



MANAGEMENT INFORMATION CIRCULAR DATED MARCH 29, 2021
FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 13, 2021



HEADWATER EXPLORATION INC.

NOTICE OF ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS TO BE HELD
MAY 13, 2021

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 at the offices of Burnet, Duckworth & Palmer LLP located at 2400, 525 – 8 Avenue SW, Calgary, Alberta on Thursday, May 13, 2021, 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, 2020 and the auditors' report thereon;
2. to consider and, if thought appropriate, to elect directors of the Corporation;
3. to consider and, if thought advisable, to pass a special resolution to amend the articles of the Corporation to increase the maximum number of directors to thirteen (13);
4. to consider and, if thought appropriate, to appoint the auditors of the Corporation, authorizing the directors to fix their remuneration as such; and
5. to transact such further and other business as may properly come before the Meeting or any adjournment(s) 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 management information circular of the Corporation dated March 29, 2021 (the "Information Circular").

The record date for the determination of Shareholders entitled to receive notice of and to vote at the Meeting is March 29, 2021 (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.

We intend to hold the Meeting in person. However, in view of the COVID-19 pandemic, access to the Meeting will be limited to essential personnel and registered Shareholders and proxyholders entitled to attend and vote at the Meeting. We may also limit attendance to comply with applicable law. **We strongly encourage Shareholders not to attend the Meeting in person.**

To mitigate risks to the health and safety of the community, Shareholders, employees and other stakeholders, we will also hold the Meeting in a virtual format, which will be conducted via live audio webcast and which will give all Shareholders an opportunity to participate at the Meeting online regardless of their geographic location. Shareholders and duly appointed proxyholders will be able to listen to the Meeting and ask questions by attending the Meeting virtually at by [clicking here to join the Meeting](#) or by dialing (647) 749-5899 using the following guest dial-in code: 953 369 244. The link to participate online will also be available on the Corporation's website at www.headwaterexp.com. Shareholders will have an equal opportunity to participate at the Meeting online regardless of their geographic location.

Shareholders attending the Meeting virtually will not be able to vote their Common Shares at the Meeting. **We encourage all Shareholders not to attend the Meeting in person, and instead to vote their Common Shares prior to the Meeting by completing the enclosed instrument of proxy and returning it as soon as possible in the envelope provided for that purpose.** A proxy will not be valid

unless it is deposited with Odyssey Trust Company, 1230, 300 – 5 Avenue SW, Calgary, Alberta, T2P 3C4 (Attention: Proxy Department), by facsimile at (800) 517-4553 (if outside North America) or by internet at <https://login.odysseytrust.com/pxlogin> at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the time set for the Meeting or any adjournment(s) thereof. All instructions are listed in the enclosed form of proxy. 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.

DATED this 29th day of March, 2021.

**BY ORDER OF THE BOARD OF DIRECTORS OF
HEADWATER EXPLORATION INC.**

(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 THURSDAY, MAY 13, 2021
DATED: MARCH 29, 2021

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 Thursday, May 13, 2021 at 10:00 a.m. (Calgary time) at the offices of Burnet, Duckworth & Palmer LLP located at Suite 2400, 525 – 8 Avenue S.W., Calgary, Alberta and at any adjournment(s) thereof, for the purposes set forth in the Notice of Annual and Special Meeting. Shareholders are strongly encouraged not to attend the Meeting in person.

Headwater intends to hold the Meeting in person. However, in view of the COVID-19 pandemic, access to the Meeting will be limited to essential personnel and registered Shareholders and proxyholders entitled to attend and vote at the Meeting. Attendance may be further limited to comply with applicable law. Headwater strongly encourages Shareholders not to attend the Meeting in person, and instead to vote their Common Shares prior to the Meeting by completing the enclosed instrument of proxy and returning it as soon as possible in the envelope provided for that purpose. A proxy will not be valid unless it is deposited with Odyssey Trust Company, 1230, 300 – 5 Avenue SW, Calgary, Alberta, T2P 3C4 (Attention: Proxy Department), by facsimile at (800) 517-4553 (if outside North America) or by internet at <https://login.odysseytrust.com/pxlogin> at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the time set for the Meeting or any adjournment(s) thereof. All instructions are listed in the enclosed form of proxy.

To mitigate risks to the health and safety of the community, the Corporation will also hold the Meeting in a virtual format, which will be conducted via live audio webcast and which will give all Shareholders an opportunity to participate at the Meeting online regardless of their geographic location. Shareholders and duly appointed proxyholders will be able to listen to the Meeting and ask questions by attending the Meeting virtually. Shareholders and duly appointed proxyholders will be able to listen to the Meeting and ask questions by attending the Meeting virtually at by [clicking here to join the Meeting](#) or by dialing (647) 749-5899 using the following guest dial-in code: 953 369 244. **Shareholders attending the Meeting virtually will not be able to vote their Common Shares at the Meeting.**

Non-registered or beneficial Shareholders who do not hold Common Shares in their own name but rather through a broker, financial institution, trustee, nominee or other intermediary must complete and return the voting instruction form provided to them or follow the telephone or internet-based voting procedures described therein in advance of the deadline set forth in the voting instruction form in order to have such Common Shares voted at the Meeting on their behalf.

Only Shareholders of record at the close of business on March 29, 2021 will be entitled to vote at the Meeting, unless that Shareholder has transferred any Common Shares subsequent to that date and the transferee Shareholder, not later than ten (10) days before the Meeting, establishes ownership of such Common Shares and demands that the transferee's name be included on the list of Shareholders entitled to vote at the Meeting.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a company, by a duly authorized officer or attorney of the company.

The persons named in the enclosed form of proxy are our officers. **As a Shareholder, you have the right to appoint a person or company, who need not be a Shareholder, to represent you at the Meeting.** To exercise this right you should insert the name of the desired representative in the blank space provided on the form of proxy.

Advice to Beneficial Holders of Common Shares

The information set forth in this section is of significant importance to you if you do not hold your Common Shares in your own name. Only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of such Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in your account statement provided by your broker, then in almost all cases those Common Shares will not be registered in your name on Headwater's records. Such Common Shares will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of

shares are registered under the name of CDS & Co., the registration name for CDS, which acts as nominee for many Canadian brokerage firms. Common Shares held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your Common Shares. The Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co. are held. The majority of shares held in the United States are registered in the name of Cede & Co., the nominee for The Depository Trust Company, which is the United States equivalent of CDS.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your Common Shares are voted at the Meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications, Canada, which mails a scannable voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternatively, you can call their toll-free telephone number or access the internet to vote your Common Shares. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of such Common Shares to be represented at the Meeting. If you receive a voting instruction form from Broadridge Investor Communications, Canada, it cannot be used as a proxy to vote Common Shares directly at the Meeting, as the proxy must be returned to them well in advance of the Meeting in order to have the Common Shares voted.

Although you may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of your broker, you may attend the Meeting as a proxyholder for the registered holder and vote your Common Shares in that capacity. If you wish to attend the Meeting and vote your Common Shares, you must do so as proxyholder for the registered holder. To do this, you should enter your own name in the blank space on the form of proxy provided to you and return the document to your broker or the agent of such broker in accordance with the instructions provided by such broker well in advance of the Meeting. We strongly encourage you not attend the Meeting and instead cast your vote through your broker or intermediary.

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 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(s) 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 item of business 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 item of business 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 Auditors' Report

Pursuant to the ABCA, the board of directors of the Corporation (the "**Board**") will place before the Shareholders at the Meeting the audited financial statements of the Corporation for the year ended December 31, 2020 and the auditors' 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 nine (9). As such, at the Meeting, Shareholders will be asked to elect nine (9) 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 nine (9) nominees hereinafter set forth:

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

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 term of office of each director nominee will be from the date of the Meeting until the next annual meeting of shareholders or until his or her successor is elected or appointed. At the annual and special meeting of Shareholders held on June 15, 2020 (the "**2020 AGM**"), this resolution was approved with Common Shares voted in favour for the individual directors ranging from 99.88% to 99.98% other than for Ms. Walters and Mr. Sandhar who were appointed to the Board subsequent to the 2020 AGM.

The Board unanimously recommends that the Shareholders vote FOR the election of each of the director nominees and unless instructed otherwise, the persons named in the enclosed form of proxy will vote FOR the election of each of the nominees.

The names, provinces and countries of residence of the persons nominated for election as directors, the number of Common Shares 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 March 29, 2021.

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⁾ 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 North American energy markets, 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)	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	and Institute of Corporate Directors (ICD.D) designations. 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 formerly served on the boards of Rally Energy Corp. and Bankers Petroleum Ltd. 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	469,313
Stephen Larke ⁽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	Mr. Olson is an independent businessman. 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

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⁾
Kam Sandhar ⁽¹⁾⁽⁵⁾ Alberta, Canada Director	Executive Vice President, Strategy & Corporate Development, of Cenovus Energy Inc. since January 2021. Prior thereto, Senior Vice President, Conventional from January to December 2020. Prior thereto, Mr. Sandhar spent nine years at Peters & Co. Limited, where he served as a Principal and oil and gas analyst, covering a wide array of Canadian, U.S., and international oil and gas companies. Mr. Sandhar holds a Bachelor of Commerce (Accounting) degree from the University of Calgary and is a member of the Chartered Professional Accountants of Alberta.	2020	Nil ⁽⁶⁾
Sarah Walters ⁽²⁾⁽⁵⁾ Alberta, Canada Director	Executive Vice President, Corporate Services, of Cenovus Energy Inc. since January 2021. Prior thereto, Senior Vice President, Corporate Services, from 2017 to 2020. Ms. Walters holds a Master of Science degree in Strategic Human Resources & Organizational Development from Dearne Valley Business School in the United Kingdom.	2020	Nil ⁽⁶⁾

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the CG&S Committee (as defined below).
- (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 other than Mr. Sandhar and Ms. Walters, meet or exceed the Corporation's minimum share ownership requirement for directors. As nominees of CMHP under the terms of the Investor Agreement (each as defined below), each of Mr. Sandhar and Ms. Walters are exempt from the share ownership requirements for non-executive directors. See "*Statement of Executive Compensation – Share Ownership Guidelines*".
- (5) Mr. Sandhar and Ms. Walters are the nominees of Cenovus Marten Hills Partnership ("CMHP") pursuant to the investor agreement between the Corporation and CMHP dated December 2, 2020 (the "**Investor Agreement**"). Further details regarding the Investor Agreement are available herein under the heading "*Investor Agreement*" and in the Corporation's annual information form dated March 10, 2021 for the year ended December 31, 2020 (the "**2020 AIF**") which is available on SEDAR at www.sedar.com. A copy of the Investor Agreement is also available on SEDAR at www.sedar.com.
- (6) Does not include the 50,000,000 Common Shares and 15,000,000 Cenovus Warrants (as defined below) held by CMHP. Mr. Sandhar and Ms. Walters are each officers of Cenovus Energy Inc. ("**Cenovus**"), an affiliate of CMHP.

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 CG&S Committee (as defined below) 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 CG&S Committee (as defined below) will be expected to recommend acceptance of the resignation except in exceptional circumstances.

The Board will consider the CG&S Committee's (as defined below) 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 CG&S Committee (as defined below) 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.

Investor Agreement

The Corporation entered into the Investor Agreement on closing of the Cenovus Transaction (as defined below). The Investor Agreement provides CMHP, with among other things, the right to appoint two (2) nominees to the Board if CMHP, together with its affiliates, owns twenty percent (20%) or more of the outstanding Common Shares, or one (1) nominee, if CMHP, together with its affiliates, owns ten percent (10%) or more but less than twenty percent (20%) of the outstanding Common Shares. CMHP currently owns 50,000,000 Common Shares or approximately 25.6% of the issued and outstanding Common Shares, and as such is entitled to appoint two (2) nominees to the Board. Mr. Kam Sandhar and Ms. Sarah Walters are the nominees of CMHP pursuant to the Investor Agreement.

The Investor Agreement terminates at the earlier of (i) the date that CMHP and its affiliates cease to hold 10% or more of the issued and outstanding Common Shares; or (ii) the date on which CMHP delivers a notice of its intent to terminate the Investor Agreement along with executed resignations from each of CMHP's nominees on the Board.

Advance Notice By-law

The Corporation has adopted by-laws (the "**Amended By-laws**") 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.

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. Amendment Resolution

The Articles of the Corporation currently provide that the Board shall consist of not less than three (3) and not more than nine (9) directors. The Board has conditionally approved, subject to approval by the Shareholders, an amendment to the Articles of the Corporation such that the maximum number of directors of the Corporation be increased to thirteen (13) in order to facilitate the appointment of additional directors to the Board, as may be needed to ensure the Board has the appropriate mix of skills and experience to operate effectively, or in connection with strategic activities.

At the Meeting, Shareholders will be asked to consider and if deemed advisable, to pass with or without modification, the following special resolution to amend the Articles of the Corporation to increase the maximum number of directors of the Corporation from nine (9) to thirteen (13) (the "**Article Amendment Resolution**"):

"**Be it resolved**, as a special resolution, that:

1. the Articles of the Corporation are amended by deleting the current minimum and maximum number of directors in its entirety and replacing it with the following pursuant to Section 173(1)(l) of the *Business Corporations Act* (Alberta):

"Minimum of three (3) and maximum of thirteen (13)."
2. any director or officer of the Corporation be and is hereby authorized for and on behalf of the Corporation under the seal of the Corporation or otherwise, to execute and deliver the Articles of Amendment and any and all other documents, certificates, declarations, notices and other instruments in writing respecting the amendment described herein and to do any and all other acts and things, as may in the opinion of such director or officer, be necessary, desirable or advisable in order to give effect to the amendment described herein or these resolutions, such execution and delivery by such director or officer to be conclusive approval of the same by the Shareholders; and
3. without further approval of the Shareholders, the Board is hereby authorized to determine the timing of implementation, or abandon or postpone, the amendments described herein, at their discretion."

Approval of the Article Amendment Resolution requires the approval of the Shareholders by special resolution, being 66 $\frac{2}{3}$ % of the votes cast by Shareholders present in person or represented by proxy at the Meeting.

The Board unanimously recommends that the Shareholders vote FOR the Article Amendment Resolution and unless instructed otherwise, the person named in the enclosed form of proxy will vote FOR the Article Amendment Resolution.

4. 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 ("KPMG LLP") 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. At the 2020 AGM, this resolution was passed with 108,923,808 Common Shares voted in favour (99.82% of Common Shares voted at the meeting).

For information relating to the fees paid to KPMG LLP and PricewaterhouseCoopers LLP, Chartered Professional Accountants, the former auditors of the Corporation, for the two most recently completed financial years see the information set out under the heading "Audit Committee Information" in the 2020 AIF, which is available on SEDAR at www.sedar.com.

The Board unanimously recommends that the Shareholders vote FOR the appointment of auditors and unless instructed otherwise, the persons named in the enclosed form of proxy will vote FOR the appointment of auditors.

INFORMATION CONCERNING THE CORPORATION

Voting Securities and Principal Holders Thereof

As at March 29, 2021, 195,573,999 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 March 29, 2021.

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.

<u>Name</u>	<u>Number of Common Shares</u>	<u>Percentage of Class</u>
CMHP ⁽¹⁾⁽²⁾	50,000,000	25.6%

Notes:

- (1) Based upon information publicly available to the Corporation.
- (2) Does not include the 15,000,000 Cenovus Warrants granted pursuant to the Cenovus Transaction.
- (3) Mr. Sandhar and Ms. Walters are each officers of Cenovus, an affiliate of CMHP.

Private Placements, 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. Brad Christman joined the Corporation as Vice President, Production effective April 1, 2020.

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.

Cenovus Transaction

On November 8, 2020, the Corporation entered into a purchase and sale agreement with Cenovus and an affiliate of Cenovus, CMHP, to acquire 100% of Cenovus' assets in the Marten Hills area of Alberta (the "**Acquired Assets**") from CMHP. Pursuant to the agreement, Headwater acquired a 100% working interest in approximately 2,800 barrels per day of heavy oil production and 270 net sections of Clearwater rights (the "**Cenovus Transaction**"). The Cenovus Transaction closed on December 2, 2020. Consideration paid by Headwater for the Acquired Assets consisted of (i) the issuance to CMHP of 50.0 million Common Shares of the Corporation and 15.0 million Common Share purchase warrants (the "**Cenovus Warrants**") of the Corporation; and (ii) a cash payment of \$32.8 million to CMHP for total consideration of approximately \$135.3 million (prior to customary closing adjustments). Each Cenovus Warrant entitled CMHP to acquire one Common Share at a price of \$2.00 per Common Share for a period of three (3) years. Headwater has the right, after twelve months have elapsed from December 2, 2020 and provided the 20-day volume weighted average trading price of the Common Shares exceeds \$2.00, to require Cenovus to exercise all or a portion of the then-outstanding Cenovus Warrants.

At closing of the Cenovus Transaction, CMHP and Headwater entered into the Investor Agreement as described further above under the heading "**Investor Agreement**" and in the Corporation's 2020 AIF which is available for review at www.sedar.com. In connection with the Cenovus Transaction and in accordance with the terms of the Investor Agreement, Mr. Kam Sandhar and Ms. Sarah Walters were appointed to the Board.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

On March 4, 2020, Mr. Steve Moran and Ms. Lisette Hachey, the former President and Chief Executive Officer and the former Chief Financial Officer of the Corporation were terminated in connection with the Reconstitution of Management, 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 remained members of the Board with the majority of the Board (six out of eight) been appointed as part of the Reconstitution of Management. Although Mr. Martin Fräss-Ehrfeld remained on the Board following completion of the Reconstitution of Management, he did not stand for re-election at the 2020 AGM. On December 2, 2020, Mr. Sandhar and Ms. Walters were appointed to the Board in connection with the closing of the Cenovus Transaction.

Prior to the Reconstitution of Management, the Corporation's compensation programs were administrated by the Corporate Governance Committee. All of the former members of the Corporate Governance Committee resigned as members of the Board. A description of the compensation practices and policies of the Corporation prior to the Reconstitution of Management are set forth herein in Schedule A and have little relevance to the current compensation practices and policies of the Corporation.

The following Compensation Discussion and Analysis provides a description of the compensation practices and policies of the Corporation since the completion of the Reconstitution of Management.

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 ("**CG&S Committee**") and a new mandate (the "**CG&S Mandate**") was adopted for such committee.

The current members of the CG&S Committee are Stephen Larke (Chair), Sarah Walters and Dave 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 CG&S 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 thereto, 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.
- 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 currently serves on the board of Baytex Energy Corp. (since 2018) and is formerly 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 degree in Mechanical Engineering (Honors) from the University of Manitoba.
- Ms. Walters has more than 20 years of international strategic human resources and organizational development experience gained within the rail, health service, and oil and gas industries. She is currently the Executive Vice President, Corporate Services, of Cenovus. Prior to her current role, Ms. Walters held various senior positions within Cenovus including Senior Vice President, Corporate Services (2017-20), Vice President, Human Resources (2015-17), and Vice President, Business Partners and Organization Design (2013-15). Prior to Cenovus, Ms. Walters held the position of Vice President, Human Resources, International Operations West with Talisman Energy (2011-13). Ms.

Walters has a Master of Science degree in Strategic Human Resources and Organizational Development from Dearne Valley Business School in the United Kingdom.

Under the CG&S Mandate, the CG&S 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.

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 CG&S Committee (or its predecessor) in determining the compensation of the directors or executive officers of the Corporation.

2020 Compensation Program

Following the Reconstitution of Management, the New Management Team together with the CG&S Committee considered an appropriate compensation structure for both the executive officers and directors given the Corporation's intended strategy going forward. Immediately following the Reconstitution of Management, Headwater had limited operations and intended to focus on making strategic acquisitions in the western Canadian sedimentary basin. As a result, the compensation structure in 2020 was 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 elements of the compensation for the executive officers in 2020 consisted of: (i) base salary, (ii) discretionary cash bonuses; (ii) Options under the 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 in 2020.

2020 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.

Bonuses

Immediately following the Reconstitution of Management, the CG&S Committee and the Board did not implement any type of formal short-term incentive or cash bonus program given the Corporation's limited operations and the uncertainty about the type of strategic acquisitions that the Corporation might ultimately pursue and complete. It was determined that any payment of cash bonuses or other type of short term incentive to the executive officers would be discretionary and based on an assessment by the CG&S 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. In December 2020, in recognition of the successful completion of the Cenovus Transaction and based on the recommendation of the CEO, the CG&S Committee recommended and the Board approved a cash bonus of \$50,000 to be paid to each executive officer (other than Mr. Roszell). Mr. Roszell specifically requested that he not be paid a bonus. Given the limited operations of the Corporation in 2020, the bonus amounts were very conservative. The 2020 cash bonuses were paid in December 2020.

Options

The grants of Options under the 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 Option Plan. In determining the number of Options to be granted, the CG&S 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 as 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 Option Plan, see "*Incentive Plan Awards*".

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 are available to all employees of the Corporation, and which are comparable to those offered to industry peers.

2021 Compensation Decisions

Following completion of the Cenovus Transaction, in consultation with the CEO, the CG&S Committee made a number of recommendations to the Board on adjustments to the compensation programs of the Corporation for 2021 to reflect the significant change to the business and operations of the Corporation. Although the compensation program will continue to consist of base salaries, cash bonuses, Options under the Option Plan, and other typical benefits and perquisites, adjustments were made to the base salaries of the executive officers to reflect the significant operations that the Corporation intended to undertake in 2021 and a short-term incentive cash bonus plan was put in place. Despite the adjustments in the compensation structure, the compensation program in 2021 remains 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. As a result, the compensation program remains heavily weighted towards Options.

2021 Base Salaries

Mr. Roszell specifically requested that his base salary not be increased and as a result it has been maintained at the \$150,000 level for 2021. The base salary in respect of Jason Jaskela, President and Chief Operating Officer was increased from \$150,000 to \$225,000, and the base salaries for each other executive officer increased from \$150,000 to \$200,000. The change in base salaries recognizes the change in the operations of the Corporation while still maintaining relatively low salary levels relative to peers to maintain the Corporation's ability to increase the salaries as determined appropriate for executive officers with the growth of the Corporation's business.

2021 Short-term Incentive Cash Bonus Plan

In late 2020, the CG&S Committee, with the input from the CEO, began designing a short-term incentive plan ("**STIP**") scorecard to be used for determining cash bonus amounts to be paid to executive officers and staff of Headwater. In designing the STIP scorecard,

the CG&S Committee focused on aligning the interests of executive officers and staff with the interests of Shareholders, while rewarding executive officers and staff for operational excellence and meeting environmental, social and governance ("ESG") objectives. In March 2021, the CG&S Committee recommended, and the Board approved the STIP scorecard to be used to determine 2021 cash bonus amounts. The following sets out the principal elements of the STIP scorecard and the weightings of each element:

- **Shareholder Return** – weighting 50% - Shareholder return is measured based on both absolute total return and total return relative to other companies in the Corporation's peer group.
- **Financial and Operational Performance** – weighting 30% - This is based on Headwater's results in 2021 as compared to targets in the STIP scorecard on certain metrics including proved developed producing recycle ratio (based on trailing netback divided by finding, development and acquisition costs on a barrel of oil equivalent ("BOE") basis), fourth quarter average production, general and administrative expense on a BOE basis and operating and transportation expense on a BOE basis.
- **ESG Objectives** - weighting 20% - This is based on management meeting certain defined strategic, non-siloed ESG objectives including measurement, reporting and target-setting. Specific objectives under this category include establishing greenhouse gas and water usage baselines, setting and achieving targets related to spills and successful technology identification implementation and innovation Also included are preparations for the inaugural ESG report which is expected to include 3-year targets on various ESG matters.
- **Health, Safety and Environmental ("HSE") Performance** – The Board's expectation is that management will carry out its operations following HSE best practices while meeting or exceeding applicable government guidelines and regulations; To that end, HSE performance below targets and expectations can only result in a downward adjustment of bonus amounts as determined in accordance with the STIP scorecard.

Under the cash bonus plan and depending on the Corporation's performance relative to the STIP scorecard, the CEO can be paid anywhere in the range from no bonus to a bonus equal to 160% of his base salary; each of the President and Chief Operating Officer and the Vice-President, Finance and Chief Financial Officer can be paid anywhere in the range from no bonus to a bonus equal to 140% of their respective base salaries; and each of the other Vice-Presidents can be paid anywhere in the range from no bonus to a bonus equal to 90% of their respective base salaries. In addition, under the cash bonus plan, the Board retained the discretion to reassess the amount of the bonuses from the amounts as determined in accordance with the STIP scorecard. The use of discretion may be applied to assess performance to allow the Corporation to adjust its short-term strategies in response to operating in a rapidly changing environment.

Peer Group

In March 2021, the CG&S Committee established a peer group of companies for Headwater to benchmark corporate performance against. The CG&S Committee anticipates using the peer group to evaluate relative total shareholder return for the purposes of the STIP scorecard as well as for potential other benchmarking purposes. The CG&S Committee selected the peer group based on companies that the Corporation would be competing against both for capital and talent. The following companies have been included in the 2021 peer group:

Advantage Oil & Gas Ltd.	Birchcliff Energy Ltd.
Cardinal Energy Ltd.	Enerplus Corp.
Kelt Exploration Ltd.	NuVista Energy Ltd.
Obsidian Energy Ltd.	Paramount Resources Ltd.
Peyto Exploration and Development Corp.	Pipestone Energy Corp.
Storm Resources Ltd.	Surge Energy Inc.
Tamarack Valley Energy Ltd.	

2021 Option Grants

The Option levels for the executive officers remain relatively unchanged in 2021. The CG&S Committee and Board have adopted an "evergreen" approach to the grant of options. As Options vest and are exercisable new Options are granted in equal number. As one-third of Options vest on each of the first, second and third anniversaries of the grant date. As a result, in March 2021 each executive officer was granted approximately one-third of the number of Options granted in March 2020.

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 CG&S 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 CG&S 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); (f) the ability of the Board to use its discretion to alter the bonus amounts awarded from the amounts determined in accordance with the STIP scorecard to protect against unintended consequences; and (g) 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-executive directors. Pursuant to the non-executive director share ownership guidelines, non-executive 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; 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.

On closing of the Cenovus Transaction, given CMHP's significant equity ownership in Headwater and its nomination rights under the Investor Agreement, the share ownership guidelines for non-executive directors were amended to exempt any nominee of CMHP under the terms of the Investor Agreement.

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 hold 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, 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 equity 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 December 31, 2020 being \$2.39 per Common Share; and (ii) the average purchase price of the Common Shares in respect of each director or officer.

Non-Executive Directors

Director	Equity Ownership Guideline	Shareholdings		Guideline Met or Investment Required to Meet Guideline (\$) ⁽¹⁾
		Common Shares Held as at December 31, 2020	Value of Equity Holdings as at December 31, 2020 ⁽³⁾ (\$)	
Kevin Olson ⁽²⁾	Common Shares with a value of not less than \$200,000	2,173,913	5,195,652	Guideline Met
Chandra Henry ⁽²⁾	Common Shares with a value of not less than \$200,000	271,739	649,456	Guideline Met
Phillip Knoll	Common Shares with a value of not less than \$200,000	469,313	1,121,658	Guideline Met
Stephen Larke ⁽²⁾	Common Shares with a value of not less than \$200,000	815,217	1,948,369	Guideline Met
David Pearce ⁽²⁾	Common Shares with a value of not less than \$200,000	543,478	1,298,912	Guideline Met
Kam Sandhar	N/A ⁽⁴⁾	Nil	Nil	N/A ⁽⁴⁾
Sarah Walters	N/A ⁽⁴⁾	Nil	Nil	N/A ⁽⁴⁾

Notes:

- (1) 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. Mr. Sandhar and Ms. Walters were appointed to the Board on December 2, 2020 in connection with the Cenovus Transaction. Mr. Knoll served as a director of Corridor Resources Inc. and remained on the Board following the Reconstitution of Management.

- (2) 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.
- (3) Valued as at December 31, 2020 based on the closing price on the TSX of \$2.39 per Common Share.
- (4) As nominees of CMHP under the terms of the Investor Agreement, each of Mr. Sandhar and Ms. Walters are exempt from the share ownership requirements for non-executive directors. CMHP, an affiliate of Cenovus, holds 50,000,000 Common Shares and 15,000,000 Cenovus Warrants.

Executive Officers

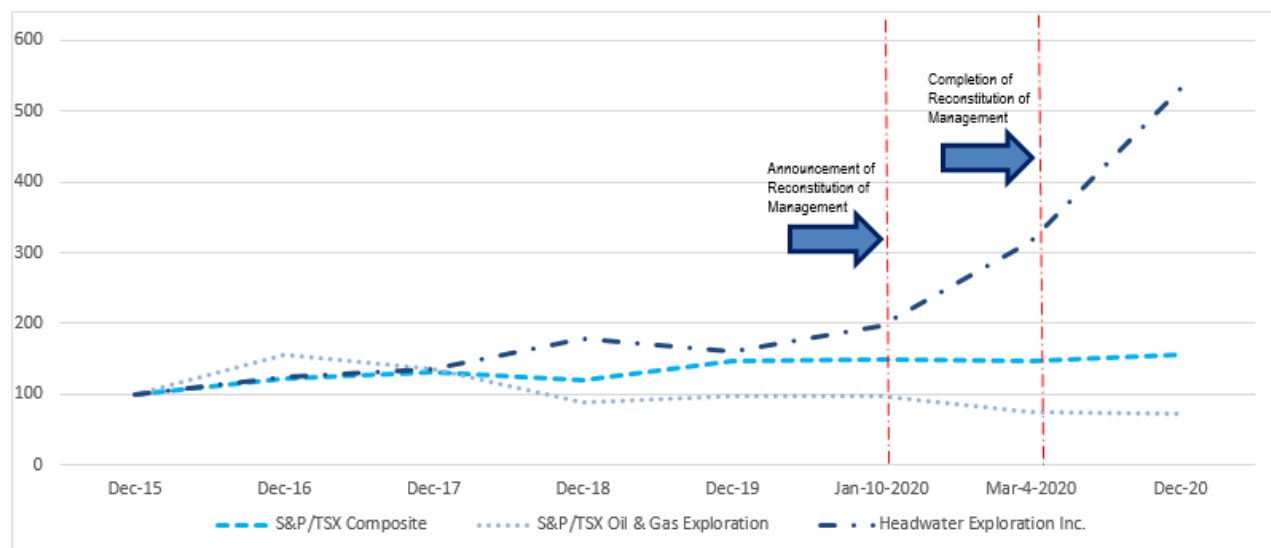
Officer	Equity Ownership Guideline		Shareholdings			Guideline Met or Investment Required to Meet Guideline ⁽²⁾
	Multiple of Annual Compensation	Amount of Annual Base Salary (\$)	Common Shares Held as at December 31, 2020	Value of Equity Holdings Held as at December 31, 2020 (\$) ⁽¹⁾	Holdings as Multiple of Base Salary	
Neil Roszell	3x	150,000	1,586,956	3,792,825	25.3x	Guideline Met
Jason Jaskela	1x	225,000	4,347,840	10,391,338	46.2x	Guideline Met
Ali Horvath	1x	200,000	543,478	1,298,912	6.5x	Guideline Met
Brad Christman	1x	200,000	543,478	1,298,912	6.5x	Guideline Met
Jonathan Grimwood	1x	200,000	1,000,000	2,390,000	12.0x	Guideline Met
Terry Danku	1x	200,000	1,521,738	3,636,954	18.2x	Guideline Met
Scott Rideout	1x	200,000	543,477	1,298,910	6.5x	Guideline Met

Notes:

- (1) Valued as at December 31, 2020 based on the closing price on the TSX of \$2.39 per Common Share.
- (2) Executive officers have three years from their appointment to meet the target Common Share ownership. Each of the executive officers, other than Mr. Christman, was appointed on March 4, 2020 and therefore each has until March 4, 2023 to meet the target Common Share ownership. Mr. Christman was appointed on April 1, 2020 and therefore each has until April 1, 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 January 1, 2016 and ending December 31, 2020.



	2015/12/31	2016/12/30	2017/12/31	2018/12/31	2019/12/31	2020/12/31
Headwater Exploration Inc.	\$100	\$124	\$136	\$178	\$160	\$531
S&P/TSX Composite Index	\$100	\$121	\$132	\$120	\$148	\$156
S&P/TSX Oil & Gas Exploration & Production Index	\$100	\$156	\$135	\$89	\$98	\$73

Upon completion of the Reconstitution of Management, both of the Former NEOs (as defined in Schedule A) 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 were still members of the Board immediately thereafter, with the majority of the Board (six out of eight) appointed as part of the Reconstitution of Management. During the balance of 2020, Mr. Fräss-Ehrfeld, a director who held office prior to the Reconstitution of Management, did not stand for re-election at the 2020 AGM and Mr. Sandhar and Ms. Walters were appointed to the Board in connection with the Cenovus Transaction. As a result, the trend shown in the above graph (other than in respect of a portion of the trend line for the year ended December 31, 2020) and the compensation decisions made by the former Corporate Governance Committee and Board are not relevant to the Corporation's current compensation programs for the 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 trend line for the year ended December 31, 2020 is relevant, for the most part, to the compensation decisions made by the CG&S Committee and the Board for the Named Executive Officers. During the year ended December 31, 2020, the price of the Common Shares significantly outperformed both the S&P/TSX Composite Index and the S&P/TSX Oil & Gas Exploration & Production Index. The compensation program for the current Named Executive Officers implemented by the CG&S Committee following the Reconstitution of Management is not reflective of the total return on the Common Shares for the same period as the CG&S Committee and the Board set salaries far below those paid at comparable companies. The CG&S Committee did however grant Options to Named Executive Officers to align their interests with the long-term accretion in the value of the Common Shares through strategic acquisitions and development of the Corporation's assets and the number of Options granted took into account the low base salaries paid to the Named Executive Officers. The Named Executive Officers (other than Mr. Roszell) were awarded bonuses for the year ended December 31, 2020 however the quantum paid to each officer was conservative and not reflective of the significant increase in return

on the Common Shares during the same period. It is expected that in 2021, bonus amounts will be governed by corporate performance as outlined above under "- 2021 Short-term Incentive Cash Bonus Plan".

The total compensation for the Named Executive Officers is affected by increases and decreases in the trading price of Common Shares as the value of option-based awards increase or decrease as the trading price of the Common Share increases or decreases. Option-based awards and bonuses represent "at risk" compensation which help align the total return on the Common Shares and the compensation received by our Named Executive Officers. This distinction is important because a significant portion of NEO total compensation is in the form of long term incentives, which are directly linked to performance, and therefore the actual payout values can vary significantly from the value reported in the Summary Compensation Table.

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 2020 AIF.

Summary Compensation Table

The following table sets forth for the year ended December 31, 2020, information concerning the compensation paid to the New Management Team, comprised of the Chair and Chief Executive Officer ("CEO"), the President and Chief Operating Officer ("COO"), the Vice President of Finance and Chief Financial Officer ("CFO"), the Vice President of Engineering and the Vice President of Exploration (each a "Named Executive Officer" or "NEO" and collectively, the "Named Executive Officers" or "NEOs").

Information in respect of the compensation paid to the former President and CEO and the former Chief Financial Officer (together, the "Former NEOs") for the years ended December 31, 2020, 2019, and 2018 is set forth in Schedule A hereto. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*".

Name and principal position	Year ⁽¹⁾	Salary (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation (\$)		All other compensation ⁽⁵⁾ (\$)	Total compensation (\$)
				Annual incentive plans ⁽³⁾ (\$)	Long-term incentive plans ⁽⁴⁾ (\$)		
Neil Roszell Chair and CEO	2020	125,000	424,372	Nil	Nil	Nil	549,372
Jason Jaskela President and COO	2020	125,000	339,497	50,000	Nil	Nil	514,497
Ali Horvath Vice President, Finance and CFO	2020	125,000	339,497	50,000	Nil	Nil	514,497
Jonathan Grimwood Vice President, Exploration	2020	125,000	339,497	50,000	Nil	Nil	514,497
Terry Danku Vice President, Engineering	2020	125,000	339,497	50,000	Nil	Nil	514,497

Notes:

- (1) The year includes March 5, 2020 to December 31, 2020, as the New Management Team was appointed on March 4, 2020 following the Reconstitution of Management. On March 25, 2020, the Board approved annual salaries of \$150,000 for each of the Named Executive Officers. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*".
- (2) 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 ("IFRS"). This calculation was based on a risk-free interest rate of 0.3%, dividend yield of 0%, expected volatility of 61% and an expected life of 4 years resulting in an Option value of \$0.57. 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 share price of the Corporation's peer group. 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.

- (3) Amounts per year reflect bonuses earned and paid with respect to such year's performance. Mr. Roszell specifically requested not to be paid a bonus.
- (4) The Corporation does not have any non-equity long-term incentive plans.
- (5) Certain perquisites have not been included in the above table as the aggregate value of such perquisites per Named Executive Officer are not worth more than \$50,000 or 10% of such Named Executive Officer's salary.
- (6) The Corporation does not have any share-based awards which may be granted to employees of the Corporation.
- (7) The Corporation does not provide any pension benefits.

Incentive Plan Awards

Stock Option Plans

Option Plan

On March 25, 2020, the Board approved the adoption of a new share option plan for the Corporation (the "**Option Plan**"), which was approved by Shareholders at the 2020 AGM. The Board adopted the 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. A description of the 2008 Option Plan is set forth in Schedule B to this Information Circular.

The following description of the Option Plan is qualified, in its entirety, to the terms of the Option Plan. The full text of the Option Plan is attached as Schedule "A" to the management information circular dated April 27, 2020 prepared in respect of the 2020 AGM. Capitalized terms used in this section and not otherwise defined therein are defined in the Option Plan.

The purpose of the 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 Option Plan is administered by the Board (which may delegate its authority to the CG&S Committee or other committee), which has authority to interpret the 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 Option Plan. Options granted under the Option Plan do not entitle the holder to any rights as a securityholder.

The Board sets the term of the Options granted under the Option Plan provided that such term does not exceed a maximum term of six (6) years. Currently, there are 9,715,000 Options granted under the 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. 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 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 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 Option Plan, Options may be granted in respect of Common Shares provided that the aggregate number of Common Shares reserved for issuance under the 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 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 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 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-executive directors shall not exceed 1% of the Common Shares outstanding from time to time and the aggregate value of Options granted to any non-executive director in any one year period shall not exceed \$100,000.

The Board has discretion to make amendments to the 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 Option Plan; (iii) increase the number of Common Shares that may be reserved for issuance pursuant to the exercise of Options granted to non-executive directors under the Option Plan; (iv) extend the expiry date of any outstanding Options under the 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 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 Option Plan.

Under the 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 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 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 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 Option Plan, and Headwater shall be relieved of its obligations thereunder.

As at March 29, 2021, the Corporation had Options to acquire 1,205,835 Common Shares (representing approximately 1% of the outstanding Common Shares) outstanding under the 2008 Option Plan and Options to acquire 9,715,000 Common Shares (representing approximately 5% of the outstanding Common Shares) outstanding under the Option Plan, for a total of Options to acquire 10,920,835 Common Shares (representing approximately 6% of the outstanding Common Shares) under the 2008 Option Plan and the Option Plan.

Outstanding Option-based Awards

The following table sets forth for each Named Executive Officer, all option-based awards outstanding as at December 31, 2020. No share-based awards were held by any Named Executive Officers as at December 31, 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⁾⁽²⁾ (\$)
Neil Roszell Chair and CEO	750,000	1.06	March 27, 2024	997,500
Jason Jaskela President and COO	600,000	1.06	March 27, 2024	798,000
Ali Horvath Vice President, Finance and CFO	600,000	1.06	March 27, 2024	798,000
Jonathan Grimwood Vice President, Exploration	600,000	1.06	March 27, 2024	798,000
Terry Danku Vice President, Engineering	600,000	1.06	March 27, 2024	798,000

Notes:

- (1) Calculated based on the closing price of the Common Shares on December 31, 2020 of \$2.39 and the exercise price of the Options.
(2) All outstanding option-based awards reflected in the table above were unvested as at December 31, 2020.

Incentive Plan Awards – Value Vested or Earned During the Year

During the year ended December 31, 2020, each Named Executive Officer, other than Mr. Roszell who specifically requested not to be awarded any non-equity incentive plan compensation, earned \$50,000 of non-equity incentive plan compensation. In addition, during the year ended December 31, 2020, none of the NEOs held any share-based awards and all option-based awards held by the NEOs remained unvested.

Pension Plan Benefits

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

Termination and Change of Control Benefits

The Corporation does not have any employment agreements, change of control agreement or other arrangements with the Named Executive Officers that provide for payments in connection with termination, resignation, change of control or a change in the NEO's responsibilities.

Under the Option Plan, if a "Change of Control" (as defined in the Option Plan) occurs and within six (6) months of the Change of Control, a Named Executive Officer is terminated without cause or resigns for "Good Reason" (as defined in the Option Plan), all unvested Options held by the Named Executive Officer will vest and all outstanding Options held by the NEO will be exercisable for 90 days following the termination of the Named Executive Officer's employment with the Corporation.

Name	Option Value ⁽¹⁾
Neil Roszell	997,500
Jason Jaskela	798,000
Ali Horvath	798,000
Jon Grimwood	798,000
Terry Danku	798,000

Note:

(1) Options have been valued using the December 31, 2020 closing price of the Common Shares on the TSX of \$2.39.

Director Compensation

Following the Reconstitution of Management, the CG&S Committee met to review and consider the compensation program for non-executive directors going forward. The CG&S 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-executive directors of the Corporation effective as of March 4, 2020 and to cease grants of DSUs under the DSU Plan. The CG&S Committee recommended that each of the non-executive 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-executive directors with Shareholders' interests in increasing the value of the Common Shares over the long-term. The CG&S Committee will continue to evaluate the compensation programs in relation to the non-executive 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 CG&S 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-executive directors effective March 27, 2020.

Information in respect of the compensation paid to the directors of the Corporation who ceased to be directors in the year ended December 31, 2020 (Messrs. Douglas J. Foster, Martin Fräss-Ehrfeld, James S. McKee and Norman W. Miller (collectively, the "Former Directors")) is set forth in Schedule A hereto. Mr. Steve Moran, the former President and Chief Executive Officer of the Corporation was also a director of the Corporation prior to the Reconstitution of Management but did not receive any compensation in his role as such.

Directors' Summary Compensation Table

The following table sets forth, for the year ended December 31, 2020, information concerning the compensation paid to the Corporation's directors during the year ended December 31, 2020, other than directors who were also Named Executive Officers and the Former Directors.

Name ⁽¹⁾⁽²⁾	Salary/Fees earned (\$) ⁽³⁾	Share-based awards (\$) ⁽⁴⁾	Option-based awards ⁽⁵⁾ (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total (\$)
Kevin Olson	Nil	Nil	100,431	Nil	Nil	100,431
Chandra Henry	Nil	Nil	100,431	Nil	Nil	100,431
Stephen Larke	Nil	Nil	100,431	Nil	Nil	100,431
Dave Pearce	Nil	Nil	100,431	Nil	Nil	100,431
Phillip R. Knoll	6,667	Nil	100,431	Nil	Nil	107,098
Kam Sandhar	Nil	Nil	97,917	Nil	Nil	97,917
Sarah Walters	Nil	Nil	97,917	Nil	Nil	97,917

Notes:

- (1) On March 4, 2020 in connection with the Reconstitution of Management, Messrs. Roszell, Jaskela, Olson, Larke, Pearce and Ms. Henry were appointed to the Board.
- (2) On December 2, 2020, Mr. Sandhar and Ms. Walters were appointed to the Board in connection with the Cenovus Transaction.
- (3) Mr. Knoll received director fees prior to the Reconstitution of Management. Refer to Schedule A for a description of historical compensation practices prior to the Reconstitution of Management.
- (4) On May 12, 2014, the Board adopted the deferred share unit plan (the "DSU Plan"). The DSU Plan authorized the Board to grant deferred share units ("DSUs") to non-executive directors. In accordance with the DSU Plan, DSUs do not entitle holders thereof to any Common Shares upon redemption, but rather cash payment. 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 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 no later than sixty (60) business days after the applicable redemption date. On March 25, 2020, the Board approved the termination of any grants of DSUs under the DSU Plan.
- (5) 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-executive directors. A description of the 2008 Option Plan is set forth in Schedule B hereto. The grant date fair value for compensation purposes is calculated using the Black-Scholes option pricing methodology with the following assumptions: risk-free interest rate of 0.6%, dividend yield of 0%, expected volatility of 63% and an expected life of 4 years resulting in an Option value of \$0.50. On December 15, 2020, 120,000 Options were granted to both Mr. Sandhar and Ms. Walters under the Option Plan following their appointment to the Board on December 2, 2020. The fair value of the options granted to both Mr. Sandhar and Ms. Walters was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: risk-free interest rate of 0.3%, dividend yield of 0%, expected volatility of 56% and an expected life of 2.5 years resulting in an Option value of \$0.82.

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

The following table sets forth, for each of the Corporation's directors as at December 31, 2020, other than directors who were also Named Executive Officers and the Former Directors, information regarding all option-based and share-based awards held by each director as at December 31, 2020.

Name ⁽¹⁾⁽²⁾	Option-based Awards ⁽³⁾				Share-based Awards ⁽⁶⁾		
	Common Shares underlying unexercised Options (#)	Exercise prices of Options (\$)	Option expiration dates	Value in unexercised in-the-money Options (\$) ⁽⁴⁾	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 ⁽⁵⁾ (\$)
Kevin Olson	200,000	1.06	March 27, 2024	266,000	Nil	N/A	N/A
Chandra Henry	200,000	1.06	March 27, 2024	266,000	Nil	N/A	N/A
Stephen Larke	200,000	1.06	March 27, 2024	266,000	Nil	N/A	N/A
Dave Pearce	200,000	1.06	March 27, 2024	266,000	Nil	N/A	N/A
Phillip R. Knoll	200,000	1.06	March 27, 2024	266,000	Nil	N/A	90,703

	Option-based Awards ⁽³⁾				Share-based Awards ⁽⁶⁾		
Kam Sandhar	120,000	2.39	December 15, 2024	-	Nil	N/A	N/A
Sarah Walters	120,000	2.39	December 15, 2024	-	Nil	N/A	N/A

Notes:

- (1) On March 4, 2020 in connection with the Reconstitution of Management Messrs. Roszell, Jaskela, Olson, Larke, Pearce and Ms. Henry were appointed to the Board.
- (2) On December 2, 2020, Mr. Sandhar and Ms. Walters were appointed to the Board in connection with the Cenovus Transaction.
- (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-executive directors. On December 15, 2020, 120,000 Options were granted to both Mr. Sandhar and Ms. Walters under the Option Plan following their appointment to the Board on December 2, 2020.
- (4) Calculated based on the closing market price of the Common Shares on December 31, 2020 \$2.39 and the exercise price of the Options.
- (5) 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, 2020 (\$2.39).
- (6) 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.

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

During the year ended December 31, 2020, none of the Options held by any of the directors vested. The directors of the Corporation (other than the Former Directors) have not been granted any share-based awards and no non-equity incentive plan compensation was earned during the year ended December 31, 2020.

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, 2020.

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 and Option Plan)	7,977,502	1.32	7,630,977
Equity compensation plans not approved by securityholders ⁽²⁾	N/A	N/A	N/A
Total	7,977,502	1.32	7,630,977

Notes:

- (1) Equity securities are authorized for issuance under the 2008 Option Plan and the Option Plan. See "Statement of Executive Compensation – Stock Option Plans" above.
- (2) 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⁾ (%)
2020	7,905,000	139,378,984	5.7
2019	225,000	88,472,042	0.3
2018	1,782,500	88,700,023	2.0

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, 2020, 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 seven (7) 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
 Kam Sandhar
 Sarah Walters

- (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 of the Corporation. 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 seven of nine) are independent. Seven of the nine 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):

<u>Name</u>	<u>Name of Reporting Issuer</u>
Stephen Larke	Topaz Energy Corp. 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, as determined necessary 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. 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, 2020 was Neil J. Roszell. Mr. Roszell was not an independent director within the meaning of Section 1.4 of National Instrument 52-110 – *Audit Committees* and NI 58-101 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, 2020 to the date of this Information Circular is as follows:

<u>Name of Director ⁽¹⁾⁽²⁾</u>	<u>Attendance Record</u>	<u>Meeting Type</u>
Neil J. Roszell ⁽³⁾	8 out of 8 8 out of 8 (100%)	Board Total
Jason Jaskela ⁽³⁾	8 out of 8 8 out of 8 (100%)	Board Total
Chandra Henry ⁽³⁾	8 out of 8 5 out of 5	Board Audit Committee

<u>Name of Director ⁽¹⁾⁽²⁾</u>	<u>Attendance Record</u>	<u>Meeting Type</u>
	3 out of 3 ⁽⁵⁾ 16 out of 16 (100%)	CG&S Committee Total
Phillip R. Knoll	11 out of 11 4 out of 4 15 out of 15 (100%)	Board Reserves Committee Total
Stephen Larke ⁽³⁾	8 out of 8 4 out of 4 ⁽⁵⁾ 4 out of 4 16 out of 16 (100%)	Board Audit Committee CG&S Committee Total
Kevin Olson ⁽³⁾	8 out of 8 5 out of 5 2 out of 2 15 out of 15 (100%)	Board Audit Committee Reserves Committee Total
David Pearce ⁽³⁾	8 out of 8 4 out of 4 2 out of 2 14 out of 14 (100%)	Board CG&S Committee Reserves Total
Kam Sandhar ⁽⁴⁾	2 out of 2 1 out of 1 ⁽⁵⁾ 3 out of 3 (100%)	Board Audit Committee Total
Sarah Walters ⁽⁴⁾	2 out of 2 1 out of 1 ⁽⁵⁾ 3 out of 3 (100%)	Board CG&S Committee Total

Notes:

- (1) The Board was reconstituted on March 4, 2020 pursuant to the Reconstitution of Management and on such date Messrs. Foster, Moran, Miller and McKee ceased to be directors of the Corporation. As such, the meeting attendance records for such directors have not been included in the above table. Each of such directors had a 100% attendance record for the Board and committee meetings held during the period from January 1, 2020 to March 4, 2020.
- (2) Mr. Fräss-Ehrfeld ceased to be a director on June 15, 2020 and as such the meeting attendance record for Mr. Fräss-Ehrfeld has not been included in the above table. Mr. Fräss-Ehrfeld attended 43% of the Board meetings (he did not serve on any committees of the Board) between January 1, 2020 and June 15, 2020.
- (3) Upon completion of the Reconstitution of Management on March 4, 2020, 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 the date hereof.
- (4) Mr. Kam Sandhar and Ms. Sarah Walters were appointed to the Board on December 2, 2020. As such, the meeting attendance records for such directors covers the period from December 2, 2020 to the date hereof.
- (5) On December 11, 2020, following the appointment of Mr. Sandhar and Ms. Walters to the Board, Mr. Sandhar replaced Mr. Larke on the Audit Committee and Ms. Walters replaced Ms. Henry on the CG&S Committee.

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 CG&S 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 provides 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 CG&S 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; however, presentations are made regularly to the Board and committees to educate and inform them of changes within the Corporation and where appropriate other subjects such as regulatory and industry requirements and standards, capital markets, technology, 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.

In addition to education opportunities undertaken by Headwater's directors individually, the following table lists education topics provided by Headwater to its directors in 2020.

Director Education Provided in 2020

Date	Topic	Presented by	Attended by
December 2020	Emerging Technology in Oil and Gas Industry	Terrahub Technology Innovation	All Directors

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. Directors of the Corporation have the responsibility for ensuring that they maintain the skills and knowledge necessary to meet their obligations as a director.

5. Ethical Business Conduct

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

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 acknowledgements that they have read and understand the Code on an annual basis. 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 an annual 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 CG&S 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 CG&S 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. In addition, the CG&S Committee also considers the diversity of the Board and considers whether there are any nominees that are women or from other under-represented groups that have skills and experience that are complementary to the skills and experience of the existing Board members.

The CG&S 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 CG&S 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 CG&S 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 CG&S 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 CG&S 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 considering 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 risks and opportunities 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 and opportunities, 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 stress-tested 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 CG&S Committee's mandate;
- administer incentive plans implemented by the Corporation; and
- report on executive officer compensation on an annual basis.

The CG&S 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 CG&S 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 CG&S Committee, meetings of the CG&S Committee are to take place as frequently as necessary in order for the CG&S 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 CG&S 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 CG&S 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.**

Our CG&S Committee is responsible for evaluating the effectiveness of the Board, its committees and individual directors. In early 2021, each of the members of the Board completed an evaluation of their own skills and contributions to the Corporation as well as a peer review of the skills and contributions of the other members of the Board. The directors also provided feedback on their views of the effectiveness of the Board and each of its committees. The CG&S Committee used these evaluations to review the skills and experience of our directors to assess whether the Board's skills and experience needed to be strengthened in any area. The CG&S Committee also assessed the knowledge and character of all directors and other factors such as independence of the directors to ensure that our Board is operating effectively and independently of management. As a result of the evaluations conducted, the CG&S Committee determined that the Board as a whole has the necessary skills and experience for a company of the size of Headwater operating in the oil and gas industry. In addition, the CG&S Committee came to a view that the Board and each of its committees is operating effectively and the size and composition of each is appropriate.

Succession Planning

The CG&S Committee has the responsibility to review and recommend a succession plan with respect to our senior officers; however, due to the importance of ensuring that Headwater always has the most qualified personnel in senior management positions, discussions of succession plans generally take place at Board meetings for review and consideration by the full Board. While succession planning is considered by the Board on a regular basis when having broader discussions of corporate strategy matters, specific discussions of succession plans are periodically scheduled at CG&S or Board meetings

as agenda items to ensure that the matter receives the necessary time for consideration and review by the CG&S and/or Board.

Given that the entire management team has served in that capacity for just over a year, the focus of succession planning to date has been on making sure that there are suitable successors within the organization for each key management position to ensure a continuity of business if an unforeseen event results in the loss of any key personnel. Together with management, the Board assesses the skills and experience of the successors for the key management positions to determine what skills and experience they need to acquire or improve on to effectively fill such key management position if the need arises. The Board also ensures that the successors for key management positions have mentors (either internal or external) or access to the necessary training to help develop any skills or experience needed to effectively fill such key management positions.

10. **Director Term Limits and Other Mechanisms of Board Renewal**

All of the current directors of the Corporation other than Phillip Knoll were recently appointed to the Board on or following March 4, 2020. As such, the Corporation has not adopted fixed term limits, mandatory retirement ages or other mechanisms for board renewal.

In addition, the Board does not believe that fixed term limits or mandatory retirement ages are in the best interest of the Corporation. While term limits and mandatory retirement ages ensure fresh viewpoints on a board of directors, they also cause a company to lose the valuable contributions of those directors who best understand the business of such company and the challenges it faces.

However, when considering nominees for the Board on an annual basis, the CG&S Committee reviews 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 CG&S Committee also assesses 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 CG&S 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 CG&S 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.

As indicated above, the CG&S Committee annually reviews the skills and experience of the current directors of Headwater to assess whether the Board's skills and experience need to be strengthened in any area. In conducting its annual review, the CG&S Committee evaluates the skills and experience of the individual Board members and the Board as a whole.

The director skills matrix below provides a listing of skills and competencies that the Board has determined are important to Headwater's continuing success and which of those skills and competencies each of the current directors of the Corporation possess.

Board Skills and Competencies

Name	Competencies											
	Executive Leadership	Oil and Gas Operations	Financial Literacy	Corporate Governance	Strategic Planning/Business	Human Resources	Sustainability	Health & Safety	Information Technology	Enterprise Risk Management	Government Relations	Reserve Evaluation
Neil Roszell	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Jason Jaskela	✓	✓	✓	✓	✓	✓	✓	✓			✓	
Chandra Henry	✓		✓	✓	✓	✓				✓		
Phillip R. Knoll	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	
Stephen Larke	✓		✓	✓	✓	✓	✓	✓		✓		
Kevin Olson	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓
David Pearce	✓	✓		✓	✓		✓	✓		✓		✓
Kam Sandhar	✓	✓	✓	✓	✓		✓			✓		✓
Sarah Walters	✓			✓	✓	✓	✓	✓	✓	✓		

Definitions of competencies:

- (1) **Executive leadership:** Leading an organization or major business segment of an organization.
- (2) **Oil and Gas Operations:** Executive or management experience in aspects of oil and gas operations, including development, exploration, production and marketing.
- (3) **Financial literacy:** Ability to assess and analyze financial statements, executive experience in financial reporting, accounting and corporate finance.
- (4) **Corporate governance:** Experience as a senior executive or board member of public and/or private organizations.
- (5) **Strategic planning/business development:** Executive or management expertise in strategic planning/execution including growth via organic methods or mergers and acquisitions.
- (6) **Human Resources:** Executive or management expertise in creating a strong corporate culture, talent management, succession and compensation.
- (7) **Sustainability:** Executive or management experience/knowledge of environmental risks/opportunities (climate change, emission reduction, renewable energy) and social (community initiatives, stakeholder engagement and human rights).
- (8) **Health & Safety:** Experience in workplace health and safety, regulation of oil and gas activity.
- (9) **Information Technology:** Experience or familiarity with cyber-security, use of AI/Machine learning in oil and gas operations.
- (10) **Enterprise Risk Management:** Executive or management experience in evaluating organizational risk/opportunity.
- (11) **Government relations:** Broad exposure to legal/regulatory, political and public policy at local, provincial and national levels.
- (12) **Reserve evaluation:** General experience with or executive responsibility for oil and gas reserve evaluations.

11. **Policies Regarding the Representation of Women on the Board**

As the Board was just recently reconstituted as part of the Reconstitution of Management and also added two new directors pursuant to the terms of the Investor Agreement concurrently with the closing of the Cenovus Transaction, 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 and members of other under-represented groups as 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 and members of other under-represented groups 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**

The representation of women on the Board was an important consideration at the time of the Reconstitution of Management was being negotiated. In considering the Board members to be appointed upon completion of the Reconstitution of Management, the Investors actively sought out women candidates who had the necessary skills and experience that the Board required. As a result, one of the four new independent directors added to the Board upon the completion of the Reconstitution of Management is a woman.

In addition, in negotiation of the Cenovus Transaction and in the nominees of Cenovus to be added to the Board upon completion of the Cenovus Transaction, the Board and the management team of Headwater were deliberate in seeking qualified women and members of other under-represented groups as Board members who had the skills and experience to complement the skills and experience of the existing Board members. As a result, one of the two directors added to the Board pursuant to the terms of the Investor Agreement is a woman and one of the two directors added to the Board is a visible minority.

As the Board was just recently reconstituted as part of the Reconstitution of Management and also added two new directors pursuant to the terms of the Investor Agreement concurrently with the closing of the Cenovus Transaction, 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 candidates with the particular skills, knowledge and expertise required for the Board who are women or from other under-represented groups. 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 candidates with the particular skills, knowledge and expertise required by the organization who are women or from other under-represented groups. 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 and representation from under-represented groups, which promote diversity among its executive officers.

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

The Board was just recently reconstituted as part of the Reconstitution of Management and also added two new directors pursuant to the terms of the Investor Agreement concurrently with the closing of the Cenovus Transaction. As a result, at the present time the Board does not believe it needs to add or replace any members of the Board or of the management team. As such, the Board has not adopted specific numerical targets regarding the number of women on the Board or in executive officer positions; however, in 2020, the Board did add two women and one visible minority as members of the Board. 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 are presently two women serving on the Board, representing 22% of the current directors and 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.

In addition there is presently one member of a visible minority group serving on the Board, representing 11% of the current directors and proposed nominees as directors at the Meeting. As of the date hereof, no member of any visible minority group serves in an executive officer position at the Corporation.

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, 2020, 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 its subsidiary, in either case at any time since the beginning of the year ended December 31, 2020.

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 current auditor, KPMG LLP, Chartered Professional Accountants, Calgary, Alberta and its former auditor, PricewaterhouseCoopers LLP, Chartered Professional Accountants, Halifax, Nova Scotia, is contained in the 2020 AIF, 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 its subsidiary. 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.

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, 2020 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 HISTORICAL COMPENSATION PRACTICES AND OTHER INFORMATION

The disclosure in relation to the compensation practices and policies of the Corporation prior to March 4, 2020 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 12, 2019 (the "2019 Information Circular") for the annual meeting of the Shareholders held on May 14, 2019.

During the period from January 1, 2020 to March 4, 2020 (the "Pre-Headwater Period"), 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.

During the Pre-Headwater Period, 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 Schedule B of this Information Circular.

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.

Summary Compensation Table

The following table sets forth for the year ended December 31, 2020, information concerning the compensation paid to the Former NEOs for the years ended December 31, 2020, 2019, and 2018. See "Information Concerning the Corporation – Private Placements and Reconstitution of Management".

Name and principal position	Year	Salary (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation (\$)		All other compensation ^{(5),(7)} (\$)	Total compensation (\$)
				Annual incentive plans ⁽³⁾ (\$)	Long-term incentive plans ⁽⁴⁾ (\$)		
Steve Moran Former President and CEO	2020 ⁽¹⁾	53,133	-	-	-	668,737	721,870
	2019	296,738	-	21,926	-	29,454	348,118
	2018	287,575	197,362	-	-	28,758	513,695
Lisette Hachey Former Chief Financial Officer	2020 ⁽¹⁾	34,036	-	-	-	332,854	366,890
	2019	190,081	-	18,727	-	-	208,808
	2018	180,806	109,693	20,000	-	-	310,499

Notes:

- (1) Reflects the Pre-Headwater Period.
- (2) 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 IFRS. This calculation was based on a risk-free interest rate of: 2019 – 1.6% and 2018 – 2.0%; an expected life of: 2019 – 4.5 years and 2018 – 4.0 years; an expected forfeiture rate of: 2019 – 6.7% and 2018 – 7.0%; and an expected volatility of: 2019 – 66% and 2018 – 68%. 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 this Summary Compensation Table.
- (3) Amounts per year reflect bonuses earned with respect to such year's performance.
- (4) Prior to the Reconstitution of Management, the Corporation did not have any non-equity long-term incentive plans.
- (5) For 2018 and 2019, payments reflect amounts payable 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 and all amounts owing under the employee share purchase plan were paid out.
- (6) None of the former NEOs hold, or have ever been granted, share-based awards. The Corporation does not provide any pension benefits.
- (7) Compensation in 2020 reflects termination payments made on March 4, 2020 to each of the Former NEOs in connection with the Reconstitution of Management.

Outstanding Option-based Awards

Neither of the Former NEOs held any option-based awards as at December 31, 2020. Pursuant to the 2008 Option Plan, a holder may exercise an Option within ninety (90) days of ceasing to be an employee, director or officer of the Corporation, to the extent that on the date the individual ceased to be an employee, director or officer of the Corporation such Options were exercisable. As a result of the Reconstitution of Management on March 4, 2020, all Options held by Mr. Moran and Ms. Hachey expired on or before June 4, 2020 to the extent they remained unexercised.

Incentive Plan Awards – Value Vested or Earned During the Year

During the year ended December 31, 2020 no option-based awards vested nor was any value of non-equity incentive plan compensation earned during the year ended December 31, 2020 by the former NEOs.

Director Compensation

Prior to the Reconstitution of Management, 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 DSUs under 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 Messrs. Moran, Foster, McKee and Miller resigned as directors as part of the Reconstitution of Management. See "*Information Concerning the Corporation – Private Placements and Reconstitution of Management*". Mr. Fräss-Ehrfeld did not stand for re-election at the 2020 AGM and ceased to be a director on June 15, 2020.

Directors' Summary Compensation Table

The following table sets forth, information concerning the compensation earned to the Former Directors during the year ended December 31, 2020.

Name ⁽¹⁾⁽²⁾	Salary/Fees earned ⁽³⁾ (\$)	Share-based awards ⁽⁴⁾ (\$)	Option-based awards ⁽⁵⁾ (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total (\$)
Douglas J. Foster	15,000	49,412	Nil	Nil	Nil	64,412
Martin Fräss-Ehrfeld	Nil	Nil	Nil	Nil	Nil	Nil
James S. McKee	6,667	482,762	Nil	Nil	Nil	489,429
Norman W. Miller	6,667	Nil	Nil	Nil	Nil	6,667

Notes:

- (1) On March 4, 2020 in connection with the Reconstitution of Management, Messrs. Moran, Foster, McKee and Miller resigned from the Board.
- (2) Mr. Fräss-Ehrfeld did not stand for re-election at the 2020 AGM and ceased to be a director on June 15, 2020.
- (3) Director fees earned in the Pre-Headwater Period.
- (4) 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. 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. Both Mr. Fräss-Ehrfeld and Mr. Miller never held any DSUs. 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.
- (5) 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. As a result, no Options were granted to the Former Directors during the year ended December 31, 2020.

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

None of the Former Directors held any share-based awards on December 31, 2020. In accordance with the DSU Plan, 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. Mr. Fräss-Ehrfeld and Mr. Miller never held any DSUs. Further, no Options were granted to or held by the Former Directors during the year ended December 31, 2020.

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

The following table sets forth for each of the Former Directors, the value of share-based awards which vested during the year ended December 31, 2020. No Options were granted to or held by the Former Directors during the year ended December 31, 2020.

Name ⁽¹⁾⁽²⁾	Share-based awards – Value vested during the year (\$)
Douglas J. Foster	Nil

Name ⁽¹⁾⁽²⁾	Share-based awards – Value vested during the year (\$)
Martin Fräss-Ehrfeld	Nil
James S. McKee	Nil
Norman W. Miller	Nil

Notes:

- (1) On March 4, 2020 in connection with the Reconstitution of Management, Messrs. Moran, Foster, McKee and Miller resigned from the Board.
- (2) Mr. Fräss-Ehrfeld did not stand for re-election at the 2020 AGM and ceased to be a director on June 15, 2020.
- (3) 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, whereby Mr. McKee was paid a total of \$482,762 and Mr. Foster was paid a total of \$49,412 in settlement of their respective DSUs. All outstanding DSUs were paid out at the weighted average trading price of the Common Shares on the TSX over the five trading days preceding the redemption date of March 4, 2020.

SCHEDULE B 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. On March 25, 2020, the Board approved grants of Options to non-employee directors under the 2008 Option Plan and on March 27, 2020, each non-employee director was granted 200,000 Options under the 2008 Option plan.

No further Options were granted under the 2008 Option Plan following the approval of the Option Plan at the 2020 AGM. 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.

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-executive 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.

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 CG&S 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.