

**HEADWATER EXPLORATION INC.**  
**CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE MANDATE**

1. **Establishment of Corporate Governance and Compensation Committee:** The Board of Directors (the "**Board**") of Headwater Exploration Inc. (the "**Corporation**") hereby establishes a committee to be called the Corporate Governance and Compensation Committee (the "**Committee**").
2. **Membership:** The Committee shall be composed of two (2) members or such greater number as the Board may from time to time determine, a majority of whom shall be "independent" (as such term is used in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*). Members of the Committee shall have the skills and experience that enable such members to make decisions relating to compensation and corporate governance and/or such other competencies and skills as determined necessary and desirable by the Board. The Board may from time to time designate one of the members of the Committee to be the Chair of the Committee.
3. **Role and Objective:** The Committee shall, in addition to any other duties and responsibilities specifically delegated to it by the Board, generally assume responsibility for developing the approach of the Corporation to matters concerning corporate governance, human resources and compensation, and, from time to time, shall review and make recommendations to the Board as to such matters.
4. **Duties and Responsibilities of Committee:** The Committee will have the authority and responsibility for:

*Director Nomination and Corporate Governance Matters*

- (a) annually reviewing the mandates of the Board and its committees and recommending to the Board such amendments to those mandates as the Committee believes are necessary or desirable;
- (b) considering and, if thought fit, approving requests from directors or committees of directors of the engagement of special advisors from time to time;
- (c) preparing and recommending to the Board annually a statement of corporate governance practices to be included in the Corporation's annual report or information circular;
- (d) reviewing on a periodic basis the composition of the Board and ensuring that an appropriate number of independent directors sit on the Board, analyzing the needs of the Board and recommending nominees who meet such needs;
- (e) assessing, 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;
- (f) with the assistance or recommendations of outside consultants where appropriate, identifying individuals qualified to become Board members, consistent with criteria set out below and any other criteria that may be approved by the Board, and maintaining a list of potential candidates for Board membership and where appropriate, interviewing potential candidates for Board membership;

- (g) in addition to other criteria established by the Board for potential candidates for Board membership, in making its recommendations to the Board for potential candidates, the Committee should consider:
  - (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
  - (ii) the competencies and skills that the Board considers each existing director to possess;
  - (iii) the competencies and skills each new nominee will bring to the boardroom; and
  - (iv) whether or not each potential candidate can devote sufficient time and resources to his or her duties as a board member;
- (h) selecting, or recommending that the Board select, the director nominees for the next annual meeting of shareholders;
- (i) developing and recommending to the Board a set of corporate governance guidelines applicable to the Corporation;
- (j) overseeing the evaluation of the Board and management;
- (k) implementation of an orientation and education program for new recruits to the Board;
- (l) with the assistance or recommendations of management or outside consultants where appropriate, make recommendations to the Board regarding appointments of corporate officers and senior management;
- (m) conducting an annual performance evaluation of the Committee in the Corporation's annual information circular in accordance with applicable rules and regulations;
- (n) reviewing and recommending to the Board the succession plan for senior executives and matters in respect of executive capacity;

***Compensation Matters***

- (a) reviewing and reporting to the Board concerning the overall compensation program and philosophy and alignment with salient stakeholders;
- (b) 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;
- (c) reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation, evaluate the Chief Executive Officer'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 Chief Executive Officer's compensation based on this evaluation;

- (d) making recommendations to the Board with respect to compensation of executive officers (other than the Chief Executive Officer), including grants and awards under incentive compensation and equity-based plans that are subject to Board approval;
- (e) 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;
- (f) 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;
- (g) reviewing annually the Committee's Mandate;
- (h) administering any incentive plans implemented by the Corporation, in accordance with their respective terms; and
- (i) reporting on executive officer compensation on an annual basis.

**5. Administrative Matters:** The following general provisions shall have application to the Committee:

- (a) At all meetings of the Committee every resolution shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote.
- (b) The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
- (c) A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.
- (d) Meetings of the Committee should be scheduled to take place as frequently as necessary in order for the Committee to satisfy its duties and responsibilities as set out herein.
- (e) Agendas will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
- (f) The Committee may invite such officers, directors and employees of the Corporation and its subsidiaries as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
- (g) Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee as requested.
- (h) The Committee has authority to communicate directly with any officers, employees and consultants of the Corporation. The Committee will also have the authority to investigate

any human resources, compensation or corporate governance matters relating to the Corporation. All officers and employees of the Corporation are to cooperate as requested by the Committee.

- (i) The Committee may also retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at such compensation as established by the Committee and at the expense of the Corporation without any further approval of the Board.
- (j) Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee each member will hold such office until the Committee is reconstituted.
- (k) Any issues arising from these meetings of the Committee that bear on the relationship between the Board and Management should be communicated to the Chair of the Board or the Lead Independent Director by the Committee Chair.

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 Committee. The Committee may adopt additional policies and procedures as it deems necessary from time to time to fulfill its responsibilities.