered by the Board (which may delegate its authority to the Corporate Governance and Sustainability Committee or other committee), which has authority to interpret the New Option Plan, including any questions in respect of any Options granted thereunder. The Options granted thereunder are not transferable or assignable.

The Corporation's directors, officers, employees and consultants (each a "**Grantee**") are eligible to participate in the New Option Plan. Options granted under the New Option Plan do not entitle the holder to any rights as a securityholder.

The Board sets the term of the Options granted under the New Option Plan provided that such term does not exceed a maximum term of six (6) years. Currently, there are 5,065,000 Options granted under the New Option Plan, which vest as to one third on each of the first, second and third anniversaries of the grant date and expire on the date that is four years from the date of grant. If the New Option Plan is not approved by Shareholders at the Meeting, such Options will not be exercisable. Unless otherwise determined by the Board, Options shall vest equally on the first, second and third anniversaries of the date of grant. The exercise price of Options shall not be less than the closing price of the Common Shares on the TSX on the trading day immediately preceding the date of grant of Options (the "**Market Price**") or such other minimum price as may be required by the TSX.

In addition to the typical exercise method of issuing Common Shares to the holder in exchange for payment of the exercise price of the Option, the New Option Plan also allows Options, if permitted by the Board, to be exchanged for the issuance of Common Shares equal to the number determined by dividing the Market Price on the date of exercise into the difference between the Market Price and the exercise price of such Options. Additionally, any Grantee may make an offer to the Corporation, at any time, for the disposition and surrender by the same to the Corporation (and the termination thereof) of any of the Options granted under the New Option Plan for an amount not to exceed Market Price (as of the date of the exercise) less the exercise price of the Options and the Corporation has the sole discretion as to whether to accept such offer.

Under the New Option Plan, Options may be granted in respect of Common Shares provided that the aggregate number of Common Shares reserved for issuance under the New Option Plan does not exceed 8.0% of the aggregate number of issued and outstanding Common Shares less the aggregate number of Common Shares issuable under outstanding options under the 2008 Option Plan.

The New Option Plan limits Insider participation such that in aggregate, no more than 10% of the issued and outstanding Common Shares (on a non-diluted basis) may be reserved at any time for Insiders under the New Option Plan, together with all of the Corporation's other security-based compensation arrangements. Further, the number of securities the Corporation issues to Insiders within any twelve-month period under all of the Corporation's security-based compensation arrangements (including the New Option Plan) cannot exceed 10% of the issued and outstanding Common Shares. The aggregate number of Common Shares that may be reserved for issuance pursuant to Options awarded to non-management

directors shall not exceed 1% of the Common Shares outstanding from time to time and the aggregate value of Options granted to any non-management director in any one year period shall not exceed \$100,000.

The Board has discretion to make amendments to the New Option Plan which it may deem necessary without having to obtain Shareholder approval provided that in all cases it does not make any of the following amendments without first obtaining approval of the Shareholders: (i) increase the percentage of the issued and outstanding Common Shares that are available to be issued pursuant to granted and outstanding Options at any time above 8.0%; (ii) increase the number of Common Shares that may be issued to Insiders above the restrictions contained in the New Option Plan; (iii) increase the number of Common Shares that may be reserved for issuance pursuant to the exercise of Options granted to non-management directors under the New Option Plan; (iv) extend the expiry date of any outstanding Options under the New Option Plan; (v) make any reduction in exercise price of an Option or permit a reduction in the exercise price of an Option granted under the New Option Plan by the cancellation and immediate re-issue of Options or other entitlements; (vi) permit the transfer or assignment of Options except in the case of death of a Grantee; or (vii) amend the amendment provisions of the New Option Plan.

Under the New Option Plan, in the case of a Grantee's death, the Grantee's personal or legal representative may within twelve (12) months from the date of death and prior to the expiry date of the Options, exercise Options which were vested within such period after which time any remaining Options shall terminate and become null and void. In addition, if a Grantee ceases to be a director, officer, employee or consultant of Headwater (other than as a result of death), and the date on which the Grantee ceases to be a director, officer, employee or consultant of Headwater (the "**Termination Date**") is prior to the expiry date of the Option, all Options held by the Grantee which have vested as of the Termination Date shall be forfeited by the Grantee effective on the earlier of: (i) the expiry date; and (ii) the date that is ninety (90) days from the Termination Date, and all Options which have not vested as of the Termination Date shall become null and void. These provisions are subject to any alternative arrangements that may be contained in a separate Option agreement or employment agreement between the Corporation and a particular Grantee.

If a Change of Control occurs prior to the date on which the Corporation pays cash or issues Common Shares to the Grantee in respect of an outstanding Option and the Grantee is terminated without cause in connection with such Change of Control or within six (6) months following such Change of Control, all Options shall vest and if such termination occurs prior to, or at the effective time of such Change of Control, the Grantee shall be entitled to exercise all Options held by the Grantee until immediately prior to the Change of Control and if such termination occurs following the Change of Control, the Grantee shall be entitled to exercise all such Options until the date that is ninety (90) days after the Termination Date.

Alternatively, if within six (6) months following a Change of Control, the Grantee voluntarily resigns for an event or events that constitute Good Reason, all Options held by the Grantee shall vest and the Grantee shall be entitled to exercise all Options held by such Grantee until the date that is 90 days after the Grantee's Termination Date. Good Reason is defined in the New Option Plan to mean any materially adverse change by the Corporation without the agreement of a Grantee, in any of the Grantee's duties, powers, rights, salary, title or lines of reporting, such that immediately after such change or series of changes, the responsibilities and status of such Grantee, taken as a whole, are fundamentally diminished compared to those assigned to the Grantee immediately prior to such change or series of changes, or any other reason that would be considered to amount to constructive dismissal by a court of competent jurisdiction in Alberta.

If the Corporation completes a transaction or series of transactions whereby the Corporation, substantially all of the Common Shares or substantially all of the Corporation's property or assets become the property or assets of another body corporate, trust, partnership or other person (the "**Continuing Entity**") the Corporation and the Continuing Entity shall take all necessary steps prior to or contemporaneously with the consummation of such transaction(s) to ensure all Options remain outstanding following the completion of the transactions and the Continuing Entity will assume all covenants and obligations of the Corporation under the New Option Plan, the outstanding Options and the Option agreements in a manner that preserves and does not impair the rights of the Grantees thereunder in any material respect, and the Continuing Entity may exercise every right and power of the Corporation under the New Option Plan, and Headwater shall be relieved of its obligations thereunder.

As at April 27, 2020, the Corporation had Options to acquire 2,176,669 Common Shares (representing approximately 1.5% of the outstanding Common Shares) outstanding under the 2008 Option Plan and Options to acquire 5,065,000 Common Shares (representing approximately 3.5% of the outstanding Common Shares) outstanding under the New

Option Plan, for a total of Options to acquire 7,241,669 Common Shares (representing approximately 5.0% of the outstanding Common Shares) under the 2008 Option Plan and the New Option Plan.

See "*Statement of Executive Compensation – Annual Burn Rate Under Equity Compensation Plans*".

Approval Required

At the Meeting, Shareholders will be asked to consider and, if thought appropriate, to pass the following ordinary resolution (the "**New Option Plan Resolution**"):

"BE IT RESOLVED as an ordinary resolution of the shareholders of Headwater Exploration Inc. ("**Headwater**") that:

1. the share option plan, in the form attached as Schedule "A" to the management information circular of Headwater dated April 27, 2020, is hereby ratified, approved and confirmed;
2. the Board of Directors of Headwater or a duly authorized committee thereof, as referred to in the share option plan, are hereby authorized to issue options to acquire common shares of Headwater pursuant to the share option plan to those eligible to receive such options thereunder;
3. the grant of 5,065,000 options under the share option plan by the Board of Directors of Headwater to those eligible to receive such options thereunder is hereby ratified, approved and confirmed;
4. the issuance of all unallocated options under the share option plan until June 15, 2023 is hereby authorized and approved;
5. notwithstanding that this resolution has been passed by the holders of common shares of Headwater, the Board of Directors of Headwater is hereby authorized and empowered to revoke these resolutions, without any further approval of the shareholders of Headwater, at any time if such revocation is considered necessary or desirable by the Board of Directors of Headwater; and
6. any director or officer of Headwater is hereby authorized and directed, for and on behalf of Headwater, to execute (whether under the corporate seal of Headwater or otherwise) and deliver, or cause to be executed and delivered, and to sign and/or file, or cause to be signed and/or filed, as the case may be, all applications, declarations, instruments and other documents, and to do or cause to be done all such other acts and things, as such director or officer may determine necessary or advisable to give effect to the foregoing resolutions including, without limitation, the execution, signing or filing of any such document or the doing of any such act or thing being conclusive evidence of such determination."

The New Option Plan Resolution must be approved by a simple majority of votes cast by the Shareholders present or represented by proxy at the Meeting. It is the intention of the persons named in the accompanying form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies FOR the New Option Plan Resolution.

5. **Confirmation of New Form of By-laws**

On March 25, 2020, the Board approved the adoption of the Amended By-laws, subject to confirmation of the Amended By-laws by Shareholders at the Meeting. The Amended By-laws have been updated to reflect updates to the legislation and common current corporate governance practices, relative to those that were in place when the Corporation's former By-law No. 1 was adopted in 1996, including, (i) the change of the quorum requirements for shareholder meetings to a quorum of 2 persons present, either in person or by proxy, representing 25% or more of the outstanding Common Shares; (ii) the removal of a second or casting vote for the Chair of the Board in the event of an equality of votes at any meeting

of the Board to align with the provision that the Chair does not have a second or casting vote at any meeting of the Shareholders; and (iii) adopting Advance Notice Provisions.

The full text of the Amended By-laws is attached to this Information Circular as Schedule "B". The following is a summary of the Advance Notice Provisions of the Amended By-laws. This summary is subject to, and qualified by, the specific Advance Notice Provisions of the Amended By-laws.

Purpose of the Advance Notice Provisions of the Amended By-laws

The purpose of the Advance Notice Provisions is to provide Shareholders, the Board and management of the Corporation with a clear framework for director nominations to help ensure orderly business at Shareholder meetings. Among other things, the Advance Notice Provisions fix a deadline by which Shareholders must submit director nominations to the Corporation prior to any annual or special meeting of Shareholders.

The directors of the Corporation are committed to:

- (a) facilitating an orderly and efficient annual general or special meeting process;
- (b) ensuring that all Shareholders receive:
 - (i) adequate notice of director nominations; and
 - (ii) sufficient information in advance of an annual general or special meeting with respect to all director nominees and the ownership interests (including derivatives, hedged positions and other economic incentives and voting interests) of the nominating shareholder in order to assess the qualifications of the proposed nominees for election to the Board and the nature of the nominating shareholder's interest in the Corporation; and
- (c) allowing Shareholders to register an informed vote having been afforded reasonable time for appropriate deliberation.

Summary of Terms of the Advance Notice Provisions

The Advance Notice Provisions provide that advance notice to the Corporation must be made in circumstances where nominations of persons for election to the Board are made by Shareholders other than pursuant to: (a) a "proposal" made in accordance with the ABCA; or (b) a requisition of a meeting made pursuant to the ABCA.

The Advance Notice Provisions fix a deadline by which Shareholders must submit director nominations to the Chief Financial Officer of the Corporation prior to any annual or special meeting of Shareholders and outlines the specific information that a nominating Shareholder must include in the written notice to the Chief Financial Officer of the Corporation for an effective nomination to occur. No person nominated by a shareholder will be eligible for election as a director of the Corporation unless nominated in accordance with the Advance Notice Provisions.

In the case of an annual meeting of Shareholders, notice to the Chief Financial Officer of the Corporation must be made not less than 30 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement. In the case of a special meeting of Shareholders (which is not also an annual meeting), notice to the Corporation must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

If Notice-and-Access Provisions are used for delivery of proxy related materials in respect of a meeting described above and the notice date in respect of the meeting is not less than 50 days before the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the date of the applicable meeting.

In the event of an adjournment or postponement of an annual meeting or special meeting of shareholders or any announcement thereof, a new time period shall commence for the giving of timely notice.

The Board may, in its sole discretion, waive any requirement of the Advance Notice Provisions.

Approval Required

In accordance with the ABCA, the Amended By-laws are in effect until they are confirmed, confirmed as amended, or rejected by Shareholders at the Meeting, and if confirmed or confirmed as amended, the Amended By-laws will continue in effect in the form in which they are so confirmed. If Shareholders reject the confirmation of the Amended By-laws at the Meeting, they will thereafter cease to have effect and the Corporation's By-law No. 1 will remain in place.

At the Meeting, Shareholders will be asked to consider and, if thought appropriate, to pass the following ordinary resolution (the "**Amended By-laws Resolution**"):

"BE IT RESOLVED as an ordinary resolution of the shareholders of Headwater Exploration Inc. ("**Headwater**") that:

1. pursuant to section 102 of the *Business Corporations Act* (Alberta), the new form of by-laws of Headwater, in the form attached as Schedule "B" to the management information circular of Headwater dated April 27, 2020, are hereby adopted and confirmed and the current by-law No. 1 of Headwater is repealed;
2. notwithstanding that this resolution has been passed by the holders of common shares of Headwater, the Board of Directors of Headwater is hereby authorized and empowered to revoke these resolutions, without any further approval of the shareholders of Headwater, at any time if such revocation is considered necessary or desirable by the Board of Directors of Headwater; and
3. any director or officer of Headwater is hereby authorized and directed, for and on behalf of Headwater, to execute (whether under the corporate seal of Headwater or otherwise) and deliver, or cause to be executed and delivered, and to sign and/or file, or cause to be signed and/or filed, as the case may be, all applications, declarations, instruments and other documents, and to do or cause to be done all such other acts and things, as such director or officer may determine necessary or advisable to give effect to the foregoing resolutions including, without limitation, the execution, signing or filing of any such document or the doing of any such act or thing being conclusive evidence of such determination."

The Amended By-laws Resolution must be approved by a simple majority of votes cast by the Shareholders present or represented by proxy at the Meeting. It is the intention of the persons named in the accompanying form of proxy, if named as proxy and not expressly directed to the contrary in the form of proxy, to vote those proxies FOR the Amended By-laws Resolution.

INFORMATION CONCERNING THE CORPORATION

Voting Securities and Principal Holders Thereof

As at April 27, 2020, 144,575,327 Common Shares were issued and outstanding, with each Common Share carrying the right to one (1) vote on a ballot at the Meeting. A quorum for the transaction of business at the Meeting will be present if not less than two (2) Shareholders representing not less than 25% of the Common Shares are present or represented by proxy at the Meeting.

The Record Date as of which Shareholders are entitled to vote at the Meeting has been fixed by the Corporation as April 27, 2020.

To the knowledge of the directors and senior officers of the Corporation, other than as noted below, as at the date hereof, no person or company beneficially owned, or controlled or directed, directly or indirectly, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation.

Name	Number of Common Shares	Percentage of Class
The Children's Investment Fund Management (UK) LLP ⁽¹⁾⁽²⁾	17,254,949	12.0%

Notes:

- (1) Based upon information publicly available to the Corporation.
- (2) The Children's Investment Fund Management (UK) LLP controls or directs 17,254,949 Common Shares, which shares are owned directly by Talos Capital Limited.

Private Placements and Reconstitution of Management

On January 15, 2020, the Corporation entered into an amended and restated investment agreement (the "**Investment Agreement**") with Neil Roszell, Jason Jaskela, Ali Horvath, Jonathan Grimwood and Terry Danku (collectively, the "**Investors**") which provided for: (i) a non-brokered private placement of 21,739,130 units ("**Units**") of the Corporation at a price of \$0.92 per Unit for gross aggregate proceeds of approximately \$20.0 million to the Investors and certain other persons identified by the Investors (the "**Unit Private Placement**"), which, in accordance with the rules and policies of the Toronto Stock Exchange (the "**TSX**"), required the Corporation to obtain approval of an ordinary resolution in respect of the Unit Private Placement at a special meeting ("**Special Meeting**") of the Shareholders (the "**Unit Private Placement Resolution**"); (ii) a brokered private placement of subscription receipts ("**Subscription Receipts**") of the Corporation for gross proceeds of a minimum of \$20.0 million and a maximum of \$30.0 million (the "**Subscription Receipt Private Placement**"); and (iii) (A) the resignation and appointment of directors in accordance with the Investment Agreement, such that following the reconstitution, the members of the Board would consist of the following follows: Martin Fräss-Ehrfeld, Chandra Henry, Jason Jaskela, Phillip R. Knoll, Stephen Larke, Kevin D. Olson, David Pearce and Neil Roszell; and (B) the resignation and appointment of officers of the Corporation in accordance with the Investment Agreement, such that following the reconstitution, the officers of the Corporation would include Neil Roszell as Chair and Chief Executive Officer, Jason Jaskela as President and Chief Operating Officer, Ali Horvath as Vice President, Finance and Chief Financial Officer, Jonathan Grimwood as Vice President, Exploration, Terry Danku as Vice President, Engineering, Scott Rideout as Vice President, Land and Edward (Ted) Brown as Corporate Secretary (collectively, the "**New Management Team**") (the "**Reconstitution of Management**").

On February 11, 2020, the Corporation completed the Subscription Receipt Private Placement for gross aggregate proceeds of approximately \$30.0 million. The Subscription Receipts were issued in accordance with the terms of a subscription receipt agreement dated February 11, 2020 (the "**Subscription Receipt Agreement**") between the Corporation, Stifel Nicolaus Canada Inc., National Bank Financial Inc. (on their own behalf and on behalf of Peters & Co. Limited) and Computershare Trust Company of Canada. Each Subscription Receipt entitled the holder thereof to receive, without payment of additional consideration or further action on the part of such holder, one Common Share upon the satisfaction of certain conditions, including that all conditions, undertakings and other matters to be satisfied, completed or otherwise met prior to the completion of the Unit Private Placement and Reconstitution of Management (in accordance with the Investment Agreement) without waiver or material amendment thereof, have been satisfied, completed or otherwise met.

On March 4, 2020, the Corporation held the Special Meeting. At the Special Meeting, the Unit Private Placement Resolution, as well as a special resolution to amend the articles of the Corporation to change its name from "Corridor Resources Inc." to "Headwater Exploration Inc.", were approved.

Following the Special Meeting, the Unit Private Placement and Reconstitution of Management were completed and the Common Shares underlying the Subscription Receipts were issued in accordance with the terms of the Subscription Receipt Agreement. In addition, the Corporation filed Articles of Amendment to change its name to "Headwater Exploration Inc."

Each Unit issued pursuant to the Unit Private Placement was comprised of one Common Share and one warrant ("**Warrant**") of the Corporation, with each Warrant entitling the holder to purchase one Common Share at a price of \$0.92 per Common Share for a period of four years from the issuance date, being March 4, 2020, subject to certain terms and conditions. The Warrants will vest and become exercisable as to one-third upon the 20 day volume weighted average price of the Common Shares on the TSX equaling or exceeding each of \$1.30, \$1.60 and \$1.90 per Common Share.

As a result of the completion of the Reconstitution of Management, as at March 4, 2020: (i) the Board was reconstituted to include Martin Fräss-Ehrfeld, Chandra Henry, Jason Jaskela, Phillip R. Knoll, Stephen Larke, Kevin D. Olson, David Pearce and Neil Roszell; and (ii) the officers of the Corporation consisted of Neil Roszell as Chair and Chief Executive Officer, Jason Jaskela as President and Chief Operating Officer, Ali Horvath as Vice President, Finance and Chief Financial Officer, Jonathan Grimwood as Vice President, Exploration, Terry Danku as Vice President, Engineering, Scott Rideout as Vice President, Land and Edward (Ted) Brown as Corporate Secretary.

For a complete description of the transactions contemplated by the Investment Agreement, reference should be made to the Investment Agreement and the material change report of the Corporation dated March 13, 2020, copies of which have been filed on SEDAR at www.sedar.com.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Upon completion of the Reconstitution of Management, both of the former executive officers were terminated and the New Management Team was appointed. In addition, the Board was reconstituted such that only two members of the Board prior to the Reconstitution of Management are still members of the Board with the majority of the Board (six out of eight) been appointed as part of the Reconstitution of Management. Prior to the Reconstitution of Management, the Corporation's compensation programs were administered by the Corporate Governance Committee. None of the former members of the Corporate Governance Committee are still members of the Board. As a result of these significant changes to the Board, management team and constitution of the committees of the Board, the compensation practices and policies of the Corporation prior to the Reconstitution of Management have little relevance to the go forward compensation practices and policies of the Corporation.

The following Compensation Discussion and Analysis provides a brief description of the historic compensation practices as well as the historic elements of compensation awarded to the executive officers prior to the Reconstitution of Management. In addition, the Compensation Discussion and Analysis provides a prospective view of the intended compensation practices and policies of the Corporation going forward as well as the compensation decisions made by the Board and the newly reconstituted Corporate Governance and Sustainability Committee since the completion of the Reconstitution of Management.

Historic Compensation Practices

The disclosure in relation to the historic compensation practices and policies of the Corporation is based on the disclosure provided by the Corporation prior to the Reconstitution of Management in the management information circular of the Corporation dated April 9, 2019 (the "**2019 Information Circular**") for the annual meeting of the Shareholders held on May 14, 2019.

During the year ended December 31, 2019, the members of the Corporate Governance Committee were J. Douglas Foster (Chair), James S. McKee and Norman W. Miller, all of whom resigned from the Board on March 4, 2020 in connection with the Reconstitution of Management. Each of Messrs. Foster, McKee and Miller were considered independent by the Board.

The Corporate Governance Committee was responsible for the oversight, review, and approval of the Corporation's compensation policies, human resources policies and development and succession planning.

At no time in the two most recently completed financial years has the Corporation retained a compensation consultant or advisor to assist the Board or the Corporate Governance Committee in determining the compensation of the directors or executive officers of the Corporation.

In the year ended December 31, 2019, employee compensation, including executive officer compensation, was comprised of following elements: (i) base salary, (ii) bonus payments under a discretionary bonus plan, (iii) periodic grants of long-term incentive compensation, being Options under the 2008 Option Plan; (iv) matching contributions under an employee share purchase plan; and (v) other typical benefits and any perquisites. The following is a brief description of the objective of each element of compensation as provided in the 2019 Information Circular.

Base Salary

The purpose of base salary was to create cash compensation for executive officers that was competitive in the industry and would enable the Corporation to attract, motivate and retain capable executives.

Bonus Payments

Bonus payments were made on a discretionary basis and were intended to recognize and reward employees when corporate and individual performance exceeded expectations. By placing emphasis on variable compensation, the Corporate Governance Committee and Board aimed to tie a portion of the total executive compensation package to increases in the Corporation's performance and the value of the Common Shares. The Board approved bonus payments to employees, including executive officers, for achieving key financial and operating objectives as well as to recognize strong individual performance.

Options

The grants of Options under the 2008 Option Plan were designed to align the interests of the Corporation's employees (including its executive officers) with Shareholders by linking a component of compensation to the Corporation's share performance. The Corporation generally granted Options as part of the Board's annual review of compensation payable. For a description of the 2008 Option Plan, see "*Incentive Plan Awards – Stock Option Plan – 2008 Option Plan*" below.

Employee Share Purchase Plan

The Corporation adopted the employee share purchase plan to encourage employees, including executive officers, to accumulate savings through the ownership of Common Shares. Under this plan, eligible employees who elected to enroll in the plan could, generally, make contributions up to 10% of their eligible earnings and the Corporation matched such contributions, which aggregate contributions were used to purchase Common Shares through the facilities of the TSX.

Other Benefits and Perquisites

The executive officers also participated in other group benefit plans and perquisites (life, disability, health and dental insurance, parking and gym memberships) that were available to all employees of the Corporation, and which were comparable to those offered to industry peers.

New Compensation Practices and Compensation Decisions since Completion of the Reconstitution of Management

Following the Reconstitution of Management, the Corporate Governance Committee was reconstituted as the Corporate Governance and Sustainability Committee and a new mandate (the "**CG&S Mandate**") was adopted for such committee.

The current members of the Corporate Governance and Sustainability Committee are Stephen Larke (Chair), Chandra Henry and David Pearce, each of whom are highly experienced executives, directors and/or businesspeople who have dealt with compensation issues in the course of his or her respective leadership roles and each of whom is independent. The skills and experience that enable the members of the Corporate Governance and Sustainability Committee to make decisions on the suitability of the Corporation's compensation policies and practices is as follows:

- Mr. Larke has over 20 years of experience in energy capital markets, including research, sales, trading and equity finance, and currently serves on the boards of Vermilion Energy Inc. (since 2017) and Topaz Energy Corp. (since 2019). He is formerly an Operating Partner and Advisory Board member with Azimuth Capital Management Inc., an energy-focused private equity fund based in Calgary, Alberta. Prior to joining Azimuth Capital Management Inc., Mr. Larke was Managing Director and Executive Committee member with Calgary-based Peters & Co. Limited, from 2005 to 2015, and prior to, was Vice-President and Director with TD Newcrest from 1997 to 2005. Both at Peters & Co. Limited and TD Newcrest, Mr. Larke received leading rankings in the Brendan Wood International survey of institutional investors. Mr. Larke has a Bachelor of Commerce degree (with distinction) from the University of Calgary and holds the Chartered Financial Analyst designation. Mr. Larke holds the ICD.D designation from the Institute of Corporate Directors and is an FSA Credential holder.

- Ms. Henry has more than 20 years of progressive experience in finance, treasury, risk, taxation and operations within the financial services industry crossing multiple geographic and business segments. She is currently the Chief Financial Officer and Chief Compliance Officer of Longbow, a private equity investment management company based in Calgary, Alberta that invests predominantly in the western Canadian energy sector, since June 2019. Prior to Longbow, Ms. Henry held various senior finance positions including Chief Financial Officer of WestBlock Inc. (2018-19), Director of Finance for GMP Securities L.P. (2016-17) and Chief Financial Officer for FirstEnergy Capital Corp. (2001-16). Ms. Henry has a Bachelor of Commerce degree from the University of Calgary and has earned the Chartered Professional Accountant (CPA, CA), Chartered Financial Analyst (CFA) and Institute of Corporate Directors (ICD.D) designations. Ms. Henry has also served on the Board of Directors (2018-20) and Chair of the Audit and Risk Committee (2019-20) of Pengrowth Energy Corporation and as Director, Treasurer and Chair of the Audit Committee of the Alberta Ballet Company (2012-18).
- Mr. Pearce has been working with the energy-focused private equity fund Azimuth Capital Management Inc. since July 2014 as Deputy Managing Partner. He was an Operating Partner with the Azimuth predecessor KERN Partners from November 2008 to July 2014. Mr. Pearce was a director of Raging River from March 2012 to August 2018. He was with Northrock Resources Ltd. from June 1999 to January 2008 where he held several senior officer positions, including President and Chief Executive Officer. Prior thereto, Mr. Pearce worked in various Management roles at Fletcher Challenge Canada, Amoco Canada and Dome Petroleum. Mr. Pearce has a Bachelor of Science in Mechanical Engineering (Honors) from the University of Manitoba.

Under the new CG&S Mandate, the Corporate Governance and Sustainability Committee has the responsibility for the following matters in respect of compensation matters:

- reviewing and reporting to the Board concerning the overall compensation program and philosophy and alignment with salient stakeholders;
- reviewing and recommending to the Board the compensation program, remuneration levels and incentive plans and any changes therein for senior management, including the Chief Executive Officer of the Corporation ("**CEO**" or "**Chief Executive Officer**");
- reviewing and approving corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the CEO's performance in light of those goals and objectives, and either, as a committee or together with the independent directors (as determined by the Board) determine and approve the CEO's compensation based on this evaluation;
- making recommendations to the Board with respect to compensation of executive officers (other than the CEO), including grants and awards under incentive compensation and equity based plans that are subject to Board approval;
- reviewing the adequacy and form of compensation to the directors ensuring it realistically reflects their responsibilities and risk and make recommendations to the Board as to such compensation matters;
- reviewing annually and recommending for approval to the Board the executive compensation disclosure and "Compensation Discussion and Analysis" disclosure of the Corporation in its information circular for the Corporation's annual meeting of Shareholders;
- reviewing annually the CG&S Mandate;
- administering any incentive plans implemented by the Corporation, in accordance with their respective terms; and
- reporting on executive officer compensation on an annual basis.

Following the Reconstitution of Management, the New Management Team together with the Corporate Governance and Sustainability Committee considered an appropriate compensation structure for both the executive officers and directors given the Corporation's intended strategy going forward. In the near term, Headwater has limited operations and intends to focus on making strategic acquisitions in the western Canadian sedimentary basin that will be combined with organic development. As a result, the compensation structure in the near term is focused on maintaining general and administrative expenses at a relatively low level to preserve the Corporation's balance sheet strength for acquisition opportunities in the short-term and to align the interests of the executive officer's with the Shareholders' interests in increasing the value of the Common Shares over the long-term. To accomplish these goals, the current elements of the compensation for the executive officers consist of: (i) base salary, (ii) Options under the New Option Plan; and (iii) other typical benefits and any perquisites. The following is a description of the objective of each element of compensation paid to the current executive officers of the Corporation.

Base Salary

Upon completion of the Reconstitution of Management, the salary of each new executive officer, including the CEO, was set at \$150,000, which is well below what such executive officers would be paid at comparable companies. The purpose of the base salary was to create a base level of compensation for the executive officers while maintaining the cash general and administrative expenses of the Corporation at relatively low levels.

Options

The grants of Options under the New Option Plan were designed to align the interests of the executive officers with the long-term accretion in the value of the Common Shares through strategic acquisitions and development of the Corporation's assets. Following the completion of the Reconstitution of Management, each executive officer was granted Options under the New Option Plan. In determining the number of Options to be granted, the Corporate Governance and Sustainability Committee took into account the low base salaries paid to the executive officers and the intended heavy weighting of compensation to equity compensation rather than any form of cash payments. As a result, Neil Roszell, the Chair and CEO was granted Options to purchase 750,000 Common Shares and each other executive officer was granted Options to purchase 600,000 Common Shares. All of the Options granted to the executive officers vest at to one-third on the first, second and third anniversary of the date of grant, expire four years from the date of grant and have an exercise price based on the closing price of the Common Shares on the TSX on the trading day immediately prior to the grant date. For a description of the New Option Plan, see "*Matters to be Acted Upon at the Meeting – Approval of New Share Option Plan*".

Other Benefits and Perquisites

The executive officers also participate in other group benefit plans and perquisites (life, disability, health and dental insurance and parking) that were available to all employees of the Corporation, and which were comparable to those offered to industry peers.

Summary

At the present time, the Corporate Governance and Sustainability Committee and the Board have not implemented any type of short-term incentive or cash bonus program. Any grant of cash bonuses or other type of short term incentive to the executive officers is expected to be based on an assessment by the Corporate Governance and Sustainability Committee and the Board of the performance of the management team in achieving the strategic goals of the Corporation of making strategic acquisitions in the western Canadian sedimentary basin combined with organic development.

The Corporate Governance and Sustainability Committee intends to continue to evaluate the compensation programs in relation to the executive officers of the Corporation as the Corporation's operations change and grow and anticipates changing such compensation programs over time as appropriate to reflect the stage of development of the Corporation's operations.

Short Sales, Puts, Calls and Options

The Corporation's Disclosure, Confidentiality and Trading Policy contains anti-hedging provisions. Directors, officers and employees of the Corporation shall not knowingly sell, directly or indirectly, a security of the Corporation if such

person selling such security does not own or has not fully paid for the security to be sold. Directors, officers and employees of the Corporation shall not, directly or indirectly, engage in any of the following transactions: (i) buying or selling a call or put in respect of a security of the Corporation; (ii) selling the Corporation's securities short; or (iii) purchasing any other financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of securities of the Corporation.

Risk Adjusted Compensation

As part of its review of the Corporation's compensation program, the Corporate Governance and Sustainability Committee expects to consider whether the compensation program provides executive officers of the Corporation with adequate incentives to achieve both short and long term objectives without motivating them to take inappropriate or excessive risk. As at the date hereof, the Corporate Governance and Sustainability Committee has concluded that the compensation program and policies of the Corporation do not encourage its current executive officers to take inappropriate or excessive risks. This assessment is based on a number of considerations including, without limitation, the following: (a) the terms of Options granted provide that Options vest over a period of three years and expire four years from the date of grant, which encourages executive officers to continue to develop favorable results over a longer period of time and reduces the risk of actions that may have short term advantages; (b) the Corporation's compensation program for executive officers is not structured significantly differently from the compensation program for other employees within the Corporation; (c) the overall compensation program is aligned with the Corporation's business plan and long-term strategies; (d) the share ownership guidelines for executive officers help to ensure that such executive officers maintain a significant equity interest in the Corporation, which encourages executive officers to continue to develop favorable results over a longer period of time and reduces the risk of actions that may have short term advantages (see " – *Share Ownership Guidelines*" below); (e) the Clawback Policy (as defined below) gives the Board the ability to clawback any incentive compensation to the extent that an executive officer has undertaken inappropriate behaviour (see " – *Clawback Policy*" below); and (f) establishing robust restrictions on the ability of executives to participate in transactions that are designed to hedge or offset a decrease in market value of securities of the Corporation as discussed above under the heading " – *Short Sales, Puts, Calls and Options*".

Clawback Policy

On March 25, 2020, the Board implemented a new clawback policy (the "**Clawback Policy**") providing for the reimbursement of incentive compensation in certain circumstances. The Clawback Policy defines incentive compensation to include, without limitation, cash bonuses paid under any short-term incentive plans, any awards under any long-term incentive plans and any payments (or other compensation) made upon vesting or settlement of any awards under any long-term incentive plans. Where the Board determines it is in the best interests of Headwater, it may demand repayment of all or a portion of, or effect the cancellation of unvested awards under long-term incentive plans, any incentive compensation granted to executive officers in cases where: (i) the amount of the incentive compensation was calculated based upon, or contingent on, the achievement of certain financial results or other performance goals that were subsequently the subject of or affected by a substantial restatement of all or a portion of the financial statements of Headwater; (ii) the executive officer engaged in negligence, intentional misconduct or fraud that caused or substantially caused the need for the substantial restatement of the financial statements; and (iii) the amount of the incentive compensation that would have been awarded to the executive officer had the financial results been properly reported would have been lower than the amount actually awarded or received.

In addition, under the Clawback Policy, in the event that any executive officer is found to have engaged in intentional misconduct, fraud, theft or embezzlement, the Board may in its discretion, to the full extent permitted by applicable laws and to the extent it determines that it is in best interests of Headwater to do so, require the reimbursement of some or all of the after-tax amount of any incentive compensation already paid or awarded in the previous 24 months or the forfeiture of any vested or unvested incentive compensation awards regardless of whether or not a restatement of the financial statements of Headwater has occurred or is required. The Clawback Policy applies to any employee or consultant of Headwater who is serving or who served as a vice president or senior officer of the Corporation.

Share Ownership Guidelines

On March 25, 2020, Headwater implemented new share ownership guidelines for non-management directors. Pursuant to the non-management director share ownership guidelines, non-management directors are required to hold Common Shares with a value of not less than \$200,000. The value of the Common Shares will be based on the greater of (i) the

closing price of the Common Shares as at December 31 in the year prior to such determination, except in the present year where such determination will be made as at March 31, 2020; and (ii) the average purchase price of the Common Shares in respect of each director. Any new directors will be expected to achieve this level within three years of their election or appointment to the Board.

In addition, new share ownership guidelines were implemented on March 25, 2020 for the Corporation's executive officers. Mr. Neil Roszell, the CEO, is subject to share ownership requirements which require him to hold Common Shares with a value of not less than three times his annual base salary. All other executive officers are required to Common Shares with a value of not less than one times such executive officer's annual base salary. The value of the Common Shares will be based on the greater of: (i) the closing price of the Common Shares as at December 31 in the year prior to such determination, except in the present year where such determination will be made as at March 31, 2020; and (ii) the average purchase price of the Common Shares in respect of each executive officer. Any new executive officer will be required to achieve this level within three years of such executive officer's appointment as an executive officer of the Corporation.

The following tables set out the value of the holdings of each of Headwater's directors and officers based on the greater of: (i) the closing price of the Common Shares on the TSX on the last trading day of the first quarter of 2020 being \$1.00 per Common Share on March 31, 2020; and (ii) the average purchase price of the Common Shares in respect of each director or officer. As the majority of the directors and all of the officers of Headwater were appointed on March 4, 2020, in accordance with the new share ownership guidelines adopted by the Board on March 25, 2020, the tables below have calculated the value of equity holdings held by each director and officer as at March 31, 2020. Going forward, all such calculations will be done as at December 31 in the year prior to such determination.

Non-Executive Directors

Director	Equity Ownership Guideline	Shareholdings		Guideline Met or Investment Required to Meet Guideline (\$) ⁽¹⁾
		Common Shares Held as at March 31, 2020	Value of Equity Holdings as at March 31, 2020 (\$)	
Kevin Olson ⁽²⁾	Common Shares with a value of not less than \$200,000	2,173,913	2,173,913 ⁽⁴⁾	Guideline Met
Martin Fräss-Ehrfeld ⁽³⁾	Common Shares with a value of not less than \$200,000	-	-	Not Applicable ⁽³⁾
Chandra Henry ⁽²⁾	Common Shares with a value of not less than \$200,000	271,739	271,739 ⁽⁴⁾	Guideline Met
Phillip Knoll	Common Shares with a value of not less than \$200,000	395,618	448,410 ⁽⁵⁾	Guideline Met
Stephen Larke ⁽²⁾	Common Shares with a value of not less than \$200,000	815,217	815,217 ⁽⁴⁾	Guideline Met
David Pearce ⁽²⁾	Common Shares with a value of not less than \$200,000	543,478	543,478 ⁽⁴⁾	Guideline Met

Notes:

- (1) Directors have three years from their appointment to meet the target Common Share ownership. Each of Messrs. Olson, Larke and Pearce and Ms. Henry were appointed on March 4, 2020 and therefore each has until March 4, 2023 to meet the target Common Share ownership.
- (2) Each of Messrs. Olson, Larke, Pearce and Ms. Henry were appointed to the Board on March 4, 2020 in connection with the Reconstitution of Management.
- (3) Mr. Fräss-Ehrfeld is the Chair of AVE Capital Limited, which provides investment services and recommendations to The Children's Investment Fund Management (UK) LLP which controlled or directed 17,254,949 Common Shares, representing 12.0% of the issued and outstanding Common Shares at April 27, 2020, which shares are owned directly by Talos Capital

Limited. The Common Shares held directly by Talos Capital Limited, which are ultimately controlled by the company that Mr. Fräss-Ehrfeld is Chair of, had a value of \$17,254,949 as at March 31, 2020 based on the closing price on the TSX of \$1.00 per Common Share. Mr. Fräss-Ehrfeld does not direct or control the investment decisions of The Children's Investment Fund Management (UK) LLP.

(4) Valued as at March 31, 2020 based on the closing price on the TSX of \$1.00 per Common Share.

(5) Valued based on the average purchase price of such Common Shares.

Officers

Officer	Equity Ownership Guideline		Shareholdings			Guideline Met or Investment Required to Meet Guideline ⁽²⁾
	Multiple of Annual Compensation	Amount of Annual Base Salary (\$)	Common Shares Held as at March 31, 2020	Value of Equity Holdings Held as at March 31, 2020 (\$) ⁽¹⁾	Holdings as Multiple of Base Salary	
Neil Roszell	3x	150,000	1,586,956	1,586,956	10.58x	Guideline Met
Jason Jaskela	1x	150,000	4,347,840	4,347,840	28.99x	Guideline Met
Ali Horvath	1x	150,000	543,478	543,478	3.62x	Guideline Met
Jonathan Grimwood	1x	150,000	1,000,000	1,000,000	6.67x	Guideline Met
Terry Danku	1x	150,000	1,521,738	1,521,738	10.14x	Guideline Met
Scott Rideout	1x	150,000	543,477	543,477	3.62x	Guideline Met

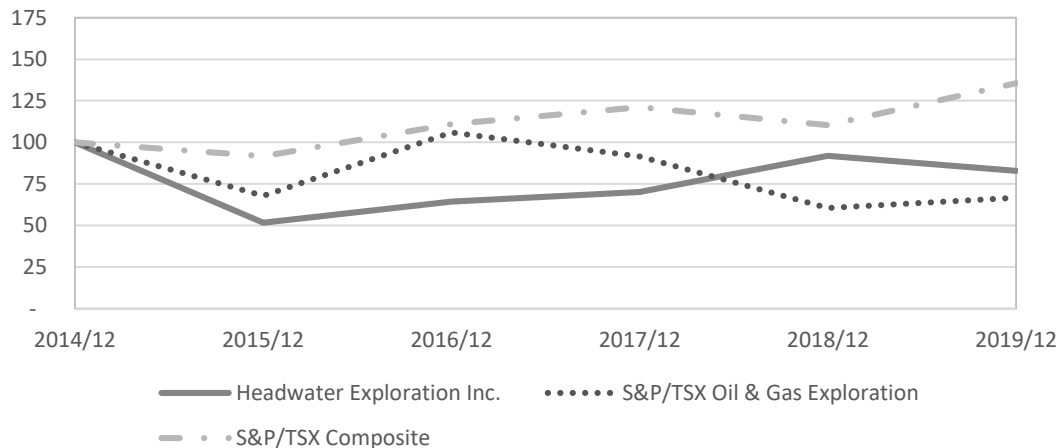
Notes:

(1) Valued as at March 31, 2020 based on the closing price on the TSX of \$1.00 per Common Share.

(2) Executive officers have three years from their appointment to meet the target Common Share ownership. Each of the executive officers was appointed on March 4, 2020 and therefore each has until March 4, 2023 to meet the target Common Share ownership.

Performance Graph

The following graph compares the change in the cumulative total Shareholder return for the five most recently completed financial years, of a \$100 investment in the Common Shares, with the cumulative total return of the S&P/TSX Capped Energy Index and the S&P/TSX Composite Index for the period commencing December 31, 2014 and ending December 31, 2019.



	2014/12/31	2015/12/31	2016/12/30	2017/12/31	2018/12/31	2019/12/31
Headwater Exploration Inc.	\$100	\$52	\$64	\$70	\$92	\$83
S&P/TSX Composite Index	\$100	\$92	\$111	\$121	\$110	\$136
S&P/TSX Oil & Gas Exploration & Production Index	\$100	\$68	\$106	\$91	\$61	\$67

Upon completion of the Reconstitution of Management, both of the former executive officers were terminated and the New Management Team was appointed. In addition, the Board was reconstituted such that only two members of the Board prior to the Reconstitution of Management are still members of the Board with the majority of the Board (six out of eight) been appointed as part of the Reconstitution of Management. As a result, neither the trend shown in the above graph nor the compensation decisions made by the former Corporate Governance Committee and Board are relevant to the Corporation's current compensation programs for the current Named Executive Officers and corporate performance.

The trend shown in the above graph does not necessarily correspond to the Corporation's historic compensation of the Named Executive Officers for the periods disclosed above. The Corporation historically considered a number of factors in connection with its determination of appropriate levels of compensation including, but not limited to, the demand for and supply of skilled professionals with experience in the oil and gas industry, individual performance, the Corporation's performance (which is not necessarily tied exclusively to the trading price of the Common Shares on the TSX).

The trading price of the Common Shares on the TSX is subject to fluctuation based on a number of factors, many of which are outside the control of the Corporation. These include, but are not limited to, fluctuations and volatility in commodity prices for crude oil and natural gas, global economic conditions, changes in government, environmental policies, legislation and royalty regimes, and other factors, some of which are disclosed and discussed under the heading "*Risk Factors*" in the Corporation's annual information form dated March 25, 2020.

Summary Compensation Table

The following table sets forth, for the years ended December 31, 2019, 2018 and 2017 information concerning the compensation paid to the former President and CEO, the former Chief Financial Officer and the former Manager – New Brunswick Production and Operations (each a "**Named Executive Officer**" or "**NEO**" and collectively, the "**Named Executive Officers**" or "**NEOs**"). While the former President and Chief Executive Officer and the former Chief Financial Officer were the only executive officers of Headwater during the financial year ended December 31, 2019, the former Manager – New Brunswick Production and Operations acted in a similar capacity as an executive officer and had total compensation of more than \$150,000 for the financial year ended December 31, 2019. On March 4, 2020, each of the former President and CEO and the former Chief Financial Officer were terminated and the members of the New Management Team appointed as executive officers of the Corporation. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*". On March 25, 2020, the Board approved salaries of \$150,000 for each of the current executive officers of the Corporation. Following the Reconstitution of Management, Mr. Alan Archibald was provided with notice that his position would be terminated effective as of April 30, 2020.

Name and principal position	Year	Salary (\$)	Option-based awards ⁽¹⁾ (\$)	Non-equity incentive plan compensation (\$)		All other compensation ⁽⁴⁾ (\$)	Total compensation (\$)
				Annual incentive plans ⁽²⁾ (\$)	Long-term incentive plans ⁽³⁾ (\$)		
Steve Moran Former President and CEO	2019	296,738	-	21,926	-	29,454	348,118
	2018	287,575	197,362	-	-	28,758	513,695
	2017	285,215	31,266	-	-	28,334	344,815
Lisette Hachey Former Chief Financial Officer	2019	190,081	-	18,727	-	-	208,808
	2018	180,806	109,693	20,000	-	-	310,499
	2017	182,700	19,541	12,500	-	-	214,741
Alan Archibald Former Manager – New Brunswick Production and Operations ⁽⁵⁾	2019	164,157	83,615	-	-	12,667	260,439
	2018	-	-	-	-	-	-
	2017	-	-	-	-	-	-

Notes:

- (1) The grant date fair value for compensation purposes is calculated using the Black-Scholes option pricing methodology, which is the fair value determined in accordance with International Financial Reporting Standards. This calculation was based on a risk-free interest rate of: 2019 – 1.6%, 2018 – 2.0% and 2017 – 0.9%; an expected life of: 2019 – 4.5 years, 2018 – 4.0 years and 2017 – 3.7 years; an expected forfeiture rate of: 2019 – 6.7%, 2018 – 7.0% and 2017 – 6.7%; and an expected volatility of: 2019 – 66%, 2018 – 68% and 2017 – 69%. The Black-Scholes option pricing methodology was selected due to its acceptance as an appropriate valuation model used by similar sized oil and gas companies. The resulting fair value is an estimate of the value which may ultimately be received based on the historical volatility in the Corporation's share price. It is important to note that the actual value realized pursuant to Option awards may be greater or less than the indicated value and, in recent years, has been lower than the value indicated in the Summary Compensation Table.
- (2) Amounts per year reflect bonuses earned with respect to such year's performance.
- (3) The Corporation does not have any non-equity long-term incentive plans.
- (4) Includes amounts payable at December 31, 2019, 2018 and 2017 towards the purchase of Common Shares relating to the Corporation's matching of employees share purchases during the applicable year in connection with the Corporation's employee share purchase plan. The Corporation's employee share purchase plan was discontinued and terminated upon closing of the Reconstitution of Management on March 4, 2020.
- (5) Mr. Dave Graves retired as Manager – New Brunswick Production and Operations effective February 19, 2019, at which time Mr. Alan Archibald was hired as Manager – New Brunswick Production and Operations on February 19, 2019. Following the Reconstitution of Management, Mr. Archibald was provided with notice that his position would be terminated effective as of April 30, 2020.
- (6) None of the former NEOs hold, or have ever been granted, share-based awards. The Corporation does not provide any pension benefits.

Incentive Plan Awards

Stock Option Plan

New Option Plan

For a description of the New Option Plan, see "*Matters to be Acted Upon at the Meeting – Approval of New Share Option Plan*". Assuming that the New Option Plan is ratified and approved by Shareholders at the Meeting, the Corporation will cease to make grants under the 2008 Option Plan. Once all Options under the 2008 Option Plan have been exercised and/or have expired, the 2008 Option Plan will no longer be an incentive plan of the Corporation. If the New Option Plan is not ratified and approved by Shareholders at the Meeting, the Corporation expects to continue to make grants under the 2008 Option Plan.

2008 Option Plan

The 2008 Option Plan was approved by Shareholders at the annual and special meeting of Shareholders held on May 15, 2008. Under the 2008 Option Plan, the Board was able, from time to time, to issue Options to directors, officers and employees of Headwater (and its affiliates) and persons who provide services to Headwater (and its affiliates). On May 12, 2014, the Board, upon the recommendation of the Corporate Governance Committee, determined that non-employee directors would no longer be eligible to receive any Options as a component of their compensation.

Pursuant to the 2008 Option Plan, Options were only to be granted to persons or corporations ("**Eligible Optionees**") who: (a) were (i) employees (full-time or part-time), officers or directors of Headwater (or one or more of its affiliates), or (ii) consultants who were engaged to provide services to Headwater (or one or more of its affiliates) on an ongoing basis under a written contract with Headwater (or one or more of its affiliates), who devoted or were expected to devote a significant amount of time and attention to the business and affairs of Headwater (or one or more of its affiliates) who were engaged to provide services for an initial, renewal or extended period of twelve (12) months or more, and (b) the Board selected for participation in the 2008 Option Plan. Options could also be granted to corporations that were controlled by an Eligible Optionee.

The maximum number of Common Shares reserved for issuance pursuant to Options granted under the 2008 Option Plan was set at 8,262,513 (the "**Option Threshold**"), which represented 10% of the issued and outstanding Common Shares (calculated on a non-diluted basis) as at April 10, 2008. Effective March 27, 2020, an additional 1,200,000 Options were granted to the non-management directors under the 2008 Option Plan, which vest as to one third on each of the first, second and third anniversaries of the grant date and expire on the date that is four years from the date of grant. As at April 27, 2020, 2,656,017 Common Shares remain issuable under the 2008 Option Plan, representing 1.8% of the issued and outstanding Common Shares (calculated on a non-diluted basis).

The 2008 Option Plan provided that all grants of Options thereunder were subject to the following terms and conditions: (a) an Eligible Optionee may hold more than one Option at any time; however, no one Eligible Optionee will be granted Options that, when combined with any other security-based compensation arrangement, would entitle the Eligible Optionee to purchase more than 5% of the total number of issued and outstanding Common Shares; (b) the number of Common Shares reserved at any time for issuance to insiders pursuant to Options, when combined with the number of Common Shares issued to insiders pursuant to any other security-based compensation arrangement, will not exceed 10% of the total number of issued and outstanding Common Shares; (c) there may not be issued to insiders, within a one-year period, a number of Common Shares that, when combined with the number of Common Shares issued to insiders pursuant to any other security-based compensation arrangement, would exceed 10% of the total number of issued and outstanding Common Shares; and (d) there may not be issued to any one insider and such insider's associates, within a one-year period, a number of Common Shares that, when combined with the number of Common Shares issuable to such insider and such insider's associates pursuant to any other number of Common Shares issuable to such insider and such insider's associates pursuant to any other security-based compensation arrangement, would exceed 5% of the total number of issued and outstanding Common Shares. The foregoing limits may be calculated on a diluted basis with the consent of the TSX.

The exercise price of each Option was determined in the discretion of the Board at the time the Option was granted, provided that the exercise price would not be lower than the "Market Price". For purposes of the 2008 Option Plan, "Market Price" means the closing price of the Common Shares on the TSX on the last trading day prior to the date the Option was granted for which there was a closing price on the TSX; provided that in the event the Common Shares are not listed on any exchange, any Market Price will be such price as determined by the Board.

All Options granted under the 2008 Option Plan were subject to a fixed term and were exercisable from time to time as determined in the discretion of the Board at the time of the grant, provided that no Option had a term exceeding five years (or such longer period as is permitted by the TSX).

Unless otherwise determined by the Board, if any Option is scheduled to expire (a) at a time when the holder of the Option is subject to restrictions on trading securities of Headwater under a trading "blackout" established by Headwater, or (b) within five business days after the termination of such blackout period, the Option will, notwithstanding the scheduled expiry date of such Option, expire as of the date that is 10 business days following the end of such applicable blackout period and shall be exercisable by the holder at any time up to the applicable time on such revised expiry date.

In the event that an Eligible Optionee ceased to hold the position of director, officer or employee of Headwater (or any of its affiliates) or a service provider to Headwater (or any of its affiliates) for any reason whatsoever (other than as a result of death, incapacity, termination with cause or permanent disability), the unvested portion of the Option shall expire and terminate immediately and the vested portion of the Option will terminate on the earlier of its expiry date and ninety (90) days after such cessation. In the event of the death, incapacity or permanent disability of an Eligible Optionee, the vested portion of the Option will terminate on the earlier of its expiry date and twelve (12) months after the date of death, incapacity or permanent disability of the Eligible Optionee.

At or after the time that any fully vested Option could be exercised by an Eligible Optionee, the Eligible Optionee may elect to surrender, at his or her option, in whole or in part, his or her rights under any Option by written notice to the Corporation stating that such Eligible Optionee wishes to surrender his or her Option in exchange for a payment equal to the positive difference between the Exchange Date Price (as defined below) and the exercise price of the Option in respect of each Common Share that would otherwise be issued upon exercise of such Option (or portion of such Option) surrendered. The Board has the sole discretion to consent or disapprove of the election of the Eligible Optionee to receive cash. If the Board disapproves of the election, the Eligible Optionee may (i) exercise the Option under the Option Plan or (ii) retract the request to surrender such Option and retain the Option. The Corporation will withhold from the amount otherwise payable such amounts as may be required to be withheld under applicable law. "**Exchange Date Price**" means a price per Common Share equal to the closing price of the Common Shares on the stock exchange on the last trading day prior to the date the Option was surrendered by the Eligible Optionee or if the Common Shares are not then listed on any stock exchange, the Exchange Date Price shall be determined by the Board.

Options granted under the 2008 Option Plan are not assignable or transferable by an Eligible Optionee, except for: (i) a limited right of assignment to allow the exercise of Options by an Eligible Optionee's heirs, executor or legal representative (as the case may be) in the event of death, incapacity or permanent disability; and (ii) with the approval of the Board and the TSX, a right to transfer such Options to a corporation controlled by the Eligible Optionee and wholly-owned by the Eligible Optionee or his spouse or children (or any of them).

The Board has the right to amend the 2008 Option Plan and to suspend, terminate or discontinue the 2008 Option Plan. Any amendments to the 2008 Option Plan are subject to the approval of applicable regulatory authorities, including the TSX. Any amendment to the 2008 Option Plan shall take effect only with respect to Options granted after the effective date of such amendment, provided that an amendment may apply to any outstanding Options with the mutual consent of Headwater and the Eligible Optionees to whom such Options were granted.

Under the 2008 Option Plan, the Board has the power and authority to approve amendments to the 2008 Option Plan (or to Options), without further approval of the Shareholders, including, without limitation, to the extent that such amendment: (a) is for the purpose of curing any ambiguity, error or omission in the 2008 Option Plan or to correct or supplement any provision of the 2008 Option Plan that is inconsistent with any other provision of the 2008 Option Plan; (b) is necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares are listed; (c) is an amendment respecting administration or eligibility for participation under the 2008 Option Plan; (d) changes the terms and conditions on which Options may be or have been granted pursuant to the 2008 Option Plan, including changes to the vesting provisions and the term of any Option; (e) changes the termination provisions of an Option or the 2008 Option Plan in a manner that does not entail an extension of such Option beyond its original expiry date (except in respect of a revised expiry date established in light of the existence of any trading "blackout", as described above); or (f) is an amendment to the 2008 Option Plan of a "housekeeping" nature; provided that in the case of any amendment referred to in paragraph (a) or (b) above, the amendment does not: (i) change the number of Common Shares issuable under the 2008 Option Plan; (ii) add any form of financial assistance by Headwater for the exercise of any Option; (iii) result in material or unreasonable dilution in the number of outstanding Common Shares or any material benefit to an Eligible Optionee; or (iv) change the class of eligible participants under the 2008 Option Plan if such change would have the potential of broadening or increasing participation by insiders of Headwater.

Subject to any required regulatory approvals, the Board may amend the term of any Option (which in no event shall exceed five years from the date of grant (or such longer period as is permitted by the TSX)) and the termination provisions of Options granted pursuant to the 2008 Option Plan without Shareholder approval, provided that if the Board proposes to increase the Option Threshold, reduce the exercise price for Options granted to insiders or extend the term of any Option granted to an insider of Headwater pursuant to the 2008 Option Plan (unless the extension is in respect of a revised expiry date established in light of the existence of any trading "blackout", as described above), such amendments will require Shareholder approval.

If the New Option Plan is not ratified and approved by Shareholders at the Meeting, the Corporation expects to continue to make grants under the 2008 Option Plan.

Outstanding Option-based Awards

The following table sets forth, for each Named Executive Officer during the year ended December 31, 2019, all Option-based awards outstanding as at December 31, 2019. No share-based awards were outstanding as at December 31, 2019. On March 4, 2020, each of the former President and CEO and the former Chief Financial Officer were terminated and the members of the New Management Team were appointed as executive officers of the Corporation. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*". Following the Reconstitution of Management, Mr. Alan Archibald was provided with notice that his position would be terminated effective as of April 30, 2020.

Name	Option-based Awards			
	Number of securities underlying unexercised Options (# of Common Shares)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options ⁽¹⁾ (\$)
Stephen Moran	900,000 ⁽²⁾	1.24	November 17, 2019 (10 days to exercise following lifting of blackout) ⁽³⁾	-
	160,000 ⁽²⁾	0.40	February 11, 2021	51,200
	120,000	0.52	April 10, 2021	24,000
	215,000	0.68	August 28, 2022	8,600
	315,000	0.72	December 21, 2023	-
Lisette Hachey	102,500	0.40	April 30, 2020	32,800
	75,000	0.52	April 10, 2021	15,000
	142,500	0.68	August 28, 2022	5,700
	155,000	0.72	December 21, 2023	-
Alan Archibald	225,000	0.70	April 1, 2024 ⁽⁴⁾	4,500

Notes:

- (1) Calculated based on the closing market price of the Common Shares on December 31, 2019 (\$0.72) and the exercise price of the Options.
- (2) Options were granted to Mr. Moran as part of his employment agreement with the Corporation.
- (3) These Options remained outstanding as at December 31, 2019 as a result of the blackout imposed due to the Corporation's strategic review process which was announced by the Corporation on October 31, 2019, which included the negotiations of the Investment Agreement.
- (4) Mr. Alan Archibald was provided with notice that his position would be terminated effective as of April 30, 2020 and as such the unvested portion of these Options as at April 30, 2020 shall expire and terminate immediately and the vested portion of these Options will terminate ninety (90) days after April 30, 2020.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth, for each Named Executive Officer during the year ended December 31, 2019, the value of Option-based awards that vested during the year ended December 31, 2019 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2019. On March 4, 2020, each of the former President and CEO and the former Chief Financial Officer were terminated and the members of the New Management Team were appointed as executive officers of the Corporation. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*". Following the Reconstitution of Management, Mr. Alan Archibald was provided with notice that his position would be terminated effective as of April 30, 2020.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year ⁽²⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Steve Moran	24,800	N/A	21,926
Lisette Hachey	5,500	N/A	18,727
Alan Archibald	-	N/A	-

Notes:

- (1) Calculated based on the difference between the closing price of the Common Shares on the vesting date and the exercise price of the Options multiplied by the Options vested during the year.
- (2) The Corporation has not granted any share-based awards to any of the NEOs.

During the year ended December 31, 2019, no Options were exercised by those who were Named Executive Officers.

Pension Plan Benefits

The Corporation does not have a pension plan or similar benefit program.

Termination and Change of Control Benefits

For the year ended December 31, 2019, none of the Named Executive Officers had an employment agreement with the Corporation, other than the agreement with Steve Moran, former President and Chief Executive Officer of the Corporation, and a change of control agreement with Lisette Hachey, former Chief Financial Officer of the Corporation. Each of these agreements was terminated on March 4, 2020 pursuant to the Reconstitution of Management. See *"Information Concerning the Corporation – Private Placements and Reconstitution of Management"*.

Pursuant to the employment agreement with Mr. Moran, upon termination of Mr. Moran's employment for any reason in the absence of cause, Mr. Moran was entitled to receive: (i) a lump sum amount equal to the product of twenty-four (24) times the monthly salary as at the termination date, plus (ii) a further lump sum amount equal to 10% (to recognize the loss of benefits) of such lump sum payment, plus (iii) an amount equal to all outstanding and accrued vacation pay as at the termination date. In the event of a change of control of the Corporation, Mr. Moran was able to terminate his employment with the Corporation within ninety (90) days of the occurrence of the change of control, in which case the Corporation was required to pay Mr. Moran: (i) a lump sum equal to the product of the monthly salary paid as at the termination date multiplied by a factor of eighteen (18), with such factor increasing by two for each additional completed year of service up to a maximum of twenty-four (24), plus (ii) a further lump sum amount equal to 10% of such lump sum payment (to recognize the loss of benefits), plus (iii) a further lump sum payment equal to the greater of (a) the amount of any cash bonus received from the Corporation in the immediately preceding calendar year, and (b) the average of the amount of any cash bonus received from the Corporation in the two immediately preceding calendar years (as compensation for the loss of any entitlement under any bonus plan then in existence), plus (iv) all outstanding and accrued vacation pay as at the termination date. Had Mr. Moran been terminated on December 31, 2019, he would have been entitled to an amount equal to \$656,038. Pursuant to the employment agreement with Mr. Moran, Mr. Moran received total termination payments in an amount equal to \$668,737 on March 4, 2020 pursuant to the Reconstitution of Management.

Pursuant to the change of control agreement with Ms. Hachey, upon a change of control of the Corporation where, within the twelve (12) month period following the change of control, there is any fundamental adverse change or series of changes in the employment of Ms. Hachey, Ms. Hachey may elect to terminate her employment within ninety (90) days of such event and the Corporation will be required to pay Ms. Hachey a lump sum equal to the product obtained from multiplying the monthly salary paid for the month immediately preceding the date of termination by a factor of eighteen (18). Had Ms. Hachey been terminated on December 31, 2019, she would have been entitled to an amount equal to \$326,715. Ms. Hachey received total termination payments in an amount equal to \$332,854 on March 4, 2020 pursuant to the Reconstitution of Management. The Reconstitution of Management did not qualify as a change of control under Ms. Hachey's change of control agreement.

As at the date of this Information Circular, the Corporation does not have any current employment agreements for its current executive officers.

Director Compensation

During the year ended December 31, 2019, the annual fees paid to independent members of the Board were as follows: (i) \$40,000 per year to each director as a base director fee, other than the Chair who received \$90,000 per year to recognize the significant role of, and time dedicated to, advancing the interests of the Corporation; (ii) the discretionary grant of deferred share units ("DSUs") under the deferred share unit plan (the "**DSU Plan**") for directors; and (iii) reasonable travel expenses.

Mr. Moran, the former President and Chief Executive Officer of the Corporation, did not receive compensation for his services as a director of the Corporation.

On March 4, 2020, each of the directors in the table below, other than Messrs. Fräss-Ehrfeld and Knoll, resigned as directors as part of the Reconstitution of Management. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*".

Following the Reconstitution of Management, the Corporate Governance and Sustainability Committee met to review and consider the compensation program for non-management directors going forward. The Corporate Governance and Sustainability Committee determined that, given the Corporation's limited operations and management's intended focus on pursuing strategic acquisitions, it would be appropriate to terminate the payment of all directors' fees to non-management directors of the Corporation effective as of March 4, 2020 and to cease grants of DSUs under the DSU Plan. The Corporate Governance and Sustainability Committee recommended that each of the non-management directors be granted Options as the only form of compensation for the near term. The intent of this approach is to maintain general and administrative expenses at a relatively low level to preserve the Corporation's balance sheet strength for acquisition opportunities in the short-term and to align the interests of the non-management directors with Shareholders' interests in increasing the value of the Common Shares over the long-term. The Corporate Governance and Sustainability Committee will continue to evaluate the compensation programs in relation to the non-management directors as the Corporation's operations change and grow and anticipate changing such compensation programs over time as appropriate to reflect the stage of development of the Corporation's operations.

As a result of the recommendations of the Corporate Governance and Sustainability Committee, on March 25, 2020, the Board approved the termination of the payment of directors' fees, the termination of any future grants of DSUs under the DSU Plan and the grant of 200,000 Options under the 2008 Option Plan to each of the non-management directors effective March 27, 2020.

Directors' Summary Compensation Table

The following table sets forth, for the year ended December 31, 2019, information concerning the compensation paid to the Corporation's directors during the year ended December 31, 2019, other than directors who were also Named Executive Officers. On March 4, 2020, each of the directors in the table below, other than Messrs. Fräss-Ehrfeld, Knoll and Penner, resigned as directors as part of the Reconstitution of Management. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*".

Name	Salary/Fees earned (\$)	Share-based awards (DSUs) ⁽¹⁾⁽²⁾	Option-based awards ⁽³⁾ (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total (\$)
Douglas J. Foster	90,000	-	-	-	-	90,000
Martin Fräss-Ehrfeld	-	-	-	-	-	-
Phillip R. Knoll	40,000	-	-	-	-	40,000
James S. McKee	-	40,000	-	-	-	40,000
Norman W. Miller	40,000	-	-	-	-	40,000
Robert D. Penner ⁽⁴⁾	24,769	-	-	-	-	24,769

Notes:

- (1) On May 12, 2014, the Board adopted the DSU Plan. In accordance with the DSU Plan, DSUs do not entitle holders thereof to any Common Shares upon redemption, but rather cash payment.

- (2) DSUs held by each of Messrs. Foster and McKee were paid out on March 4, 2020 in connection with the completion of the Reconstitution of Management when each such director resigned from the Board. Although no further grants of DSUs will be made under the DSU Plan, Mr. Knoll will continue to hold such DSUs until he ceases to be a director of the Corporation. Mr. Fräss-Ehrfeld does not hold any DSUs nor has he ever been granted any.
- (3) On May 12, 2014, the Board determined that non-employee directors would no longer be eligible to receive any grants of Options under the 2008 Option Plan. On March 25, 2020, the Board approved that non-employee directors would be eligible to receive grants under the 2008 Option Plan and on March 27, 2020, 200,000 Options were granted to each of the non-management directors.
- (4) Mr. Penner retired from the Board on May 14, 2019.

Directors' Outstanding Option-Based Awards and Share-Based Awards

On May 12, 2014, the Board determined that non-employee directors would no longer be eligible to receive any grants of Options under the 2008 Option Plan. No director of Headwater held any Options as at December 31, 2019, other than Mr. Moran in his capacity as the President and Chief Executive Officer of the Corporation, and no director exercised any Options during the year ended December 31, 2019. The following table sets forth, for each of the Corporation's directors as at December 31, 2019, other than directors who were also Named Executive Officers, information regarding all share-based awards, being DSUs, held by each director as at December 31, 2019. No Option-based awards were outstanding as at December 31, 2019. On March 4, 2020, each of the directors in the table below, other than Messrs. Fräss-Ehrfeld, Knoll and Penner, resigned as directors as part of the Reconstitution of Management. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*".

Name	Share-based Awards		
	Number of DSUs that have not vested (#)	Market or payout value of DSUs that have not vested (\$)	Market or payout value of vested DSUs not paid out or distributed (\$) ⁽¹⁾⁽²⁾⁽³⁾
Douglas J. Foster	-	-	27,325
Martin Fräss-Ehrfeld	-	-	-
Phillip R. Knoll	-	-	27,325
James S. McKee	-	-	266,965
Norman W. Miller	-	-	-
Robert D. Penner ⁽⁴⁾	-	-	-

Notes:

- (1) In accordance with the DSU Plan, DSUs do not entitle holders thereof to any Common Shares upon redemption, but rather cash payment. The value of DSUs was calculated using the closing market price of the Common Shares on December 31, 2019 (\$0.72).
- (2) DSUs held by each of Messrs. Foster and McKee were paid out on March 4, 2020 in connection with the completion of the Reconstitution of Management when each such director resigned from the Board.
- (3) On March 25, 2020, the Board determined to cease grants of DSUs under the DSU Plan, provided that DSUs outstanding prior to March 25, 2020 held by Mr. Knoll would remain outstanding and subject to the terms of the DSU Plan until such DSUs are redeemed in accordance with the DSU Plan.
- (4) Mr. Penner retired from the Board on May 14, 2019.

DSU Plan

On May 12, 2014, the Board adopted the DSU Plan. The DSU Plan was administered by the Board based upon recommendations by the former Corporate Governance Committee. The DSU Plan authorizes the Board to grant DSUs to non-management directors.

The purpose of the DSU Plan is to promote a greater alignment of interests between directors and Shareholders; to provide a compensation system for directors that, together with the other director compensation mechanisms of the Corporation, is reflective of the responsibility, commitment and risk accompanying Board membership and the performance of the duties required of the various committees of the Board; to assist the Corporation to attract and retain individuals with experience and ability to act as directors; and to allow directors to participate in the long-term success of the Corporation.

A DSU is a phantom unit granted to a director that is represented by a bookkeeping entry on the books of the Corporation, the value of which on any particular date is equal to the weighted average trading price of the Common Shares on the TSX over the five trading days preceding such date. Each DSU of a director that is vested will automatically be redeemed on the third business day (the "**redemption date**") after the later of the date the director ceases to be a director of the Corporation (or an affiliate) and, if applicable, an employee of the Corporation (or an affiliate). Each such vested DSU will be redeemed for a cash payment with the redemption value of each DSU equal to the weighted average trading price of the Common Shares on the TSX over the five trading days preceding the redemption date, less applicable withholding taxes, which payment will be made as soon as practicable and in no event later than sixty (60) business days after the applicable redemption date. If the redemption date occurs during a blackout period or within three business days of the expiry of a blackout period, then the redemption date shall be the 10th business day after expiry of the blackout period. All DSUs which are not vested as at the redemption date shall be terminated for no consideration.

Under the DSU Plan, the Corporation automatically granted DSUs to each director in satisfaction of payment of a portion of such director's annual retainer with such portion of the automatic DSU retainer to be determined by resolution of the Board. Under the practices of the Corporation prior to the Reconstitution of Management, if the former Corporate Governance Committee determined that a director had achieved the minimum share ownership requirements, the director would not automatically receive any DSUs in satisfaction of the director's annual retainer.

In addition, a director had the option of electing to receive a portion of his annual retainer and other fees, if any, for serving as a director of the Corporation (or an affiliate) in the form of DSUs in lieu of cash. Under the DSU Plan, all such DSUs were granted and allocated to a notional account on a quarterly basis, and each such DSU was fully vested upon the date of grant.

In addition to DSUs granted in respect of the automatic DSU retainers and the electable DSU retainers, the Board could grant further "discretionary" DSUs to a director in such number as it considered appropriate, in respect of the services the director rendered to the Corporation as a director of the Corporation (or an affiliate), which DSUs could be subject to vesting conditions.

DSUs may be adjusted if there is a subdivision, consolidation, stock dividend, capital reorganization, reclassification, exchange, or other change with respect to the Common Shares; or a consolidation, amalgamation, arrangement or other form of business combination of the Corporation with another person, or a sale, lease, or exchange of all or substantially all of the Corporation's property or other distribution of the Corporation's assets to shareholders, other than the payment of dividends in respect of Common Shares. In such a case, the DSU account of each director and the DSUs outstanding under the DSU Plan shall be adjusted in such manner, if any, as the Board may in its discretion deem appropriate to preserve, proportionally, the interests of directors under the DSU Plan.

The Board may amend, suspend or terminate the DSU Plan, or any portion thereof, without shareholder approval, at any time, subject to those provisions of applicable law (including, without limitation, the rules, regulations and policies of the TSX, if any, that require the approval of Shareholders or any governmental or regulatory body be obtained). The Board may not, without the consent of any affected holder of a DSU, alter or impair any of the rights or obligations under any DSUs previously granted under the DSU Plan. Any amendment, suspension or termination of the DSU Plan shall be such that the DSU Plan and the DSUs granted thereunder continuously satisfy the requirements of paragraph 6801(d) of the regulations to the *Income Tax Act* (Canada). The DSU Plan will finally cease to operate for all purposes when the last remaining director receives payment in respect of all DSUs recorded in the director's account.

DSUs held by each of Messrs. Foster and McKee were paid out on March 4, 2020 in connection with the completion of the Reconstitution of Management when each such director resigned from the Board. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*".

On March 25, 2020, the Board determined to cease grants of DSUs under the DSU Plan, provided that the DSUs outstanding prior to March 25, 2020 held by Mr. Knoll would remain outstanding and subject to the terms of the DSU Plan until such DSUs are redeemed in accordance with the DSU Plan.

Directors' Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth, for each of the Corporation's directors as at December 31, 2019, other than directors who were also Named Executive Officers, the value of share-based awards, being DSUs, which vested during the year ended December 31, 2019. No Option-based awards were outstanding as at December 31, 2019 and there was no non-equity incentive plan compensation that was earned during the year ended December 31, 2019. On March 4, 2020, each of the directors in the table below, other than Messrs. Fräss-Ehrfeld, Knoll and Penner, resigned as directors as part of the Reconstitution of Management. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*".

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year⁽¹⁾⁽²⁾⁽³⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Douglas J. Foster	-	-	-
Martin Fräss-Ehrfeld	-	-	-
Phillip R. Knoll	-	-	-
James S. McKee	-	40,000	-
Norman W. Miller	-	-	-
Robert D. Penner ⁽⁴⁾	-	-	-

Notes:

- (1) Calculated based on the closing market price of the Common Shares on the vesting date, being the date of grant of the applicable DSUs. Other than the DSUs awarded to Mr. McKee in lieu of his cash compensation as a director, no DSUs were granted to any of the directors during the year ended December 31, 2019.
- (2) DSUs held by each of Messrs. Foster and McKee were paid out on March 4, 2020 in connection with the completion of the Reconstitution of Management when each such director resigned from the Board.
- (3) On March 25, 2020, the Board determined to cease grants of DSUs under the DSU Plan, provided that DSUs outstanding prior to March 25, 2020 would remain outstanding and subject to the terms of the DSU Plan until such DSUs are redeemed in accordance with the DSU Plan.
- (4) Mr. Penner retired from the Board on May 14, 2019.

Securities Authorized for Issuance Under Equity Compensation Plans

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under the Corporation's equity compensation plans as at December 31, 2019.

Plan Category	Number of securities to be issued upon exercise of outstanding Options, warrants and rights (a)	Weighted average exercise price of outstanding Options, warrants and rights (\$)(b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders ⁽¹⁾ (2008 Option Plan)	3,489,666	0.79	3,423,516

Plan Category	Number of securities to be issued upon exercise of outstanding Options, warrants and rights (a)	Weighted average exercise price of outstanding Options, warrants and rights (\$) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans not approved by securityholders ⁽²⁾⁽³⁾	-	-	-
Total	3,489,666	0.79	3,423,516

Notes:

- (1) Equity securities are authorized for issuance is the 2008 Option Plan. See "*Statement of Executive Compensation – Stock Option Plan – 2008 Option Plan*" above.
- (2) The Board adopted the New Option Plan on March 25, 2020 and, as such, it is not included in the table above. Equity securities are authorized for issuance is the New Option Plan, which is subject to ratification and approval by Shareholders at the Meeting, including 5,065,000 Options granted thereunder following its approval on March 25, 2020. See "*Matters to be Acted Upon at the Meeting – Approval of New Share Option Plan*" and "*Statement of Executive Compensation – Stock Option Plan – New Option Plan*" above. As at April 27, 2020, the Corporation had Options to acquire a total of 7,241,669 Common Shares outstanding (representing approximately 5.0% of the outstanding Common Shares) under the 2008 Option Plan and the New Option Plan.
- (3) The Board adopted the DSU Plan in May 2014. DSUs granted under the DSU Plan do not entitle any holder to any Common Shares upon redemption, but rather a cash payment and, as such, it is not included in the table above.

Annual Burn Rate Under Equity Compensation Plans

The following sets forth the number of Options granted during the periods noted below and the potential dilutive effect of such Options.

Period	Number of Options Granted	Weighted Average Common Shares Outstanding	Burn Rate⁽¹⁾ (%)
2019	225,000	88,472,042	0.3
2018	1,782,500	88,700,023	2.0
2017	508,500	88,653,838	0.6

Note:

- (1) The burn rate for a given period is calculated by dividing the number of Options granted during such period by the weighted average number of Common Shares outstanding during such period.

For further information regarding the outstanding Options held by the Named Executive Officers as at December 31, 2019, see "*Statement of Executive Compensation – Incentive Plan Awards – Outstanding Option-based Awards*".

CORPORATE GOVERNANCE

Set forth below is a description of the Corporation's current corporate governance practices, as prescribed by Form 58-101F1, of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101").

1. Board of Directors

(a) **Disclose the identity of directors who are independent.**

The following five (5) proposed nominees as directors of the Corporation are independent (for purposes of NI 58-101):

Kevin Olson (Lead Independent Director)
 Chandra Henry
 Phillip R. Knoll
 Stephen Larke
 David Pearce

(b) **Disclose the identity of directors who are not independent, and describe the basis for that determination.**

Neil J. Roszell is not independent as he occupies the position of Chief Executive Officer. Jason Jaskela is not independent as he occupies the position of President and Chief Operating Officer of the Corporation.

(c) **Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors does to facilitate its exercise of independent judgement in carrying out its responsibilities.**

A majority of the directors of the Corporation (currently six of eight) are independent. Five of the seven proposed nominees are independent.

(d) **If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.**

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

Name	Name of Reporting Issuer
Stephen Larke	Vermilion Energy Inc.
David Pearce	Baytex Energy Corp.
Phillip R. Knoll	AltaGas Ltd.

(e) **Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.**

At the end of or during each meeting of the Board, the members of management of the Corporation and the non-independent directors of the Corporation who are present at such meeting leave the meeting in order for the independent directors to meet. In addition, as all committees are comprised of independent directors, all committee meetings also serve as forums for discussion amongst independent members of the Board. In addition, other meetings of the independent directors may be held from time to time if

required. The Lead Independent Director also communicates informally, from time to time, with the independent members and chairs any in camera sessions or meeting of the independent directors.

- (f) **Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.**

The Chair of the Board for the year ended December 31, 2019 was J. Douglas Foster. Mr. Foster was an independent director within the meaning of Section 1.4 of National Instrument 52-110 – *Audit Committees* and NI 58-101, as he had no direct or indirect "material relationship" with Headwater, meaning Mr. Foster did not have a direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of Mr. Foster's independent judgment.

Neil J. Roszell was appointed Chair of the Board on March 4, 2020. Mr. Roszell is not an independent director as he is also the Chief Executive Officer of Headwater.

The Corporation has adopted a Lead Independent Director position description. Kevin Olson was appointed Lead Independent Director on March 4, 2020. The Lead Independent Director is to act as a liaison between management and the independent directors to ensure the Board is organized properly, functions effectively and meets its obligations and responsibilities. The Lead Independent Director is to endeavour to fulfill his Board responsibilities in a manner that will ensure that the Board is able to function independently of management. The Lead Independent Director is also to ensure reasonable procedures are in place to allow directors to engage outside advisors at the expense of the Corporation in appropriate circumstances.

- (g) **Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.**

The attendance record of each of the directors of the Corporation for Board meetings and committee meetings held from January 1, 2019 to the date of this Information Circular is as follows:

Name of Director ⁽¹⁾⁽²⁾	Attendance Record	Meeting Type
J. Douglas Foster	18 out of 18 4 out of 4 9 out of 9 2 out of 2 ⁽⁶⁾ 33 out of 33 (100%)	Board Audit Committee Corporate Governance Committee ⁽⁷⁾ Reserves Committee Total
Stephen J. Moran	18 out of 18 18 out of 18 (100%)	Board Total
Phillip R. Knoll	16 out of 18 2 out of 2 ⁽⁵⁾ 4 out of 4 22 out of 24 (92%)	Board Audit Committee Reserves Committee Total
Norman W. Miller	18 out of 18 9 out of 9 4 out of 4 31 out of 31 (100%)	Board Corporate Governance Committee ⁽⁷⁾ Reserves Committee Total
James S. McKee	17 out of 18 4 out of 4 8 out of 9 29 out of 31 (94%)	Board Audit Committee Corporate Governance Committee ⁽⁷⁾ Total

Name of Director ⁽¹⁾⁽²⁾	Attendance Record	Meeting Type
Martin Fräss-Ehrfeld	11 out of 18 11 out of 18 (61%)	Board Total
Robert D. Penner ⁽³⁾	3 out of 4 2 out of 2 ⁽⁶⁾ 2 out of 2 ⁽⁶⁾ 7 out of 8 (88%)	Board Audit Committee Reserves Committee Total
Neil J. Roszell ⁽⁴⁾	2 out of 2 2 out of 2 (100%)	Board Total
Kevin Olson	2 out of 2 1 out of 1 1 out of 1 4 out of 4 (100%)	Board Audit Committee Reserves Committee Total
Jason Jaskela ⁽⁵⁾	2 out of 2 2 out of 2 (100%)	Board Total
Chandra Henry	2 out of 2 1 out of 1 1 out of 1 4 out of 4 (100%)	Board Audit Committee Corporate Governance and Sustainability Committee ⁽⁷⁾ Total
Stephen Larke	2 out of 2 1 out of 1 1 out of 1 4 out of 4 (100%)	Board Audit Committee Corporate Governance and Sustainability Committee ⁽⁷⁾ Total
David Pearce	2 out of 2 1 out of 1 1 out of 1 4 out of 4 (100%)	Board Reserves Committee Corporate Governance and Sustainability Committee ⁽⁷⁾ Total

Notes:

- (1) Upon completion of the Reconstitution of Management, Messrs. Foster, Moran, Miller and McKee ceased to be directors of the Corporation. As such, the meeting attendance records for such directors covers the period from January 1, 2019 to March 4, 2020.
- (2) Upon completion of the Reconstitution of Management, Messrs. Roszell, Olson, Jaskela, Larke and Pearce and Ms. Henry were appointed as directors of the Corporation. As such, the meeting attendance records for such directors covers the period from March 4, 2020 to April 27, 2020. Each new member of the Board has attended all Board and relevant committee meetings since their appointment.
- (3) Mr. Penner retired from the Board on May 14, 2019. Mr. Penner's attendance reflects all Board and relevant committee meetings from January 1, 2019 until his retirement on May 14, 2019.
- (4) Mr. Roszell is not a member of any committees as he is also the Chief Executive Officer; however, Mr. Roszell attended all Audit Committee, Reserves Committee and Corporate Governance and Sustainability Committee meetings since his appointment on March 4, 2020.
- (5) Mr. Jaskela is not a member of any committees as he is also the President and Chief Operating Officer of the Corporation; however, Mr. Jaskela attended all Audit Committee, Reserves Committee and Corporate Governance and Sustainability Committee meetings since his appointment on March 4, 2020.
- (6) Mr. Penner retired from the Board on May 14, 2019 and was replaced by Mr. Knoll on the Audit Committee and Mr. Foster on the Reserves Committee. As such, each director's attendance at such committee meetings reflects only the relevant committee meetings for each director during such director's tenure on such committee.
- (7) The Corporate Governance Committee was reconstituted as the Corporate Governance and Sustainability Committee on March 25, 2020.

2. **Board Mandate – Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.**

The mandate of the Board is attached to this Information Circular as Schedule "C".

3. Position Descriptions

- (a) **Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.**

The Board has developed written position descriptions for the Chair of the Board as well as the Chair of each of the committees of the Board.

- (b) **Disclose whether or not the Board and Chief Executive Officer have developed a written position description for the Chief Executive Officer. If the Board and Chief Executive Officer have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the Chief Executive Officer.**

The Board, with the input of the Chief Executive Officer, has developed a written position description for the Chief Executive Officer.

4. Orientation and Continuing Education

- (a) **Briefly describe what measures the Board takes to orient new directors regarding (i) the role of the Board, its committees and its directors, and (ii) the nature and operation of the issuer's business.**

The Corporate Governance and Sustainability Committee is responsible for developing the approach of the Corporation to matters concerning corporate governance, sustainability, human resources and compensation, and, from time to time, shall review and make recommendations to the Board as to such matters. While the Corporation does not currently have a formal orientation and education program for new recruits to the Board, the Corporation expects to provide such orientation and education on an informal basis. As new directors join the Board, management will provide these individuals with corporate policies, historical information about the Corporation, as well as information on the Corporation's performance and its strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties. The Board believes that these procedures will prove to be a practical and effective approach in light of the Corporation's particular circumstances, including the size of the Corporation and the experience and expertise of the members of the Board. The Corporate Governance and Sustainability Committee has the responsibility and duty to work with management of the Corporation to facilitate an education and comprehensive orientation program for new members of the Board and a continuing education program for all directors.

- (b) **Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.**

As at this time, the Board has not implemented a formal continuing education plan for its directors. Presentations are made regularly to the Board and committees to educate and inform them of changes within the Corporation and on appropriate other subjects such as regulatory and industry requirements and standards, capital markets, commodity pricing and corporate governance. The Corporation's legal counsel provides the Board with periodic updates on corporate governance "best practices" and management provides the Board with reports on new legislation or regulation relating to health, safety and environmental matters.

The Board will continue to assess whether it is appropriate to develop a formal continuing education program for its directors to ensure the directors maintain the skill and knowledge necessary to meet their obligations as directors. The Corporation also encourages the directors to attend, enrol or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters and has agreed to pay the cost of such courses and seminars. Each director of the Corporation has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his

obligations as a director. The Corporate Governance and Sustainability Committee has the responsibility and duty to work with management of the Corporation to facilitate an education and comprehensive orientation program for new members of the Board and a continuing education program for all directors.

5. Ethical Business Conduct

- (a) **Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:**

The Corporation has adopted a Code of Business Conduct and Ethics (the "**Code**") for directors, officers, employees and service providers of the Corporation. Officers and employees are required to sign regular acknowledgements that they have read and understand the Code. Any reports of variance from the Code will be reported to the Board. To the extent that management is unable to make a determination as to whether a breach of the Code has taken place, the Board will review the alleged breach in order to make a determination.

- (i) **disclose how a person or company may obtain a copy of the code;**

A copy of the Code is available on SEDAR at www.sedar.com.

- (ii) **describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and**

The Board monitors compliance with the Code by requiring each of the senior officers of the Corporation to affirm in writing on a regular basis his or her agreement to abide by the Code, as to his or her ethical conduct and with respect to any conflicts of interest. Please also see 5(c) below for a discussion of the Whistleblower Policy.

- (iii) **provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.**

There have been no material change reports filed since the beginning of the Corporation's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

- (b) **Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.**

In accordance with the ABCA, directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of the Board may be formed to deliberate on such matters in the absence of the interested party. Any potential conflicts of interest must be reported immediately to senior management.

- (c) **Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.**

The Board has also adopted a Whistleblower Policy which provides employees with the ability to report, on a confidential and anonymous basis, any violations within the organization, including (but not limited to) questionable accounting practices, inadequate internal accounting controls, the misleading or coercion of auditors, disclosure of fraudulent or misleading financial information and instances of corporate fraud. The Board believes that providing a forum for employees to raise concerns about

ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct within the Corporation.

The Board has also adopted a Disclosure, Confidentiality and Trading Policy which provides guidance on disclosure of material information and maintaining confidentiality and restrictions on trading securities of the Corporation.

6. **Nomination of Directors**

(a) **Describe the process by which the Board identifies new candidates for Board nomination.**

Pursuant to its mandate, the Corporate Governance and Sustainability Committee, in conjunction with the Chair of the Board, is responsible for recommending suitable candidates as nominees for election or appointment as director, and, in consultation with the Board, in recommending the criteria governing the overall composition of the Board and governing the desirable characteristics for directors. In making such recommendations, the Corporate Governance and Sustainability Committee, in consultation with the Board, is to consider: (i) the competence and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competence and skills that the Board considers each existing director to possess; (iii) the competencies and skills that each new nominee will bring to the Board; and (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board.

The Corporate Governance and Sustainability Committee is also to review on a periodic basis the composition of the Board to ensure that an appropriate number of independent directors sit on the Board, and analyze the needs of the Board and recommend nominees who meet such needs.

(b) **Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.**

The Corporate Governance and Sustainability Committee, which is responsible for nominating directors, is comprised of only independent directors.

(c) **If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.**

See item 6(a).

7. **Compensation**

(a) **Describe the process by which the Board determines the compensation for the issuer's directors and officers.**

Compensation of Directors

For a description of the compensation of directors of the Corporation, see "*Statement of Executive Compensation – Director Compensation*".

Compensation of Executive Officers

For a description of the compensation of executive officers of the Corporation, see "*Statement of Executive Compensation – Compensation Discussion and Analysis*".

(b) **Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely**

of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.

The Corporate Governance and Sustainability Committee is comprised entirely of independent directors.

(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

The Corporate Governance and Sustainability Committee's responsibility is to develop the approach of the Corporation to matters concerning corporate governance, sustainability, human resources and compensation, and, from time to time, shall review and make recommendations to the Board in respect of such matters. Without limiting the generality of the foregoing, the Corporate Governance and Sustainability Committee has the following duties in addition to those otherwise stated elsewhere in this Information Circular:

- review on a periodic basis the composition of the Board and ensure that an appropriate number of independent directors sit on the Board, analyze the needs of the Board and recommend nominees who meet such needs;
- assess, at least annually, the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, including consider the appropriate size of the Board;
- with the assistance or recommendations of outside consultants where appropriate, identify individuals qualified to become Board members and maintain a list of potential candidates for Board membership and where appropriate, interview potential candidates for Board membership;
- develop and recommend to the Board a set of corporate governance guidelines applicable to the Corporation;
- oversee the evaluation of the Board and management;
- oversee the Corporation's policies, procedures, practices and strategies relating to environmental, social and climate related issues and other sustainability matters to ensure due consideration of risks, opportunities and potential performance improvement relating thereto;
- review and report to the Board with respect to the consideration and integration of environmental, social and climate related and sustainability issues in the development of the Corporation's business strategy and financial planning;
- consider and review
 - third party reports on the Corporation's sustainability performance and peer sustainability performance;
 - material regulatory or legislative change relating to environmental, social and climate related issues or other sustainability matters which could require modification of the Corporation's business practices;
 - ongoing or threatened litigation relating to environmental, social and climate related issues or other sustainability matters; and
 - insurable risks on environmental, social and climate related issues or other sustainability matters with evaluation of costs relative to benefit, taking into account, as determined necessary, Audit Committee consultation and recommendations on insurance matters;
- review the Corporation's enterprise risk management program relating to identifying, assessing and managing climate related risks, whether physical or transitional, in view of plausible future scenarios, and other risks related to environment, social and sustainability, and report to the Audit Committee and/or the Board;
- review and report to the Board concerning the overall compensation program and philosophy and alignment with salient stakeholders;
- review and recommend a compensation program, remuneration levels and incentive plans and any changes therein for senior management, including the CEO;
- review and approve corporate goals and objectives relevant to CEO compensation;

- evaluate the CEO's performance in light of those goals, and make recommendations to the Board with regard to the CEO's compensation based on this evaluation;
- make recommendations to the Board in respect of compensation of executive officers;
- review the adequacy and form of compensation to the directors ensuring it realistically reflects their responsibilities and risk and make recommendations to the Board on such matters;
- review annually the Corporate Governance and Sustainability Committee's mandate;
- administer incentive plans implemented by the Corporation; and
- report on executive officer compensation on an annual basis.

The Corporate Governance and Sustainability Committee is required to be comprised of at least two directors, or such greater number as the Board may determine from time to time. A majority of the members of the Corporate Governance and Sustainability Committee are required to be independent, as such term is defined for this purpose under applicable securities law requirements. Pursuant to the mandate of the Corporate Governance and Sustainability Committee, meetings of the Corporate Governance and Sustainability Committee are to take place as frequently as necessary in order for the Corporate Governance and Sustainability Committee to satisfy its duties and responsibilities.

8. **Other Board Committees – If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.**

In addition to the Audit Committee and the Corporate Governance and Sustainability Committee, the Corporation has established a Reserves Committee. The Reserves Committee is comprised entirely of independent directors.

The Reserves Committee is responsible for various matters relating to reserves of the Corporation that may be delegated to the Reserves Committee pursuant to National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*, including:

- reviewing the Corporation's procedures for providing information to the independent evaluator;
- reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities, including reviewing its procedures for complying with disclosure requirements and restrictions set forth under applicable securities law requirements;
- reviewing the appointment of the independent evaluator and, in the case of any proposed change to such independent evaluator, determining the reason therefor and whether there have been any disputes with management;
- reviewing the Corporation's procedures for providing information to the independent evaluator for the purposes of National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;
- meeting, as considered necessary, with management and the independent evaluator to determine whether any restrictions placed by management affect the ability of the evaluator to report without reservation on the reserves information and data (the "**Reserves Data**") and to review the Reserves Data and the report of the independent evaluator thereon (if such report is provided);
- providing a recommendation to the Board as to whether to approve the content or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities law requirements including any reports of the independent engineer and of management in connection therewith;
- reviewing the Corporation's procedures for reporting other information associated with oil and gas producing activities; and
- generally reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves.

Copies of the mandates of each of the Audit Committee, the Corporate Governance and Sustainability Committee and the Reserves Committee are available on Headwater's website at www.headwaterexp.com.

9. **Assessments – Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how**

the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.

As a majority of the members of the Board were just appointed as of March 4, 2020, no formal assessment has taken place to date; however, the Board expects to assess the effectiveness of the Board, its committees and the effectiveness and contributions of individual directors by way of an annual written questionnaire distributed to each Board member. It is anticipated that the questionnaire will provide an opportunity for each Board member to provide a peer review of the performance of all of the other members of the Board. The Board also expects to satisfy itself with respect to the effectiveness of the Board, its committees and individual directors by monitoring, on an informal basis, whether the objectives of each of the Board and the Corporation are being achieved and whether the responsibilities of each of the Board, its committees, its individual directors and the Corporation are being fulfilled.

10. Director Term Limits and Other Mechanisms of Board Renewal

The Board does not believe that fixed term limits or mandatory retirement ages are in the best interest of the Corporation. Therefore it has not specifically adopted term limits or other mechanisms for board renewal.

However, when considering nominees for the Board, the Corporate Governance and Sustainability Committee expects to review the skills and experience of the current directors of the Corporation to assess whether the Board's skills and experience need to be strengthened in any area. In addition to considering the skills and experience of the Board, the Corporate Governance and Sustainability Committee also intends to assess the knowledge and character of all nominees to the Board and other factors such as independence of the directors to ensure that the Board is operating effectively and independently of management. The Corporate Governance and Sustainability Committee considers both the term of service and age of individual directors, the average term of the Board as a whole and turnover of directors over the prior years when proposing nominees for election of the directors of the Corporation. The Corporate Governance and Sustainability Committee expects to consider the benefits of regular renewal in the context of the needs of the Board at the time and the benefits of the institutional knowledge of the Board members.

11. Policies Regarding the Representation of Women on the Board

As the Board was just recently reconstituted as part of the Reconstitution of Management in accordance with the terms of the Investment Agreement, the Board currently believes that the Board is the right size and that its current members have an appropriate mix of skills and experience for the Board and each of its committees to operate effectively and as such there is no need to add or replace any members of the Board. As a result at the present time, the Board has not adopted any policies that address the identification and nomination of women directors of the Corporation.

As the Corporation continues its development, the Board intends to consider and, as determined appropriate, adopt policies that address the identification and nomination of women directors of the Corporation. In addition, if and when the Board intends to add members to the Board or to replace a retiring Board member, the Board intends to ensure that the search for candidates includes searching for women with the necessary skills and experience to complement the skills and experience of the Board members remaining on the Board.

12. Consideration of the Representation of Women in the Director Identification and Selection Process

As the Board was just recently reconstituted as part of the Reconstitution of Management in accordance with the terms of the Investment Agreement, the Board currently believes that the Board is the right size and that its current members have an appropriate mix of skills and experience for the Board and each of its committees to operate effectively and as such there is no need to add or replace any members of the Board; however, the Board values the importance of promoting diversity and is aware of the benefit of seeking qualified women candidates with the particular skills, knowledge and expertise required for the Board. As a result, if and when the Board intends to add members to the Board or to replace a retiring Board member, the Board intends to ensure that the search for candidates includes searching for women with the necessary skills and experience to complement the skills and experience of the Board members remaining on the Board.

13. Consideration Given to the Representation of Women in Executive Officer Appointments

As the New Management Team was just recently appointed as part of the Reconstitution of Management in accordance with the terms of the Investment Agreement, the Corporation does not presently have the need to appoint additional executive officers; however, the Board values the importance of promoting diversity of its executive officers and is aware of the benefit of seeking qualified women candidates with the particular skills, knowledge and expertise required by the organization. As a result, although management and the Board anticipate evaluating any such future candidates primarily by considering the candidate's knowledge, experience, education and suitability for the particular position, both management and the Board intend to consider other factors, including gender, which promote diversity among its executive officers.

14. Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

As the Board was just recently reconstituted and the New Management Team was just recently appointed as part of the Reconstitution of Management in accordance with the terms of the Investment Agreement, at the present time the Board has not adopted specific numerical targets regarding the number of women on the Board or in executive officer positions; however, as the Corporation continues its development, the Board intends to consider and, as determined appropriate, adopt numerical targets regarding the number of women on the Board or in executive officer positions.

15. Number of Women on the Board and in Executive Officer Positions

There is presently one woman serving on the Board, representing 12.5% of the current directors and 14.3% of the proposed nominees as directors at the Meeting. As of the date hereof, one woman currently serves in an executive officer position at the Corporation, representing 14% of the current executive officer positions.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No person who is or has been a director or executive officer of the Corporation at any time since the beginning of the year ended December 31, 2019, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, is or was indebted to (i) the Corporation, or (ii) another entity where such indebtedness is or was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, in either case at any time since the beginning of the year ended December 31, 2019.

AUDIT COMMITTEE INFORMATION

The information required by Form 52-110F1 of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, including information regarding the fees billed to the Corporation by the Corporation's former auditor, PwC LLP, Chartered Professional Accountants, Halifax, Nova Scotia, is contained in the Corporation's annual information form for the year ended December 31, 2019, under the heading "*Audit Committee Information*", an electronic copy of which is available on the Corporation's SEDAR profile at www.sedar.com.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth herein, there were no material interests, direct or indirect, of directors, nominees for director or executive officers of the Corporation, or any Shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in NI 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*".

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership or otherwise of any director or nominee for director, or executive officer of the Corporation, or anyone who has held

office as such since the beginning of the Corporation's last financial year, or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting, other than the election of directors and approval of the New Option Plan.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information in respect of the Corporation and its affairs is provided in the Corporation's annual audited comparative financial statements for the year ended December 31, 2019 and the related management's discussion and analysis. Copies of the Corporation's financial statements and related management's discussion and analysis are available upon request from the Corporation at phone number (587) 391-3680 and on the Corporation's website at www.headwaterexp.com.

OTHER MATTERS

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Annual and Special Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

SCHEDULE "A"

HEADWATER EXPLORATION INC.

SHARE OPTION PLAN

HEADWATER EXPLORATION INC.

Share Option Plan (Effective March 25, 2020)

1. Purposes

The principal purposes of the Plan are as follows:

- (a) to promote a proprietary interest in the Corporation and greater alignment of interests between Eligible Persons and the shareholders of the Corporation by providing a means to accumulate a financial interest in the Corporation;
- (b) to provide a compensation system for Eligible Persons that is reflective of the responsibility and commitment accompanying their role in conducting the business and operations of the Corporation; and
- (c) to assist the Corporation in attracting and retaining individuals with experience and ability to act as officers, employees and consultants of the Corporation.

2. Definitions and Interpretation

As used in this Plan, including the foregoing provisions hereof, the following words and phrases shall have the meanings indicated:

- (a) **"2008 Option Plan"** means the Corporation's amended and restated stock option plan dated effective March 2008, as amended from time to time;
- (b) **"Blackout Period"** means the period during which the relevant Grantee is subject to trading restrictions imposed by the Corporation in accordance with its trading policies affecting trades by an Eligible Person;
- (c) **"Board"** means the board of directors of the Corporation as it may be constituted from time to time;
- (d) **"Business Day"** means any day which is not a Saturday, Sunday or statutory holiday, on which the TSX is open for trading;
- (e) **"Change of Control"** means:
 - (i) a successful "take-over bid" as defined in National Instrument 62-104 or any replacement or successor provisions ("**NI 62-104**"), which is not exempt from the take-over bid requirements of NI 62-104, pursuant to which the "offeror" as a result of such take-over bid, beneficially owns, directly or indirectly, in excess of 50% of the issued and outstanding Common Shares;
 - (ii) the issuance to or acquisition by any person, or group of persons acting in concert, directly or indirectly, including through an arrangement, merger or other form of reorganization of Headwater, of Common Shares which in the aggregate total 50% or more of the then issued and outstanding Common Shares;
 - (iii) the winding up or termination of Headwater or the sale, lease or transfer of all or substantially all of the directly or indirectly held assets of Headwater to any other person or persons (other

than pursuant to an internal reorganization or in circumstances where the business of Headwater is continued),

provided that notwithstanding the application of any of the foregoing, a "Change of Control" shall be deemed to not have occurred if a majority of the Board determines that in substance an arrangement, merger or reorganization has not occurred or the circumstances are such that a Change of Control should be deemed to not have occurred and any such determination shall be binding and conclusive for all purposes of the Plan;

- (f) **"Committee"** means the Corporate Governance and Sustainability Committee of the Board or such other committee as the Board considers appropriate;
- (g) **"Common Shares"** means common shares of the Corporation or, in the event of an adjustment contemplated by Section 8, such other securities resulting from such adjustment, and includes any securities of the Continuing Entity;
- (h) **"Continuing Entity"** has the meaning set forth in Section 7 hereof;
- (i) **"Corporation"** or **"Headwater"** means Headwater Exploration Inc. and any successor corporation, whether by amalgamation, merger or otherwise, and unless the context requires otherwise, includes the Corporation and its Subsidiaries or any one of them;
- (j) **"Eligible Person"** means any director, officer, employee or consultant of the Corporation (including, for greater certainty, any Subsidiary of the Corporation);
- (k) **"Employment Agreement"** means, where applicable, a written employment agreement, change of control agreement or similar written agreement between the Corporation and the applicable Eligible Person;
- (l) **"Exchange"** means the TSX and, where the context permits, any other stock exchange(s) on which the Common Shares are or may be listed from time to time;
- (m) **"Exercise Price"** has the meaning set forth in Subsection 6(a) hereof;
- (n) **"Expiry Date"** means, in connection with each Option granted pursuant to the Plan, the latest date upon which such Options may be exercised by the Grantee. Any Options which have not been exercised by the applicable Expiry Date shall expire and become null and void;
- (o) **"Good Reason"** means any materially adverse change by the Corporation without the agreement of a Grantee, in any of the Grantee's duties, powers, rights, salary, title or lines of reporting, such that immediately after such change or series of changes, the responsibilities and status of such Grantee, taken as a whole, are fundamentally diminished compared to those assigned to the Grantee immediately prior to such change or series of changes, or any other reason that would be considered to amount to constructive dismissal by a court of competent jurisdiction in Alberta;
- (p) **"Grantee"** means an Eligible Person to whom an Option has been granted;
- (q) **"Insider"** means an insider of the Corporation, as defined in the applicable rules of the Exchange for this purpose;
- (r) **"Market Price"** with respect to a Common Share, as at any date means the closing price per Common Share on the TSX for the trading day immediately prior to such date (or, if the Common Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one Exchange, on such Exchange on which the Common Shares are then listed and posted for trading as may be selected for such purpose by the Board acting reasonably). In the event that the Common Shares

are not listed and posted for trading on any Exchange, the Market Price shall be the fair market value of the Common Shares as determined by the Board in its sole discretion, acting reasonably;

- (s) **"Non-Management Director"** means a director of Headwater who is not also an employee of Headwater or any Subsidiary of Headwater;
- (t) **"Option"** means an option to purchase Common Shares granted under the Plan;
- (u) **"Option Agreement"** means a written agreement between the Corporation and the Grantee or an option award letter or other confirmation from the Corporation evidencing a grant of Options made pursuant to the Plan;
- (v) **"Plan"** means this share option plan, as may be amended, supplemented or restated from time to time;
- (w) **"Security Based Compensation Arrangement"** means any incentive plan, option, option plan, restricted share award plan or employee share purchase plan where the Corporation provides any financial assistance or matching mechanism, stock appreciation right or any other compensation or incentive mechanism, which in each case involves the issuance or potential issuance of securities from the Corporation's treasury, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan guarantee or otherwise, but for greater certainty does not involve compensation arrangements which do not involve the issuance or potential issuance of securities from the Corporation's treasury;
- (x) **"Shareholder"** means a holder of Common Shares;
- (y) **"Subsidiary"** has the meaning set forth in the *Securities Act* (Alberta);
- (z) **"Surrender Offer"** has the meaning set forth in Section 6(e)(iii);
- (aa) **"Termination Date"** means the date that is:
 - (i) in the case of a director, officer or employee, the last day of the active performance by a Grantee of the usual and customary day-to-day duties of the Grantee's employment or consulting position, without regard to any contractual, common law or other notice period that might apply to such termination or resignation and without regard to whether any or any adequate or proper advance notice of termination or resignation shall have been provided in respect of such Grantee;
 - (ii) in the case of a director, the day such director resigns as a director of the Corporation, is removed as a director of the Corporation by the Shareholders, is disqualified to serve as a director or such director's successor is elected or appointed, unless such director continues to be an officer, employee or consultant of the Corporation following such date in which case Subsection (i) above shall apply; or
 - (iii) the date of the Grantee's death if such death occurs prior to the date specified in Subsections (ii) or (iii), as applicable, above.

For greater certainty: a transfer of employment or consulting services between the Corporation and a Subsidiary of the Corporation or between Subsidiaries of the Corporation shall not, unless otherwise determined by the Board, be considered an interruption or termination of the employment of a Grantee or cessation of the consulting services provided by a Grantee for any purpose of the Plan;

- (bb) **"TSX"** means the Toronto Stock Exchange; and
- (cc) **"Vest"** means that the applicable vesting conditions in relation to a whole or percentage of the number of Common Shares covered by an Option determined by the Board in connection with each Option

granted pursuant to the Plan, have been met and such Options become exercisable in accordance with the terms of such Options, and "Vested" and "Vesting" have comparable meanings.

Where the context so requires, words importing the singular number include the plural and vice versa, and words importing the masculine gender include the feminine and neuter genders. In this Plan, references to "Sections" or "Subsections" are references to sections or subsections in this Plan.

3. Administration of the Plan

Subject to Section 11 hereof, the Plan shall be administered by the Board, which shall have the authority in its sole and absolute discretion to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, subject to and not inconsistent with the express provisions of this Plan and including, without limitation:

- (a) the authority to grant Options;
- (b) to determine the Market Price of the Common Shares on any date in accordance with the definition of Market Price contained in Subsection 2(r);
- (c) to determine the Eligible Persons to whom, and the time or times at which, Options shall be granted;
- (d) to determine the number of Options to be granted;
- (e) to determine the Expiry Date with respect to any Option;
- (f) to determine whether any Vesting criteria shall apply to any particular Option and, if so, to determine such Vesting criteria;
- (g) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
- (h) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Option granted pursuant to the Plan (and any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes on the Corporation and the Grantee);
- (i) to determine and prescribe the terms and provisions of Option Agreements (which need not be identical) entered into in connection with Options and the form of documents or processes in respect of the payment of Options; and
- (j) to make all other determinations deemed necessary or advisable for the administration of the Plan.

The Board may delegate to the Committee any duties relating to the Plan as the Board may deem advisable, and where so delegated, any reference to the Board in this Plan shall be deemed to be a reference to the Committee. In addition, the Board may delegate to one or more of its members or to one or more agents any duties as it may deem advisable, and the Board or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Board or such person may have under the Plan

For greater certainty and without limiting the discretion conferred on the Board pursuant to this Section 3, the Board's decision to approve the grant of an Option to an Eligible Person in any period shall not require the Board to approve the grant of an Option to any Eligible Person in any other period; nor shall the Board's decision with respect to the size, terms and/or conditions of an Option in any period require it to approve the grant of an Option of the same or similar size or with the same or similar terms and conditions to any Eligible Person in any other period. The Board shall not be precluded from approving the grant of an Option to any Eligible Person solely because such Eligible Person may previously have been granted an Option under this Plan or any other similar compensation arrangement of the Corporation.

4. Eligibility and Option Determination

Options may be granted only to such Eligible Persons as the Board may determine, provided that no Eligible Person has any claim or right to be granted an Option. In determining the Eligible Persons to whom Options may be granted and the number of Options granted to any Eligible Person, the Board may take into account such factors as it shall determine in its sole and absolute discretion. Participation in the Plan by Eligible Persons is voluntary.

5. Common Shares Subject to the Plan

Notwithstanding any other provision of this Plan:

- (a) the number of Common Shares available to be issued from time to time pursuant to granted and outstanding Options under this Plan shall not exceed 8.0% of the aggregate number of issued and outstanding Common Shares less the aggregate number of Common Shares issuable under outstanding options under the 2008 Option Plan;
- (b) the number of Common Shares issuable to Insiders of the Corporation, at any time, under all Security Based Compensation Arrangements, including this Plan, shall not exceed 10% of the issued and outstanding Common Shares;
- (c) the number of Common Shares issued to Insiders of the Corporation, within any one year period, under all Security Based Compensation Arrangements, including this Plan shall not exceed 10% of the issued and outstanding Common Shares; and
- (d) the aggregate number of Common Shares that may be reserved for issuance pursuant to the exercise of Options awarded to Non-Management Directors under the Plan shall not exceed 1% of the Common Shares outstanding from time to time and the aggregate value of Options granted to any one Non-Management Director in any one year period shall not exceed \$100,000.

For the purposes of this Plan, any increase in the issued and outstanding Common Shares will result in an increase in the number of Common Shares that are available to be issued under the Plan pursuant to Subsection 5(a) and any issuance of Common Shares pursuant to Options, options under the 2008 Option Plan and awards under the Award Plan will make new grants available under the Plan. Following the settlement, exercise, expiration, cancellation or other termination of any Options under the Plan or options under the 2008 Option Plan, a number of Common Shares equal to the number of Common Shares underlying the Options or options under the 2008 Option Plan so settled, exercised, expired, cancelled or terminated shall automatically become available for issuance in respect of Options that may subsequently be granted under the Plan. No fractional Common Shares may be issued under the Plan.

6. Terms and Conditions of Options

Each Option granted under the Plan shall be subject to the terms and conditions of the Plan and evidenced by an Option Agreement and the following terms and conditions (and such other terms and conditions as the Board, in its discretion, shall establish):

- (a) **Exercise Price** – The exercise price (the "Exercise Price") of Options granted under the Plan shall be fixed by the Board and if the Common Shares are listed on an Exchange, the Exercise Price of the Options shall not be less than the Market Price of the Common Shares on the Exchange (or if the Common Shares are listed on more than one Exchange on such Exchange as may be designated by the Board for such purpose) or such other minimum price as may be required by the Exchange.
- (b) **Vesting** - Subject to the remainder of this Section 6 and unless otherwise determined by the Board at the time of grant, in its sole discretion, Options shall vest:
 - (i) as to one-third of the Options granted, on the first anniversary of the grant date of the Options;

- (ii) as to one-third of the Options granted, on the second anniversary of the grant date of the Options; and
- (iii) as to the remaining one-third of the Options granted, on the third anniversary of the grant date of the Options;

The Board may in its sole discretion, at the time of grant determine any other Vesting conditions that may apply to any particular grant of Options.

- (c) ***Expiry Dates of Options*** – Subject to Subsection 6(d) hereof, with respect to any Option, the Expiry Date(s) in respect of Options issued pursuant to the Plan shall be as determined by the Board in its sole discretion on the date of Grant. All Options granted pursuant to this Plan will expire on the applicable Expiry Date and become null and void. Notwithstanding any other provision of this Plan, the Expiry Date of any Option may not be extended beyond the date that is six (6) years from the Grant Date (as the same may be extended pursuant to Subsection 6(d) below). For greater certainty, the extension in Subsection 6(d) shall not be considered an extension of the Expiry Date of an Option for purposes of Subsection 11(b)(iv) hereof.
- (d) ***Expiry Dates if Blackout Period*** - Should the Expiry Date of an Option fall within a Black Out Period or within nine Business Days following the expiration of a Black Out Period, such Expiry Date of the Option shall be automatically extended without any further act or formality to that date which is the tenth Business Day after the end of the Black Out Period, such tenth Business Day to be considered the Expiry Date for such Option for all purposes under the Plan. The ten Business Day period referred to in this paragraph may not be extended by the Board.
- (e) ***Exercise of Options***
 - (i) **Exercise** - A Grantee may exercise from time to time by delivery to the Corporation, at its head office in Calgary, Alberta, a written notice of exercise specifying the number of Common Shares with respect to which the Option is being exercised and accompanied by payment in full of the purchase price of the Common Shares then being purchased. Upon exercise of the Option, the Corporation will cause to be delivered to the Grantee a certificate or certificates, representing such Common Shares in the name of the Grantee or the Grantee's legal personal representative or otherwise as the Grantee may or representative may in writing direct.
 - (ii) **Cashless Exercise** - Subject to the provisions of the Plan, a Grantee may elect to exercise an Option by surrendering such Option in exchange for the issuance of Common Shares equal to the number determined by dividing the Market Price (as at the date of exercise) into the difference between the Market Price (as at the date of exercise) and the Exercise Price of such Option and the Corporation may, but is not obligated to, accept such election. An Option may be exercised pursuant to this Subsection 6(e)(ii) from time to time by delivery to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, of a written notice of exercise specifying that the Grantee has elected a cashless exercise of such Option and the number of Options to be exercised. The Corporation will not be required, upon the exercise of any Options pursuant to this Subsection 6(e)(ii), to issue fractions of Common Shares or to distribute certificates representing fractional Common Shares. In lieu of fractional Common Shares, there will be paid to the Grantee by the Corporation upon the exercise of such Options pursuant to this Subsection 6(e)(ii) within ten (10) Business Days after the exercise date, an amount in lawful money of Canada equal to the then fair market value of such fractional interest (as determined by the Board), provided that the Corporation will not be required to make any payment, calculated as aforesaid, that is less than \$10.00. Upon exercise of the foregoing, the number of Common Shares actually issued shall be deducted from the number of Common Shares reserved with the Exchange for future issuance under the Plan and the balance of the Common Shares that were issuable pursuant to the Options so surrendered shall be considered to have been cancelled and available for further issuance.

- (iii) Surrender Offer - A Grantee may make an offer (the "**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the Grantee to the Corporation (and the termination thereof) of any of the Options granted hereunder for an amount (not to exceed an amount equal to the Market Price (as at the date of exercise) less the Exercise Price of such Options; provided that to the extent such Surrender Offer is in conjunction with a take-over bid, amalgamation, arrangement or merger the Board in its sole discretion may determine the maximum amount that may be received pursuant to such Surrender Offer based on the fair market value (as determined by the Board) of the consideration to be received per Common Share pursuant to such transaction less the Exercise Price of such Options) specified therein by the Grantee and the Corporation may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the Options in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Grantee any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Corporation to the Grantee. Upon the surrender and termination of Options pursuant to a Surrender Offer, the Common Shares issuable pursuant to such Options shall, for purposes of the number of Common Shares reserved for issuance with the Exchange, be available for further grants.
- (iv) No Issuance of Common Shares without Approval of Plan by Shareholders – Notwithstanding any other provision of this Plan, although Options may be granted hereunder prior to the Corporation receiving approval of the Plan from the Shareholders in accordance with the rules of the TSX, no Options granted hereunder shall be exercisable until the Corporation receives approval of the Plan from the Shareholders in accordance with the rules of the TSX. Upon receiving approval of the Plan from the Shareholders in accordance with the rules of the TSX, the Plan shall be automatically amended to remove this Subsection 6(e)(iv).
- (f) **Termination** - Unless otherwise determined by the Board, or unless otherwise provided in an Option Agreement pertaining to a particular Option or any Employment Agreement governing a Grantee's role as an Eligible Person, the following provisions shall apply in the event that a Grantee ceases to be an Eligible Person:
 - (i) Ceasing to be a director, officer, employee or consultant – Subject to Subsection 6(f)(iii), if a Grantee ceases to be an Eligible Person (other than by reason of death) and the Termination Date is prior to the Expiry Date, all Options held by the Grantee which have Vested as of the Termination Date shall be forfeited by the Grantee effective on the earlier of: (A) the Expiry Date; and (B) the date that is 90 days immediately following the Termination Date; or all Options held by the Grantee which have not Vested as of the Termination Date shall immediately terminate and become null and void and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.
 - (ii) Death of a Grantee - If a Grantee ceases to be an Eligible Person because of such Grantee's death, the Grantee's personal or legal representative may, within twelve months from the Termination Date and prior to the Expiry Date, exercise Options which are Vested within such twelve month period, after which time any remaining Options held by the Grantee (whether Vested or not) shall terminate and become null and void and all rights to receive Common Shares thereunder shall be forfeited by the Grantee.
 - (iii) Change of Control – Notwithstanding Subsection 6(f)(i) hereof, in the event of any Change of Control of the Corporation prior to the Expiry Date of any outstanding Option:
 - (A) a Grantee is terminated without cause in connection with such Change of Control or within the six (6) months following a Change of Control, all Options held by the Grantee shall Vest and the Grantee shall, if such termination occurs prior to, or at, the effective time of such Change of Control, be entitled to exercise all Options held by the Grantee until immediately prior to the effective time of such Change of Control (or such other time as may be designated by the Board) and, if such termination period

occurs following such Change of Control, the Grantee shall be entitled to exercise all Options held by such Grantee until the date that is 90 days after the Termination Date; all Options which have not been exercised prior to the required dates as set in this Subsection 6(f)(iii)(A) shall become null and void and all rights to receive Common Shares thereunder shall be forfeited by the Grantee; or

- (B) within six (6) months following a Change of Control, the Grantee voluntarily resigns for an event or events which constitute Good Reason, all Options held by the Grantee shall Vest and the Grantee shall be entitled to exercise all Options held by such Grantee until the date that is 90 days after the Termination Date and after such date all Options which have not been exercised shall become null and void and all rights to receive common shares thereunder shall be forfeited by the Grantee.

7. **Business Combinations and Certain Adjustments**

Subject to Subsection 6(f)(iii), if the Corporation enters into any transaction or series of transactions, whereby the Corporation or all or substantially all of the Common Shares of the Corporation or all or substantially all of the Corporation's property or assets become the property of any other body corporate, trust, partnership or other person (a "**Continuing Entity**") whether by way of take-over bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, then prior to or contemporaneously with the consummation of such transaction(s) the Corporation and the Continuing Entity shall execute such instruments and do such things as are necessary to establish that upon the consummation of such transaction(s) the Continuing Entity will have assumed all the covenants and obligations of the Corporation under this Plan and the Options and Option Agreements outstanding on consummation of such transaction(s) in a manner that substantially preserves and does not impair the rights of the Grantees thereunder in any material respect (including the ability to receive shares, securities or other property of the Continuing Entity in lieu of Common Shares on the exercise of such Options and adjusted appropriately to give effect to such transaction(s) and which shares, securities or other property of the Continuing Entity the Grantee shall accept in lieu of Common Shares), and subject to compliance with this Section 7, any such Continuing Entity shall succeed to, and be substituted for, and may exercise every right and power of, the Corporation under this Plan and such Option Agreements with the same effect as though the Continuing Entity had been named as the Corporation herein and therein and thereafter, the Corporation shall be relieved of all obligations and covenants under this Plan and such Option Agreements and the obligation of the Corporation to the Grantees in respect of the Options shall terminate and be at an end and the Grantees shall cease to have any further rights in respect thereof.

8. **Effect of Certain Changes**

In the event:

- (a) of any change in the Common Shares through subdivision, consolidation, reclassification, recapitalization or similar transaction; or
- (b) that any rights are granted to Shareholders to purchase Common Shares at prices substantially below the fair market value of the Common Shares, or
- (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities,

and such events do not constitute a transaction for the purposes of Section 7, then, in any such case, the Board may, subject to obtaining all requisite consents which may be required by the Exchange, make such adjustments to the Plan, to any Options and to any Option Agreements outstanding under the Plan as the Board may, in its sole discretion, acting reasonably, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Grantees hereunder.

9. Withholding Taxes

When a Grantee or other person becomes entitled to receive Common Shares (or a cash payment pursuant to a Surrender Offer) in respect of an Option, Headwater shall have the right to require the Grantee or such other person to remit to Headwater an amount sufficient to satisfy any withholding tax requirements and other required source deductions relating thereto. Unless otherwise prohibited by the Board or by applicable law, satisfaction of the withholding tax (and other required source deductions) obligation may be accomplished by any of the following methods or by a combination of such methods:

- (a) the tendering by the Grantee of a cash payment to Headwater in an amount less than or equal to the total withholding tax (and other required source deductions) obligation; or
- (b) where Common Shares are to be issued to the Grantee, the withholding by Headwater from the Common Shares otherwise due to the Grantee such number of Common Shares as it determines are required to be sold by Headwater, as trustee, to satisfy the total withholding tax (and other required source deductions) obligation (net of selling costs). The Grantee consents to such sale and grants to Headwater an irrevocable power of attorney to effect the sale of such Common Shares and acknowledges and agrees that Headwater does not accept responsibility for the price obtained on the sale of such Common Shares; or
- (c) the withholding by Headwater from any cash payment otherwise due to the Grantee (including pursuant to a Surrender Offer) such amount of cash as is required for the amount of the total withholding tax (and other required source deductions) obligation;

provided, however, that the sum of any cash so paid or withheld and the net proceeds of the sale of any Common Shares so withheld is sufficient to satisfy the total withholding tax obligation.

Grantees (or their beneficiaries) shall be responsible for all taxes with respect to any Options granted under the Plan. The Board and Headwater make no guarantees to any person regarding the tax treatment of Options (or Common Shares issued or payments made under the Plan) and none of Headwater, nor any of its employees or representatives shall have any liability to a Grantee (or its beneficiaries) with respect thereto.

10. Non-Transferability

Subject to Subsection 6(f)(ii), the right to receive Common Shares or cash payment in lieu thereof pursuant to an Option granted to a Grantee is personal to such Grantee and is non-transferable and non-assignable. Except as otherwise provided in this Plan, no assignment, sale, transfer, pledge or charge of an Option, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Option whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Option shall terminate and be of no further force or effect.

11. Amendment and Termination of Plan

- (a) Subject to Subsections 11(b) and (c), the Board may, at any time and from time to time, without the approval of the Shareholders or any other voting securities of the Corporation, suspend, discontinue or amend the Plan or an Option made thereunder.
- (b) Notwithstanding Subsection 11(a), the Board may not, without the approval of the holders of Common Shares to be received in such manner as may be required by the policies of the Exchange, amend the Plan or an Option to:
 - (i) increase the percentage of the issued and outstanding Common Shares that are available to be issued pursuant to granted and outstanding Options at any time pursuant to Subsection 5(a);
 - (ii) increase the number of Common Shares that may be issued to Insiders of the Corporation above the restrictions contained in Subsections 5(b) and 5(c);

- (iii) increase the number of Common Shares that may be reserved for issuance pursuant to the exercise of Options awarded to Non-Management Directors under the Plan above the restrictions contained in Subsection 5(d);
 - (iv) extend the Expiry Date of any outstanding Options granted under the Plan;
 - (v) make any reduction in the Exercise Price of an Option or permit a reduction in the Exercise Price of an Option by the cancellation and immediate re-issue of Options or other entitlements;
 - (vi) permit the transfer or assignment of Options, except in the case of death of a Grantee; or
 - (vii) make any amendments to this Section 11.
- (c) Notwithstanding Subsection 11(a), unless a holder of Options otherwise agrees, the Board may not suspend, discontinue or amend the Plan or amend any outstanding Option in a manner that would adversely alter or impair any Option previously granted to Grantee under the Plan, and any such suspension, discontinuance or amendment of the Plan or amendment to an Option shall apply only in respect of Options granted on or after the date of such suspension, discontinuance or amendment. No suspension, discontinuance or amendment of the Plan or amendment of an Option may contravene the requirements of the Exchange or any securities commission or regulatory body to which the Plan, the Option or the Corporation is now or may hereafter be subject.

12. Miscellaneous

- (a) **Effect of Headings** - The section and subsection headings contained herein are for convenience only and shall not affect the construction hereof.
- (b) **Non-Exclusivity** – Nothing contained herein will prevent the Board from adopting other or additional compensation arrangements for the benefit of any Eligible Person, subject to any required regulatory, Exchange or shareholder approval.
- (c) **Compliance with Legal Requirements** – Headwater may, in its sole discretion, postpone the issuance or delivery of any Common Shares on exercise of Options as the Board may consider appropriate, and may require any Grantee to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of a cash payment or Common Shares in compliance with applicable laws, rules and regulations. Headwater shall not be required to qualify for resale pursuant to a prospectus or similar document any Common Shares received under the Plan, provided that, if required, Headwater shall notify the Exchange and any other appropriate regulatory bodies in Canada of the existence of the Plan and the granting of Options hereunder in accordance with any such requirements.
- (d) **No Right to Continued Employment** - Nothing in the Plan or in any Option Agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ or service of the Corporation or any Subsidiary of the Corporation, to be entitled to any remuneration or benefits not set forth in the Plan or an Option Agreement or to interfere with or limit in any way the right of the Corporation or any Subsidiary thereof to terminate the Grantee's employment or service arrangement with the Corporation or any Subsidiary thereof.
- (e) **Rights as a Shareholder** – Until Common Shares have actually been issued in accordance with the terms of the Plan, the Grantee to whom an Option has been granted shall not possess any incidents of ownership of such Common Shares including, for greater certainty and without limitation, the right to receive dividends or other distributions on such Common Shares and the right to exercise voting rights in respect of such Common Shares. Such Grantee shall only be considered a Shareholder in respect of such Common Shares when such issuance has been entered upon the records of the duly authorized transfer agent of Headwater.

- (f) ***No Liability*** – The Corporation shall not be liable to any Grantee for any loss resulting from a decline in the market value of any Common Shares.
- (g) ***Expenses*** – Other than pursuant to Section 9, all expenses in connection with the Plan shall be borne by the Corporation.
- (h) ***Grantee Information*** – Each Grantee shall provide Headwater with all information (including personal information) required by Headwater in order to administer the Plan. Each Grantee acknowledges that information required by Headwater in order to administer the Plan may be disclosed to the Board or its appointed administrator and other third parties in connection with the administration of the Plan. Each Grantee consents to such disclosure and authorizes Headwater to make such disclosure on the Grantee's behalf.

13. Governing Law

The Plan shall be governed by, construed and interpreted in accordance with the laws of the Province of Alberta.

14. Invalidity

If any provision of the Plan or part hereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.

15. Effective Date

This Plan shall take effect on March 25, 2020.

SCHEDULE "B"

AMENDED AND RESTATED BY-LAW NO. 1

BY-LAWS

BY-LAW NO. 1

RELATING GENERALLY TO THE CONDUCT OF THE AFFAIRS OF HEADWATER EXPLORATION INC.

CONTENTS

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IT IS HEREBY ENACTED as By-law No. 1 of Headwater Exploration Inc. ("**Headwater**" or the "**Corporation**") as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In the by-laws of Headwater, unless the context otherwise requires:

- (a) "**Act**" means the *Business Corporations Act* (Alberta), and any statute that may be substituted therefor, as from time to time amended;
- (b) "**articles**" means the articles attached to the Certificate of Amalgamation of Headwater as from time to time amended or restated;
- (c) "**board**" means the board of directors of Headwater;
- (d) "**by-laws**" means this by-law and all other by-laws of Headwater from time to time in force and effect;
- (e) "**meeting of shareholders**" means any meeting of shareholders, including any meeting of one or more classes or series of shareholders;
- (f) "**recorded address**" means, in the case of a shareholder, the address as recorded in the securities register; in the case of joint shareholders, the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and, in the case of

a director, officer, auditor or member of a committee of the board, his or her latest address as recorded in the records of Headwater; and

- (g) **"signing officer"** means any person authorized to sign any document on behalf of Headwater pursuant to these by-laws or by a resolution of the board.

Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

1.2 Conflict with the Act or the Articles

To the extent of any conflict between the provisions of the by-laws and the provisions of the Act or the articles, the provisions of the Act or the articles shall govern.

1.3 Headings

The headings used throughout the by-laws are inserted for convenience of reference only and are not to be used as an aid in the interpretation of the by-laws.

1.4 Invalidity of any Provision of By-laws

The invalidity or unenforceability of any provision of the by-laws shall not affect the validity or enforceability of the remaining provisions of the by-laws.

ARTICLE 2 BUSINESS OF HEADWATER

2.1 Corporate Seal

The corporate seal of Headwater, if any, shall be in such form as the board may from time to time by resolution approve.

2.2 Financial Year

The financial year of Headwater shall end on such date in each year as the board may from time to time by resolution determine.

2.3 Execution of Instruments

Agreements, contracts, deeds, transfers, assignments, obligations, certificates and other instruments may be signed on behalf of Headwater by any two directors or officers of Headwater, acting together. In addition, the board may from time to time direct the manner in which and the person or persons by whom any instrument or instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same.

2.4 Banking Arrangements

The banking business of Headwater including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be authorized by the board. Such banking business or

any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.5 Voting Rights in Other Bodies Corporate

The signing officers may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by Headwater. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the persons executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the board or, failing the board, the signing officers may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.6 Insider Trading Reports and Other Filings

Any one officer or director of Headwater may execute and file on behalf of Headwater insider trading reports and other filings of any nature whatsoever required under applicable corporate or securities laws.

ARTICLE 3 DIRECTORS

3.1 Number of Directors

Subject to the limitation and requirements provided in the articles, the number of directors of Headwater shall be determined from time to time by resolution of the shareholders or the board.

3.2 Calling and Notice of Meetings

Meetings of the board shall be called and held at such time and at such place as the board, the chairman of the board, the chief executive officer or any two directors may determine, and the secretary or any other officer shall give notice of meetings when directed or authorized by such persons. Notice of each meeting of the board shall be given in the manner provided in the Act to each director not less than 24 hours before the time when the meeting is to be held, provided that, if a quorum of directors is present, the board may without notice hold a meeting immediately following an annual meeting of shareholders. Notice of a meeting of the board may be given verbally, in writing or by electronic means, telephone or any other means of communication. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting, except where required by the Act. Notwithstanding the foregoing, the board may from time to time fix a day or days in any month or months for regular meetings of the board at a place and hour to be named, in which case, provided that a copy of any such resolution is sent to each director forthwith after being passed and forthwith after each director's appointment, no other notice shall be required for any such regular meeting except where the Act requires specification of the purpose or the business to be transacted thereat.

Notice of any meeting of directors or the time for the giving of any such notice or any irregularity in any meeting or in the notice thereof may be waived by any director verbally at a meeting of the board, in writing or by electronic means to the Corporation or in any other manner, and any such waiver may be validly given either before or after the meeting to which such waiver relates. Attendance of a director at any meeting of directors is a waiver of notice of such meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

3.3 Place of Meetings

Meetings of the board may be held at any place in or outside Alberta. A director who attends a meeting of directors, in person or by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other, is deemed to have consented to the location of the meeting except when the director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully held.

3.4 Meetings by Electronic Means

A director may participate in a meeting of the board or of a committee of the board by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other. A director participating in such a meeting in such manner shall be considered present at the meeting and at the place of the meeting.

3.5 Quorum

The quorum for the transaction of business at any meeting of the board shall consist of a majority of directors.

3.6 Chairman

The chairman of the board shall be the chairman of any meeting of the board. If the chairman of the board is not present, the directors present shall choose one of their number to be chairman.

3.7 Action by the Board

At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote. The powers of the board may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed by all the directors who would be entitled to vote on that resolution at a meeting of the board. Resolutions in writing may be signed in counterparts and may be executed and delivered by e-mail or facsimile transmission. Resolutions in writing shall become effective on the date set forth therein.

3.8 Adjourned Meeting

Any meeting of directors may be adjourned from time to time by the chairman of the meeting, with the consent of the meeting, to a fixed time and place. The adjourned meeting shall be duly constituted if a quorum is present and if it is held in accordance with the terms of the adjournment. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment.

3.9 Remuneration and Expenses

The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for reasonable travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving Headwater in any other capacity and receiving remuneration therefor.

3.10 Officers

The board from time to time may appoint one or more officers of Headwater and, without prejudice to rights under any employment contract, may remove any officer of Headwater. The powers and duties of each officer of Headwater shall be those determined from time to time by the board and, in the absence of such determination, shall be those usually incidental to the office held.

3.11 Agents and Attorneys

The board shall have the power from time to time to appoint agents or attorneys for Headwater in or outside Canada with such powers of management or otherwise (including the power to sub delegate) as may be thought fit.

3.12 Advance Nomination of Directors

- (a) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called is the election of directors:
 - (i) by or at the direction of the board, including pursuant to a notice of meeting;
 - (ii) by or at the direction or request of one or more shareholders of the Corporation pursuant to a "proposal" made in accordance with section 136(1) of the Act, or a requisition of the shareholders made in accordance with section 142(1) of the Act; or
 - (iii) by any person (a "**Nominating Shareholder**") who: (i) at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for below in this Section 3.12 and at the close of business on the record date for notice of such meeting, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence of such beneficial ownership to the Corporation; and (ii) complies with the notice procedures set forth below in this Section 3.12.
- (b) In addition to any other requirements under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given notice thereof that is both timely (in accordance with Section 3.12(c) below) and in proper written form (in accordance with Section 3.12(d) below) to the Chief Financial Officer of the Corporation at the principal executive offices of the Corporation.
- (c) To be timely, a Nominating Shareholder's notice (a "**Timely Notice**") to the Chief Financial Officer of the Corporation must be made:
 - (i) in the case of an annual meeting of shareholders, not less than 30 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and

- (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made,

provided that, in either instance, if notice-and-access (as defined in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy related materials in respect of a meeting described in Section 3.12(c)(i) or Section 3.12(c)(ii) and the Notice Date in respect of the meeting is not less than 50 days before the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the date of the applicable meeting.

In the event of an adjournment or postponement of an annual meeting or special meeting of shareholders or any announcement thereof, a new time period shall commence for the giving of a Timely Notice.

- (d) To be in proper written form, a Nominating Shareholder's notice to the Chief Financial Officer of the Corporation must set forth:

- (i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (i) the name, age, business address and residential address of the person; (ii) the principal occupation, business or employment of the person for the most recent five years, and the name and principal business of any company in which any such employment is carried on; (iii) the citizenship of such person; (iv) the number of securities of each class or series of securities in the capital of the Corporation which are owned beneficially or of record by the person or under the control or direction, directly or indirectly, of the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (v) such person's written consent to being named in the notice as a nominee and to serving as a director of the Corporation if elected; and (vi) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and

- (ii) as to the Nominating Shareholder giving the notice: (i) the name and address of such Nominating Shareholder, as they appear on the securities register of the Corporation; (ii) the number of securities of each class or series of securities of the Corporation owned of record and beneficially by, or under the control or direction of, directly or indirectly, such Nominating Shareholder; (iii) full particulars regarding any agreement, arrangement or understanding with respect to the nomination between or among such Nominating Shareholder, any of their respective affiliates or associates, and any others acting jointly or in concert with any of the foregoing, including the nominee; (iv) full particulars regarding any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the notice by, or on behalf of, such Nominating Shareholder, whether or not such instrument or right shall be subject to settlement in underlying securities of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such Nominating Shareholder with respect to securities of the Corporation; (v) full particulars regarding any proxy, contract, agreement, arrangement or understanding pursuant to which such

Nominating Shareholder has a right to vote or direct or control the voting of any securities of the Corporation; and (vi) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information and documents as may reasonably be required by the Corporation to (i) determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence and/or qualifications, or lack thereof, of such proposed nominee, or (ii) satisfy the requirements of applicable stock exchange rules.

In addition, a Nominating Shareholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

- (e) No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 3.12; provided, however, that nothing in this Section 3.12 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter that is properly before such meeting pursuant to the provisions of the Act or the discretion of the Chairman. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.
- (f) For purposes of this Section 3.12:
 - (i) **"public announcement"** shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and
 - (ii) **"Applicable Securities Laws"** means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.
- (g) Notwithstanding any other provision of this Section 3.12, notice given to the Chief Financial Officer of the Corporation pursuant to this Section 3.12 may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Chief Financial Officer of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Chief Financial Officer at the address of the principal executive offices of the Corporation, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Calgary time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

- (h) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Section 3.12.

ARTICLE 4 COMMITTEES

4.1 Transaction of Business

The powers of any committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. At all meetings of committees every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote. Resolutions in writing may be signed in counterparts and may be executed and delivered by e-mail or facsimile transmission. Resolutions in writing shall become effective on the date set forth therein.

4.2 Procedure

Unless otherwise determined by the board, a quorum for meetings of any committee shall be a majority of its members, each committee shall have the power to appoint its chairman and the rules for calling, holding, conducting and adjourning meetings of the committee shall be the same as those governing the board. Each member of a committee shall serve during the pleasure of the board and, in any event, only so long as he or she shall be a director. The directors may fill vacancies in a committee by appointment from among their members. Provided that a quorum is maintained, the committee may continue to exercise its powers notwithstanding any vacancy among its members.

ARTICLE 5 PROTECTION OF DIRECTORS AND OFFICERS

5.1 Limitation of Liability

No director or officer for the time being of Headwater shall be liable for the acts, receipts, neglects or defaults of any other director, officer or employee, or for joining in any receipt or act for conformity, or for any loss, damage or expense happening to Headwater through the insufficiency or deficiency of title to any property acquired by Headwater or for or on behalf of Headwater or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to Headwater shall be placed or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation including any person, firm or corporation with whom or with which any moneys, securities or effects shall be lodged or deposited, or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets of or belonging to Headwater or for any other loss, damage or misfortune whatsoever which may happen in the execution of the duties of his or her respective office or trust or in relation thereto unless the same shall happen by or through his or her failure to exercise the powers and to discharge the duties of his or her office honestly, in good faith and with a view to the best interests of Headwater and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

5.2 Indemnity

Headwater hereby indemnifies, to the maximum extent permitted under the Act, each director and officer and each former director and officer, and may indemnify a person who acts or acted at Headwater's request as a director or officer of a body corporate of which Headwater is or was a shareholder

or creditor, and their heirs and legal representatives, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of Headwater or such body corporate.

5.3 Insurance

Headwater may purchase and maintain insurance for the benefit of any person against any liability incurred by him or her:

- (a) in his or her capacity as a director or officer of Headwater, except where the liability relates to his or her failure to act honestly and in good faith with a view to the best interests of Headwater; or
- (b) in his or her capacity as a director or officer of another body corporate where he or she acts or acted in that capacity at Headwater's request, except where the liability relates to his or her failure to act honestly and in good faith with a view to the best interests of the body corporate.

ARTICLE 6 SHARES

6.1 Non-recognition of Trusts

Subject to the provisions of the Act, Headwater may treat as the absolute owner of any share the person in whose name the share is registered in the securities register as if that person had full legal capacity and authority to exercise all rights of ownership, irrespective of any indication to the contrary through knowledge or notice or description in Headwater's records or on the share certificate.

6.2 Joint Shareholders

If two or more persons are registered as joint holders of any share:

- (a) Headwater shall record only one address on its books for such joint holders; and
- (b) the address of such joint holders for all purposes with respect to Headwater shall be their recorded address,

and any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

ARTICLE 7 DIVIDENDS

7.1 Dividend Cheques

A dividend payable in cash shall be paid by cheque of Headwater or of any dividend paying agent appointed by the board, to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at the shareholder's recorded address, unless such holder otherwise directs and Headwater agrees to follow such direction. In the case of joint holders the cheque shall, unless such joint holders otherwise direct and Headwater agrees to follow such direction, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not

paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which Headwater is required to and does withhold.

7.2 Non-Receipt of Cheques

In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, Headwater shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

7.3 Unclaimed Dividends

Any dividend unclaimed after the last business day prior to the third anniversary of the date on which the same has been declared to be payable shall be forfeited and shall revert to Headwater and shall have been deemed to be transferred to Headwater on such date.

ARTICLE 8 MEETINGS OF SHAREHOLDERS

8.1 Chairman, Secretary and Scrutineers

The chairman of any meeting of shareholders, who need not be a shareholder of Headwater, shall be the first of the chairman of the board, any director who is present at the meeting, or an officer who is present at the meeting (in order of seniority). If no such officer is present and willing to act as chairman within fifteen minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. The chairman shall conduct the proceedings at the meeting in all respects and the chairman's decision in any matter or thing, including, but without in any way limiting the generality of the foregoing, any question regarding the validity or invalidity of any instruments of proxy and any question as to the admission or rejection of a vote, shall be conclusive and binding upon the shareholders. The secretary of any meeting of shareholders shall be the secretary of Headwater, provided that, if Headwater does not have a secretary or if the secretary of Headwater is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. The board may from time to time appoint in advance of any meeting of shareholders one or more persons to act as scrutineers at such meeting and, in the absence of such appointment, the chairman may appoint one or more persons to act as scrutineers at any meeting of shareholders. Scrutineers so appointed may, but need not be, shareholders, directors, officers or employees of Headwater.

8.2 Persons Entitled to be Present

The only persons entitled to be present at a meeting of shareholders shall be:

- (a) those entitled to vote at such meeting;
- (b) the directors, officers and auditors of Headwater;
- (c) others who, although not entitled to vote, are entitled or required under any provision of the Act, the articles or the by-laws to be present at the meeting;
- (d) legal counsel to Headwater when invited by Headwater to attend the meeting; and
- (e) any other person on the invitation of the chairman or with the consent of the meeting.

8.3 Quorum

A quorum for the transaction of business at any meeting of shareholders shall be at least two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxy or representative for an absent shareholder so entitled, and representing in the aggregate not less than 25% of the outstanding shares of Headwater carrying voting rights at the meeting, provided that, if there should be only one shareholder of Headwater entitled to vote at any meeting of shareholders, the quorum for the transaction of business at the meeting of shareholders shall consist of the one shareholder.

8.4 Representatives

The authority of an individual to represent a body corporate or association at a meeting of shareholders of Headwater shall be established by depositing with Headwater a certified copy of the resolution of the directors or governing body of the body corporate or association, as the case may be, granting such authority, or in such other manner as may be satisfactory to the chairman of the meeting.

8.5 Action by Shareholders

The shareholders shall act by ordinary resolution unless otherwise required by the Act, articles or by-laws. In case of an equality of votes either upon a show of hand or upon a poll, the chairman of the meeting shall not be entitled to a second or casting vote.

8.6 Show of Hands

Upon a show of hands every persons who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be *prima facie* evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

8.7 Ballots

A ballot required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which they are entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

8.8 Meetings by Electronic Means

With the consent of the chairman of the meeting or the consent (as evidenced by a resolution) of the persons present and entitled to vote at the meeting, a shareholder or any other person entitled to attend a meeting of shareholders may participate in the meeting by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other, and a person participating in such a meeting by those means shall be considered present at the meeting and at the place of the meeting. Subject to the Act, if the directors or the shareholders of the Corporation call a meeting of shareholders, the directors or the shareholders, as the case may be, may determine that the meeting shall be held entirely by electronic means, telephone or other communication facility that permits all participants to communicate adequately with each other during the meeting.

ARTICLE 9 NOTICES

9.1 Omissions and Errors

The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

9.2 Persons Entitled by Death or Operation of Law

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom the shareholder derives title to such share prior to the shareholder's name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which the shareholder became so entitled) and prior to such person furnishing to Headwater the proof of authority or evidence of the shareholder's entitlement prescribed by the Act.

ARTICLE 10 EFFECTIVE DATE AND REPEAL

10.1 Effective Date

This by-law shall come into force when made by the board in accordance with the Act.

10.2 Repeal

All previous by-laws of Headwater are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles (as defined in the Act) or predecessor charter documents of Headwater obtained pursuant to, any such bylaw prior to its repeal. All officers and persons acting under any such by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders, the board or a committee of the board with continuing effect passed under any repealed by-law shall continue to be good and valid except to the extent inconsistent with this bylaw and until amended or repealed.

MADE by the board the 25th day of March, 2020.

(signed)

Authorized Signatory

CONFIRMED by the shareholders in accordance with the *Business Corporations Act* (Alberta) the ____ day of _____, 2020.

Authorized Signatory

SCHEDULE "C"

HEADWATER EXPLORATION INC.



MANDATE OF THE BOARD OF DIRECTORS

1. **General** - The Board of Directors (the "**Board**") of Headwater Exploration Inc. (the "**Corporation**" or "**Headwater**") is responsible for the stewardship of the Corporation. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Headwater. In general terms, the Board will:
 - (a) in consultation with the chief executive officer of the Corporation (the "CEO"), define the principal objectives of Headwater;
 - (b) supervise the management of the business and affairs of Headwater with the goal of achieving Headwater's principal objectives as developed in association with the CEO;
 - (c) discharge the duties imposed on the Board by applicable laws; and
 - (d) for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.
2. **Specific** - Without limiting the foregoing, the Board as determined to be appropriate, will endeavour to perform the following duties:

Executive Team Responsibility

- (a) appoint the CEO and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value and stakeholder outcomes;
- (b) in conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities;
- (c) establish processes as required that adequately provides for succession planning, including the appointing, training and monitoring of senior management;
- (d) establish limits of authority delegated to management;

Operational Effectiveness and Financial Reporting

- (a) annual review and adoption of a strategic planning process and approval of Headwater's strategic plan, which takes into account, among other things, the opportunities and risks of the business;
- (b) establish or cause to be established systems to identify the principal risks to Headwater and that the best practical procedures are in place to monitor and mitigate the risks;

- (c) consider or cause to be considered the implications of risk associated with Headwater's compensation policies and practices;
- (d) endeavour to establish or cause to be established processes to address applicable regulatory, corporate, securities and other compliance matters;
- (e) establish or cause to be established an adequate system of internal control and management information systems;
- (f) establish or cause to be established due diligence processes and appropriate controls with respect to applicable certification requirements regarding Headwater's financial and other disclosure;
- (g) review and approve Headwater's financial statements and oversee Headwater's compliance with applicable audit, accounting and reporting requirements;
- (h) approve annual operating and capital budgets;
- (i) review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets;
- (j) review operating and financial performance results relative to established strategy, budgets and objectives;

Environmental, Health, Safety, Climate and Sustainability

- (a) review the Corporation's fundamental policies pertaining to environment, health and safety and ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value;
- (b) review the Corporation's performance with applicable laws and regulations with respect to environment, health and safety;
- (c) review the findings of any significant report by regulatory agencies, external environment, health and safety consultants or auditors concerning the Corporation's performance in environment, health and safety;
- (d) review any necessary corrective measures taken to address issues and risks identified by the Corporation, external auditors or by regulatory agencies;
- (e) review any emerging trends, issues and regulations related to environment, health and safety that are relevant to the Corporation;

Integrity/Corporate Conduct

- (a) oversee the Corporation's policies, procedures, practises and strategies relating to social and climate related issues and other sustainability matters to ensure due consideration of risks, opportunities and potential performance improvement relating thereto;
- (b) establish a communications policy or policies to ensure that a system for corporate communications to all salient stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders;
- (c) approve a Business Conduct & Ethics Practice for directors, officers and employees and monitor compliance with the Practice and approve any waivers of the Practice for officers and directors;

- (d) to the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of the Corporation and that the CEO and other executive officers create a culture of integrity throughout Headwater;

Board Process/Effectiveness

- (a) endeavour to ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting;
- (b) engage in the process of determining Board member qualifications with the Corporate Governance and Sustainability Committee including ensuring that a majority of directors, including the Chair of the Board, qualify as independent directors pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements;
- (c) approve the nomination of directors;
- (d) provide or cause to be provided a comprehensive orientation to each new director;
- (e) establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management;
- (f) establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members;
- (g) establish committees and approve their respective mandates and the limits of authority delegated to each committee;
- (h) review and re-assess the adequacy of the mandate of the committees of the Board on a regular basis, but not less frequently than on an annual basis; and
- (i) review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.

3. **Administrative Matters:** The following general provisions shall have application to the Board:

- (a) the Board may delegate its duties to and receive reports and recommendations from any committee of the Board; and
- (b) subject to terms of any corporate disclosure policy and other policies and procedures of Headwater, the Chair of the Board (if any and independent) or the Lead Independent Director (if any), when appropriate, will act as a liaison between stakeholders of Headwater and the Board (including independent members of the Board).
- (c) a majority of Board members should be "independent" Directors as such term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;
- (d) each director shall disclose any conflict of interest the director may have in relation to any material contract or material transaction or a proposed material contract or proposed material transaction involving the Corporation to the Board as soon as practicably possible (and in no event no later than the commencement of the next Board meeting) after becoming aware of such conflict of interest in accordance with the provisions of the *Business Corporations Act* (Alberta);
- (e) on at least an annual basis, the Board shall conduct an analysis and make a positive affirmation as to the "independence" of a majority of its Board members;

- (f) members should have or obtain sufficient knowledge of Headwater and the oil and gas business to assist in providing advice and counsel on relevant issues.
- (g) the Board shall meet at least four times per year and/or as deemed appropriate by the Board Chair;
- (h) minutes of each meeting shall be prepared by the Corporate Secretary to the Board;
- (i) members should review materials prior to meetings to ensure that they have sufficient knowledge in providing advice and counsel on relevant issues;
- (j) the CEO or his designate(s) may be present at all meetings of the Board;
- (k) the Chief Operating Officer, Chief Financial Officer, Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board;
- (l) following each meeting, the Corporate Secretary will promptly report to the Board by way of providing draft copies of the minutes of the meetings;
- (m) supporting schedules and information reviewed by the Board at any meeting shall be available for examination by any Director upon request to the CEO;
- (n) the Board shall have the authority to review any corporate report or material and to investigate activity of the Corporation and to request any employees to cooperate as requested by the Board; and
- (o) the Board may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of Headwater.

Nothing contained in this mandate is intended to expand applicable standards of liability under statutory, regulatory, common law or any other legal requirements for the Board or members of the Board. The Board may adopt additional policies and procedures as it deems necessary from time to time to fulfill its responsibilities.

SCHEDULE "D"

CHANGE IN AUDITOR REPORTING PACKAGE

(see attached)

HEADWATER EXPLORATION INC.

**NOTICE OF CHANGE OF AUDITOR
Pursuant to National Instrument 51-102 (Part 4.11)**

TO: PricewaterhouseCoopers LLP

AND TO: KPMG LLP

AND TO: Alberta Securities Commission
British Columbia Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Government of Newfoundland and Labrador Financial Services Regulation Division

It is proposed that Headwater Exploration Inc. (the "**Corporation**") will change its auditor from PricewaterhouseCoopers LLP (the "**Former Auditor**") to KPMG LLP (the "**Successor Auditor**") effective as of March 25, 2020.

The Former Auditor resigned at the request of the Corporation on March 25, 2020. The Audit Committee's recommendation to the Board of Directors for the change of auditor was made due to the Corporation's desire to move to a different audit firm located in Calgary, Alberta.

The Corporation further reports there were no reservations in the Former Auditor's reports on the Corporation's financial statements for the period commencing at the beginning of the Corporation's two most recently completed financial years and ending on the date of resignation of the Former Auditor.

There are no reportable events including disagreements, consultations, or unresolved issues as defined in National Instrument 51-102 (Part 4.11) between the Corporation and the Former Auditor.

The change of the auditor and the recommendation to appoint the Successor Auditor was approved by the Audit Committee and the Board of Directors of the Corporation.

DATED effective this 25th day of March, 2020.

HEADWATER EXPLORATION INC.

Per: (signed) "Ali Horvath"
Ali Horvath
Vice-President, Finance and Chief Financial Officer



April 1, 2020

To:

Alberta Securities Commission
British Columbia Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Autorite des marches financiers
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission
Prince Edward Island Securities Commission
Government of Newfoundland and Labrador Financial Services Regulation Division

We have read the statements made by Headwater Exploration Inc. in the attached copy of change of auditor notice dated March 25, 2020, which we understand will be filed pursuant to Section 4.11 of National Instrument 51-102.

We agree with the statements in the change of auditor notice dated March 25, 2020

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
Cogswell Tower, 2000 Barrington Street, Suite 1101, Halifax NS B3J 3K1
T: +1 902 491 7400, F: +1 902 422 1166, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008

To **Alberta Securities Commission**
British Columbia Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Autorit  des march s financiers
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission
Prince Edward Island Securities Office
Government of Newfoundland and Labrador Financial Services Regulation
Division

April 1, 2020

Dear Sir/Madam

Re: Notice of Change of Auditors of Headwater Exploration Inc.

We have read the Notice of Headwater Exploration Inc. dated March 25, 2020 and are in agreement with the statements contained in such Notice.

Yours very truly,

KPMG LLP

Chartered Professional Accountants
Calgary, Canada

