



**INFORMATION CIRCULAR – PROXY STATEMENT**

**DATED MAY 1, 2023**



## LETTER TO SHAREHOLDERS

May 1, 2023

Dear Fellow Shareholder,

On behalf of the Board of Directors and management of Hammerhead Energy Inc., I am pleased to inform you that we will be holding our annual and special shareholders' meeting on Thursday, June 8, 2023, at 2:00 p.m. (Calgary time) at the offices of Burnet, Duckworth & Palmer LLP, 2400, 525 – 8th Avenue S.W., Calgary, Alberta, T2P 1G1.

This meeting provides an opportunity for you to vote on the items of business, hear about our performance over the past year and learn more about our plans. The meeting also provides you with the opportunity to meet our board and staff.

The accompanying information circular – proxy statement describes the business that will be conducted at the meeting and provides information on our executive compensation and governance practises.

Your vote is important to us. If you are unable to attend the meeting, we encourage you to ensure your vote is recorded by returning the signed form of proxy or vote via our internet option. If your shares are not registered in your name and are held in the name of a nominee, you may wish to consult the information beginning on page 9 of the accompanying information circular – proxy statement for information on how to vote your shares.

We hope you will join us at this year's meeting.

Sincerely,

(signed) "*Robert Tichio*"

**Robert Tichio**  
**Chair of the Board**

## NOTICE OF ANNUAL AND SPECIAL MEETING

NOTICE is hereby given that the annual and special meeting of the shareholders of Hammerhead Energy Inc. (the "**Company**") will be held on Thursday, June 8, 2023, at 2:00 p.m. (Calgary time) at the offices of Burnet, Duckworth & Palmer LLP, 2400, 525 – 8th Avenue S.W., Calgary, Alberta to:

1. receive and consider our predecessor entity financial statements for the year ended December 31, 2022, together with the report of the auditors thereon;
2. fix the number of directors to be elected at the meeting at eight (8) members;
3. elect eight (8) directors of the Company;
4. appoint the auditors the Company and authorize our directors to fix their remuneration as such;
5. to consider and, if thought appropriate, to approve a special resolution, the full text of which is set forth in the accompanying management information circular – proxy statement of the Company dated May 1, 2023 (the "**Information Circular**"), approving a reduction in the stated capital of the Company, as more particularly described in the Information Circular;
6. to consider and, if thought appropriate, to approve an ordinary resolution, the full text of which is set forth in the Information Circular to ratify the share option plan (the "**Share Option Plan**") of the Company;
7. to consider and, if thought appropriate, to approve an ordinary resolution, the full text of which is set forth in the Information Circular, to ratify the equity incentive award plan (the "**Equity Incentive Award Plan**") of the Company and ratify the previous grants of 1,945,115 restricted share awards pursuant to the plan; and
8. transact such other business as may properly be brought before the meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the meeting are set forth in the Information Circular accompanying this notice.

If you are a registered shareholder and are unable to attend the meeting or any adjournment or postponement thereof in person, please exercise your right to vote by dating, signing, and returning the accompanying form of proxy for use at the meeting or any adjournment or postponement thereof to Computershare Trust Company of Canada, our transfer agent. To be valid, completed proxy forms must be dated, completed, signed and deposited with Computershare Trust Company of Canada (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5, (ii) by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or (iii) by facsimile to (416) 263-9524 or 1-866-249-7775. If you vote through the internet, you may also appoint another person to be your proxyholder. Please go to [www.investorvote.com](http://www.investorvote.com) and follow the instructions. You will require your 15-digit control number found on your proxy form. Your proxy or voting instructions must be received in each case no later than 2:00 p.m. (Calgary time) on June 6, 2023, or, if the meeting is adjourned or postponed, 24 hours (excluding Saturdays, Sundays, and holidays) before the beginning of any adjourned or postponed meeting. If you receive more than one proxy form because you own Class A common shares ("**common shares**") registered in different names or addresses, each proxy form should be completed and returned.

Only shareholders of record at the close of business on May 1, 2023, will be entitled to vote at the meeting, unless that shareholder has transferred any common shares after that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the common shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the meeting.

DATED at Calgary, Alberta this 1<sup>st</sup> day of May, 2023.

By order of the Board of Directors of Hammerhead Energy Inc.

(signed) "Scott Sobie"

**Scott Sobie**  
**President and Chief Executive Officer**

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular. Terms and abbreviations used in the Schedules to this Information Circular are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated.

"**1901**" means Zam Ventures Luxembourg II S.A.R.L.

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000.

"**AmalCo**" means 2453729 Alberta ULC, an Alberta unlimited liability corporation and wholly owned subsidiary of DCRD, which amalgamated with Hammerhead pursuant to the Company Amalgamation to form Hammerhead Resources ULC, a wholly owned subsidiary of the Company.

"**Amalgamated Company**" means Hammerhead Resources ULC, the unlimited liability corporation formed as a result of the Company Amalgamation.

"**Audit Committee**" means the audit committee of the Company Board.

"**Business Combination**" means the transactions consummated pursuant to the Business Combination Agreement, the Plan of Arrangement and all other agreements entered into in connection therewith.

"**Business Combination Agreement**" means the certain Business Combination Agreement, dated September 25, 2022 by and between DCRD, Hammerhead, NewCo and AmalCo.

"**Closing Date**" means February 23, 2023.

"**Common Shares**" means the Company's Class A common shares.

"**Company**" means Hammerhead Energy Inc.

"**Company Amalgamation**" means the amalgamation of Hammerhead and AmalCo.

"**Company Amalgamation Effective Time**" means the effective time of the Company Amalgamation.

"**Company Articles**" means the articles of the Company (as amended).

"**Company Board**" means the board of directors of Hammerhead Energy Inc.

"**Company Options**" means all options to purchase Common Shares, whether or not exercisable and whether or not vested, granted under the Share Option Plan.

"**Compensation Committee**" means the compensation committee of the Company Board.

"**DCRD**" means Decarbonization Plus Acquisition Corporation IV, a Cayman Islands exempted company, which (i) transferred by way of continuation from the Cayman Islands to the Province of Alberta, Canada and domesticated as an Alberta corporation pursuant to the Domestication and (ii) amalgamated with NewCo, with NewCo surviving as the Company, pursuant to the SPAC Amalgamation.

"**Domestication**" means the continuation of DCRD from the Cayman Islands to the Province of Alberta, Canada and domestication as an Alberta corporation.

"**Equity Incentive Award Plan**" means the equity incentive award plan of the Company effective February 23, 2023, as amended and restated on May 1, 2023.

"**Governance and ESG Committee**" means the governance and ESG committee of the Company Board.

"**Hammerhead**" means Hammerhead Resources Inc., an Alberta corporation, which amalgamated with AmalCo to form Hammerhead Resources ULC pursuant to the Company Amalgamation.

"**Hammerhead Board**" means the board of directors of Hammerhead.

"**Hammerhead Common Shares**" means the common shares in the authorized share capital of Hammerhead which were re-designated as Class A common shares prior to the Company Amalgamation.

"**Hammerhead Options**" means all options to purchase Hammerhead Common Shares, whether or not exercisable and whether or not vested, granted under the Hammerhead Share Option Plan.

"**Hammerhead RSUs**" means all share awards to purchase Hammerhead Common Shares granted under the Hammerhead Share Award Plan.

"**Hammerhead Share Award Plan**" means the amended and restated share award plan of Hammerhead effective August 31, 2016, as amended on November 7, 2019, December 31, 2020, March 30, 2022 and May 20, 2022.

"**Hammerhead Share Option Plan**" means the share option plan of Hammerhead effective March 21, 2011 as amended effective January 10, 2017, December 31, 2020, March 30, 2022 and May 30, 2022.

"**Legacy Options**" means all options to purchase Common Shares, whether or not exercisable and whether or not vested, granted under the Legacy Share Option Plan.

"**Legacy RSUs**" means all share awards to purchase Common Shares granted under the Legacy Share Award Plan.

"**Legacy Share Award Plan**" means the share award plan of the Company effective February 23, 2023.

"**Legacy Share Option Plan**" means the share option plan of the Company effective February 23, 2023.

"**NASDAQ**" means the Nasdaq Capital Market.

"**NewCo**" means Hammerhead Energy Inc., an Alberta corporation and wholly owned subsidiary of Hammerhead prior to the SPAC Amalgamation Effective Time, which amalgamated with DCRD to form the Company.

"**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**NI 58-101**" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

**"Plan of Arrangement"** means the Plan of Arrangement, as amended in accordance with the Business Combination Agreement and the Plan of Arrangement.

**"Reserves Committee"** means the reserves committee of the Company Board.

**"Restricted Award"** means (i) an Incentive Award (as defined in the Equity Incentive Award Plan) under the Equity Incentive Award Plan designated as a "Restricted Award" in the Incentive Award Agreement (as defined in the Equity Incentive Award Plan) pertaining thereto, for which payment shall be made following the vesting date(s) thereof or (ii) an award of Common Shares under the Equity Incentive Award Plan designated as a "Restricted Award" in the Share Award Agreement (as defined in the Equity Incentive Award Plan) pertaining thereto, which Common Shares shall be issued following the exercise date(s) thereof.

**"Restricted Share Award"** means an award of Common Shares under the Equity Incentive Award Plan designated as a "Restricted Award" in the Share Award Agreement (as defined therein) pertaining to the award, which Common Shares shall be issued in accordance with the term of the Share Award Agreement.

**"Riverstone"** means Riverstone Holdings LLC, a Delaware limited liability company, and its affiliates.

**"Riverstone Investment"** means Riverstone Investment Group LLC, a Delaware limited liability company, and its affiliates.

**"Riverstone Parties"** means affiliates of Riverstone, which are shareholders of the Company and affiliates of Decarbonization Plus Acquisition Sponsor IV LLC.

**"SEC"** means the U.S. Securities and Exchange Commission.

**"Share Option Plan"** means the share option plan of the Company effective February 23, 2023, as amended and restated on May 1, 2023.

**"SPAC Amalgamation"** means DCRD's amalgamation with NewCo.

**"SPAC Amalgamation Effective Time"** means the effective time of the SPAC Amalgamation.

**"TSX"** means the Toronto Stock Exchange.

**"Warrant"** means a warrant to purchase a Common Share.



Information Circular – Proxy Statement dated May 1, 2023 for the Annual and Special Meeting of Shareholders of Hammerhead Energy Inc. to be held on Thursday, June 8, 2023.

## VOTING MATTERS

### Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies for use at the annual and special meeting, and any adjournment or postponement thereof, of the shareholders of the Company to be held at 2:00 p.m. (Calgary time) on Thursday, June 8, 2023, at the offices of Burnet, Duckworth & Palmer LLP, 2400, 525 – 8th Avenue S.W., Calgary, Alberta.

If you are a registered shareholder and are unable to attend the meeting or any adjournment or postponement thereof in person, please exercise your right to vote by dating, signing, and returning the accompanying form of proxy for use at the meeting or any adjournment or postponement thereof to Computershare Trust Company of Canada, our transfer agent. To be valid, completed proxy forms must be dated, completed, signed and deposited with Computershare Trust Company of Canada, (i) by mail using the enclosed return envelope or one addressed to Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5, (ii) by hand delivery to Computershare Trust Company of Canada, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, or (iii) by facsimile to (416) 263-9524 or 1-866-249-7775. If you vote through the internet, you may also appoint another person to be your proxyholder. Please go to [www.investorvote.com](http://www.investorvote.com) and follow the instructions. You will require your 15-digit control number found on your proxy form. Your proxy or voting instructions must be received in each case no later than 2:00 p.m. (Calgary time) on June 6, 2023, or, if the meeting is adjourned or postponed, 24 hours (excluding Saturdays, Sundays, and holidays) before the beginning of any adjourned or postponed meeting. If you receive more than one proxy form because you own Common Shares registered in different names or addresses, each proxy form should be completed and returned.

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 corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

**The persons named in the enclosed form of proxy are our directors and/or 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 and strike out the other names or submit another appropriate proxy.**

Only shareholders of record at the close of business on May 1, 2023, will be entitled to vote at the meeting, unless that shareholder has transferred any Common Shares after that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the Common Shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the meeting.

### Advice to Beneficial Holders of Common Shares

The information set forth in this section is significant to you if you do not hold your Common Shares in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of Common Shares can be recognized and acted upon at the meeting. If your 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 our records. Such Common Shares will likely be registered under the name of your broker or an agent of that broker. In Canada, many of such Common Shares are registered under the name of CDS & Co., the registration name for The CDS Clearing and Depository Services Inc., 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.

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 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. Many brokers now delegate responsibility for obtaining instructions from clients to a mailing/tabulating agent who 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 use their website or call their toll-free telephone number to instruct them how to vote your Common Shares. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of Common Shares to be represented at the meeting. **If you receive a voting instruction form from a mailing/tabulating agent, it cannot be used as a proxy to vote Common Shares directly at the meeting as it must be returned to the mailing/tabulating agent well in advance of the meeting to have the Common Shares voted.**

The Company is not using "notice-and-access" to send its proxy-related materials to shareholders, and paper copies of such materials will be sent to all shareholders. The Company will not send proxy-related materials directly to non-objecting beneficial shareholders and such materials will be delivered to non-objecting beneficial shareholders through Broadridge Financial Solutions, Inc. or the non-objecting beneficial shareholder's intermediary. The Company intends to pay for the costs of an intermediary to deliver proxy-related materials to objecting beneficial shareholders.

### Revocability of Proxy

You may revoke your proxy at any time prior to a vote. If you or the person you give your proxy attends personally at the meeting, you or such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of such corporation. To be effective the instrument in writing must be deposited with the President and Chief Executive Officer of the Company c/o 2700, 525 – 8th Avenue S.W., Calgary, Alberta, T2P 1G1, at any time prior to 2:00 p.m. (Calgary time) on the last business day preceding the day of the meeting, or any adjournment or postponement thereof, at which the proxy is to be used, or with the chair of the meeting on the day of the meeting, or any adjournment or postponement thereof.

### Persons Making the Solicitation

**This solicitation is made on behalf of our management.** We will bear the costs incurred in the preparation and mailing of the form of proxy, notice of annual and special meeting and this Information Circular. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers and employees who will not be remunerated therefor.

### Exercise of Discretion by Proxy

**The Common Shares represented by proxy in favour of management nominees will be voted or withheld from voting on any matter at the meeting. Where you specify a choice with respect to any matter to be acted upon, the Common Shares will be voted on the matter in accordance with the specification so made. If you do not provide instructions, your Common Shares will be voted in favour of the matters to be acted upon as set out herein.** The persons appointed under the form of proxy, which we have furnished, are conferred with

discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual and special meeting and with respect to any other matters which may properly be brought before the meeting or any adjournment thereof. At the time of printing this Information Circular, we know of no such amendment, variation, or other matter.

### Voting Shares and Principal Holders

We are authorized to issue an unlimited number of Common Shares and first preferred shares (the "**First Preferred Shares**") in an amount equal to not more than 20% of the number of issued and outstanding Common Shares at the time of issuance of any First Preferred Shares. As at May 1, 2023, there were 90,973,622 Common Shares and nil First Preferred Shares issued and outstanding. As a holder of Common Shares, you are entitled to one vote for each Common Share you own.

To the knowledge of our directors and officers, as at May 1, 2023, no person or company beneficially owned, or controlled or directed, directly or indirectly, more than 10% of our Common Shares, other than as set forth below:

Name	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly	Percentage of Our Issued and Outstanding Common Shares
Investment funds affiliated with the Riverstone Parties <sup>(1)</sup>	78,197,457	86.0%

Notes:

- (1) Based on information filed on the SEDI website at [www.sedi.ca](http://www.sedi.ca) as of May 1, 2023.
- (2) Includes: (i) 7,794,002 Common Shares held of record by REL Hammerhead B.V.; (ii) 35,176,272 Common Shares held of record by Riverstone V Investment Management Cooperatief U.A.; (iii) 17,533,979 Common Shares held of record by Riverstone V REL Hammerhead B.V.; (iv) 9,880,444 Common Shares held of record by Riverstone V CIOC LP; (v) 4,348,437 Common Shares held of record by R5 HHR FS Holdings LLC; and (vi) 3,464,323 Common Shares held of record by Decarbonization Plus Acquisition Sponsor IV LLC.

## EXPLANATORY NOTE

On February 23, 2023, the Company consummated the Business Combination by and among DCRD, Hammerhead, NewCo, and AmalCo, which provided for, among other things and subject to the terms and conditions contained in the Business Combination Agreement, and the Plan of Arrangement: (a) the Domestication; (b) the SPAC Amalgamation to form the Company, with NewCo surviving the SPAC Amalgamation as the Company; and (c) on the Closing Date, the Company Amalgamation to form the Amalgamated Company, in accordance with the terms of the Plan of Arrangement.

Pursuant to the SPAC Amalgamation, among other things: (a) each DCRD Class A ordinary share, par value \$0.0001 per share (the "**DCRD Class A Ordinary Shares**") issued and outstanding (which, pursuant to the Domestication, was exchanged for one Class A common share of DCRD) immediately prior to the SPAC Amalgamation Effective Time was exchanged, on a one-for-one basis, for a Common Share; (b) each DCRD Class B ordinary share, par value \$0.0001 per share issued and outstanding (which, pursuant to the Domestication, was exchanged for one Class B common share of DCRD) immediately prior to the SPAC Amalgamation Effective Time was exchanged, on a one-for-one basis, for a Class B common share in the authorized share capital of the Company which were deemed to be cancelled without repayment of capital; (c) each common share of NewCo outstanding was exchanged for one Common Share; (d) each common share purchase warrant of DCRD issued and outstanding immediately prior to the SPAC Amalgamation Effective Time was exchanged for a Warrant; (e) each unit of DCRD, consisting of one DCRD Class A Ordinary Share and one-half of one DCRD warrant, issued and outstanding immediately prior to the SPAC Amalgamation Effective Time was exchanged for one unit of the Company representing one Common Share and one-half of one Warrant; and (f) the Common Share held by Hammerhead was purchased for cancellation for cash equal to the subscription price for such common share of NewCo.

On the Closing Date, prior to the Company Amalgamation, among other things: (a) the articles of Hammerhead were amended to authorize the Class B common shares ("**Hammerhead Class B Common Share**") and concurrently, all of the then issued and outstanding common shares of Hammerhead were re-designated as Class A common shares of Hammerhead; (b) each Hammerhead Common Share held by certain employee borrowers was exchanged for one Hammerhead Class B Common Share; (c) each then issued and outstanding Hammerhead Class B Common Share was exchanged for one Common Share pursuant to the articles of the Company adopted at the Company Amalgamation Effective Time, in accordance with the Plan of Arrangement; and (d) each warrant to purchase Hammerhead Common Shares was either exchanged for Hammerhead Common Shares or cash, in each case, in accordance with the Plan of Arrangement.

On the Closing Date, pursuant to the Company Amalgamation, among other things: (a) each then issued and outstanding preferred share of Hammerhead (the "**Hammerhead Preferred Shares**") was exchanged for a number of Common Shares; (b) each then issued and outstanding Hammerhead Option and Hammerhead RSU was exchanged for an option to acquire a number of Common Shares; and (c) each then issued and outstanding Hammerhead Common Share and Hammerhead Class B Common Share was exchanged for a number of Common Shares, in each case, in accordance with the Plan of Arrangement.

The Common Shares and the Warrants are traded on the NASDAQ under the symbols "HHRS" and "HHRSW", respectively, and on the TSX under the symbols "HHRS" and "HHRS.WT," respectively.

## MATTERS TO BE ACTED UPON AT THE MEETING

### Receipt of the Financial Statements and Auditors' Reports

At the meeting, our shareholders will receive and consider the financial statements of each of the Company, DCRD and Hammerhead for the year ended December 31, 2022 and the Auditors' Reports thereon, but no vote by our shareholders with respect thereto is required or proposed to be taken.

### Fixing the Number of Directors

The Company Articles provide for a minimum of three directors and a maximum of eleven directors. The Company's by-laws provide that the number of directors shall be determined from time to time by our shareholders. There are currently eight directors on the Company Board. Accordingly, unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of fixing the number of directors to be elected at the meeting at eight.

### Election of Directors

The Company Board has fixed the number of directors to be elected at the meeting at eight members. You are being asked to cast your vote for the following eight directors:

Robert Tichio	J. Paul Charron
Jesal Shah	Scott Sobie
Bryan Begley	Michael Kohut
A. Stewart Hanlon	James AC McDermott

Each director will hold office until the next annual meeting of our shareholders, or their successor is duly elected or appointed, unless their office is earlier vacated. If a vacancy among such nominees occurs because of death or for any reason prior to the meeting, the proxy will not be voted with respect to such vacancy.

### Voting for Election of Directors

The directors are elected annually, individually and by majority vote. The individual voting results of this meeting will be published by news release and on the SEDAR website at [www.sedar.com](http://www.sedar.com) after the meeting.

The Company has adopted a majority voting policy. In an uncontested election, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election (a "**majority withhold vote**") shall tender his or her resignation, for consideration by the Company Board, to the Chair of the Governance and ESG Committee promptly following certification of the shareholder vote, such resignation to be effective upon acceptance by the Company Board. If the Chair of the Governance and ESG Committee received a majority withhold vote, then he or she shall tender his or her resignation to the Chair of the Company Board. The Governance and ESG Committee will promptly consider the tendered resignation and will make a recommendation to the Company Board whether to accept or reject such resignation. In determining whether to recommend acceptance or rejection of the tendered resignation, the Governance and ESG Committee will consider all factors it deems relevant including, without limitation, the impact with respect to covenants in agreements or plans; and legal requirements, policies or guidelines (regulatory, securities or corporate laws, or stock exchange rules) for director numbers and qualifications.

The Company Board will consider the Governance and ESG Committee's recommendation not later than 90 days following the date of the shareholders' meeting at which the election occurred. In deciding whether to

accept or reject the tendered resignation, the Company Board will consider the factors considered by the Governance and ESG Committee and any additional information and factors the Company Board believes to be relevant. It is expected that the Company Board will accept a resignation absent exceptional circumstances. If the Company Board determines not to accept a resignation, the reasons for rejecting the tendered resignation will be disclosed in a news release and a copy of the news release will be provided to the TSX and NASDAQ. If the Company Board decides to accept the director's resignation, the Governance and ESG Committee will recommend to the Company Board whether to fill the resulting vacancy or to continue with the reduced size of the Company Board.

**Management recommends that shareholders vote FOR the election of each of these nominees. The persons named in the enclosed form of proxy intend to vote FOR the election of each of these nominees unless the shareholder specifies authority to do so is withheld.**

### *Biographies of our Directors*

The following information relating to the director nominees is based in part on our records and in part on information the nominees have provided to us.

<b>Bryan Begley</b> Texas, USA			
<p>Mr. Begley served on the Hammerhead Board from October of 2011 to February 2023. He has served on the board of directors of the Company Board since February 23, 2023. Mr. Begley is the Chief Executive Officer of Maroon Peak Energy Resources, LLC, and Maroon Peak Management LLC. He has held this position since September 2022. Maroon Peak is a private energy company that owns energy interests in multiple locations. Mr. Begley is also a founder and Managing Director of 1901 Partners Management, LP, a private equity firm formed in 2014 that manages a portfolio of oil and gas and other energy-related investments. He is also a member of the board of directors of Athabasca Oil Corporation (TSX:ATH). Mr. Begley previously served as a Managing Director of ZBI Ventures, L.L.C., which he joined in 2007 as part of the founding team, to lead and manage private investments in the energy sector until 2014. Prior to joining ZBI Ventures, L.L.C., Mr. Begley was a partner at McKinsey &amp; Co. in the Dallas and Houston offices, where he advised clients across the global energy sector. He has also worked as an engineer with Phillips Petroleum Company in Bartlesville, Oklahoma and Stavanger, Norway.</p>			
Board and Committee Participation	Position	Meetings in 2022 <sup>(1)</sup>	Attendance
Board of Directors	Member	-	-
Compensation Committee	Chair	-	-
Reserves Committee	Member	-	-
Other Public Board Directorships	Committee Positions		
Athabasca Oil Corporation (TSX)	Director		

<b>J. Paul Charron</b> Alberta, Canada			
<p>Mr. Charron served on the Hammerhead Board from November 2017 to February 2023. He has served on the Company Board since February 23, 2023. Mr. Charron formerly served as the Executive Chairman and Chief Executive Officer of Ridgeback Resources Inc. from 2017 to 2023. Prior to joining Ridgeback Resources Inc., Mr. Charron was President, Chief Executive Officer and Director of CanEra Inc, (2014-2017), CanEra Energy Corp., (2010-2014) and CanEra Resources Inc. (2008-2010). Prior thereto he held the same positions at Canetic Resources Trust and its predecessor Acclaim Energy Trust, and served as Vice President and Chief Financial Officer of Ketch Energy Ltd. Prior to joining Ketch, Paul held the positions of Managing Director and Vice President and Director with the Capital Markets Group of BMO Nesbitt Burns Inc. and Vice President of Finance with Morrison Petroleums Ltd. Mr. Charron has held various board appointments including Corporate Director of Legacy Oil and Gas, Canetic Resources Trust, Acclaim Energy Trust, Creststreet Asset Management, Kereco Energy Ltd., Ketch Energy Ltd. and TriStar Oil and Gas Ltd. Currently, Paul serves as board chair of Edge School as well as Islander Oil and Gas.</p>			
Board and Committee Participation	Position	Meetings in 2022 <sup>(1)</sup>	Attendance
Board of Directors	Member	-	-
Audit Committee	Member	-	-
Reserves Committee	Chair	-	-
Other Public Board Directorships	Committee Positions		
None	-		

<b>A. Stewart Hanlon, CPA, CA</b> Alberta, Canada			
<p>Mr. Hanlon served on Hammerhead Board from November 2017 to February 2023. He has served on the Company Board since February 23, 2023. Prior to joining the Hammerhead Board, Mr. Hanlon served a 26-year tenure with Gibson Energy Inc. where he filled senior roles in finance, business development and operations, eventually culminating in his appointment as President and Chief Executive Officer in April of 2009. Mr. Hanlon retired from his position as President and Chief Executive Officer in June of 2017, and currently serves on the board of Questor Technology. Mr. Hanlon is also a volunteer member on the board of the Dean's Advisory Council for the Edwards School of Business at the University of Saskatchewan. Mr. Hanlon holds a Bachelor of Commerce Degree from the University of Saskatchewan.</p>			
Board and Committee Participation	Position	Meetings in 2022 <sup>(1)</sup>	Attendance
Board of Directors	Member	-	-
Audit Committee	Chair	-	-
Compensation Committee	Member	-	-
Other Public Board Directorships	Committee Positions		
Questor Technology Inc. (TSXV)	Director and non-executive Chair Audit Committee (Chair) Governance and Compensation Committee (Member)		

<b>Michael Kohut</b> Alberta, Canada			
<p>Mr. Kohut has served as Hammerhead's Senior Vice President and Chief Financial Officer since joining Hammerhead in January 2019 and as Senior Vice President, Finance and Chief Financial Officer of the Company since February 2023. Mr. Kohut has served on the Company Board since February 23, 2023. Mr. Kohut has over 25 years of professional experience in various senior executive and board of director positions. Prior to joining Hammerhead, Mr. Kohut was Vice President of Finance at Paramount Resources Ltd. from November 2017 to April 2018 and Chief Financial Officer of Trilogy Energy Corporation from June 2006 to October 2017. Since 2018, Mr. Kohut has served on the board of directors with Southern Energy Corporation. Mr. Kohut graduated with a Bachelor of Commerce from the University of Calgary.</p>			
Board and Committee Participation	Position	Meetings in 2022 <sup>(1)</sup>	Attendance
Board of Directors	Member	-	-
Other Public Board Directorships	Committee Positions		
Southern Energy Corp (TSXV)	Director Audit Committee (Chair) Corporate Governance and Compensation Committee (Member)		



<b>James AC McDermott</b> California, USA			
<p>Mr. McDermott has served as a member of the Company Board since February 23, 2023. Mr. McDermott served as lead independent director of the board of directors of Decarbonization Plus Acquisition Corporation IV from August 2021 until the consummation of the Business Combination. Mr. McDermott is the founder and chief executive officer of Rusheen Capital Management, a private equity firm that invests in growth-stage companies in the carbon capture and utilization, low-carbon energy, and water sustainability sectors. As an investor and entrepreneur, Mr. McDermott has founded, run, and invested in over 35 businesses over a 25-year career and has built an extensive professional network in the low-carbon energy, water, and sustainability sectors. From 1996 to 2003, Mr. McDermott founded and ran Stamps.com (NASDAQ: STMP), Archive.com (sold to Cyclone Commerce) and Spoke.com. From 2003 to 2017, Mr. McDermott co-founded and served as Managing Partner of US Renewables Group, a private investment firm, where he raised and invested approximately \$1 billion into clean energy businesses. Mr. McDermott was founder and board member of NanoH2O, is the founder and executive chairman of Fulcrum BioEnergy, investor, and board observer of Moleaer, a board member of Carbon Engineering and the chief executive officer of 1PointFive. For five years, Mr. McDermott has been a board member of the Los Angeles Cleantech Incubator. Mr. McDermott holds an MBA from UCLA, and a BA in Philosophy from Colorado College.</p>			
<b>Board and Committee Participation</b>	<b>Position</b>	<b>Meetings in 2022<sup>(1)</sup></b>	<b>Attendance</b>
Board of Directors	Member	-	-
Audit Committee	Member	-	-
Governance and ESG Committee	Chair	-	-
<b>Other Public Board Directorships</b>	<b>Committee Positions</b>		
None	-		

<b>Jesal Shah</b> New York, USA			
<p>Mr. Shah has served on the Hammerhead Board since November 2018. He has served on the Company Board since February 23, 2023. Mr. Shah currently serves as a Managing Director of Riverstone. Mr. Shah joined Riverstone in 2010 as an Associate and returned to Riverstone in 2015 after earning his MBA. Prior to joining Riverstone, Mr. Shah was an Investment Banking Analyst in the Global Energy Group at Credit Suisse. While at Credit Suisse, Mr. Shah worked on M&amp;A transactions and capital markets financings, with a focus on the power and utilities sector. Mr. Shah graduated summa cum laude from Tufts University with a B.A. in Economics and Spanish and received his MBA from Harvard Business School.</p>			
<b>Board and Committee Participation</b>	<b>Position</b>	<b>Meetings in 2022<sup>(1)</sup></b>	<b>Attendance</b>
Board of Directors	Member	-	-
<b>Other Public Board Directorships</b>	<b>Committee Positions</b>		
Pipestone Energy Corp. (TSX)	Director Reserves and Health, Safety & Environment Committee (Member)		

<b>Scott Sobie</b> Alberta, Canada			
Mr. Sobie has served as a director and President of Hammerhead since July 2012 and President and Chief Executive Officer since September 2013 and as a director, President and Chief Executive Officer of the Company since February 23, 2023. Mr. Sobie has over 35 years of professional experience in the oil and gas industry with organizations such as Shell and Talisman Energy. Prior to joining Hammerhead, Mr. Sobie held the role of Vice President of Conventional Development, North America with Talisman Energy where he was accountable for underlying production of over 80,000 boe/d, with asset areas in the Western Canadian Basin. Over his career, Mr. Sobie held several executive and management roles including Vice President of Shale Pilots, Vice President of Business Services, and other Management positions. Mr. Sobie holds a Professional Certified Engineering Technologist (C.E.T.) designation with the Association of Science & Engineering Technology Professionals of Alberta (ASET) and graduated from the Southern Alberta Institute of Technology.			
Board and Committee Participation	Position	Meetings in 2022 <sup>(1)</sup>	Attendance
Board of Directors	Member	-	-
Other Public Board Directorships	Committee Positions		
None	-		

<b>Robert Tichio</b> New York, USA			
Mr. Tichio has served as a member of the Hammerhead Board since March 2014. He has served on the Company Board since February 23, 2023. Mr. Tichio served as DCRD's Chief Executive Officer from March 15, 2022, and as a member of the board of directors of DCRD from February 2021, in each case until the consummation of the Business Combination. Mr. Tichio is a partner of Riverstone. Mr. Tichio joined the firm in 2006 and has been focused on the firm's Private Equity business. Prior to joining Riverstone Holdings, Mr. Tichio was in the Principal Investment Area (PIA) of Goldman Sachs, which manages the firm's private corporate equity investments. Mr. Tichio began his career at J.P. Morgan in the Mergers & Acquisition Group, where he concentrated on assignments that included public company combinations, asset sales, takeover defenses, and leveraged buyouts. Mr. Tichio received his A.B. from Dartmouth College as a Phi Beta Kappa graduate, and later received his MBA. with Distinction from Harvard Business School. Mr. Tichio serves on a number of non-profit and Riverstone Investment portfolio company boards.			
Board and Committee Participation	Position	Meetings in 2022 <sup>(1)</sup>	Attendance
Board of Directors	Chair	-	-
Other Public Board Directorships	Committee Positions		
Pipestone Energy Corp. (TSX)	Director Compensation and Governance Committee (Member) Reserves and Health, Safety & Environment Committee (Member)		
Permian Resources Corporation (NYSE)	Director		
Tritium DCFE Limited (NASDAQ)	Director Nominating and Corporate Governance Committee (Chair) Audit Committee (Member) Compensation Committee (Member)		

Note:

(1) The Company was formed on February 23, 2023. As a result, there were no meetings in 2022.

The following table sets forth each such director's ownership of Company securities as at the date of this Information Circular:

Name	Number of Common Shares	Number of Legacy Options	Number of Legacy RSUs	Number of Company Options	Number of Restricted Share Awards
A. Stewart Hanlon	7,349	-	14,697	-	-
Bryan Begley <sup>(1)</sup>	7,036,020	-	-	-	-
J. Paul Charron	7,349	-	14,697	-	-
James AC McDermott	37,396	-	-	-	-
Jesal Shah	-	-	-	-	-
Michael G. Kohut	959	10,224	431,452	-	174,300
Robert Tichio	-	-	-	-	-
Scott Sobie	256,399	159,877	1,042,558	-	292,200
<b>Total:</b>	<b>7,345,472</b>	<b>170,101</b>	<b>1,503,404</b>	-	<b>466,500</b>

Note:

- (1) 1901 is the record holder of 7,036,020 Common Shares. Bryan Begley is one of the managing directors of 1901 Partners Management, LP which is the sole member of 1901 Lux Director, LLC, the Class A manager of 1901. Mr. Begley has shared voting and investment discretion with respect to the Common Shares held of record by 1901. As such, each of Mr. Begley, 1901 Lux Director, LLC and 1901 Partners Management, LP may be deemed to have or share beneficial ownership of the Common Shares held directly by 1901. Each such entity or individual disclaims any such beneficial ownership.

#### **Additional Disclosure Relating to Proposed Directors**

Except as otherwise disclosed herein or in connection with the other matters described below, none of our directors (nor any personal holding company of any of such persons) is, as of the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including us), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days that was issued while the director was acting in the capacity as director, chief executive officer or chief financial officer; or that was issued after the director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of our directors (nor any personal holding company of any of such persons) is, as of the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets other than as set forth below.

Mr. Michael Kohut was a director of Great Prairie Energy Services Inc. ("**Great Prairie**") on January 22, 2016, when it applied for and obtained an order from the Court of Queen's Bench of Alberta under the CCAA. Mr. Kohut resigned as a director of Great Prairie on January 22, 2016.

Mr. Bryan Begley was the chair of the board of directors of Legend Energy Services, LLC ("**Legend**"), a privately held company in the U.S. which had been one of the horizontal drilling industry's premier coiled tubing service specialists. Upon the downturn in the oil and gas industry, Legend worked together with its secured lender to sell its assets to a smaller operator. To be sure that its remaining assets were shared equitably by its remaining

creditors, on October 26, 2021, Legend filed a voluntary Chapter 7 Petition in the United States Bankruptcy Court for the Eastern District of Texas. Mr. Begley ceased his position as a director of Legend on October 26, 2021. None of our directors (nor any personal holding company of any such persons) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director.

Mr. Robert Tichio was a director of EP Energy Corporation and Castex Energy I, LLC, the general partner of Castex Energy 2005, L.P. Both entities previously filed for Chapter 11 reorganizations with the U.S. Bankruptcy Courts and have since emerged from bankruptcy proceedings. Mr. Tichio no longer serves as a director for either company.

None of our directors (nor any personal holding company of any of such persons) has been subject to 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 any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### Appointment of Auditors

Unless otherwise directed, it is management's intention to vote proxies in favour of Ernst & Young LLP, Chartered Professional Accountants, of Calgary, Alberta, as our auditors, to hold office until the next annual meeting of shareholders and to authorize the directors to fix their remuneration as such. Ernst & Young LLP were first appointed as auditors of Hammerhead on May 27, 2010 and of the Company on December 6, 2022.

The following table provides information about the fees billed to the Company and Hammerhead for professional services rendered by Ernst & Young LLP during the fiscal years of 2021 and 2022:

Type of Work <sup>(1)</sup>	2022 Fees (\$)	2021 Fees (\$)
Audit fees <sup>(1)</sup>	190,800	271,360
Audit-Related Fees <sup>(2)</sup>	445,200	-
Tax Fees <sup>(3)</sup>	164,881	102,322
All Other Fees <sup>(4)</sup>	3,112	10,427

Notes:

- (1) Represents the aggregate fees billed by Hammerhead's external auditor in the fiscal year ended December 31, 2022 for audit services. Represents the aggregate fees billed by Hammerhead's external auditor in the fiscal year December 31, 2021.
- (2) Represents the aggregate fees billed in the fiscal year December 31, 2022 by Hammerhead's external auditor and the aggregate fees billed in the fiscal year for assurance and related services that are reasonably related to the performance of the audit or review of Hammerhead's financial statements (and not reported under the heading Audit Fees) and fees related to the Business Combination.
- (3) Represents the aggregate fees billed in each of the last two fiscal years by Hammerhead's external auditor for professional services for tax compliance, tax advice and tax planning. The services comprising the fees disclosed under this category consisted of tax consultations and tax compliance services.
- (4) Represents the aggregate fees billed in each of the last two fiscal years by Hammerhead's external auditor for products and services not included under the headings Audit Fees, Audit Related Fee and Tax Fees.

## Reduction of Stated Capital

At the meeting, shareholders will be asked to consider and, if thought appropriate, to pass, with or without variation, a special resolution reducing the stated capital of the Common Shares by an aggregate amount of \$1,000,000,000, without any payment or distribution to the shareholders and adding the amount of such reduction to the Company's contributed surplus account (the "**Reduction of Stated Capital Resolution**").

### *Reasons for the Reduction of Stated Capital*

Under the ABCA, the corporate statute governing the Company, a corporation is prohibited from taking certain actions, including making any payments of dividends or any payment to purchase or otherwise acquire shares issued by it, if, among other things, there are reasonable grounds for believing that the realizable value of its assets would, as a result of the payment of dividends or the repurchase of its common shares, be less than the aggregate of its liabilities and stated capital of all classes of its shares. The purpose of reducing the stated capital of the Common Shares is to increase the difference between the realizable value of the Company's assets and the aggregate of the Company's liabilities and the stated capital of the Common Shares, thereby providing the Company with additional flexibility under the ABCA to make payment of dividends or repurchase Common Shares if, as and when the Company Board determines it appropriate to do so. The proposed reduction in stated capital will have no impact on our day-to-day operations and will not alter our financial condition.

### *Limitation on the Reduction of Stated Capital under the ABCA*

The ABCA provides that a corporation shall not reduce its stated capital if there are reasonable grounds for believing that: (i) the corporation is, or would after the reduction be, unable to pay its liabilities as they become due; or (ii) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

The Company does not have reasonable grounds to believe that: (i) it is, or would after the stated capital reduction contemplated by the Reduction of Stated Capital Resolution be, unable to pay its liabilities as they become due; or (ii) the realizable value of the Company's assets would, as a result of the stated capital reduction contemplated by the Reduction of Stated Capital Resolution, be less than the aggregate of its liabilities.

### *Canadian Federal Income Tax Considerations with Respect to the Reduction of Stated Capital*

This summary is based on the current provisions of the *Income Tax Act* (Canada) (the "**Tax Act**"), all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency which have been published in writing prior to the date hereof. The summary assumes that all of the Tax Proposals will be implemented in the form proposed, although no assurance in this regard can be given. This summary does not otherwise take into account or anticipate any changes in law or administrative policies and assessing practices, whether by legislative, regulatory, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is not applicable to a Shareholder: (a) that is a "financial institution" for the purposes of the "mark-to-market" rules; (b) that is a "specified financial institution"; (c) that reports its "Canadian tax results" in a currency other than Canadian dollars (d) an interest in which is a "tax shelter investment"; or (e) that has entered into a "derivative forward agreement" or a "dividend rental arrangement" in respect of the Common

Shares, as each of those terms is defined in the Tax Act. All of the foregoing Shareholders should consult their own tax advisors regarding their particular circumstances.

**This summary is not exhaustive of all Canadian federal income tax considerations. Further, this summary is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Shareholder and no representation is made with respect to the income tax consequences to any particular Shareholder. Accordingly, Shareholders should consult their own tax advisors concerning the application and effect of the income and other taxes of any country, province, territory, state or local tax authority, having regard to their particular circumstances.**

The proposed reduction of the stated capital of the Common Shares will not result in any immediate Canadian income tax consequences to a shareholder nor will it affect a Shareholder's adjusted cost base of the Common Shares for purposes of the Tax Act. However, the reduction in the stated capital will reduce the paid-up capital (as defined in the Tax Act) of the Common Shares by an amount equal to the reduction in stated capital. Although the reduction of the stated capital and the corresponding reduction of the paid-up capital of the Common Shares will not have any immediate Canadian income tax consequences, such reduction may have future Canadian federal income tax consequences to a shareholder in certain circumstances. Such circumstances include, but are not limited to, if the Company repurchases any Common Shares (other than Common Shares purchased by the Company in the manner in which shares would normally be purchased by the public in an open market, such as under a normal course issuer bid), if the Company distributes assets to its shareholders or if the Company is wound-up. As a general rule, upon such transactions, a shareholder will be deemed to have received a dividend to the extent that the amount paid or distributed exceeds the paid-up capital of the Common Shares.

#### *United States Federal Income Tax Consequences*

The proposed reduction of the stated capital of the Common Shares should not constitute a taxable event for the shareholders of the Company for United States federal income tax purposes. As a result, shareholders generally should not recognize a gain or loss upon the reduction of stated capital. Each shareholder's tax basis in its Common Shares should remain unchanged, and each shareholder's holding period in its Common Shares should include the holding period in the Common Shares held by such shareholder prior to the reduction of stated capital.

### *Reduction of Stated Capital Resolution and Approval Requirement*

At the meeting, shareholders will be asked to consider and, if thought appropriate, to pass the following special resolution, being the Reduction of Stated Capital Resolution:

"BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE SHAREHOLDERS OF HAMMERHEAD ENERGY INC. (THE "**COMPANY**") THAT:

1. the stated capital account maintained in respect of the Class A common shares of the Company be and is hereby reduced by \$1,000,000,000 and the amount of such reduction be and is hereby added to the Company's contributed surplus account, all as more particularly described in the Company's management information circular – proxy statement dated May 1, 2023;
2. any director or officer of the Company is authorized and directed to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to the foregoing resolution; and
3. notwithstanding that this resolution has been duly passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable by the directors."

In order to be passed, the Reduction of Stated Capital Resolution requires the approval of not less than two-thirds of the votes cast thereon by or on behalf of shareholders present in person or represented by proxy at the meeting.

Unless otherwise directed, it is the intention of the persons named in the enclosed form of proxy, if named as proxy, to vote for approval of the foregoing resolution approving the reduction of the Company's stated capital account.

### *Matters Respecting New Equity Incentive Plans*

In connection with the Business Combination, the Company adopted the Equity Incentive Award Plan and Share Option Plan in order to facilitate the grant of equity incentive awards and options to directors, employees (including executive officers) and consultants of the Company and certain of its affiliates and to enable the Company to obtain and retain the services of these individuals, which is essential to the Company's long-term success. A third-party compensation consulting advisor was engaged to review executive and director compensation plans including the Equity Incentive Award Plan and Share Option Plan. The Equity Incentive Award Plan and Share Option Plan became effective on February 23, 2023, and were amended and restated on May 1, 2023, and are, along with any grants made thereunder, subject to the ratification by the Company's shareholders at the meeting. The relevant terms of the Equity Incentive Award Plan and Share Option Plan are summarized below, and full copies of the Share Option Plan and Equity Incentive Award Plan are attached hereto as Schedule A and Schedule B, respectively.

## Approval of New Share Option Plan

At the meeting, shareholders will be asked to consider and approve the Share Option Plan. The Company Board has approved the Share Option Plan. As at the date hereof, the maximum number of Common Shares issuable under the Share Option Plan and all other security based compensation arrangements of the Company, including the Equity Incentive Award Plan, the Legacy Share Award Plan and the Legacy Share Option Plan, may not exceed 10% of the Common Shares outstanding from time to time. As at the date hereof, the Company had no Company Options outstanding under the Share Option Plan, leaving up to 9,097,362 Common Shares available for future grants under the Share Option Plan before taking into account grants under the Equity Incentive Award Plan, the Legacy Share Award Plan and the Legacy Share Option Plan which further reduces the entitlements under the Share Option Plan.

In addition, as at the date hereof, the Company had Legacy Options, Legacy RSUs and Restricted Share Awards outstanding to acquire 7,751,245 Common Shares outstanding under the Equity Incentive Award Plan, the Legacy Share Award Plan and the Legacy Share Option Plan, representing an aggregate of 8.52% of the issued and outstanding Common Shares as at that date, leaving up to 1,346,117 Common Shares, being 1.48% of the issued and outstanding Common Shares, available for future grants under the Share Option Plan and all other security based compensation arrangements, based on the number of Common Shares outstanding as at that date.

The Share Option Plan has been conditionally approved by the TSX, subject to shareholder approval. A summary of the Share Option Plan is provided below and the full plan is attached hereto as Schedule A. A copy of the plan has also been filed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) under the category "Other Securityholder Documents".

Following the Business Combination, the Company implemented the Share Option Plan on February 23, 2023 and amended and restated the Share Option Plan on May 1, 2023 to convert the Share Option Plan from a fixed plan to a 10% rolling plan. Subsequent to its implementation the Company Board has not granted any Company Options.

## Share Option Plan

### *Terms of Share Option Plan*

#### *Defined Terms*

In this description of the Share Option Plan, the abbreviations and terms set forth below have the following meanings:

**"All or Substantially All of the Assets"** means greater than 90% of the aggregate fair market value of the assets of the Company and its subsidiaries, on a consolidated basis, as determined by the Company Board in its sole discretion.

**"Black-Out Period"** means the period of time when, pursuant to any policies of the Company, any securities of the Company may not be traded by certain persons as designated by the Company, including any holder of a Company Option.

**"Cause"** means, unless otherwise defined in the applicable option agreement or employment agreement or consulting agreement of the Optionee (in which case "Cause" shall have the meaning therein):



- (a) in respect of an Optionee that is an employee or officer of a member of the HEI Group, any act or omission that would entitle the member of the HEI Group that employs the Optionee to terminate the Optionee's employment without notice or compensation under the Canadian common law for just cause; and
- (b) in respect of an Optionee that is a consultant to a member of the HEI Group, any material breach by the Optionee of the terms of the contract or agreement under which the Optionee is retained by a member of the HEI Group.

**"Cessation Date"** means the date that is the earlier of:

- (a) the effective date of the Service Provider's termination, resignation, death or retirement, as the case may be; and
- (b) the date that the Service Provider ceases to be in the active performance of the usual and customary day-to-day duties of the Service Provider's position or job other than due to a Leave of Absence,

regardless of whether adequate, legal or proper advance notice of termination or resignation shall have been provided in respect of such cessation of being a Service Provider, and the Cessation Date shall not, under any circumstances, be extended by any statutory, contractual or common law notice period mandated under any application laws.

**"Change of Control"** means:

- (a) (A) a successfully completed takeover bid; and (B) members of the Company Board who are members of the Company Board immediately prior to the earlier of the commencement of such takeover bid and the first public announcement of such takeover bid cease to constitute a majority of the Company Board at any time within 60 days of the successful completion of such takeover bid; or
- (b) (A) any change in the beneficial ownership or control of the outstanding securities or other interests of the Company which results in: (I) a person or group of persons "acting jointly or in concert" within the meaning of National Instrument 62-104 – *Take-Over Bids and Issuer Bids*, as amended from time to time; or (II) an affiliate or associate of such person or group of persons, holding, owning or controlling, directly or indirectly, more than 50% of the outstanding voting securities or interests of the Company; and (B) members of Company Board who are members of Company Board immediately prior to the earlier of such change and the first public announcement of such change cease to constitute a majority of Company Board at any time within 60 days of such change; or
- (c) Incumbent Directors no longer constituting a majority of Company Board;
- (d) the winding up of the Company or the sale, lease or transfer of All or Substantially All of the Assets to any other person or persons and the distribution of greater than 90% of the net proceeds from such sale, lease or transfer to the shareholders of the Company within 60 days of the completion of such sale, lease or transfer (other than pursuant to an internal reorganization or in circumstances where the business of the Company is continued and where the shareholdings or other security holdings, as the case may be, in the continuing entity and the constitution of the Company Board of directors or similar body of the continuing entity is such that the transaction would not be considered a "Change of Control" if paragraph (ii) above was applicable to the transaction); provided that, for greater certainty, a sale, lease or exchange of all or substantially all the property of the Company for purposes of the *Business Corporations Act* (Alberta) shall not be considered a sale, lease or transfer All or

Substantially All of the Assets for purposes of this paragraph (iv) unless the property that is the subject of such sale, lease or exchange represents greater than 90% of the aggregate fair market value of the assets of the Company and its subsidiaries, on a consolidated basis, as determined in accordance with the Share Option Plan;

provided that a Change of Control shall be deemed not to have occurred if a majority of the Company Board, in good faith, determines that a Change of Control was not intended to occur in the particular circumstances in question and any such determination shall be binding and conclusive for all purposes of the Share Option Plan.

"**Committee**" means the Compensation Committee or such other committee of the Company Board appointed from time to time by the Company Board to administer this Plan or, if no such committee is appointed, the Company Board.

"**Current Market Price**" means, as at any date when the Current Market Price is to be determined, the volume weighted average trading price per Common Share on the TSX, or, if the Common Shares are not listed on the TSX, on any stock exchange in Canada or the United States on which the Common Shares are then listed, for the last five trading days immediately prior to the date of determination, or if the Common Shares are not listed upon any stock exchange in Canada or the United States, the Current Market Price shall be determined by Company Board, acting reasonably.

"**Exchange**" means the stock exchange(s), if any, on which Common Shares are listed and posted for trading and, if Common Shares are listed on more than one stock exchange, such stock exchange as may be selected for such purpose by Company Board.

"**Expiry Date**" means the date upon which a Company Option expires pursuant to the option agreement relating to such Company Option.

"**Fair Market Value**" with respect to a Common Share, as at any date, means the volume weighted average of the prices at which Common Shares traded on the Exchange (or, if Common Shares are then listed and posted for trading on more than Exchange, on such stock exchange on which the majority of the trading volume and value of Common Shares occurs) for the five trading days on which Common Shares traded on the said Exchange immediately preceding such date. In the event that Common Shares are not listed and posted for trading on any Exchange, the Fair Market Value shall be the fair market value of Common Shares as determined by Company Board in its sole discretion, acting reasonably and in good faith. If initially determined in United States dollars, the Fair Market Value shall be converted into Canadian dollars at an exchange rate selected and calculated in the manner determined by the Company Board from time to time, acting reasonably and in good faith.

"**HEI Group**" means, collectively, the Company and any entity that is a Subsidiary of the Company from time to time (and, for greater certainty, including any successor entity of any of the aforementioned entities).

"**Incumbent Directors**" means any member of Company Board who was a member of Company Board at the effective date of Share Option Plan and any successor to an Incumbent Director who was recommended or elected or appointed to succeed any Incumbent Director by the affirmative vote of Company Board, including a majority of the Incumbent Directors then on Company Board, prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control.

"**Insider**" has the meaning ascribed thereto in Part I of the TSX Company Manual for the purposes of Section 613 of the TSX Company Manual.

**"In-the-Money Value"** means the amount by which the Current Market Price on the Pricing Date exceeds the exercise price of the applicable Company Options, multiplied by the number of Common Shares related to the applicable Company Options.

**"Optionee"** means a holder of Company Options.

**"Pricing Date"** means the date the Company receives notice from an Optionee that has elected to exercise a vested Company Option by surrendering such Company Option in exchange for the In-the-Money Value of Company Option in lieu of purchasing the number of Common Shares then issuable on the exercise of the vested Company Option subject to the provisions of the Share Option Plan and if permitted by the Committee.

**"Service Provider"** means an officer or employee of, or a person or company engaged by, one or more of the entities comprising the HEI Group to provide services to an entity within the HEI Group.

#### *Purpose and Administration*

The purpose of the Share Option Plan is to aid in attracting, retaining and motivating the officers, employees and other eligible Service Providers of the HEI Group in the growth and development of the HEI Group by providing them with the opportunity through Company Options to acquire an increased proprietary interest in the Company.

The Share Option Plan is administered by a committee of the Company Board appointed from time to time by the Company Board to administer Share Option Plan or, if no such committee is appointed, the Company Board (the "**Committee**") pursuant to any rules of procedure that may be fixed by Company Board. To the extent permitted by law, the Committee may delegate or sub-delegate to one or more of its members, to any director or officer of the Company or to one or more agents all or any of the powers conferred on the Committee under the Share Option Plan, and the Committee or any person to whom it has delegated or sub-delegated authority as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Share Option Plan.

For greater certainty and without limiting the discretion conferred on the Committee pursuant to the Share Option Plan, the Committee's decision to approve the grant of a Company Option in any period shall not require the Committee to approve the grant of a Company Option to any Service Provider in any other period; nor shall the Committee's decision with respect to the size or terms and conditions of a Company Option grant in any period require it to approve the grant of a Company Option of the same or similar size or with the same or similar terms and conditions to any Service Provider in any other period. The Committee shall not be precluded from approving the grant of a Company Option to any Service Provider solely because such Service Provider may previously have been granted a Company Option under the Share Option Plan or any other similar compensation arrangement of the Company or a member of the HEI Group. There is no obligation for uniformity of treatment of Service Providers or Optionees under the Share Option Plan. The terms and conditions of Company Options need not be the same with respect to any Optionee or with respect to different Optionees. No Service Provider has any claim or right to be granted a Company Option.

#### *Granting of Company Options*

The Committee may from time to time designate officers and employees of, and other eligible Service Providers to, the HEI Group to whom Company Options may be granted and the number of Common Shares to be optioned to each, provided that the number of Common Shares to be optioned shall not exceed the limitations provided.

### *Limitations to Share Option Plan*

Notwithstanding any other provision of the Share Option Plan: (a) the number of Common Shares reserved for issuance on exercise of Company Options outstanding under the Share Option Plan, together with the number of Common Shares reserved for issuance under all other security based compensation arrangements of the Company that provide for the issuance of Common Shares, shall not at any time exceed 10% of the Common Shares then issued and outstanding; (b) no one Service Provider may be granted any Company Option which, together with all Company Options then held by such Optionee, would entitle such Optionee to receive a number of Common Shares which is greater than 5% of the outstanding Common Shares, calculated on an undiluted basis; (c) the number of Common Shares (i) issued to Insiders of the Company, within any one year period; and (ii) issuable to Insiders of the Company, at any time; under the Share Option Plan, or when combined with all of the Company's other security based compensation arrangements shall not exceed 10% of the Company's total issued and outstanding Common Shares, respectively. For this purpose, "security based compensation arrangements" has the meaning ascribed thereto in Part VI of the TSX Company Manual.

Company Options that are cancelled, surrendered, terminated or expire prior to the exercise of all or a portion thereof shall result in the Common Shares that were reserved for issuance thereunder being available for a subsequent grant of Company Options pursuant to the Share Option Plan to the extent of any Common Shares issuable thereunder that are not issued under such cancelled, surrendered, terminated or expired Company Options. For greater certainty, any increase in the issued and outstanding Common Shares will result in an increase in the number of Common Shares available under the Share Option Plan.

### *Vesting*

The Committee may, in its sole discretion, determine: (i) the time during which Company Options shall vest; (ii) the method of vesting; or (iii) that no vesting restriction shall exist. In the absence of any determination by the Committee to the contrary, Company Options will vest and be exercisable as to one-quarter (1/4) of the total number of Common Shares subject to the Company Options on each of the first, second, third and fourth anniversaries of the date of grant (computed in each case rounded down to the nearest whole Common Share with any fractional amount vesting on such fourth anniversary) subject to continued employment or service with the HEI Group. Notwithstanding the foregoing, the Committee may, at its sole discretion at any time or in the option agreement in respect of any Company Options granted, accelerate or provide for the acceleration of vesting of Company Options previously granted.

### *Company Option Price*

The exercise price of Company Options granted under the Share Option Plan shall be fixed by the Committee when such Company Options are granted, provided that the exercise price of Company Options shall not be less than such minimum price as may be required by the Exchange, if any, on which the Common Shares are listed at the time of grant.

### *Company Option Terms*

The period during which a Company Option is exercisable shall, subject to the provisions of the Share Option Plan requiring or permitting the acceleration of rights of exercise or the extension of the exercise period, be such period, not in excess of 15 years, as may be determined from time to time by the Committee, but subject to the rules of any Exchange(s) or other regulatory body having jurisdiction, and in the absence of any determination to the contrary will be five years from the date of grant. Each Company Option shall, among other things, contain provisions to the effect that Company Option shall be personal to the Optionee and shall not be assignable. In addition, unless the Company and an Optionee agree otherwise in an agreement for

Company Options or other written agreement (such as an agreement of employment or a retirement agreement), each Company Option shall provide that:

- (a) upon the death of the Optionee, the Company Option shall terminate on the earlier of (i) the date determined by the Committee which shall not be more than 12 months from the Cessation Date and, in the absence of any determination to the contrary, 12 months from the Cessation Date and (ii) the Expiry Date of such Company Option;
- (b) if the Optionee shall no longer be an officer of or be in the employ of, or consultant or other Service Provider to, any of the entities comprising the HEI Group (other than by reason of death or termination for Cause, voluntary resignation or retirement), the Company Option shall terminate on the earlier of (i) expiry of the period as prescribed by the Committee at the time of grant, following the Cessation Date; and, in the absence of any determination to the contrary, at the later of (A) 90 days following the Cessation Date, and (B) the end of the notice period used for calculating severance to which the Optionee is entitled as a result of the Optionee's cessation as a Service Provider pursuant to a written contract of employment, if any, with an entity in the HEI Group; and (ii) the Expiry Date of such Company Option;
- (c) if the Optionee shall no longer be an officer of or be in the employ of, or consultant or other Service Provider to, any of the entities comprising the HEI Group by reason of termination for Cause, the Company Option shall terminate immediately on the Cessation Date (whether notice of such termination occurs verbally or in writing);
- (d) if the Optionee shall no longer be an officer of or be in the employ of, or consultant or other Service Provider to, any of the entities comprising the HEI Group by reason of voluntary resignation, effective as of the day that is 14 days after the Cessation Date the Company Option shall terminate; and
- (e) if the Optionee shall no longer be an officer of or be in the employ of any of the entities comprising of the HEI Group due to the Optionee's retirement, Company Option shall continue in accordance with its terms and the exercise period shall not be accelerated as a result of the Optionee's retirement;

provided that the number of Common Shares that the Optionee (or his or her heirs or successors) shall be entitled to purchase until such date of termination: (i) shall in the case of death of the Optionee, be all of the Common Shares that may be acquired on exercise of Company Options held by such Optionee (or his or her heirs or successors), whether or not previously vested, and the vesting of all such Company Options shall be accelerated on the Cessation Date; and (ii) in any case other than death or termination for Cause, shall be the number of Common Shares which the Optionee was entitled to purchase on the Cessation Date. In the event of termination for Cause, all of the Common Shares optioned, whether vested or unvested, shall be forfeited.

If any Company Options may not be exercised due to any Black-Out Period at any time within the three-business day period prior to the normal Expiry Date of such Company Options (the "**Restricted Options**"), the Expiry Date of all Restricted Options shall be extended for a period of seven business days following the end of the Black-Out Period (or such longer period as permitted by the Exchange(s) and approved by the Committee).

#### *Cashless Exercise*

Subject to the provisions of Share Option Plan, if permitted by the Committee, an Optionee may elect to exercise a vested Company Option by surrendering such Company Option in exchange for the In-the-Money Value of Company Option in lieu of purchasing the number of Common Shares then issuable on the exercise of the vested Company Option. If the Optionee so elects to exercise Company Option, the Optionee shall be

entitled to payment of the In-the-Money Value of the vested Company Option determined as of the Pricing Date. The In-the-Money Value shall be paid in Common Shares issued from treasury with the number of Common Shares issuable being equal to the number obtained by dividing the In-the-Money Value of Company Options in respect of which such election is made by the Current Market Price on the Pricing Date.

#### *Surrender Offer*

An Optionee may make an offer (the "**Surrender Offer**") to the Company, at any time, for the disposition and surrender by the Optionee to the Company (and the termination thereof) of any of Company Options granted under Share Option Plan for an amount (not to exceed the Fair Market Value of Common Shares less the exercise price of Company Options) specified in the Surrender Offer by the Optionee, and the Company may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, Company Options in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Optionee any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Company to the Optionee.

#### *Alterations in Shares*

In the event: (a) of any change in Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or (b) that any rights are granted to all or substantially all shareholders to purchase Common Shares at prices substantially below Fair Market Value; or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, Common Shares are converted into or exchangeable for any other shares; then the Company Board may, subject to any required approval by the TSX, make such adjustments to Share Option Plan, to any Company Options and to any agreements for Company Options outstanding under Share Option Plan, and make such amendments to any agreements for Company Options outstanding under Share Option Plan, as the Company Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Optionees thereunder and/or to provide for the Optionees to receive and accept such other securities or property in lieu of Common Shares, and the Optionees shall be bound by any such determination.

For greater certainty, and notwithstanding anything to the contrary to the foregoing paragraph, no adjustment shall be made in accordance with respect to the issue of Common Shares being made pursuant to or in connection with (i) any share option plan or share purchase plan, including the Share Option Plan, in force from time to time for existing or proposed officers, directors, employees or Service Providers of the Company, or (ii) the issuance of additional Common Shares pursuant to a public offering or private placement by the Company or a take-over bid or tender offer made by the Company for the securities of another entity.

#### *Provisions Related to Merger/Sale etc.*

Except in the case of a transaction that is a Change of Control and to which accelerated vesting and termination of Company Options applies, if the Company enters into any transaction or series of transactions whereby the Company or All or Substantially All of the Assets would become the property of another trust, body corporate, partnership or other person (a "**Successor**"), whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, prior to or contemporaneously with the consummation of such transaction, the Company and the Successor will execute such instruments and do such things as the Committee may determine are necessary to establish that upon the consummation of

such transaction the Successor will assume the covenants and obligations of the Company under the Share Option Plan outstanding on consummation of such transaction. Any such Successor shall succeed to, and be substituted for, and may exercise every right and power of the Company under the Share Option Plan with the same effect as though the Successor had been named as the Company therein and thereafter, the Company shall be relieved of all obligations and covenants under the Share Option Plan and the obligation of the Company to the Optionees in respect of Company Options shall terminate and be at an end and the Optionees shall cease to have any further rights in respect thereof including, without limitation, any right to acquire Common Shares upon vesting of Company Options.

#### *Acceleration of Vesting and Termination of Company Option*

Notwithstanding any other provision in Share Option Plan or the terms of any option agreement, upon the consummation of a Change of Control, all issued and outstanding Company Options shall be automatically fully vested and exercisable (whether or not then vested) immediately prior to the time such Change of Control takes place and shall terminate on the 90<sup>th</sup> day after the occurrence of such Change of Control, or at such earlier time as may be established by the Company Board, in its absolute discretion, prior to the time such Change of Control takes place.

#### *Amendments*

The Committee may, subject to any required approval of any Exchange, amend or discontinue the Share Option Plan and Company Options granted thereunder at any time without the approval of the shareholders of the Company or any Optionee whose Company Option is amended or terminated, provided that, subject to the terms of the Share Option Plan, no amendment to the Share Option Plan or Company Options granted pursuant to the Share Option Plan may be made without the consent of the Optionee, if it adversely alters or impairs any Company Option previously granted to such Optionee under the Share Option Plan. Without limitation of the foregoing, such amendments include, without limitation: (a) amendments of a "housekeeping nature" nature, including, without limitation, amending the wording of any provision of the Share Option Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Share Option Plan that is inconsistent with any other provision of the Share Option Plan, correcting grammatical or typographical errors and amending the definitions contained within the Share Option Plan respecting the administration of the Share Option Plan; (b) amending Company Options under the Share Option Plan, including with respect to the Expiry Date (provided that the term of the Company Option does not exceed 15 years from the date the Company Option is granted and that such Company Option is not held by an Insider) and effect of termination of a Optionee's employment or cessation of the Optionee's service; or (c) amendments necessary to comply with applicable law or the requirements of any Exchange. Notwithstanding the foregoing, the Share Option Plan or any outstanding Company Option granted thereunder may not be amended without shareholder approval to:

- (a) increase the number of Common Shares reserved for issuance pursuant to Company Options in excess of the limit prescribed in the Share Option Plan;
- (b) extend the vesting date of any Company Options granted under the Share Option Plan to an Insider beyond the latest vesting date specified in the option agreement (other than as permitted by the terms and conditions of the Share Option Plan);
- (c) extend the Expiry Date of any Company Option granted to an Insider (other than as permitted by the terms and conditions of the Share Option Plan);

- (d) permit an Optionee to transfer Company Options to a new beneficial holder other than for estate settlement purposes;
- (e) reduce the limitations on Company Options contained in the Share Option Plan;
- (f) increase the number of Common Shares that may be issued to Insiders above the restrictions contained in the Share Option Plan; and
- (g) change the Share Option Plan to modify or delete any of the above.

Notwithstanding the foregoing, the Committee may amend or terminate the Share Option Plan or any outstanding Company Option granted under the Share Option Plan at any time without the approval of the shareholders of the Company or any Optionee whose Company Option is amended or terminated in order to conform the Share Option Plan or such Company Option, as the case may be, to applicable law or regulation or the requirements of any relevant stock exchange or regulatory authority, whether or not that amendment or termination would affect any accrued rights or adversely alter or impair any Company Option previously granted.

#### *Approval of Share Option Plan Resolution and Approval Requirement*

At the meeting, shareholders will be asked to consider the following ordinary resolution approving the Share Option Plan:

**"BE IT RESOLVED**, as an ordinary resolution of the shareholders of Hammerhead Energy Inc. (the "**Company**") that:

1. the share option plan (the "**Share Option Plan**") of the Company in the form attached as Schedule A to the information circular –proxy statement of the Company dated May 1, 2023 (the "**Information Circular**") is hereby ratified, confirmed and approved;
2. any director or officer of the Company be and is hereby authorized and directed to do such things and to execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions; and
3. notwithstanding that this resolution has been duly passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable by the directors."

In order to be passed, the foregoing ordinary resolution must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the meeting. The Company Board recommends that shareholders vote **FOR** the resolution. **The management designees intend to vote FOR the resolution, unless a shareholder specifies otherwise in the proxy.**



## Approval of New Equity Incentive Award Plan and Grants Made Thereunder

At the meeting, shareholders will be asked to consider and approve the Equity Incentive Award Plan. The Company Board has approved the Equity Incentive Award Plan. As at the date hereof, the maximum number of Common Shares issuable under the Equity Incentive Award Plan and all other security based compensation arrangements of the Company, including the Share Option Plan, the Legacy Share Award Plan and the Legacy Share Option Plan, may not exceed 10% of the Common Shares outstanding from time to time. As at the date hereof, the Company had Restricted Share Awards to acquire 1,945,115 Common Shares outstanding under the Equity Incentive Award Plan, representing 2.14% of the issued and outstanding Common Shares as at that date, leaving up to 7,152,247 Common Shares available for future grants under the Equity Incentive Award Plan before taking into account grants under the Share Option Plan, the Legacy Share Award Plan and the Legacy Share Option Plan which further reduces the entitlements under the Equity Incentive Award Plan.

In addition, as at the date hereof, the Company had Legacy Options, Legacy RSUs and Restricted Share Awards outstanding to acquire 7,751,245 Common Shares outstanding under the Equity Incentive Award Plan, the Legacy Share Award Plan and the Legacy Share Option Plan, representing an aggregate of 8.52% of the issued and outstanding Common Shares as at that date, leaving up to 1,346,117 Common Shares, being 1.48% of the issued and outstanding Common Shares, available for future grants under the Equity Incentive Award Plan and all other security based compensation arrangements, based on the number of Common Shares outstanding as at that date.

The Equity Incentive Award Plan has been conditionally approved by the TSX, subject to shareholder approval. A summary of the Equity Incentive Award Plan is provided below and the full plan is attached hereto as Schedule B. A copy of the plan has also been filed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) under the category "Other Securityholder Documents".

Following the Business Combination, the Company implemented the Equity Incentive Award Plan on February 23, 2023 and amended and restated the Equity Incentive Award Plan on May 1, 2023 to convert the Equity Incentive Award Plan from a fixed plan to a 10% rolling plan. Subsequent to its implementation the Company Board has granted a total of 1,949,700 Restricted Share Awards and prior to the date hereof, 4,585 of those Restricted Share Awards were forfeited due to an employee leaving the Company, leaving a total of 1,945,115 Restricted Share Awards outstanding. Such 1,945,115 Restricted Share Awards will vest at various points through 2024, 2025 and 2026. Of the 1,945,115 Restricted Share Awards granted, 466,500 Restricted Share Awards have been granted to directors of the Company, 460,100 Restricted Share Awards have been granted to officers of the Company and the remaining 1,018,515 Restricted Share Awards were granted to employees of the Company. These 1,945,115 Restricted Share Awards cannot be exercised until such time the Company has obtained shareholder approval of the Equity Incentive Award Plan and that the 1,945,115 Restricted Share Awards granted have been ratified by the shareholders of the Company. These 1,945,115 Restricted Share Awards will be cancelled if shareholders do not ratify the Equity Incentive Award Plan and the grants made thereunder.

## Equity Incentive Award Plan

### Defined Terms

In this description of the Equity Incentive Award Plan, the abbreviations and terms set forth below have the following meanings:

**"All or Substantially All of the Assets"** means greater than 90% of the aggregate fair market value of the assets of the Company and its Subsidiaries, on a consolidated basis, as determined by the Company Board in its sole discretion.

**"Award"** means an Incentive Award or a Share Award, as applicable.

**"Award Agreement"** means an Incentive Award Agreement or a Share Award Agreement, as applicable.

**"Black-Out Period"** means the period of time, if any, when, pursuant to any policies of the Company, any securities of the Company may not be traded by certain persons as designated by the Company, including any Participant that holds an Award.

**"Cessation Date"** means the date that is the earlier of: (i) the effective date of the Service Provider's termination, resignation, death or retirement, as the case may be; and (ii) the date that the Service Provider ceases to be in the active performance of the usual and customary day-to-day duties of the Service Provider's position or job other than due to a leave of absence, regardless of whether adequate, legal or proper advance notice of termination or resignation shall have been provided in respect of such cessation of being a Service Provider, and the Cessation Date shall not, under any circumstances, be extended by any statutory, contractual or common law notice period mandated under any application laws.

**"Change of Control"** means:

- (a) a successfully completed takeover bid; and (B) members of the Company Board who are members of the Company Board immediately prior to the earlier of the commencement of such takeover bid and the first public announcement of such takeover bid cease to constitute a majority of the Company Board at any time within 60 days of the successful completion of such takeover bid; or
- (b) any change in the beneficial ownership or control of the outstanding securities or other interests of the Company which results in: (I) a person or group of persons "acting jointly or in concert" (within the meaning of MI 62-104); or (II) an affiliate or associate of such person or group of persons, holding, owning or controlling, directly or indirectly, more than 50% of the outstanding voting securities or interests of the Company; and (B) members of the Company Board who are members of the Company Board immediately prior to the earlier of such change and the first public announcement of such change cease to constitute a majority of the Company Board at any time within 60 days of such change; or
- (c) Incumbent Directors no longer constituting a majority of the Company Board; or
- (d) the winding up of the Company or the sale, lease or transfer of All or Substantially All of the Assets to any other person or persons and the distribution of greater than 90% of the net proceeds from such sale, lease or transfer to the shareholders of the Company within 60 days of the completion of such sale, lease or transfer (other than pursuant to an internal reorganization or in circumstances where the business of the Company is continued and where the shareholdings or other securityholdings, as

the case may be, in the continuing entity and the constitution of the Company Board of directors or similar body of the continuing entity is such that the transaction would not be considered a "Change of Control" if paragraph (ii) above was applicable to the transaction); provided that, for greater certainty, a sale, lease or exchange of all or substantially all the property of the Company for purposes of the *Business Corporations Act* (Alberta) shall not be considered a sale, lease or transfer All or Substantially All of the Assets for purposes of this paragraph (iv) unless the property that is the subject of such sale, lease or exchange represents greater than 90% of the aggregate fair market value of the assets of the Company and its Subsidiaries, on a consolidated basis, as determined in accordance with the terms of the Equity Incentive Award Plan;

provided that a Change of Control shall be deemed not to have occurred if a majority of the Company Board, in good faith, determines that a Change of Control was not intended to occur in the particular circumstances in question and any such determination shall be binding and conclusive for all purposes of the Equity Incentive Award Plan.

"**Dividend**" means any dividend, return of capital or special distribution paid by the Company in respect of the Shares, whether in the form of cash or Shares or other securities or other property, expressed as an amount per Share.

"**Exchange**" means the stock exchange(s), if any, on which the Shares are listed and posted for trading.

"**Exercise Date**" means the day upon which the Company receives an Exercise Notice from a Participant of exercise of all or a portion of the Share Awards held by such Participant in respect of which the Vesting Date has occurred or, failing receipt of an Exercise Notice, the day immediately prior to the Expiry Date of such vested Share Awards.

"**Exercise Notice**" means a notice in writing to the Company respecting the exercise of Share Awards in respect of which the Vesting Date has occurred in the form approved by the Committee from time to time, duly executed by a Participant.

"**Expiry Date**" means: (i) in the case of Share Awards, the fifth anniversary of the grant date of the Restricted Award or the Performance Award, as applicable, or such other date as determined by the Committee in its sole discretion, provided that in no circumstances shall the Expiry Date exceed 10 years from the applicable grant date; and (ii) in the case of Incentive Awards, December 15th of the third year following the year in which the Incentive Award was granted.

"**Fair Market Value**" with respect to a Share, as at any date, means the volume weighted average of the prices at which the Shares traded on the Exchange (or, if the Shares are then listed and posted for trading on more than one Exchange, on such Exchange on which the majority of the trading volume and value of the Shares occurs) for the five trading days on which the Shares traded on the said Exchange immediately preceding such date. In the event that the Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Shares as determined by the Company Board in its sole discretion, acting reasonably and in good faith. If initially determined in United States dollars, the Fair Market Value shall be converted into Canadian dollars at an exchange rate selected and calculated in the manner determined by the Company Board from time to time, acting reasonably and in good faith.

"**HEI Group**" means, collectively, the Company and any entity that is a Subsidiary of the Company from time to time (and, for greater certainty, including any successor entity of any of the aforementioned entities).

**"Incentive Award"** means a Restricted Award or Performance Award made pursuant to the Equity Incentive Award Plan and designated as an Incentive Award.

**"Incentive Award Value"** means, with respect to any Incentive Awards, an amount equal to the number of Incentive Awards, as such number may be adjusted in accordance with the terms of the Equity Incentive Award Plan, multiplied by the Fair Market Value of the Shares.

**"Incumbent Directors"** means any member of the Company Board who was a member of the Company Board at the effective date of the Equity Incentive Award Plan and any successor to an Incumbent Director who was recommended or elected or appointed to succeed any Incumbent Director by the affirmative vote of the Company Board, including a majority of the Incumbent Directors then on the Company Board, prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control.

**"Participants"** mean Service Providers to whom Awards may be granted.

**"Performance Award"** means (i) an Incentive Award under the Equity Incentive Award Plan designated as a "Performance Award" in the Incentive Award Agreement pertaining thereto, for which payment shall be made following the Vesting Date(s) thereof, or (ii) an award of Shares under the Equity Incentive Award Plan designated as a "Performance Award" in the Share Award Agreement pertaining thereto, which Shares shall be issued following the Exercise Date(s) thereof.

**"Service Providers"** means persons who are employees or officers of the Company or a member of the HEI Group or who are consultants or other service providers to the Company or a member of the HEI Group.

**"Share"** means a Company Common Share, or, in the event of an adjustment contemplated in the Equity Incentive Award Plan, such other shares to which a Participant may be entitled upon the exercise or settlement of a Share Award or Incentive Award, as applicable, as a result of such adjustment.

**"Share Award"** means a Restricted Award or Performance Award made and designated as a Share Award pursuant to the Equity Incentive Award Plan.

**"Shareholder"** means a holder of Shares.

**"Subsidiary"** has the meaning ascribed there in the *Securities Act* (Alberta).

**"takeover bid"** means a "take-over bid" as defined in MI 62-104 or tender offer, pursuant to which the "offeror" would as a result of such takeover bid or tender offer, if successful, beneficially own, directly or indirectly, in excess of 50% of the outstanding Shares (other than pursuant to an internal reorganization or in circumstances where the business of the Company is continued and where the shareholdings or other security holdings, as the case may be, in the offeror and the constitution of the Company Board or similar body of the offeror is such that the take-over bid or tender offer would not be considered a "Change of Control").

**"U.S. Securities Act"** means the *United States Securities Act of 1933*, as amended and the rules and regulations promulgated thereunder.

**"Vesting Date"** means, (i) with respect to any Incentive Award, the date upon which the Incentive Award Value to which the Participant is entitled pursuant to such Incentive Award shall irrevocably vest and become irrevocably payable by the Company to the Participant in accordance with the terms hereof, and (ii) with

respect to any Share Award, the date upon which Shares awarded thereunder shall become issuable to the Participant of such Share Award in accordance with the terms hereof.

#### *Purpose and Administration*

The principal purposes of the Equity Incentive Award Plan are to: (a) aid in attracting, retaining and motivating qualified Service Providers of the HEI Group in the growth and development of the HEI Group by providing them with the opportunity through Awards to acquire an increased proprietary interest in the Company; (b) more closely align such Service Providers' interests with those of the Company's shareholders; (c) focus such Service Providers on operating and financial performance and long-term shareholder value; and (d) motivate and reward for such Service Providers' performance and contributions to the Company's long-term success.

The Equity Incentive Award Plan shall be administered by the Compensation Committee of the Company Board (the "**Committee**"), provided that the Company Board shall have the authority to appoint itself or another committee of the Company Board to administer the Equity Incentive Award Plan. In the event that the Company Board appoints itself or another committee of the Company Board to administer the Equity Incentive Award Plan, all references in the Equity Incentive Award Plan to the Committee will be deemed to be references to the Company Board or such other committee of the Company Board, as applicable.

To the extent permitted by law, the Committee may delegate or sub-delegate to one or more of its members, to any director or officer of the Company or to one or more agents all or any of the powers conferred on the Committee under the Equity Incentive Award Plan, and the Committee or any person to whom it has delegated or sub-delegated authority as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Equity Incentive Award Plan.

For greater certainty and without limiting the discretion conferred on the Committee pursuant to the Equity Incentive Award Plan, the Committee's decision to approve the grant of an Award in any period shall not require the Committee to approve the grant of an Award to any Service Provider in any other period; nor shall the Committee's decision with respect to the size or terms and conditions of an Award in any period require it to approve the grant of an Award of the same or similar size or with the same or similar terms and conditions to any Service Provider in any other period. The Committee shall not be precluded from approving the grant of an Award to any Service Provider solely because such Service Provider may previously have been granted an Award under the Equity Incentive Award Plan or any other similar compensation arrangement of the Company or a member of the HEI Group. There is no obligation for uniformity of treatment of Service Providers or Participants under the Equity Incentive Award Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants. No Service Provider has any claim or right to be granted an Award.

#### *Granting of Awards*

Each Award granted under the Equity Incentive Award Plan shall be subject to the terms and conditions of the Equity Incentive Award Plan and evidenced by a written agreement between the Company and the Participant (an "**Incentive Award Agreement**" in the case of an Incentive Award and a "**Share Award Agreement**" in the case of a Share Award) which agreement shall comply with, and be subject to, the requirements of the Exchange.

### *Dividend Equivalents*

At the discretion of the Company Board, the Equity Incentive Award Plan provides for cumulative adjustments to the number of Shares to be issued pursuant to Awards on each date that dividends are paid on the Shares by an amount equal to a fraction having as its numerator the amount of the dividend per Share and having as its denominator the price, expressed as an amount per Share, paid by participants in the Company's Dividend Reinvestment Plan (as defined in the Plan), if any, to reinvest their dividends in additional Shares on the applicable dividend payment date, provided that if the Company has suspended the operation of such plan or does not have such a plan, then the reinvestment price shall be equal to the Fair Market Value of the Shares on the trading day immediately preceding the dividend payment date. Under the Equity Incentive Award Plan, in the case of a non-cash dividend, including Shares or other securities or property, the Committee will, in its sole discretion and subject to the approval of the Exchange, determine whether or not such non-cash dividend will be provided to the Participant and, if so provided, the form in which it shall be provided.

### *Vesting*

Pursuant to the terms of the Equity Incentive Award Plan, the Restricted Awards and the Performance Awards shall vest at the end of their three-year terms, respectively.

### *Limits on Issuances*

Notwithstanding any other provisions of the Equity Incentive Award Plan, the aggregate number of Common Shares reserved for issuance from time to time pursuant to Awards granted and outstanding thereunder at any time, and together with the aggregate number of Shares reserved for issuance under all other security based compensation arrangements of the Company that provide for the issuance of Shares, shall not at any time exceed 10% of the Shares then issued and outstanding.

If any Award granted under the Equity Incentive Award Plan shall expire, terminate or be cancelled for any reason without the Shares issuable thereunder having been issued in full, any unissued Shares to which such Award relates shall be available for the purposes of the granting of further Awards under the Equity Incentive Award Plan. For greater certainty, any increase in the issued and outstanding Shares will result in an increase in the number of Shares available under this Plan.

The aggregate number of Shares issuable pursuant to Awards granted to any single Service Provider shall not exceed 5% of the issued and outstanding Shares, calculated on an undiluted basis and assuming all Awards will be settled in Shares. In addition: (i) the number of Shares issuable to insiders at any time, under all security based compensation arrangements of the Company, shall not exceed 10% of the issued and outstanding Shares; and (ii) the number of Shares issued to insiders, within any one year period, under all security based compensation arrangements of the Company, shall not exceed 10% of the issued and outstanding Shares.

### *Share Award Terms*

The Company may grant Restricted Awards and Performance Awards that, at the option of the Company, either: (a) entitle the holder on vesting to be issued the number of Shares designated in the Restricted Award or Performance Award, as applicable; or (b) entitle the holder on vesting to receive an amount equal to the value of the Restricted Award or Performance Award, as applicable, (being an amount equal to the number of Awards multiplied by the Fair Market Value of the Shares), which amount will in the sole and absolute discretion of the Company (and without the consent of the Participant), be settled in (i) cash, (ii) Shares acquired by the Company on the Exchange, (iii) Shares issued from the treasury of the Company, or (iv) any combination of the foregoing. In the case of Performance Awards, the number of Shares issuable or the value of the Award, as applicable, is multiplied by a payout multiplier. The payout multiplier is determined by the

Committee based on an assessment of the achievement of pre-defined corporate performance measures in respect of the applicable period as determined by the Committee. The payout multiplier may not be less than 0% or more than 200%. The Awards issuable pursuant to the Equity Incentive Award Plan are not assignable.

#### *Exercise of Share Awards*

A Participant may elect to exercise Share Awards at any time and from time to time from and including the day the Vesting Date in respect of such Share Awards occurs until the Expiry Date of such Share Awards, by delivering to the Company a duly completed and executed Exercise Notice; provided, that no Participant who is resident in the United States may exercise Share Awards unless the Shares issuable by the Company upon such exercise are registered under the U.S. Securities Act or are issued in compliance with an available exemption from the registration requirements of the U.S. Securities Act. If any Share Award may not be exercised due to any Black-Out Period at any time within the three-business day period prior to the Expiry Date of such Share Award the Expiry Date of all such Share Awards shall be extended for a period of seven business days following the end of the Black-Out Period (or such longer period as permitted by the Exchange(s) and approved by the Committee).

#### *Black-out Periods*

If a Participant is prohibited from trading in securities of the Company as a result of the imposition by the Company of a trading black-out (a "**Black-out Period**") and the issue or payment date of the Shares underlying an Award held by such Participant falls within the Black-out Period, then the issue or payment date of such Shares shall be extended to the date that is seven business days following the end of such Black-out Period; provided that if the expiry date of the Awards would occur as a result of such extension, the Awards will be settled on the expiry date in cash rather than Shares.

#### *Merger and Sale, etc.*

If the Company enters into any transaction or series of transactions, other than a transaction that is a Change of Control and whereby the Company or All or Substantially All of the Assets would become the property of any other trust, body corporate, partnership or other person (a "**Successor**") whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, then prior to or contemporaneously with the consummation of such transaction: (a) the Company and the Successor will execute such instruments and do such things as the Committee may determine are necessary to establish that upon the consummation of such transaction the Successor will have assumed the covenants and obligations of the Company under the Equity Incentive Award Plan and the Award Agreements outstanding on consummation of such transaction and such Successor shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Equity Incentive Award Plan and such Award Agreements with the same effect as though the Successor had been named as the Company in the Equity Incentive Award Plan and therein and thereafter, the Company shall be relieved of all obligations and covenants under the Equity Incentive Award Plan and such Award Agreements and the obligation of the Company to the Participants in respect of the Awards shall terminate and be at an end and the Participants shall cease to have any further rights in respect thereof including, without limitation, any right to acquire or receive Shares on the Vesting Date(s) applicable to such Awards; or (b) if the Awards (and the covenants and obligations of the Company under the Equity Incentive Award Plan and the Award Agreements outstanding on consummation of such transaction) are not so assumed by the Successor, then the Vesting Date for all Shares awarded pursuant to such Awards that have not yet been issued as of such time shall be the date which is immediately prior to the date upon which the transaction is consummated.

### *Change of Control*

In the event (a) of any change in the Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; (b) that any rights are granted to all Shareholders to purchase Shares at prices substantially below Fair Market Value; or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Shares are converted into or exchangeable for any other securities, then, in any such case, the Company Board may, subject to any required approval of the Exchange, make such adjustments to the Equity Incentive Award Plan, to any Awards and to any Award Agreements outstanding under the Equity Incentive Award Plan as the Company Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Participants thereunder.

### *Termination of Relationship as Service Provider*

Unless otherwise determined by the Committee or unless otherwise provided in an Award Agreement pertaining to a particular Award or any written employment or consulting agreement governing a Participant's role as a Service Provider, the following provisions shall apply in the event that a Participant ceases to be a Service Provider:

- (a) *Death* – If a Participant ceases to be a Service Provider as a result of the Participant's death, the Vesting Date for all Incentive Awards awarded to such Participant under any outstanding Incentive Award Agreements and for all Shares awarded to such Participant under any outstanding Award Agreements shall be accelerated to the Cessation Date, provided that the Committee, taking into consideration the performance of such Participant and the performance of the Company since the date of grant of the Award(s), may determine in its sole discretion the payout multiplier to be applied to any Performance Awards held by the Participant. The Expiry Date of any vested or unvested Share Awards held by the Participant at the date of death, which have not yet been subject to an Exercise Notice and subsequent settlement of the Share Award, shall be amended to the earlier of (i) one year after the Cessation Date, and (ii) the Expiry Date of such Share Award.
- (b) *Termination for Cause* – If a Participant ceases to be a Service Provider as a result of termination for cause, effective as of the Cessation Date all outstanding Award Agreements under which Awards have been made to such Participant, whether Restricted Awards or Performance Awards, and whether (A) vested and unexercised or unsettled or (B) unvested, shall be immediately terminated and all rights to receive payments or Shares thereunder, as the case may be, shall be forfeited by the Participant.
- (c) *Voluntary Resignation* – If a Participant ceases to be a Service Provider as a result of a voluntary resignation, effective as of the day that is 14 days after the Cessation Date, all outstanding Award Agreements under which Awards have been made to such Participant, whether Restricted Awards or Performance Awards, and whether (A) vested and unexercised or unsettled or (B) unvested, shall be terminated and all rights to receive payments or Shares thereunder, as the case may be, shall be forfeited by the Participant.
- (d) *Retirement* – If a Participant ceases to be a Service Provider as a result of the Participant's retirement, all outstanding Award Agreements under which Awards have been made to such Participant, whether Restricted Awards or Performance Awards, shall continue in accordance with their terms and the Expiry Date shall not be accelerated as a result of such retirement.
- (e) *Other Termination* – If a Participant ceases to be a Service Provider for any reason other than as provided for in (i), (ii), (iii) and (iv) above, effective as of the date that is the later of (A) 90 days after the Cessation Date, and (B) the end of the notice period used for calculating severance to which the



Participant is entitled as a result of the Participant's cessation as a Service Provider pursuant to a written contract of employment, if any, with an entity in the HEI Group, and notwithstanding any other severance entitlements or entitlement to notice or compensation in lieu thereof, all then outstanding Award Agreements under which Awards have been made to such Participant, whether Restricted Awards or Performance Awards, shall be terminated and all rights to receive payments or Shares thereunder, as the case may be, shall be forfeited by the Participant.

#### *Agreement to be Bound*

If a Participant fails to acknowledge an Award by acceptance of the Award Agreement within the time specified by the Committee, the Company reserves the right to revoke the Award. Participation in the Equity Incentive Award Plan by any Participant shall be construed as irrevocable acceptance by the Participant of the terms and conditions set out in the Equity Incentive Award Plan and all rules and procedures adopted thereunder and as amended from time to time.

#### *Amendment and Termination of Plan*

The Equity Incentive Award Plan and any Awards granted pursuant to the Equity Incentive Award Plan may, subject to any required approval of the Exchange, be amended, modified or terminated by the Company Board without the approval of Shareholders. Without limitation of the foregoing, such amendments include, without limitation: (a) amendments of a "housekeeping nature", including, without limitation, amending the wording of any provision of the Equity Incentive Award Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Equity Incentive Award Plan that is inconsistent with any other provision of the Equity Incentive Award Plan, correcting grammatical or typographical errors and amending the definitions contained within the Equity Incentive Award Plan respecting the administration of the Equity Incentive Award Plan; (b) amending Awards under the Equity Incentive Award Plan, including with respect to the Expiry Date (provided that the term of the Award does not exceed 10 years from the date the Award is granted and that such Award is not held by an insider), vesting period, and effect of termination of a Participant's employment or cessation of the Participant's service; (c) accelerating vesting; or (d) amendments necessary to comply with applicable law or the requirements of any Exchange on which the Shares are listed. Notwithstanding the foregoing, the Equity Incentive Award Plan or any Award may not be amended without Shareholder approval to:

- (a) increase the number of Shares reserved for issuance pursuant to Awards in excess of the limit prescribed in the Equity Incentive Award Plan;
- (b) extend the Vesting Date of any Awards issued under the Equity Incentive Award Plan to an insider beyond the latest Vesting Date specified in the Award Agreement (other than as permitted by the terms and conditions of the Equity Incentive Award Plan);
- (c) extend the Expiry Date of any Award granted to an insider (other than as permitted by the terms and conditions of the Equity Incentive Award Plan);
- (d) permit a Participant to transfer Awards to a new beneficial holder other than for estate settlement purposes;
- (e) reduce the limitations on Awards contained in the Equity Incentive Award Plan;

- (f) increase the number of Shares that may be issued to Insiders above the restrictions contained in the Equity Incentive Award Plan; and
- (g) change the Equity Incentive Award Plan to modify or delete any of (a) through (f) above.

In addition, no amendment to the Equity Incentive Award Plan or any Awards granted pursuant to the Equity Incentive Award Plan may be made without the consent of a Participant if it adversely alters or impairs the rights of such Participant in respect of any Award previously granted to such Participant under the Equity Incentive Award Plan.

At the meeting, shareholders will be asked to consider the following ordinary resolution approving the Equity Incentive Award Plan:

***Approval of New Equity Incentive Award Plan and Approval Requirement***

"**BE IT RESOLVED**, as an ordinary resolution of the shareholders of Hammerhead Energy Inc. (the "**Company**") that:

1. the equity incentive award plan (the "**Equity Incentive Award Plan**") of the Company in the form attached as Schedule B to the information circular –proxy statement of the Company dated May 1, 2023 (the "**Information Circular**") is hereby ratified, confirmed and approved;
2. the grants of awards which are described in the Information Circular, be and are hereby ratified, confirmed and approved;
3. any director or officer of the Company be and is hereby authorized and directed to do such things and to execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions; and
4. notwithstanding that this resolution has been duly passed by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Company, at any time if such revocation is considered necessary or desirable by the directors."

In order to be passed, the foregoing ordinary resolution must be approved by a simple majority of the votes cast by shareholders who vote in person or by proxy at the meeting. The Company Board recommends that shareholders vote **FOR** the resolution. **The management designees intend to vote FOR the resolution, unless a shareholder specifies otherwise in the proxy.**

## DIRECTOR COMPENSATION

The Company did not pay any compensation or provide any benefits for the fiscal year ended December 31, 2022, to the non-management directors as the Company was formed by way of amalgamation on February 22, 2023, pursuant to the Business Combination.

### *Fees and Retainers*

The Company has approved annual retainers of \$140,000 and \$180,000 for the non-management directors and the Chair of the Company Board, respectively, payable in cash or a combination of cash and share awards.

## CORPORATE GOVERNANCE PRACTICES

### *Independence*

The Common Shares and Warrants are listed on the NASDAQ under the ticker symbols "HHR" and "HHRW," respectively, and on the TSX under the ticker symbols "HHR" and "HHR.WT," respectively.

As a result, the Company adheres to the rules of the NASDAQ and applicable Canadian securities laws in determining whether a director is independent. The listing standards of the NASDAQ generally define an "independent director" as a person, other than an executive officer of a company or any other individual having a relationship which, in the opinion of the issuer's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Under NI 58-101, a director is considered to be independent if he or she is independent within the meaning of Section 1.4 of NI 52-110. Pursuant to NI 52-110, an independent director is a director who is free from any direct or indirect material relationship with the Company which could, in the view of the Company Board, be reasonably expected to interfere with the exercise of such director's independent judgement. The Company Board has determined that A. Stewart Hanlon, J. Paul Charron, James AC McDermott, and Bryan Begley are considered independent directors. The Company Board has determined Scott Sobie, Michael Kohut, Jesal Shah, and Robert Tichio are not independent based on their relationships with the Company and the Riverstone Parties, as applicable. The independent directors of the Company Board will hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

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

Name	Names of Other Issuers
Bryan Begley	Athabasca Oil Corporation (TSX)
A. Stewart Hanlon	Questor Technology Inc. (TSXV)
Michael Kohut	Southern Energy Corp. (TSXV)
Jesal Shah	Pipestone Energy Corp. (TSX)
Robert Tichio	Pipestone Energy Corp. (TSX) Permian Resources Corporation (NYSE) Tritium DCFC Limited (NASDAQ)

## Board Mandate

The primary responsibility of the Company Board is to appoint competent management and to oversee the management of the Company with a view to maximize shareholder value and ensure corporate conduct in an ethical and legal manner through an appropriate system of corporate governance and internal controls. Subject to the provisions of the ABCA, the Company Board may delegate certain of those powers and authority that the directors of the Company, or independent directors, as applicable, deemed necessary or desirable to affect the actual administration of the duties of the Company Board. The Company Board's duties are set out in the Company Board Mandate which is found in Schedule C attached hereto and on our website at [www.hhres.com](http://www.hhres.com).

The Company Board, in part, performs its responsibilities through its four committees: the Audit Committee; the Governance and ESG Committee; the Compensation Committee and the Reserves Committee. Each of the four committees has their own mandate as described below.

## Orientation and Continuing Education

It is the responsibility of the Company Board to provide an orientation program for new directors and ongoing educational opportunities for all directors. The Company Board will from time to time arrange for presentations by key personnel or qualified outside consultants concerning topics relating to the Company's business, changes to the Company's legal and regulatory framework and corporate and Company Board governance. The Company Board also encourages directors to attend external continuing education programs designed for directors of public companies. In addition to pursuing individual educational initiatives, members of the Company Board are provided with quarterly operational and financial reports summarizing the Company's performance. The Company also provides opportunities to have meetings and discussions with management as needed to address requests or questions a Company Board member may have.

The Company Board consists of highly skilled and experienced individuals with strong industry knowledge. Please see "*Biographies of Our Directors*" for more information on each Company Board member and their curriculum vitae.

## Code of Business Conduct

The Company has adopted a Code of Conduct and has posted such Code of Conduct, and intends to post any amendments to or any waivers from a provision of its Code of Conduct, on its website, and also intends to disclose any amendments to or waivers of certain provisions of its Code of Conduct in a manner consistent with NI 58-101 and the applicable rules or regulations of the SEC and the NASDAQ. All employees of the Company are required to acknowledge compliance with the code of business conduct and all related policies when they are hired and again on an annual basis. In addition, the Company has implemented a whistleblower policy throughout the Company and the Company will monitor compliance with the Code of Conduct. Any effort to retaliate against any person making a complaint in good faith under the Code of Conduct is strictly prohibited and will be reported immediately to the Chair of the Company Board.

In accordance with the ABCA, directors who are a party to, or are a director or an officer of a person who 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 vote on any resolution to approve the contract or transaction.

### Insider Trading Policy

The Company has adopted an insider trading policy which prohibits its executives, other employees, and directors from: (i) trading in its securities while in possession of material undisclosed information about the Company; and (ii) entering into certain derivative-based transactions that involve, directly or indirectly, securities of the Company, during a restricted period.

### Diversity

The Company recognizes the importance and benefit of having the Company Board and senior management composed of highly talented and experienced individuals having regard to the need to foster and promote diversity among Company Board members and senior management with respect to attributes such as gender, ethnicity and other factors. In support of this goal, the Governance and ESG Committee will, when identifying candidates to nominate for election to the Company Board or appoint as senior management or in its review of senior management succession planning and talent management:

- consider individuals who are highly qualified, based on their talents, experience, functional expertise and personal skills, character and qualities having regard to the Company's current and future plans and objectives, as well as anticipated regulatory and market developments;
- consider criteria that promote diversity, including with regard to gender, ethnicity, and other dimensions;
- consider the level of representation of women on the Company Board and in senior management positions, along with other markers of diversity, when making recommendations for nominees to the Company Board or for appointment as senior management and in general with regard to succession planning for the Company Board and senior management; and
- as required, engage qualified independent external advisors to assist the Company Board in conducting its search for candidates that meet the Company Board of directors' criteria regarding skills, experience and diversity.

An individual's qualifications are paramount in identifying a Company Board nominee. Consideration for nominations is made based on the needs of the Company Board at the applicable time and the alignment of the individual's talent, functional expertise, experience and personal skills. Currently, the Company's Diversity Policy does not provide for targets for the number of women on the Company Board or in executive officer positions. This does not preclude the Company from electing or promoting women. Currently 30% of the Company's employees are women; of which 73.0% are a designated professional or hold a leadership role. The Company does not have any women serving on the Company Board and has one woman in an executive officer position, representing approximately 16.7% of the Company's executive officer positions.

## Committee Membership and Responsibilities

Set forth below is information with respect to each of the current committees of the Company Board, including current membership and a brief description of their Company Board approved mandate which outlines the roles and responsibilities of the committee. The full text of the mandate of each committee is available on our website at [www.hhres.com](http://www.hhres.com).

Audit Committee	
Current Members <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• A. Stewart Hanlon (Chair)</li> <li>• J. Paul Charron</li> <li>• James AC McDermott</li> </ul>
Mandate	<p>The Audit Committee's mandate includes:</p> <ul style="list-style-type: none"> <li>• appointing, compensating, retaining, evaluating, terminating and overseeing the Company's independent registered public accounting firm;</li> <li>• discussing with the Company's independent registered public accounting firm their independence from the Company's management;</li> <li>• reviewing with the Company's independent registered public accounting firm the scope and results of their audit;</li> <li>• approving all audit and permissible non-audit services to be performed by the Company's independent registered public accounting firm;</li> <li>• overseeing the financial reporting process and discussing with the Company's management and the Company's independent registered public accounting firm the interim and annual financial statements;</li> <li>• reviewing and monitoring the Company's accounting principles, accounting policies, financial and accounting controls and compliance with legal and regulatory requirements;</li> <li>• reviewing the Company's policies on risk assessment and risk management;</li> <li>• reviewing, with the Company's independent auditor, their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Company and its subsidiaries;</li> <li>• reviewing related party transactions;</li> <li>• reviewing the financial statements, prospectuses, management's discussion and analysis, annual information forms, Form 20-Fs, business acquisition reports, annual reports, annual and interim profit or loss releases, and all public disclosure containing audited or unaudited financial information before public release and prior to Company Board approval. The committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, including prospectuses, annual information forms and business acquisition reports, except as otherwise specified, prior to their public release, and must periodically assess the adequacy and accuracy of those procedures; and</li> <li>• establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters.</li> </ul>

Note:

- (1) The Company Board has determined that each such director is independent under the Listing Rules, NI 52-110 and under Rule 10A-3 of the Exchange Act. A. Stewart Hanlon serves as the chair of the Audit Committee. Each member of the audit committee meets the financial literacy requirements of the NASDAQ and the Company Board has determined that A. Stewart Hanlon is an "audit committee financial expert" as defined in applicable SEC rules and has accounting or related financial management expertise. The Company complies with NI 52-110 and relies on the exemptions for U.S. listed issuers thereunder.

For more information relating to the background of the Audit Committee members, see "*Biographies of our Directors*" above under "*Matters to be Acted Upon at the Meeting*".

The Audit Committee pre-approves all audit and non-audit services performed by our external auditor. For more information relating to the fees billed by our external auditor for audit services in 2022 and 2021, see "Appointment of Auditors" above under "Matters to be Acted Upon at the Meeting".

Governance and ESG Committee	
Current Members <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• James AC McDermott (Chair)</li> <li>• A. Stewart Hanlon</li> </ul>
Mandate	<p>The Governance and ESG Committee is responsible for, among other things:</p> <ul style="list-style-type: none"> <li>• identifying individuals qualified to become members of the Company Board, consistent with criteria approved by the Company Board;</li> <li>• annually reviewing the Company's disclosure of its corporate governance practices to be included in the Company's annual report or information circular as required by the TSX, NI 58-101 and any other applicable regulatory authority;</li> <li>• establishing a "skills matrix" outlining the skills and experiences which the committee believes are required by members of the Company Board, reviewing the skills matrix annually and updating the skills matrix as necessary;</li> <li>• overseeing the Company's policies, procedures, practices and strategies relating to climate related issues and other sustainability matters to ensure due consideration of risks, opportunities and potential performance improvement relating thereto;</li> <li>• monitoring the Company's compliance with applicable environmental laws in the jurisdictions in which the Company operates;</li> <li>• evaluating the overall effectiveness of the Company Board and its committees;</li> <li>• reviewing developments in corporate governance compliance and developing and recommending to the Company Board a set of corporate governance guidelines and principles;</li> <li>• reviewing the Company's enterprise risk management program relating to identifying, assessing and managing climate related risks, whether physical or transition related and in view of plausible future scenarios, as well as other sustainability related risks, and report to the Audit Committee;</li> <li>• reviewing the Company's disclosure, reporting and external communication practices pertaining to climate and sustainability issues, including but not limited to assessments of materiality, ESG or sustainability report development and approach to analogous disclosure, media and social media campaigns and other written communication with stakeholders; and</li> <li>• reviewing shareholder proposals relating to sustainability issues and provide a report to the Company Board.</li> </ul> <p>The Governance and ESG Committee will consider persons identified by its members, management, directors and others. The guidelines for selecting nominees, which are specified in the Governance and ESG Committee Charter, generally provide that persons to be nominated should:</p> <ul style="list-style-type: none"> <li>• have demonstrated notable or significant achievements in business, education or public service;</li> <li>• possess the requisite intelligence, education and experience to make a significant contribution to the Company Board and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and</li> <li>• have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the Shareholders.</li> </ul>

Note:

(1) The Company has established the Governance and ESG Committee of the Company Board comprised of A. Stewart Hanlon and James AC McDermott, each of whom is independent under the applicable rules of the SEC and the Listing Rules, NI 58-101 and James AC McDermott serves as the chair of the Governance and ESG Committee.

Compensation Committee	
Current Members <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• Bryan Begley (Chair)</li> <li>• A. Stewart Hanlon</li> </ul>
Mandate	<p>The Company Board has adopted a Compensation Committee mandate, which details the principal functions of the Compensation Committee, including but not limited to:</p> <ul style="list-style-type: none"> <li>• reviewing and approving corporate goals and objectives with respect to the compensation of the Company's Chief Executive Officer, evaluating the Company's Chief Executive Officer's performance in light of these goals and objectives and setting compensation;</li> <li>• reviewing and setting or making recommendations to the Company Board regarding the compensation of the Company's other executive officers;</li> <li>• reviewing and making recommendations to the Company Board regarding director compensation;</li> <li>• reviewing and approving or making recommendations to the Company Board regarding the Company's incentive compensation and equity-based plans and arrangements; and</li> <li>• appointing and overseeing any compensation consultants.</li> </ul> <p>The charter also provides that the Compensation Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser and is directly responsible for the appointment, compensation and oversight of the work of any such adviser.</p> <p>However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the Compensation Committee will consider the independence of each such adviser, including the factors required by the NASDAQ and the SEC.</p>

Note:

(1) Bryan Begley and A. Stewart Hanlon are independent under the applicable rules of the SEC, the NASDAQ and NI 58-101.

For more information relating to the background of the Compensation Committee members, see "*Biographies of our Directors*" above under "*Matters to be Acted Upon at the Meeting*".



Reserves Committee	
Current Members <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• J. Paul Charron (Chair)</li> <li>• Bryan Begley</li> </ul>
Mandate	<p>The Reserves Committee is responsible for, among other things:</p> <ul style="list-style-type: none"> <li>• assisting the Company's management in fulfilling its responsibilities under NI 51-101 with respect to the oil and natural gas reserves evaluation process;</li> <li>• reviewing any public disclosure and regulatory filings with respect to any reserves evaluation and related oil and natural gas activities;</li> <li>• acting as the steward of the Company's operational performance;</li> <li>• reviewing the Company's procedures for providing information to the qualified reserves evaluators or auditors (as defined in NI 51-101) (the "<b>Independent Evaluator</b>") and the appointment of the Independent Evaluator and, in the case of any proposed change to change the Independent Evaluator, determine the reason therefor and whether there have been any disputes with management; and</li> <li>• reviewing and monitoring the adequacy of the Company's health, safety and environmental emergency response policies, plans, reporting and resources.</li> </ul>

Note:

- (1) The Company has established a Reserves Committee comprised entirely of independent directors, in accordance with NI 51-101 guidelines. The reserves committee is comprised of J. Paul Charron and Bryan Begley. J. Paul Charron and Bryan Begley are independent under the applicable rules of the SEC and the NASDAQ.

### Board Nominations

The Governance and ESG Committee is responsible for identifying individuals qualified to become members of the Company Board. See "*Corporate Governance Practices – Committee Membership and Responsibilities – Governance and ESG Committee*" and "*Corporate Governance Practices – Diversity*" for further information.

### Compensation

The Company has established the Compensation Committee, comprised entirely of independent directors. For more information about the responsibilities, powers and operation of the Compensation Committee, see "*Committee Membership and Responsibilities*" in this Information Circular. For information regarding compensation of the Company's executive officers and directors, see "*Executive Compensation*" and "*Director Compensation*" in this Information Circular.

### Position Descriptions

The Company Board has developed position descriptions for each of the Chair, the President and Chief Executive Officer, the Lead Director and the chair of each committee of the Company Board.

### Board Assessment

The Company Board does not regularly assess its members but members are regularly invited to express any concerns they may have either at meetings or in discussions with the Chair of the Company Board.

### Retirement Policy / Board Tenure

The Company Board has not adopted term limits for the directors on the Company Board or other mechanisms of board renewal. While the Company Board recognizes the benefit of new perspectives, ideas and business

strategies can offer and support periodic renewal, the Company Board also recognizes that experience and knowledge of the Company's business is a valuable resource. Accordingly, the Company Board believes that the Company and the Company shareholders are better served with regular assessment of the effectiveness of periodic renewal instead of age or tenure limits.

## EXECUTIVE COMPENSATION

The Company was formed pursuant to the Business Combination on February 22, 2023. Neither the Company nor Hammerhead was a reporting issuer in the year ended December 31, 2022. As such, pursuant to NI 51-102, the Company is not required to disclose historical executive compensation for the Company or Hammerhead for the year ended December 31, 2022. The following disclosure relates to the current executive compensation practices of the Company for the current fiscal year.

### *Executive Officer Compensation Following the Business Combination*

#### *Named Executive Officer Compensation*

In the year ended December 31, 2022, Hammerhead engaged a third-party executive compensation advisory firm to assist in the review and development of the Company's executive compensation program following the Business Combination.

The current salaries for the Company's officers are as follows:

Name	Title	Salary (\$) <sup>(1)(2)(3)</sup>
Scott Sobie	President, Chief Executive Officer and Director	575,200
Michael G. Kohut	Senior Vice President, Chief Financial Officer and Director	375,000
David Anderson	Senior Vice President, Operations and Alternative Energy	350,900
Daniel Labelle	Senior Vice President, Development and A&D	350,900
Nicki Stevens	Senior Vice President, Production, Marketing and ESG	350,900
Richard Unsworth	Senior Vice President, Business and Organizational Effectiveness	350,900 <sup>(4)</sup>

Notes:

- (1) Does not include any cash bonus amounts. The Company will be implementing a cash bonus program pursuant to which, the NEOs are eligible for a cash bonus amount based on various performance measures of the NEO and the Company. The terms of the cash bonus program have not been finalized.
- (2) Does not include any equity incentive awards of the Company. See "*Matters To Be Acted Upon At The Meeting – Matters Respecting New Equity Incentive Plans*" for descriptions of the Equity Incentive Award Plan and Share Option Plan.
- (3) Does not include any personal benefits provided to the NEOs. The Company anticipates that NEOs will be provided an executive benefit package consistent with benefits paid to executives of the Company but the anticipated amount of such benefits and the terms of such benefit package has not been finalized.
- (4) The amount listed shows a full-time salary amount. Mr. Unsworth works a 0.8 full-time equivalent basis.

### *Incentive Plans*

Pursuant to the Plan of Arrangement:

- Each Hammerhead Option (whether or not exercisable and whether or not vested) issued and outstanding immediately prior to the Company Amalgamation Effective Time was exchanged for a Legacy Option to acquire a number of Common Shares pursuant to the terms of the Plan of Arrangement; and

- Each Hammerhead RSU (whether or not exercisable and whether or not vested) issued and outstanding immediately prior to the Company Amalgamation Effective Time was exchanged for a Legacy RSU to acquire a number of Common Shares pursuant to the terms of the Plan of Arrangement.

In addition to the Share Option Plan and the Equity Incentive Award Plan, the Company has adopted the Legacy Share Option Plan and the Legacy Share Award Plan solely to provide for the issuance of Legacy Options and Legacy RSUs in exchange for the outstanding Hammerhead Options and Hammerhead RSUs, respectively, under the Plan of Arrangement, which plans became effective immediately following the SPAC Amalgamation Effective Time. The Legacy Plans are in substantially the same form as the Hammerhead Share Option Plan and Hammerhead Share Award Plan, subject to such changes to provide for the Business Combination and such changes as required by applicable laws and stock exchange rules. Under the terms of the Legacy Plans and the policies of the TSX, the Company is not entitled to make any further grants of Legacy Options or Legacy RSUs under the Legacy Plans. Upon completion of the Business Combination, the previously in force Hammerhead Option Plan and Hammerhead Share Award Plan were discontinued.

### *Legacy Share Award Plan*

#### *Defined Terms*

In this description of the Legacy Share Award Plan, the abbreviations and terms set forth below have the following meanings:

**"Account"** means an account maintained by the Company for each Participant and which will be credited with Share Awards in accordance with the terms of the Legacy Share Award Plan.

**"All or Substantially All of the Assets"** means greater than 90% of the aggregate fair market value of the assets of the Company and its Subsidiaries, on a consolidated basis, as determined by the Company Board in its sole discretion.

**"associate"** and **"affiliate"** each have the meaning ascribed thereto in MI 62-104, as amended from time to time.

**"Award Date"** means the date or dates on which an award of Share Awards is made to a Participant.

**"Black-Out Period"** means the period of time, if any, when, pursuant to any policies of the Company, any securities of the Company may not be traded by certain persons as designated by the Company, including any Participant that holds a Share Award.

**"Cessation Date"** means the date that is the earlier of: (i) the effective date of the Service Provider's termination, resignation, death or retirement, as the case may be; and (ii) the date that the Service Provider ceases to be in the active performance of the usual and customary day-to-day duties of the Service Provider's position or job, regardless of whether adequate, legal or proper advance notice of termination or resignation shall have been provided in respect of such cessation of being a Service Provider, and the Cessation Date shall not, under any circumstances, be extended by any statutory, contractual or common law notice period mandated under any application laws.

**"Court"** means the Alberta Court of King's Bench.

**"Dividend Equivalent"** means a bookkeeping entry whereby each Share Award is credited with the equivalent amount of the dividend paid on a Share.

"**Dividend Market Value**" means the Fair Market Value per Share on the dividend record date.

"**Exchange**" means the stock exchange(s), if any, on which the Shares are listed and posted for trading.

"**Exercise**" means the exercise of Share Awards granted to a Participant pursuant to the Legacy Share Award Plan.

"**Fair Market Value**" with respect to a Share, as at any date, means the volume weighted average of the prices at which the Shares traded on the Exchange (or, if the Shares are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of the Shares occurs) for the five trading days on which the Shares traded on the said stock exchange immediately preceding such date. In the event that the Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Shares as determined by the Company Board in its sole discretion.

"**HEI Group**" means, collectively, the Company, any entity that is a Subsidiary of the Company from time to time, and any other entity designated by the Company Board from time to time as a member of the HEI Group for the purposes of the Legacy Share Award Plan (and, for greater certainty, including any successor entity of any of the aforementioned entities).

"**Incumbent Directors**" means any member of the Company Board who was a member of the Company Board at the effective date of the Legacy Share Award Plan and any successor to an Incumbent Director who was recommended or elected or appointed to succeed any Incumbent Director by the affirmative vote of the Company Board, including a majority of the Incumbent Directors then on the Company Board, prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control.

"**Insider**" has the meaning ascribed thereto in Part I of the TSX Company Manual for the purposes of Section 613 of the TSX Company Manual.

"**MI 62-104**" means Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*, as amended from time to time.

"**Participant**" means a Service Provider determined to be eligible to participate in the Legacy Share Award Plan and, where applicable, a former Service Provider deemed eligible to continue to participate in the Legacy Share Award Plan.

"**Service Provider**" means a director, officer or employee of, or a person or company engaged by, one or more of the entities comprising the HEI Group to provide services to an entity within the HEI Group.

"**Share Award**" means a unit equivalent in value to a Share credited by means of a bookkeeping entry in the Participants' Accounts (also defined within this Canadian Prospectus as a Legacy RSU).

"**Subsidiary**" has the meaning ascribed there in the *Securities Act* (Alberta).

#### *Purpose and Administration*

The purpose of the Legacy Share Award Plan is to provide for the issuance of Share Awards pursuant to the Plan of Arrangement and to: (a) aid in retaining and motivating certain directors, officers, employees and other eligible Service Providers of the HEI Group in the growth and development of the HEI Group by providing them with the opportunity through Share Awards to acquire an increased proprietary interest in the Company; (b) more closely align their interests with those of the Company's shareholders; (c) focus such Service Providers

on operating and financial performance and long-term shareholder value; and (d) motivate and reward for their performance and contributions to the Company's long-term success.

The Legacy Share Award Plan shall be administered by the Company Board. Notwithstanding the foregoing, to the extent permitted by applicable law, the Company Board may, from time to time, delegate to a committee (the "**Committee**") of the Company Board all or any of the powers conferred on the Company Board under the Equity Incentive Award Plan (as defined below). In such event, the Committee will exercise the powers delegated to it by the Company Board in the manner and on the terms authorized by the Company Board. The Company Board or the Committee may delegate or sub-delegate to any director or officer of the Company the whole or any part of the administration of the Equity Incentive Award Plan and shall determine the scope of such delegation or sub-delegation in its sole discretion.

#### *Granting of Legacy Awards*

An award of Share Awards pursuant to the Legacy Share Award Plan will be made and the number of such Share Awards awarded will be credited to each Participant's Account, effective as of the Award Date. The number of Share Awards to be credited to each Participant's Account shall be determined by the Company Board, or the Committee delegated by the Company Board to do so, each in its sole discretion.

#### *Credits for Dividends*

A Participant's Account shall be credited with a Dividend Equivalent in the form of additional Share Awards only if the Company Board, in its sole discretion, so determines. Such Dividend Equivalent, if any, shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of Share Awards recorded in the Participant's Account on the record date for the payment of such dividend, by (b) the Dividend Market Value, with fractions computed to three decimal places.

#### *Vesting*

All Share Awards issued pursuant the Legacy Share Award Plan shall be fully vested and exercisable on issuance and shall not be subject to any vesting restrictions.

#### *Limits on Issuances*

Notwithstanding any other provision of the Legacy Share Award Plan, the maximum number of Shares issuable pursuant to outstanding Share Awards at any time shall be limited to 5,329,938, subject to adjustment for Dividend Equivalents, if any.

Share Awards that are cancelled, surrendered, terminated or that expire prior to exercise thereof shall not in such Shares being available to be issued in respect of a subsequent grant of Share Awards pursuant to the Legacy Share Award Plan.

#### *Share Award Terms*

The term during which a Share Award may be outstanding shall, subject to the provisions of the Legacy Share Award Plan requiring or permitting the acceleration or the extension of the term, be such period as may be determined from time to time by the Company Board or the Committee, but subject to the rules of any stock exchange or other regulatory body having jurisdiction.

In addition, unless otherwise determined by the Company Board or the Committee, or unless the Company and a Participant agree otherwise in a Share Award Agreement or other written agreement (including an

employment or consulting agreement), each Share Award shall provide that if a Participant shall cease to be a director, officer of or be in the employ of, or a consultant or other Service Provider to, any of the entities comprising the HEI Group for any reason whatsoever (other than death or retirement) including, without limitation, resignation or involuntary termination (with or without cause), as determined by the Company Board in its sole discretion, before all of the Share Awards credited to the Participant's Account have been Exercised or are forfeited pursuant to any other provision hereof: (a) such Participant shall cease to be a Participant as of the Cessation Date; (b) any underlying Shares corresponding to any Share Awards that have not been Exercised on the Cessation Date shall be Exercised by the former Participant within 90 days of the Cessation Date in accordance with the Legacy Share Award Plan; and (c) the former Participant shall not be entitled to any further distribution of Shares or any payment from the Legacy Share Award Plan.

Notwithstanding the preceding paragraph or anything else contained in the Legacy Share Award Plan to the contrary, unless otherwise determined by the Company Board or the Committee, or unless the Company and a Participant agree otherwise in a Share Award Agreement or other written agreement (including an employment or consulting agreement), if a Participant shall cease to be an officer of or be in the employ of, or a consultant or other Service Provider to, any of the entities comprising the HEI Group due to the death of the Participant, any underlying Shares corresponding to any Share Awards that have not been exercised shall be exercised by the legal representative of the deceased former Participant's estate within 12 months of the Cessation Date in accordance with the Legacy Share Award Plan.

#### *Delivery of Shares by the Company*

The Company shall, as soon as practicable after the exercise of any Share Awards granted under the Legacy Share Award Plan, issue from treasury to the Participant the number of Shares required to be delivered upon the exercise of such Participant's Share Awards; provided, however, that, with the consent of the Participant, in lieu of issuing Shares from treasury the Company may satisfy its obligation to deliver Shares to the Participant upon the exercise of such Participant's Share Awards by delivering Shares from the Hammerhead Employee Benefit Trust. The Company shall register and deliver certificates for such Shares to the Participant by first class insured mail, unless the Company shall have received alternative instructions from the Participant acceptable to the Company for the registration and/or delivery of the certificates. The Participant shall exercise any Share Awards by: (i) delivering to the Company a notice of exercise in writing, in such form as may be approved by the Company Board or the Committee from time to time, signed by the Participant and stating the Participant's intention to exercise a particular Share Award together with payment of the exercise price of C\$0.16 per Share Award so exercised; and (ii) if the Share Awards are being exercised by the legal representative of a deceased former Participant's estate, providing the Company with satisfactory evidence of the Participant's death. Upon receipt of the exercise notice, aggregate exercise price and evidence of the Participant's death (if applicable), the Company shall cause the Shares in respect of which the Share Award has been Exercised to be issued or delivered as provided above.

#### *Surrender Offer*

A Participant may make an offer (the "**Surrender Offer**") to the Company, at any time, for the disposition and surrender by the Participant to the Company (and the termination thereof) of any of the Share Awards granted thereunder for an amount (not to exceed the Fair Market Value of the Shares less the exercise price of the Share Award) specified in the Surrender Offer by the Participant, and the Company may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the Share Awards in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Participant any further

rights thereunder upon payment of the amount (less all taxes and other amounts required by law to be withheld by the Company) of the Surrender Offer agreed to by the Company and the Participant.

#### *Alterations of Shares*

In the event: (a) of any change in the Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or (b) that any rights are granted to all or substantially all shareholders to purchase Shares at prices substantially below Fair Market Value; or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Shares are converted into or exchangeable for any other securities or property; then the Company Board may make such adjustments to the Legacy Share Award Plan, to any Share Awards and to any Share Award Agreements outstanding under the Legacy Share Award Plan as the Company Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Participants thereunder and/or to provide for the Participants to receive and accept such other securities or property in lieu of Shares, and the Participants shall be bound by any such determination.

No adjustment shall be made with respect to the issue of Shares being made pursuant to or in connection with: (a) any share option plan or share purchase plan, including the Legacy Share Award Plan, in force from time to time for existing or proposed officers, directors, employees or Service Providers of the Company; (b) the issuance of additional Shares pursuant to a public offering or private placement by the Company or a take-over bid, tender offer or other acquisition made by the Company for the securities of another entity; or (c) upon Exercise or vesting of any convertible securities of the Company outstanding from time to time.

#### *Merger and Sale, etc.*

Except in the case of a transaction that is a Change of Control and to which the paragraph below applies, if the Company enters into any transaction or series of transactions whereby the Company or All or Substantially All of the Assets would become the property of any other trust, body corporate, partnership or other person (a "Successor"), whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, prior to or contemporaneously with the consummation of such transaction the Company and the Successor will execute such instruments and do such things as the Company Board or the Committee may determine are necessary to establish that upon the consummation of such transaction the Successor will assume the covenants and obligations of the Company under the Legacy Share Award Plan and the Share Award Agreements outstanding on consummation of such transaction. Any such Successor shall succeed to, and be substituted for, and may exercise every right and power of the Company under the Legacy Share Award Plan and Share Award Agreements with the same effect as though the Successor had been named as the Company in the Legacy Share Award Plan and therein and thereafter, the Company shall be relieved of all obligations and covenants under the Legacy Share Award Plan and such Share Award Agreements and the obligation of the Company to the Participants in respect of the Share Awards shall terminate and be at an end and the Participants shall cease to have any further rights in respect thereof including, without limitation, any right to acquire Shares upon the Exercise of the Share Awards.

#### *Change of Control*

Notwithstanding any other provision in the Legacy Share Award Plan but subject to any provision to the contrary contained in a Share Award Agreement or other written agreement (such as an agreement of employment) between the Company and a Participant, if there takes place a Change of Control, all issued and outstanding Share Awards shall terminate on the 90th day after the occurrence of such Change of Control or

at such earlier time as may be established by the Company Board or the Committee, in its absolute discretion, prior to the time such Change of Control takes place.

*Amendment or Discontinuance of the Legacy Share Award Plan*

The Company Board may amend or discontinue the Legacy Share Award Plan and any Share Award granted thereunder at any time without the approval of the shareholders of the Company or any Participant whose Share Award is amended or terminated, provided that no amendment to the Equity Incentive Award Plan or Share Awards granted pursuant to the Equity Incentive Award Plan may be made without the consent of the Participant, if it adversely alters or impairs any Share Award previously granted to such Participant under the Equity Incentive Award Plan.

The Company Board may, subject to any required approval of any Exchange, amend or discontinue the Legacy Share Award Plan and any Share Award granted thereunder at any time without the approval of the shareholders of the Company or any Participant whose Share Award is amended or terminated, provided that, no amendment to the Legacy Share Award Plan or Share Awards granted pursuant to the Legacy Share Award Plan may be made without the consent of the Participant, if it adversely alters or impairs any Share Award previously granted to such Participant under the Legacy Share Award Plan. Without limitation of the foregoing, such amendments include, without limitation: (a) amendments of a "housekeeping nature" nature, including, without limitation, amending the wording of any provision of the Legacy Share Award Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Legacy Share Award Plan that is inconsistent with any other provision of the Legacy Share Award Plan, correcting grammatical or typographical errors and amending the definitions contained within the Legacy Share Award Plan respecting the administration of the Legacy Share Award Plan; (b) amending Share Awards under the Legacy Share Award Plan, including with respect to the expiry date (provided that such Share Award is not held by an Insider) and effect of termination of a Participant's employment or cessation of the Participant's service; or (c) amendments necessary to comply with applicable law or the requirements of any Exchange. Notwithstanding the foregoing, the Legacy Share Award Plan or any outstanding Share Award granted thereunder may not be amended without shareholder approval to:

- (a) permit Share Awards to be issued other than pursuant to the Plan of Arrangement;
- (a) increase the number of Shares reserved for issuance pursuant to Share Awards in excess of the limit prescribed in the Legacy Share Award Plan;
- (b) extend the expiry date of any Share Award granted to an Insider (other than as permitted by the terms and conditions of the Legacy Share Award Plan);
- (c) permit a Participant to transfer Share Awards to a new beneficial holder other than for estate settlement purposes;
- (d) reduce the limitations on Share Awards contained in the Legacy Share Award Plan; and
- (e) change the Legacy Share Award Plan to modify or delete any of the above.

Notwithstanding the foregoing, the Company Board may amend or terminate the Legacy Share Award Plan or any outstanding Share Award granted thereunder at any time without the approval of the shareholders of the Company or any Participant whose Share Award is amended or terminated, in order to conform the Legacy Share Award Plan or such Share Award, as the case may be, to applicable law or regulation or the requirements



of any relevant stock exchange or regulatory authority, whether or not that amendment or termination would affect any accrued rights or adversely alter or impair any Share Award previously granted.

Without limiting the foregoing, the Company Board may correct any defect or supply any omission or reconcile any inconsistency in the Equity Incentive Award Plan in the manner and to the extent deemed necessary or desirable, may establish, amend, and rescind any rules and regulations relating to the Legacy Share Award Plan, and may make such determinations as it deems necessary or desirable for the administration of the Legacy Share Award Plan.

On termination of the Legacy Share Award Plan, any outstanding Share Awards under the Legacy Share Award Plan shall immediately vest and the number of Shares corresponding to such Share Awards shall be delivered to the Participants in accordance with and upon compliance with the Legacy Share Award Plan. The Legacy Share Award Plan will finally cease to operate for all purposes when: (i) the last remaining Participant receives delivery of all Shares corresponding to all Share Awards credited to the Participant's Account; or (ii) all unexercised Share Awards expire in accordance with the terms of the Legacy Share Award Plan.

### *Legacy Share Option Plan*

#### *Terms of Legacy Share Option Plan*

##### *Defined Terms*

In this description of the Legacy Share Option Plan, the abbreviations and terms set forth below have the following meanings:

**"All or Substantially All of the Assets"** means greater than 90% of the aggregate fair market value of the assets of the Company and its Subsidiaries, on a consolidated basis, as determined by the Company Board in its sole discretion.

**"Black-Out Period"** means the period of time when, pursuant to any policies of the Company, any securities of the Company may not be traded by certain persons as designated by the Company, including any holder of a Legacy Option.

**"Change of Control"** means: (i) a successful takeover bid; or (ii) (A) any change in the beneficial ownership or control of the outstanding securities or other interests of the Company which results in: (I) a person or group of persons "acting jointly or in concert" within the meaning of National Instrument 62-104 – *Take-Over Bids and Issuer Bids*, as amended from time to time; or (II) an affiliate or associate of such person or group of persons, holding, owning or controlling, directly or indirectly, more than 50% of the outstanding voting securities or interests of the Company; and (B) members of the Company Board who are members of the Company Board immediately prior to the earlier of such change and the first public announcement of such change cease to constitute a majority of the Company Board at any time within 60 days of such change; or (iii) Incumbent Directors no longer constituting a majority of the Company Board; (iv) the winding up of the Company or the sale, lease or transfer of All or Substantially All of the Assets to any other person or persons and the distribution of greater than 90% of the net proceeds from such sale, lease or transfer to the shareholders of the Company within 60 days of the completion of such sale, lease or transfer (other than pursuant to an internal reorganization or in circumstances where the business of the Company is continued and where the shareholdings or other security holdings, as the case may be, in the continuing entity and the constitution of the Company Board or similar body of the continuing entity is such that the transaction would not be considered a "Change of Control" if paragraph (ii) above was applicable to the transaction); provided that, for greater certainty, a sale, lease or exchange of all or substantially all the property of the Company for purposes of the *Business Corporations Act* (Alberta) shall not be considered a sale, lease or transfer All or

Substantially All of the Assets for purposes of this paragraph (iv) unless the property that is the subject of such sale, lease or exchange represents greater than 90% of the aggregate fair market value of the assets of the Company and its subsidiaries, on a consolidated basis, as determined in accordance with the Legacy Share Option Plan; or (v) any determination by a majority of the Company Board that a "Change of Control" has occurred or is about to occur and any such determination shall be binding and conclusive for all purposes of the Legacy Share Option Plan.

**"Current Market Price"** means, as at any date when the Current Market Price is to be determined, the volume weighted average trading price per Common Share on the TSX, or, if the Common Shares are not listed on the TSX, on any stock exchange in Canada or the United States on which the Common Shares are then listed, for the last five trading days immediately prior to the date of determination, or if the Common Shares are not listed upon any stock exchange in Canada or the United States, the Current Market Price shall be determined by the Company Board acting reasonably.

**"Exchange"** means the stock exchange(s), if any, on which Common Shares are listed and posted for trading and, if Common Shares are listed on more than one stock exchange, such stock exchange as may be selected for such purpose by the Company Board.

**"Fair Market Value"** with respect to a Common Share, as at any date, means the volume weighted average of the prices at which Common Shares traded on the Exchange (or, if Common Shares are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of Common Shares occurs) for the five trading days on which Common Shares traded on the said stock exchange immediately preceding such date. In the event that Common Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of Common Shares as determined by the Company Board in its sole discretion.

**"HEI Group"** means, collectively, the Company, any entity that is a Subsidiary of the Company from time to time, including, without limitation, any entity designated by the Company Board from time to time as a member of the HEI Group for the purposes of the Legacy Share Option Plan (and, for greater certainty, including any successor entity of any of the aforementioned entities) provided, however, that with respect to any Optionee that is subject to United States federal income taxation, such entity is a "service recipient" within the meaning of Code Section 409A with respect to such Optionee.

**"Incumbent Directors"** means any member of the Company Board who was a member of the Company Board at the effective date of the Legacy Share Option Plan and any successor to an Incumbent Director who was recommended or elected or appointed to succeed any Incumbent Director by the affirmative vote of the Company Board, including a majority of the Incumbent Directors then on the Company Board, prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control.

**"Insider"** has the meaning ascribed thereto in Part I of the TSX Company Manual for the purposes of Section 613 of the TSX Company Manual.

**"In-the-Money Value"** means the amount by which the Current Market Price on the Pricing Date exceeds the exercise price of the applicable Legacy Options, multiplied by the number of Common Shares related to the applicable Legacy Options.

**"Optionee"** means a holder of Legacy Options.

**"Pricing Date"** means the date the Company receives notice from an Optionee that has elected to exercise a vested Legacy Option by surrendering such Legacy Option in exchange for the In-the-Money Value of Legacy

Option in lieu of purchasing the number of Common Shares then issuable on the exercise of the vested Legacy Option subject to the provisions of the Legacy Share Option Plan and if permitted by the Committee.

"**Service Provider**" means an officer or employee of, or a person or company engaged by, one or more of the entities comprising the HEI Group to provide services to an entity within the HEI Group.

#### *Purpose and Administration*

The limited purpose of the Legacy Share Option Plan is to provide for the issuance of Legacy Options pursuant to of the Plan of Arrangement and thereby to aid in retaining and motivating certain officers, directors, employees and other eligible Service Providers of the HEI Group in the growth and development of the HEI Group by providing them with the opportunity through Legacy Options to acquire an increased proprietary interest in the Company.

The Legacy Share Option Plan is administered by a committee of the Company Board appointed from time to time by the Company Board to administer the Legacy Share Option Plan or, if no such committee is appointed, the Company Board (the "**Committee**") pursuant to any rules of procedure that may be fixed by the Company Board.

#### *Granting of Legacy Options*

Subject to the Plan of Arrangement, the Committee may from time to time designate officers, directors and employees of, and other eligible Service Providers to, the HEI Group to whom Legacy Options may be granted and the number of Common Shares to be optioned to each, provided that the number of Common Shares to be optioned shall not exceed the limitations provided in the Legacy Share Option Plan.

#### *Limitations to the Legacy Share Option Plan*

Notwithstanding any other provision of the Legacy Share Option Plan the maximum number of Common Shares issuable on exercise of outstanding Legacy Options at any time shall be limited to 671,539.

Legacy Options that are cancelled, terminated or expire prior to the exercise of all or a portion thereof shall not result in Common Shares that were reserved for issuance thereunder being available for a subsequent grant of Legacy Options pursuant to the Legacy Share Option Plan.

No one Service Provider may be granted any Legacy Option which, together with all Legacy Options then held by such Optionee, would entitle or enable such Optionee to receive a number of Common Shares which is greater than 5% of the outstanding Common Shares, calculated on an undiluted basis. In addition: (i) the number of Common Shares issuable to Insiders at any time, under all security based compensation arrangements of the Company, shall not exceed 10% of the issued and outstanding Common Shares; and (ii) the number of Common Shares issued to Insiders, within any one year period, under all security based compensation arrangements of the Company, shall not exceed 10% of the issued and outstanding Common Shares. For this purpose, "security based compensation arrangements" has the meaning ascribed thereto in Part VI of the TSX Company Manual.

#### *Vesting*

All Legacy Options issued pursuant to the Plan of Arrangement shall be fully vested and exercisable on issuance and shall not be subject to any vesting restrictions.

### *Legacy Option Price*

Subject to the Plan of Arrangement, the exercise price of Legacy Options granted under the Legacy Share Option Plan shall be fixed by the Committee when such Legacy Options are granted, provided that the exercise price of Legacy Options shall not be less than such minimum price as may be required by the stock exchange, if any, on which the Common Shares are listed at the time of grant.

### *Legacy Option Terms*

The period during which a Legacy Option is exercisable shall, subject to the provisions of the Legacy Share Option Plan requiring or permitting the acceleration or extension of the exercise period, be such period, not in excess of 15 years, as may be determined from time to time by the Committee, but subject to the rules of any stock exchange or other regulatory body having jurisdiction, and in the absence of any determination to the contrary will be five years from the date of grant. Each Legacy Option shall, among other things, contain provisions to the effect that Legacy Option shall be personal to the Optionee and shall not be assignable. In addition, unless the Company and an Optionee agree otherwise in an agreement for Legacy Options or other written agreement (such as an agreement of employment or a retirement agreement), each Legacy Option shall provide that:

- (a) upon the death of the Optionee, the Legacy Option shall terminate on the date determined by the Committee which shall not be more than 12 months from the date of death and, in the absence of any determination to the contrary, will be 12 months from the date of death;
- (b) if the Optionee shall no longer be an officer of or be in the employ of, or consultant or other Service Provider to, any of the entities comprising the HEI Group (other than by reason of death or termination for cause or retirement), the Legacy Option shall terminate on the expiry of the period not in excess of six months as prescribed by the Committee at the time of grant, following the date that the Optionee ceases to be an officer of, or an employee of or a consultant or other Service Provider to, any of the entities comprising the HEI Group; and, in the absence of any determination to the contrary, will terminate 90 days following the date that the Optionee ceases to be an officer of, or an employee of or a consultant or other Service Provider to, any of the entities comprising the HEI Group;
- (c) if the Optionee shall no longer be an officer of or be in the employ of, or consultant or other Service Provider to, any of the entities comprising the HEI Group by reason of termination for cause, the Legacy Option shall terminate immediately on such termination for cause (whether notice of such termination occurs verbally or in writing); and
- (d) if the Optionee shall no longer be an officer of or be in the employ of any of the entities comprising of the HEI Group due to the Optionee's retirement, the Legacy Option shall terminate 12 months following the date that the Optionee ceases to be an officer of or be in the employ of any of the entities in the HEI Group;

provided that the number of Common Shares that the Optionee (or his or her heirs or successors) shall be entitled to purchase until such date of termination: (i) shall in the case of death of the Optionee, be all of the Common Shares that may be acquired on exercise of Legacy Options held by such Optionee (or his or her heirs or successors), whether or not previously vested, and the vesting of all such Legacy Options shall be accelerated on the date of death for such purpose; and (ii) in any case other than death or termination for cause, shall be the number of Common Shares which the Optionee was entitled to purchase on the date the Optionee ceased to be an officer, director, employee, consultant or other Service Provider, as the case may be. In the event of termination for cause, all of the Common Shares optioned, whether vested or unvested, shall be forfeited.

If any Legacy Options may not be exercised due to any Black-Out Period at any time within the three-business day period prior to the normal expiry date of such Legacy Options (the "**Restricted Options**"), the expiry date of all Restricted Options shall be extended for a period of seven business days following the end of the Black-Out Period (or such longer period as permitted by the Exchange and approved by the Committee).

#### *Cashless Exercise*

Subject to the provisions of the Legacy Share Option Plan, if permitted by the Committee, an Optionee may elect to exercise a vested Legacy Option by surrendering such Legacy Option in exchange for the In-the-Money Value of Legacy Option in lieu of purchasing the number of Common Shares then issuable on the exercise of the vested Legacy Option. If the Optionee so elects to exercise the Legacy Option, the Optionee shall be entitled to payment of the In-the-Money Value of the vested Legacy Option determined as of the Pricing Date. The In-the-Money Value shall be paid in Common Shares issued from treasury with the number of Common Shares issuable being equal to the number obtained by dividing the In-the-Money Value of Legacy Options in respect of which such election is made by the Current Market Price on the Pricing Date.

#### *Surrender Offer*

A Optionee may make an offer (the "**Surrender Offer**") to the Company, at any time, for the disposition and surrender by the Optionee to the Company (and the termination thereof) of any of Legacy Options granted under the Legacy Share Option Plan for an amount (not to exceed the Fair Market Value of Common Shares less the exercise price of Legacy Options) specified in the Surrender Offer by the Optionee, and the Company may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, Legacy Options in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Optionee any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Company to the Optionee. The Company may, in its sole discretion, elect to allow an Optionee to claim such deductions in computing taxable income of such Optionee, if any, that may be available to the Optionee in respect of any amount received by the Optionee, provided that the Company shall be under no obligation, express or implied, to make such election.

#### *Alterations in Shares*

In the event: (a) of any change in Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or (b) that any rights are granted to all or substantially all shareholders to purchase Common Shares at prices substantially below Fair Market Value; or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, Common Shares are converted into or exchangeable for any other securities or property; then the Company Board may make such adjustments to the Legacy Share Option Plan, to any Legacy Options and to any agreements for Legacy Options outstanding under the Legacy Share Option Plan, and make such amendments to any agreements for Legacy Options outstanding under the Legacy Share Option Plan, as the Company Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Optionees thereunder and/or to provide for the Optionees to receive and accept such other securities or property in lieu of Common Shares, and the Optionees shall be bound by any such determination.

For greater certainty, and notwithstanding anything to the contrary to the foregoing paragraph, no adjustment shall be made in accordance with respect to the issue of Common Shares being made pursuant to or in connection with (i) any share option plan or share purchase plan, including the Legacy Share Option Plan, in force from time to time for existing or proposed officers, directors, employees or Service Providers of the

Company, or (ii) the issuance of additional Common Shares pursuant to a public offering or private placement by the Company or a take-over bid or tender offer made by the Company for the securities of another entity.

*Provisions Related to Merger/Sale etc.*

Except in the case of a transaction that is a Change of Control and to which accelerated vesting and termination of Legacy Options applies, if the Company enters into any transaction or series of transactions whereby the Company or All or Substantially All of the Assets would become the property of another trust, body corporate, partnership or other person (a "**Successor**"), whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, prior to or contemporaneously with the consummation of such transaction, the Company and the Successor will execute such instruments and do such things as the Committee may determine are necessary to establish that upon the consummation of such transaction the Successor will assume the covenants and obligations of the Company under the Legacy Share Option Plan outstanding on consummation of such transaction. Any such Successor shall succeed to, and be substituted for, and may exercise every right and power of the Company under the Legacy Share Option Plan with the same effect as though the Successor had been named as the Company therein and thereafter, the Company shall be relieved of all obligations and covenants under the Legacy Share Option Plan and the obligation of the Company to the Optionees in respect of Legacy Options shall terminate and be at an end and the Optionees shall cease to have any further rights in respect thereof including, without limitation, any right to acquire Common Shares upon vesting of Legacy Options.

*Termination of Option*

Notwithstanding any other provision in the Legacy Share Option Plan or the terms of any option agreement, if there takes place a Change of Control, all issued and outstanding Legacy Options shall terminate on the 90<sup>th</sup> day after the occurrence of such Change of Control, or at such earlier time as may be established by the Company Board, in its absolute discretion, prior to the time such Change of Control takes place.

*Amendments*

The Committee may, subject to any required approval of any Exchange, amend or discontinue the Legacy Share Option Plan and Legacy Options granted thereunder at any time without the approval of the shareholders of the Company or any Optionee whose Legacy Option is amended or terminated, provided that, subject to the terms of the Legacy Share Option Plan, no amendment to the Legacy Share Option Plan or Legacy Options granted pursuant to the Legacy Share Option Plan may be made without the consent of the Optionee, if it adversely alters or impairs any Legacy Option previously granted to such Optionee under the Legacy Share Option Plan. Without limitation of the foregoing, such amendments include, without limitation: (a) amendments of a "housekeeping nature" nature, including, without limitation, amending the wording of any provision of the Legacy Share Option Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Legacy Share Option Plan that is inconsistent with any other provision of the Legacy Share Option Plan, correcting grammatical or typographical errors and amending the definitions contained within the Legacy Share Option Plan respecting the administration of the Legacy Share Option Plan; (b) amending Legacy Options under the Legacy Share Option Plan, including with respect to the expiry date (provided that the term of the Legacy Option does not exceed 15 years from the date the Legacy Option is granted and that such Legacy Option is not held by an Insider) and effect of termination of a Optionee's employment or cessation of the Optionee's service; or (c) amendments necessary to comply with applicable law or the requirements of any Exchange. Notwithstanding the foregoing, the Legacy Share Option Plan or any outstanding Legacy Option granted thereunder may not be amended without shareholder approval to:

- (a) permit Legacy Options to be issued other than pursuant to the Plan of Arrangement;
- (b) increase the number of Common Shares reserved for issuance pursuant to Legacy Options in excess of the limit prescribed in the Legacy Share Option Plan;
- (c) extend the expiry date of any Legacy Option granted to an Insider (other than as permitted by the terms and conditions of the Legacy Share Option Plan);
- (d) permit an Optionee to transfer Legacy Options to a new beneficial holder other than for estate settlement purposes;
- (e) reduce the limitations on Legacy Options contained in the Legacy Share Option Plan; and
- (f) change the Legacy Share Option Plan to modify or delete any of the above.

Notwithstanding the foregoing, the Committee may amend or terminate the Legacy Share Option Plan or any outstanding Legacy Option granted under the Legacy Share Option Plan at any time without the approval of the shareholders of the Company or any Optionee whose Legacy Option is amended or terminated in order to conform the Legacy Share Option Plan or such Legacy Option, as the case may be, to applicable law or regulation or the requirements of any relevant stock exchange or regulatory authority, whether or not that amendment or termination would affect any accrued rights or adversely alter or impair any Legacy Option previously granted.

The Company has also adopted the Equity Incentive Award Plan and Share Option Plan. For summaries of the Equity Incentive Award Plan and Share Option Plan, see "*Matters To Be Acted Upon At The Meeting – Matters Respecting New Equity Incentive Plans*" in this Information Circular.

### **Clawback Policy**

The Company has a formal "clawback" policy on executive incentive compensation, including, without limitation, bonuses, share options and share awards, that may be awarded to our executive officers when (i) the executive engages in willful misconduct or fraud which causes or significantly contributes to a restatement of our financial statements due to our material noncompliance with any applicable financial reporting requirement under securities laws, (ii) the executive receives incentive compensation calculated on the achievement of those financial results, and (iii) the incentive compensation received would have been lower had the financial statements been properly reported. The policy provides that when a clawback is triggered, upon the recommendation of the Governance and ESG Committee, the Company Board may, in its sole discretion and to the extent that it determines it is in the Company's best interests to do so, require the executive to repay the amount of incentive compensation relating to the year(s) subject to the restatement or received upon exercise or payment of incentive compensation in or following the year(s) subject to the restatement that is in excess of the incentive compensation the executive would have received if the incentive compensation had been computed in accordance with the results as restated, calculated on an after tax basis.

### Securities Authorized for Issuance Under Equity Compensation Plans

As at December 31, 2022, the Company did not have any equity incentive plans. See "Matters Related to New Equity Incentive Plans", "Executive Compensation – Legacy Share Award Plan" and "Executive Compensation – Legacy Share Option Plan".

The following sets forth information in respect of securities authorized for issuance under Hammerhead's equity compensation plans as at December 31, 2022:

Plan Category	Number of securities to be issued upon exercise of outstanding options and awards (a)	Weighted average exercise price of outstanding options and awards <sup>(3)</sup> (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:			
Hammerhead Share Option Plan <sup>(1)</sup>	<b>10,510,250</b>	<b>0.50</b>	<b>28,745,832</b>
Hammerhead Share Award Plan <sup>(2)</sup>	<b>83,595,675</b>	<b>0.01</b>	<b>10,412,014</b>
Equity compensation plans not approved by securityholders:	Nil	Nil	Nil
<b>Total</b>	<b>94,105,925</b>		<b>39,157,846</b>

Notes:

- (1) The maximum number of Hammerhead Common Shares that were issuable pursuant to the Hammered Share Option Plan was 10% of the outstanding Hammerhead Common Shares, which was equal to 39,256,082 Hammerhead Common Shares, being 10% of the 392,560,824 Hammerhead Common Shares issued and outstanding as of December 31, 2022. The Hammerhead Options were exchanged for Legacy Option upon completion of the Business Combination.
- (2) The maximum number of Hammerhead Common Shares issuable pursuant to the Hammerhead Share Award Plan was 12% of the outstanding Hammerhead Common Shares and Preferred Shares (on an as-converted basis) less the number of Hammerhead Common Shares issuable pursuant to the Hammerhead Share Option Plan at such time, which was equal to 104,517,939 Hammerhead Common Shares, being 12% of the 954,316,155 as converted Hammerhead Common Shares issued and outstanding as of December 31, 2022 less 10,510,250 Hammerhead Common Shares issuable pursuant to the Option Plan as at December 31, 2022. The Hammerhead RSUs were exchanged for Legacy RSUs upon completion of the Business Combination.
- (3) Following the completion of the Business Combination, the exercise prices of the Hammerhead RSUs and Hammerhead Options were \$0.16 and \$7.82, respectively.



## INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

The Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, or nominee for election as a director, or of any associate or affiliate of the foregoing, in respect of any matter to be acted on at the Meeting, other than the election of directors, the appointment of auditors or the approval of the equity incentive plans.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, there were no material interests, direct or indirect, of any proposed director or any 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 Company or in any proposed transaction which has materially affected or would materially affect the Company or its subsidiary.

On February 23, 2023, the Company completed the Business Combination. See "*Explanatory Note*" and "*Voting Shares and Principal Holders*".

The Riverstone Parties are affiliates of Riverstone, of which Robert Tichio, current director of the Company, is a Partner and Jesal Shah, current director of the Company, is an employee. James AC McDermott is a former director of DCRD.

## ADDITIONAL INFORMATION

Upon request, the Company will provide securityholders with a copy of the Company's or our predecessor entity financial statements for the year ended December 31, 2022 and associated management's discussion and analysis of financial condition and results of operations, as well as a copy of the Company's annual information form on Form 20-F, subsequent interim financial statements and management's discussion and analysis and this Information Circular.

Copies of these documents may be obtained on request without charge from the Senior Vice President and Chief Financial Officer at 2700, 525 – 8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1G1; telephone 403.930.0560 or by accessing the disclosure documents available under our profile on SEDAR at [www.sedar.com](http://www.sedar.com) or on EDGAR at [www.sec.gov/edgar](http://www.sec.gov/edgar).

## ADVISORIES

### Forward-Looking Information and Statements

This Information Circular contains forward-looking information and statements (collectively, "**forward-looking statements**"). These forward-looking statements relate to future events or our future performance. All information and statements other than statements of historical fact contained in this Information Circular are forward-looking statements. Such forward-looking statements may be identified by looking for words such as "approximately", "may", "believe", "measure", "stability", "depends", "expects", "will", "intends", "should", "could", "plan", "budget", "predict", "potential", "projects", "anticipates", "forecasts", "estimates", "objective", "ongoing", "continues", "sustainability" or similar words or the negative thereof or other comparable terminology suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future, including statements about our strategy, plans, focus, objectives, priorities and position. In particular, and without limiting the generality of the foregoing, this Information Circular contains forward-looking statements with respect to: the Company's proposed incentive plans and anticipated implementation thereof; director compensation; and Company Board diversity.

By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, current and future commodity prices and inflation rates, the effects of pandemics, including with respect to commodity prices, currency and interest rates, anticipated production rates, borrowing, operating and other costs and adjusted funds flow, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, access to infrastructure and markets, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws and royalties, the ability to access sufficient capital from internal sources and bank and equity markets, the availability of qualified candidates to meet the Company Board and executive officer diversity goals and, without limitation, those risks considered under "*Risk Factors*" in our annual information form on Form 20-F. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, or if any of them do so, what benefits we will derive therefrom.

The Company has included the forward-looking statements in this Information Circular in order to provide readers with a more complete perspective on our future plans and operations and such information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## SCHEDULE A

See attached.





8. approve the repurchase of Class A Common Shares of the Corporation or other securities in accordance with applicable securities laws;

#### **Monitoring and Acting**

9. monitor Hammerhead's progress towards achieving its goals, and to revise and alter its direction through management in light of changing circumstances;
10. monitor overall human resources policies and procedures, including compensation and succession planning;
11. review the systems implemented by management and the Board which are designed to maintain or enhance the integrity of Hammerhead's internal control and management information systems;
12. approve all matters relating to a material transaction involving Hammerhead;

#### **Management and Organization**

13. appoint the CEO and determine the terms of the CEO's employment with Hammerhead;
14. in consultation with the CEO, appoint all officers of Hammerhead and approve the terms of each officer's employment with Hammerhead;
15. ensure that Hammerhead has in place appropriate programs and policies for the health and safety of its employees and that Hammerhead sets high environmental standards in its operations and is compliant with environmental laws and regulations;
16. evaluate the performance of the CEO on an ongoing basis through the in camera session held at the end of each regularly scheduled Board meeting;
17. in consultation with the CEO, establish the limits of management's authority and responsibility in conducting Hammerhead's business;
18. to the extent possible, satisfy itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;
19. develop a system under which succession to senior management positions will occur in a timely manner;
20. approve any proposed significant change in the management organization structure of Hammerhead;
21. approve all retirement plans for officers and employees of Hammerhead;
22. generally provide advice and guidance to management;

#### **Finances and Controls**

23. review Hammerhead's systems to manage and mitigate the risks of Hammerhead's business and, with the assistance of management, Hammerhead's auditors and others (as required), evaluate the appropriateness of such systems;

24. review the procedures implemented by Hammerhead's management and the Board which are designed to ensure that the financial performance of Hammerhead is properly reported to Hammerhead shareholders, other security holders and regulators on a timely and regular basis;
25. approve all matters relating to a takeover bid or tender offer for the securities of Hammerhead;
26. in consultation with the CEO, establish and maintain a disclosure and trading policy for Hammerhead;
27. monitor the appropriateness of Hammerhead's capital structure;
28. ensure that the financial performance of Hammerhead is properly reported to shareholders, other security holders and regulators on a timely and regular basis;
29. in consultation with the CEO, establish the ethical standards to be observed by all officers and employees of Hammerhead and use reasonable efforts to ensure that a process is in place to monitor compliance with those standards;
30. require that the CEO institute and monitor processes and systems designed to ensure compliance with applicable laws by Hammerhead and its officers and employees;
31. require the CEO institute, and maintain the integrity of, internal control and information systems, including maintenance of all required records and documentation;
32. review and approve the Corporation's hedging program;
33. approve material contracts to be entered into by the Corporation;
34. recommend to shareholders of Hammerhead a firm of chartered accountants to be appointed as Hammerhead's auditors;
35. approve any payment of dividends;
36. review dividend levels (if applicable), based on information from and consultation with management, and approve all changes to dividend levels;
37. ensure Hammerhead's oil and gas reserve and/or resource report fairly represents the quantity and value of corporate reserves and/or resources in accordance with generally accepted engineering principles and applicable securities laws;
38. take reasonable actions to gain reasonable assurance that all financial information made public by Hammerhead (including Hammerhead's annual and quarterly financial statements) is accurate and complete and represents fairly the Corporation's financial position and performance;

## **Governance**

39. selecting nominees for election to the Board in compliance with Hammerhead's Diversity and Term Limit Policy;
40. engage in the process of determining Board member qualifications with the Governance Committee and ESG Committee, and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements;

41. facilitate the continuity, effectiveness and independence of the Board by, amongst other things:
  - a. appointing a Chair of the Board who is not a member of management;
  - b. in consultation with the Chair of the Board, develop a position description for the Chair of the Board;
  - c. appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate;
  - d. defining the mandate of each committee of the Board;
  - e. ensuring that processes are in place and are utilized to assess the effectiveness of the Chair of the Board, the Board as a whole, each committee of the Board and each director;
  - f. review the orientation and education program for new members to the Board to ensure that it is adequate and effective, and
  - g. establishing a system to enable any director to engage an outside adviser at the expense of Hammerhead;
42. review annually the composition of the Board and its committees and assess directors' performance on an ongoing basis, and propose new members to the Board;
43. review annually the adequacy and form of the compensation of directors;

#### **Delegation**

44. the Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board to the extent permitted by applicable laws;

#### **Composition**

45. the Board shall consist of such number of directors within the range set forth in Hammerhead constating documents as the Board deems appropriate in order to facilitate effective decision making. The Board delegates to the Governance and ESG Committee the responsibility of considering and making recommendations to the Board with respect to the appropriate Board size;
46. Board members should have or obtain sufficient knowledge of Hammerhead and the oil and gas business to assist in providing advice and counsel on relevant issues;
47. Board members should offer their resignation from the Board to the Chair of the Board following:
  - a. change in personal circumstances which would reasonably interfere with the ability to serve as a director;
  - b. change in personal circumstances which would reasonably reflect poorly on Hammerhead (for example, finding by a court of fraud, or conviction under *Criminal Code* (Canada) or securities legislation);



- c. in accordance with Hammerhead's Majority Voting Policy, should a Board member receive a greater number of votes "withheld" from his or her election than votes "for" his or her election; or
- d. failure to qualify as a director in accordance with Section 105 of the *Business Corporations Act* (Alberta);

### **Meetings**

- 48. the Board shall meet at least four times per year and/or as deemed appropriate by the Chair of the Board;
- 49. absent extenuating circumstances or scheduling conflicts, Board members are expected to attend all Board meetings;
- 50. the Chair shall attempt 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 such meetings;
- 51. the CEO or his designate(s) may be present at all meetings of the Board;
- 52. the CEO and Chief Financial Officer shall be available to attend all meetings of the Board upon invitation by the Board. Vice-Presidents and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board;
- 53. the Board shall meet at the end of each meeting without members of management being present;
- 54. minutes of each meeting shall be prepared by the secretary to the Board;
- 55. independent directors shall meet regularly, and in no case less frequently than quarterly, without non-independent directors and management participation;

### **Authority**

- 56. following each meeting, the secretary will promptly report to the Board by way of providing draft copies of the minutes of the meetings;
- 57. supporting schedules and information reviewed by the Board at any meeting shall be available for examination by any director upon request to the CEO;
- 58. the Board shall have the authority to review any corporate report or material and to investigate activity of Hammerhead and to request any employees to cooperate as requested by the Board; and
- 59. the Board may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of Hammerhead.

*Approved by the Board of Directors on February 23, 2023.*

**TSX: HHRS**

**NASDAQ: HHRS**

**HAMMERHEAD ENERGY INC.**

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**CALGARY, ALBERTA**

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