

**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

- (e) 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;
- (f) 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;
- (g) consider or cause to be considered the implications of risk associated with Headwater's compensation policies and practices;
- (h) endeavour to establish or cause to be established processes to address applicable regulatory, corporate, securities and other compliance matters;

- (i) establish or cause to be established an adequate system of internal control and management information systems;
- (j) 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;
- (k) review and approve Headwater's financial statements and oversee Headwater's compliance with applicable audit, accounting and reporting requirements;
- (l) approve annual operating and capital budgets;
- (m) review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets;
- (n) review operating and financial performance results relative to established strategy, budgets and objectives;

Cyber Security

- (o) consider or cause to consider the technology and system risks associated with the Corporation's operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Corporation's information technology systems by third parties or internal personnel and the associated potential data recovery mechanisms;

Environmental, Health, Safety, Climate and Sustainability

- (p) establish or cause to be established fundamental policies pertaining to environment, health and safety to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value;
- (q) establish or cause to be established systems for regular review of the Corporation's performance relating to environment, health and safety matters and steps taken to remedy or mitigate environment, health and safety risks;
- (r) 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;

Integrity/Corporate Conduct

- (s) 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;
- (t) 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;

- (u) 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

- (v) 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;
- (w) engage in the process of determining Board member qualifications with the Corporate Governance and Sustainability Committee including ensuring that a majority of directors, including the Chair of the Board, qualify as independent directors pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements;
- (x) approve the nomination of directors;
- (y) provide or cause to be provided a comprehensive orientation to each new director;
- (z) establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management;
- (aa) establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members;
- (bb) establish committees and approve their respective mandates and the limits of authority delegated to each committee;
- (cc) 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
- (dd) 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; and
- (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.