

SECURITIES AND EXCHANGE COMMISSION

FORM 6-K

Current report of foreign issuer pursuant to Rules 13a-16 and 15d-16 Amendments

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Hammerhead Energy Inc.

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of November, 2023

Commission File Number 001-41630

HAMMERHEAD ENERGY INC.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name)

Suite 2700, 525-8th Avenue SW

Calgary, Alberta, T2P 1G1

(403) 930-0560

(Address and telephone number of registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

DOCUMENTS INCLUDED AS PART OF THIS REPORT

Exhibit

[99.1 Fourth Amending Agreement, dated September 27, 2023](#)

[99.2 Legacy Share Award Plan](#)

[99.3 Legacy Share Option Plan](#)

[99.4 Share Option Plan](#)

[99.5 Equity Incentive Award Plan](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Hammerhead Energy Inc.

Date: November 16, 2023

By: /s/ Scott Sobie

Name: Scott Sobie

Title: President and Chief Executive Officer

FOURTH AMENDING AGREEMENT

THIS AGREEMENT is made effective as of September 27, 2023
BETWEEN:

HAMMERHEAD RESOURCES ULC, an unlimited liability corporation subsisting under the laws of the Province of Alberta (hereinafter referred to as the "**Borrower**"),

OF THE FIRST PART,

- and -

CANADIAN IMPERIAL BANK OF COMMERCE, ROYAL BANK OF CANADA, ATB FINANCIAL, BANK OF MONTREAL, CANADIAN WESTERN BANK AND BUSINESS DEVELOPMENT BANK OF CANADA (hereinafter referred to collectively as the "**Lenders**" and individually as a "**Lender**"),

OF THE SECOND PART,

- and -

CANADIAN IMPERIAL BANK OF COMMERCE, a Canadian chartered bank, as agent of the Lenders (hereinafter referred to as the "**Agent**"),

OF THE THIRD PART.

WHEREAS Bank of Montreal (the "**New Lender**") has agreed to provide a Syndicated Facility Commitment and to become a Lender in accordance with the terms of the Credit Agreement;

AND WHEREAS the parties hereto have agreed to amend and supplement certain provisions of the Credit Agreement as hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged by each of the parties hereto, the parties hereto covenant and agree as follows:

1. Interpretation

1.1 In this Agreement and the recitals hereto, unless something in the subject matter or context is inconsistent therewith:

"**Agreement**" means this agreement, as amended, modified, supplemented or restated from time to time.

"**Credit Agreement**" means the fourth amended and restated credit agreement made as of June 9, 2022 between the Borrower (as amalgamation successor of Hammerhead Resources Inc.), the Lenders (originally excluding, for certainty, Royal Bank of Canada and Bank of Montreal and originally including, for certainty, National Bank of Canada) and the Agent, as amended by a first amending agreement made effective as of September 14, 2022, a consent and second amending agreement made effective as of December 15, 2022, a third amending agreement made effective as of May 30, 2023 and as otherwise amended, supplemented or otherwise modified prior to the effectiveness of this Agreement.

"**Initial Amendments**" means the amendments and supplements contained in Sections 2.1 through to and including Section 2.5 herein.

"**Springing Amendments**" means the amendments and supplements contained in Sections 2.6 through to and including Section 2.11 herein.

1.2 Capitalized terms used herein without express definition shall have the same meanings herein as are ascribed thereto in the Credit Agreement, as amended by this Agreement.

1.3 The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless the context otherwise requires, references herein to "Sections" are to Sections of this Agreement. The terms "this Agreement", "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Section or other portion hereof and include any agreements supplemental hereto.

1.4 This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

1.5 The following Exhibit is annexed hereto and is incorporated by reference and deemed to be part hereof:
Exhibit 1 - Lenders and Commitments.

2. Amendments and Supplements

2.1 Redetermination of the Borrowing Base. The Lenders hereby confirm and agree that as of the date hereof the Borrowing Base has been determined to be Cdn.\$450,000,000 and that the foregoing shall constitute the November 30, 2023 Borrowing Base redetermination for the purposes of Section 2.23(2)(a) of the Credit Agreement.

2.2 Increase to Syndicated Facility.

- (a) The definition of "Syndicated Facility" contained in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and the following is hereby substituted therefor:
"**Syndicated Facility**" means the credit facility in the maximum principal amount of Cdn. \$430,000,000 or the Equivalent Amount thereof in United States Dollars to be made available to the Borrower by the Lenders in accordance with the provisions hereof, subject to any reduction in accordance with the provisions hereof."
- (b) The cover page of the Credit Agreement is hereby amended by deleting "**CDN.\$350,000,000 CREDIT FACILITIES**" therein and substituting "**CDN.\$450,000,000 CREDIT FACILITIES**" therefor.
- (c) The parties hereto hereby confirm and agree that the maximum principal amount of the Syndicated Facility is hereby increased from Cdn.\$330,000,000 to Cdn.\$430,000,000.

2.3 New Schedule A; Revised Commitments. Schedule A to the Credit Agreement is hereby deleted in its entirety and replaced with Exhibit 1 attached hereto to, *inter alia*, provide that the Operating Facility Commitment and the Syndicated Facility Commitment of each Lender shall be the amount set forth opposite its name on such new Schedule A.

2.4 Addition of New Lender.

- (a) **Addition of New Lender.** The parties hereto hereby confirm and agree that, from and after the date hereof, the New Lender shall be a Lender for all purposes of the Credit Agreement and the other Documents having the Commitment set forth opposite its name on Exhibit 1 attached hereto and all references herein or therein to "Lenders" or a "Lender" shall be deemed to include the New Lender.

- (b) **Novation of New Lender.** The New Lender hereby agrees that it will be bound by the Credit Agreement and the other Documents as a Lender to the extent of its Commitment as fully as if it had been an original party to the Credit Agreement.
 - (c) **The Agent.** Without in any way limiting the other provisions hereof, the New Lender irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with the provisions of the Credit Agreement.
 - (d) **Independent Credit Decision.** The New Lender acknowledges to the Agent that it has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigations into the financial condition, creditworthiness, condition, affairs, status and nature of the Borrower and its Subsidiaries, all of the matters and transactions contemplated herein and in the Credit Agreement and the other Documents and all other matters incidental to the Credit Agreement and the other Documents. The New Lender confirms with the Agent that it does not rely, and it will not hereafter rely, on the Agent:
 - (i) to check or inquire on its behalf into the adequacy, accuracy or completeness of any information provided by the Borrower, its Subsidiaries or any other person under or in connection with the Credit Agreement and the other Documents or the transactions therein contemplated (whether or not such information has been or is hereafter distributed to it by the Agent); or
 - (ii) to assess or keep under review on its behalf the financial condition, creditworthiness, condition, affairs, status or nature of the Borrower and its Subsidiaries.
- The New Lender acknowledges to the Agent that a copy of the Credit Agreement (including a copy of the schedules annexed thereto) has been made available to it for review and further acknowledges and agrees that it has received copies of such other Documents and such other information that it has requested for the purposes of its investigation and analysis of all matters related to this Agreement, the Credit Agreement, the other Documents and the transactions contemplated hereby and thereby. The New Lender acknowledges to the Agent that it is satisfied with the form and substance of the Credit Agreement (as amended and supplemented hereby) and the other Documents.
- (e) **Consent of the Agent.** The Agent hereby consents to the addition and novation of the New Lender into the Credit Agreement as a Lender and agrees to recognize the New Lender as a Lender under the Credit Agreement as fully as if the New Lender had been an original party to the Credit Agreement.

2.5 Increase to EDC Guaranteed LC Facility. The definition of "EDC Guaranteed LC Facility" contained in Section 1.1 of the Credit Agreement is hereby amended by deleting the reference to "Cdn.\$20,000,000" in subparagraph (a) thereof and substituting "Cdn.\$25,000,000" therefor.

2.6 Deletion of Certain Defined Terms. Section 1.1 of the Credit Agreement is hereby amended by deleting the following definitions in their entirety: "2017 A&R Indenture", "2017 Original Indenture", "2024 Unsecured Note Documentation", "2024 Unsecured Notes", "Permitted Refinancing Debt", "Unsecured Note Documentation" and "Unsecured Notes".

2.7 Insertion of New Defined Terms. Section 1.1 of the Credit Agreement is hereby amended by inserting the following new definitions in their appropriate alphabetical order:

""**Junior Debt Creditors**" means, collectively, the lenders (including holders of any bonds, debentures, notes or other evidence of indebtedness under any Junior Debt Financing Agreement), and any administrative or collateral agents or trustees from time to time under any Junior Debt Financing Agreement.

"Junior Debt Financing Agreement" means any credit agreement, indenture or other principal financing document by and between the Borrower and the Junior Debt Creditors or any administrative or collateral agent or trustee in respect of Permitted Junior Debt, governing the terms and conditions of Permitted Junior Debt as such agreement, indenture or other document may be amended, restated, supplemented or replaced from time to time as permitted hereunder and, if applicable, under a Second Lien Intercreditor Agreement.

"Permitted Junior Debt" means all Debt created, incurred or issued by the Borrower and which is owing to the Junior Debt Creditors pursuant to the terms of a Junior Debt Financing Agreement, which Debt complies with all of the following criteria:

- (a) the aggregate principal amount of all Permitted Junior Debt shall not exceed Cdn.\$300,000,000 (or the Equivalent Amount thereof in United States Dollars or the Equivalent Amount thereof in any other currency) (to be determined using the exchange rate in effect on the date of incurrence of such Debt) as determined at the time any such Permitted Junior Debt is incurred;
- (b) such Debt shall either be unsecured or secured by Security Interests ranking as a second lien behind the Security Interests created by the Security; provided that, such second lien Security Interests are subject to a Second Lien Intercreditor Agreement;
- (c) such Debt shall have an initial term and final maturity in respect of repayment of principal later than 180 days after the end of the then current earliest Maturity Date in effect at the time such Permitted Junior Debt is created, incurred, assumed or guaranteed;
- (d) the interest rate applicable to such Debt shall not exceed 12% per annum;
- (e) no scheduled cash principal payments thereunder prior to the then latest Maturity Date in effect at the time such Permitted Junior Debt is created, incurred, assumed or guaranteed;
- (f) no Default, Event of Default or Borrowing Base Shortfall is continuing at the time of creation, incurrence or issuance of such Debt or would exist immediately thereafter;
- (g) other than at maturity, no mandatory redemption, amortization, purchase for cancellation or other repayment thereof (including any defeasance) in a circumstance when the Borrower is not also required to repay all Secured Obligations prior thereto;
- (h) no cross-default to other Debt (as opposed to a cross-acceleration thereto or a payment default on maturity) or any maintenance financial tests (as opposed to an incurrence test); and
- (i) the material covenants, events of default or other terms of such Debt (taken as a whole) are no more restrictive on the Borrower and its Subsidiaries, in the aggregate, than the conditions, covenants, events of default and other terms of this Agreement.

"Second Lien Intercreditor Agreement" means an intercreditor agreement to be entered into among the Borrower, the Guarantors, the holders of Permitted Junior Debt (or their representative(s)), and the Agent on behalf of itself, the Lenders, the Cash Managers and the Hedging Affiliates, as such intercreditor agreement may be amended, restated, supplemented or replaced from time to time in accordance with its terms, which intercreditor agreement shall be on customary terms for the "high yield" market and otherwise in form and substance satisfactory to the Agent and all of the Lenders (each acting reasonably)."

2.8 *Amendments to Certain Defined Terms.*

(a) The definition of "Permitted Junior Debt Repayment" contained in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and the following new definition is substituted therefor:

"Permitted Junior Debt Repayment" means any repayment, repurchase, redemption or other retirement (or any combination thereof) of principal amounts in respect of Permitted Junior Debt (each, a "**Junior Debt Repayment**"); *provided* that:

- (a) the Borrower shall have delivered a Pricing and Availability Forecast covering the period in which such Junior Debt Repayment is to be made, pursuant to Section 10.1(e)(iv.2);
- (b) as at the immediately preceding Quarter End for which a Compliance Certificate has been delivered by the Borrower, the Forecasted First Lien Debt to EBITDA Ratio and the First Lien Debt to EBITDA Ratio shall each have been less than or equal to 1.5:1.0, on a pro forma basis giving effect to such repayment, repurchase, redemption or other retirement;
- (c) as at the immediately preceding Quarter End for which a Compliance Certificate has been delivered by the Borrower, the Borrower shall have had undrawn availability and Forecasted Undrawn Availability under the Credit Facilities, in each case, of not less than 20% of the aggregate Commitments of all Lenders, on a pro forma basis giving effect to such repayment, repurchase, redemption or other retirement; and
- (d) no Borrowing Base Shortfall, Default or Event of Default exists or is expected to result therefrom, and at least 5 Banking Days prior to giving effect to such repayment, repurchase, redemption or retirement, the Borrower has delivered an Officer's Certificate to the Agent attaching any amendments or supplements to any applicable Junior Debt Financing Agreement permitted by Section 10.2(n)."

(b) The definition of "Operating Facility Maturity Date" contained in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and the following new definition is substituted therefor:

"Operating Facility Maturity Date" means May 31, 2025."

(c) The definition of "Syndicated Facility Maturity Date" contained in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and the following new definition is substituted therefor:

"Syndicated Facility Maturity Date" means May 31, 2025."

(d) The definition of "Applicable Pricing Rate" contained in Section 1.1 of the Credit Agreement is hereby amended by deleting subparagraph (g) thereof and substituting a new subparagraph (g) therefor, as follows:

"(g) from and after the date which is 365 days prior to the maturity date of any outstanding Permitted Junior Debt, the determination of the Applicable Pricing Rate pursuant to the column entitled "First Lien Debt to EBITDA Ratio" above shall automatically be deemed to be determined by the then applicable Debt to EBITDA Ratio (that is, for certainty, from and after such date, the first paragraph of this definition shall be replaced with the following, "regarding any Loan or the standby fees payable in accordance with Section 5.6, means, when the Debt to EBITDA Ratio (calculated as at the Quarter End for the most recently completed calendar quarter and for the 12 months ended on such date) is one of the following, the percentage rate per annum set forth opposite the Debt to EBITDA Ratio in the column applicable to the type of Loan in question or such standby fee:"); and".

(e) The definition of "Permitted Debt" contained in Section 1.1 of the Credit Agreement is hereby amended by deleting subparagraph (g) thereof and substituting a new subparagraph (g) therefor, as follows:

- "(g) any Permitted Junior Debt; and".
- (f) The definition of "Permitted Distribution" contained in Section 1.1 of the Credit Agreement is hereby amended by deleting subparagraph (b) thereof and substituting a new subparagraph (b) therefor, as follows:
- "(b) Distributions directly or indirectly to a Related Party in respect of obligations under Permitted Junior Debt and a Junior Debt Financing Agreement to the extent (x) such obligations relate to outstanding Permitted Junior Debt held by such Related Party, and (y) any Distribution in respect of the preceding clause (x) is otherwise permitted under Section 10.2(l); or".
- (g) The definition of "Permitted Encumbrances" contained in Section 1.1 of the Credit Agreement is hereby amended by:
- (i) deleting the "and" at the end of subparagraph (w) thereof;
- (ii) deleting the reference to "(w)" in subparagraph (x) thereof and substituting "(x)" therefor; and
- (iii) adding a new subparagraph (x) immediately following the existing subparagraph (w) thereof, as follows:
- "(x) Security Interests in favour of Junior Debt Creditors arising pursuant to Permitted Junior Debt and which is subject to a Second Lien Intercreditor Agreement; and".
- (h) The definition of "Permitted Hedging" contained in Section 1.1 of the Credit Agreement is hereby amended by deleting subparagraph (d)(i) thereof and substituting a new subparagraph (d)(i) thereof, as follows:
- "(i) Currency Hedging Agreements in excess of 50% of U.S.\$ forecasted revenues of the Borrower and its Subsidiaries as provided in a forecast provided by the Borrower to the Agent and Lenders in form and substance satisfactory to the Agent and Lenders, acting reasonably; provided, however, that, notwithstanding the foregoing limitations and restrictions in this definition of "Permitted Hedging", the Borrower may enter into Currency Hedging Agreements in respect of the principal and interest payable under, pursuant or relating to Permitted Junior Debt, including, for certainty, Currency Hedging Agreements having a scheduled settlement date up to and including the maturity date of such Permitted Junior Debt;".

2.9 Amendments to Affirmative Covenants. Section 10.1 of the Credit Agreement is hereby amended by:

- (a) deleting the ";" at the end of subparagraph (e)(x) thereof and substituting "; and" therefor;
- (b) deleting subparagraph (e)(xi); and
- (c) adding a new subparagraph (bb) immediately following the existing subparagraph (aa) thereof as follows:
- "(bb) Notice of Permitted Junior Debt
The Borrower shall promptly provide to the Agent:
- (i) not less than 10 Banking Days' prior written notice of its intention to incur Permitted Junior Debt, together with a copy of the proposed Junior Debt Financing Agreement;
- (ii) not less than 10 Banking Days' prior written notice of any proposed alteration, amendment, modification or supplement to, or restatement of, any Junior Debt Financing Agreement (or any waiver or consent to like effect), which notice shall include a copy of such proposed alteration, amendment, modification, supplement, restatement, waiver or consent;
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- (iii) promptly after the receipt thereof, furnish to the Agent a true and complete copy of any consent or waiver provided to the Borrower or any Subsidiary pursuant to or in connection with any Junior Debt Financing Agreement; and
- (iv) as soon as reasonably practicable, and in any event no later than 3 Banking Days after becoming aware of any default, event of default or similar event or circumstance under any Junior Debt Financing Agreement, an Officer's Certificate describing in detail such default, event of default or similar event or circumstance and specifying the steps, if any, being taken to cure or remedy the same."

2.10 Amendments to Negative Covenants. Section 10.2 of the Credit Agreement is hereby amended by:

- (a) deleting subparagraph (l) in its entirety and substituting the following new subparagraph therefor:

"(l) Payments Under any Permitted Junior Debt

Other than Permitted Junior Debt Repayments, the Borrower shall not, and shall not permit any Subsidiary to:

- (i) make any payments of the principal amount of any Debt owing under any Junior Debt Financing Agreement or any refinancing thereof with proceeds of a Drawdown under the Credit Facilities; or
- (ii) pay, repay, redeem, purchase, defease, discharge or cancel any Permitted Junior Debt other than with the proceeds of equity issuances of the Borrower; provided that no Default or Event of Default has occurred and is continuing at the time of such payment, repayment, redemption, purchase, defeasance, discharge or cancellation or would exist immediately thereafter."

- (b) deleting subparagraph (n) thereof in its entirety and substituting the following new subparagraph (n) therefor:

"(n) Limit on Amendments to Terms of Permitted Junior Debt

The Borrower shall not, and shall not permit its Subsidiaries to alter, amend, supplement or modify any Junior Debt Financing Agreement (or provide any waiver or consent to like effect), except to the extent that such alteration, amendment, supplement, modification (or the provision of any consent or waiver) would not, and would not reasonably be expected to, be material and adverse to the interests or rights of the Lenders (and, in the case of a Junior Debt Financing Agreement, it shall be deemed to be material and adverse to the interests of the Lenders if the effect of any such alteration, amendment, supplement, modification (or the provision of any consent or waiver) would be to cause any of the criteria set forth in subparagraphs (a) through (i), inclusive, of the definition of "Permitted Junior Debt" to no longer be satisfied)."

- (c) deleting subparagraph (o) thereof in its entirety and substituting the following new subparagraph (o) therefor:

"(o) [Reserved]".

2.11 Amendments to Events of Default. Section 12.1 of the Credit Agreement is hereby amended by deleting subparagraph (o) thereof in its entirety and substituting the following new subparagraph (o) therefor:

"(o) Event Cross Default - Permitted Junior Debt: (i) if the Borrower or any of its Subsidiaries (or any combination thereof) defaults in the payment when due (whether at maturity, upon acceleration, or otherwise) of Debt owing under any Permitted Junior Debt and such breach or default is in the aggregate in excess of the Threshold Amount or (ii) if a default, event of default or other similar condition or event (however described) in respect of the Borrower or any of its Subsidiaries (or any combination thereof, without duplication) occurs or exists under any Permitted Junior Debt and such breach, default or event of default is not remedied within any applicable cure period provided for therein;"

3. Funding of Loans to Reflect Revised Commitments

In order to give effect to the new and revised Commitments contemplated hereby, upon, and with effect from, the satisfaction of the conditions precedent set forth in Section 6, the Lenders hereby agree to take all steps and actions and execute and deliver all agreements, instruments and other documents as may be required by the Agent or any of the Lenders (including the assignment of interests in, or the purchase of participations in, existing Loans) to give effect to the increase in the Syndicated Facility and the new and revised Commitments and to ensure that the aggregate Obligations owing to each Lender under each Credit Facility are outstanding in proportion to each Lender's Rateable Portion of all outstanding Obligations under each such Credit Facility after giving effect to such new and revised Commitments.

4. Representations and Warranties

The Borrower hereby represents and warrants to the Agent and to each Lender, and the Borrower acknowledges and confirms that the Agent and each Lender are relying upon such representations and warranties, as follows:

(a) Capacity, Power and Authority

It is duly amalgamated and is validly subsisting under the laws of the Province of Alberta and has all the requisite corporate capacity, power and authority to carry on its business as presently conducted and to own its property.

(b) Authorization; Enforceability

It has taken or caused to be taken all necessary action to authorize, and has duly executed and delivered, this Agreement, and this Agreement is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, winding up, insolvency, moratorium or other laws of general application affecting the enforcement of creditors' rights generally and to the equitable and statutory powers of the courts having jurisdiction with respect thereto.

(c) Compliance with Other Instruments

The execution, delivery and performance by the Borrower of this Agreement and the consummation of the transactions contemplated herein do not conflict with, result in any breach or violation of, or constitute a default under the terms, conditions or provisions of the charter or constating documents or by-laws of, or any unanimous shareholder agreement relating to, the Borrower or of any law, regulation, judgment, decree or order binding on or applicable to the Borrower or to which its property is subject or of any material agreement, lease, license, permit or other instrument to which the Borrower is a party or is otherwise bound or by which the Borrower benefits or to which its property is subject and do not require the consent or approval of any Governmental Authority or any other party.

(d) No Default

No Default or Event of Default has occurred or is continuing or will occur immediately after giving effect to the amendments and supplements to the Credit Agreement contemplated hereby and the other provisions of this Agreement.

(e) Credit Agreement Representations and Warranties

Each of the representations and warranties of the Borrower set forth in Article 9 of the Credit Agreement, as amended by this Agreement is true and accurate in all respects as of the date hereof except those made as of a specified date.

The representations and warranties set out herein shall survive the execution and delivery of this Agreement and the making of each Drawdown under the Credit Agreement, notwithstanding any investigations or examinations which may be made by or on behalf of the Agent, the Lenders or Lenders' Counsel. Such representations and warranties shall survive until the Credit Agreement has been terminated.

5. Fees

5.1 *Fee Payable in Respect of New Lender.* The Borrower hereby agrees to pay to the Agent, for the New Lender, a fee in Canadian Dollars in an amount equal to [redacted] per annum of the New Lender's aggregate Commitments under the Credit Facilities after giving effect hereto.

5.2 *Fee Payable in Respect of Increase in Commitments.* The Borrower hereby agrees to pay to the Agent, for each Lender (other than, for certainty, the New Lender) which will have increased its aggregate Commitments under the Credit Facilities (after giving effect hereto) from such aggregate Commitments as in effect under the Credit Agreement immediately prior to the date hereof, a fee in Canadian Dollars in an amount equal to [redacted] per annum of such increased amount of each such Lender's aggregate Commitments under the Credit Facilities after giving effect hereto.

6. Conditions Precedent

6.1 *Conditions Precedent to Initial Amendments.* The Initial Amendments shall be effective upon, and shall be subject to, the satisfaction of the following conditions precedent:

- (a) the Borrower shall have paid to the Agent, for each Lender (as applicable), the fees required to be paid pursuant to Section 5 hereof;
 - (b) receipt by the Agent of a fully executed copy of this Agreement;
 - (c) the Borrower shall have delivered to the Agent a current certificate of status in respect of its jurisdiction of formation, certified copies of its constating documents, by-laws and other governing or organizational documents (or, as applicable, a certification that there have been no changes thereto since the applicable date of a prior Officer's Certificate provided by the Borrower certifying the same to the Agent and the Lenders) and the resolutions authorizing this Agreement and the transactions hereunder and an Officer's Certificate as to the incumbency of the officer or officers thereof signing this Agreement;
 - (d) each of the representations and warranties set forth in Section 9.1 of the Credit Agreement (other than those expressed to be given as of a specific date) shall be true and accurate in all respects, in each case, as of the date hereof;
 - (e) the Agent and the Lenders shall have received a legal opinion from legal counsel to the Borrower, which shall be in form and substance satisfactory to the Agent and the Lenders' Counsel, each acting reasonably; and
 - (f) no Default or Event of Default shall have occurred and be continuing or shall result from or exist immediately after the coming into effect of the amendments and supplements to the Credit Agreement contemplated by Section 2 of this Agreement, and the Borrower shall have delivered to the Agent and the Lenders an Officer's Certificate certifying same.
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The foregoing conditions precedent are inserted for the sole benefit of the Lenders and the Agent and may be waived in writing by the Lenders, in whole or in part (with or without terms and conditions).

6.2 Condition Precedent to Springing Amendments. The Springing Amendments shall be effective upon, and shall be subject to, the satisfaction of the following condition precedent:

- (a) the Borrower shall have (i) fully repaid or redeemed, and cancelled in full, all obligations, liabilities and indebtedness outstanding under any Unsecured Notes (as defined in the Credit Agreement) and obtained a release and discharge in respect of all Unsecured Notes Documentation (as defined in the Credit Agreement), and (ii) complied with all applicable requirements in the Credit Agreement in respect of the aforementioned repayment/redemption (including, for certainty, making the requisite certifications in an Officer's Certificate, as required pursuant to the definition of "Permitted Junior Debt Repayment" (as defined in the Credit Agreement)), satisfactory to the Agent, acting reasonably.

The foregoing condition precedent is inserted for the sole benefit of the Lenders and the Agent and may be waived in writing by the Lenders, in whole or in part (with or without terms and conditions).

7. Confirmation of Credit Agreement and other Documents

The Credit Agreement and the other Documents to which the Borrower is a party and all covenants, terms and provisions thereof, except as expressly amended and supplemented by this Agreement, shall be and continue to be in full force and effect and the Credit Agreement as amended and supplemented by this Agreement and each of the other Documents to which the Borrower is a party is hereby ratified and confirmed and shall from and after the date hereof continue in full force and effect as herein amended and supplemented, with such amendments and supplements being effective from and as of the date hereof upon satisfaction of the conditions precedent set forth in Section 6 hereof.

8. Further Assurances

The parties hereto shall from time to time do all such further acts and things and execute and deliver all such documents as are required in order to effect the full intent of and fully perform and carry out the terms of this Agreement.

9. Enurement

This Agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective successors and permitted assigns.

10. Counterparts

This Agreement may be executed in one or more counterparts (and by different parties hereto in different counterparts), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery by fax or other electronic transmission of an executed counterpart of a signature page to this Agreement shall be effective as delivery of an original executed counterpart of this Agreement. The words "execution", "execute", "signed", "signature", and words of like import in or related to any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, as provided in Parts 2 and 3 of the *Personal Information Protection and Electronic Documents Act* (Canada), the *Electronic Commerce Act, 2000* (Ontario), the *Electronic Transactions Act* (British Columbia), the *Electronic Transactions Act* (Alberta), or any other similar laws based on the Uniform Electronic Commerce Act of the Uniform Law Conference of Canada. The Agent may, in its discretion, require that any such documents and signatures executed electronically or delivered by fax or other electronic transmission be confirmed by a manually-signed original thereof; provided that the failure to request or deliver the same shall not limit the effectiveness of any document or signature executed electronically or delivered by fax or other electronic transmission.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

BORROWER:

**HAMMERHEAD
RESOURCES ULC**

By: ("Signed")

Name:

Title:

By: _____

Name:

Title:

Signature Page to the Fourth Amending Agreement (Hammerhead Resources ULC)

LENDERS:

**CANADIAN IMPERIAL
BANK OF COMMERCE**

By: *("Signed")* _____

Name:

Title:

By: *("Signed")* _____

Name:

Title:

Signature Page to the Fourth Amending Agreement (Hammerhead Resources ULC)

ROYAL BANK OF CANADA

By: *("Signed")* _____

Name:

Title:

By: _____

Name:

Title:

Signature Page to the Fourth Amending Agreement (Hammerhead Resources ULC)

ATB FINANCIAL

By: (*Signed*)
Name:
Title:

By: (*Signed*)
Name:
Title:

Signature Page to the Fourth Amending Agreement (Hammerhead Resources ULC)

BANK OF MONTREAL

By: *("Signed")* _____

Name:

Title:

By: _____

Name:

Title:

Signature Page to the Fourth Amending Agreement (Hammerhead Resources ULC)

CANADIAN WESTERN BANK

By: ("Signed")
Name:
Title:

By: ("Signed")
Name:
Title:

Signature Page to the Fourth Amending Agreement (Hammerhead Resources ULC)

**BUSINESS DEVELOPMENT
BANK OF CANADA**

By: ("Signed")
Name:
Title:

By: ("Signed")
Name:
Title:

Signature Page to the Fourth Amending Agreement (Hammerhead Resources ULC)

AGENT:

**CANADIAN IMPERIAL
BANK OF COMMERCE,**
in its capacity as Agent

By: ("Signed")

Name:

Title:

Signature Page to the Fourth Amending Agreement (Hammerhead Resources ULC)

EXHIBIT 1 TO THE FOURTH AMENDING AGREEMENT MADE AS OF SEPTEMBER 27, 2023

SCHEDULE A
LENDERS AND COMMITMENTS

Lender	Syndicated Facility Commitment	Operating Facility Commitment	Total
Canadian Imperial Bank of Commerce	[redacted]	Cdn.\$20,000,000.00	[redacted]
Royal Bank of Canada	[redacted]	-	[redacted]
ATB Financial	[redacted]	-	[redacted]
Bank of Montreal	[redacted]	-	[redacted]
Canadian Western Bank	[redacted]	-	[redacted]
Business Development Bank of Canada	[redacted]	-	[redacted]
	Cdn.\$430,000,000.00	Cdn.\$20,000,000.00	Cdn.\$450,000,000.00

**LEGACY SHARE AWARD PLAN
HAMMERHEAD ENERGY INC.**

Effective February 23, 2023

**HAMMERHEAD ENERGY INC.
LEGACY SHARE AWARD PLAN**

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

For purposes of this Plan:

- (a) "**Account**" means an account maintained by the Corporation for each Participant and which will be credited with Share Awards in accordance with the terms of this Plan;
 - (b) "**All or Substantially All of the Assets**" means greater than 90% of the aggregate fair market value of the assets of the Corporation and its Subsidiaries, on a consolidated basis, as determined by the Board in its sole discretion;
 - (c) "**Arrangement**" means the arrangement involving Hammerhead Resources Inc., the Corporation, Decarbonization Plus Acquisition Corporation IV, 2453729 Alberta ULC, the securityholders of Hammerhead Resources Inc., the securityholders of the Corporation, the securityholders of Decarbonization Plus Acquisition Corporation IV and the securityholders of 2453729 Alberta ULC;
 - (d) "**associate**" and "**affiliate**" each have the meaning ascribed thereto in MI 62-104, as amended from time to time;
 - (e) "**Award Date**" means the date or dates on which an award of Share Awards is made to a Participant in accordance with Section 4.1;
 - (f) "**Black-Out Period**" means the period of time, if any, when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any Participant that holds a Share Award;
 - (g) "**Board**" means the board of directors of the Corporation as constituted from time to time;
 - (h) "**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;
 - (i) "**Change of Control**" means:
 - (i) (A) a successfully completed takeover bid; and (B) members of the Board who are members of the 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 Board at any time within sixty days of the successful completion of such takeover bid; or
 - (ii) (A) any change in the beneficial ownership or control of the outstanding securities or other interests of the Corporation 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 Corporation; and (B) members of the Board who are members of the Board immediately prior to the earlier of such change and the first public announcement of such change cease to constitute a majority of the Board at any time within sixty days of such change; or
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- (iii) Incumbent Directors no longer constituting a majority of the Board; or
 - (iv) the winding up of the Corporation 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 Corporation 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 Corporation is continued and where the shareholdings or other security holdings, as the case may be, in the continuing entity and the constitution of the 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 Corporation 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 Corporation and its Subsidiaries, on a consolidated basis, as determined in accordance with Section 1.1(b); or
 - (v) any determination by a majority of the 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 this Plan;
 - (j) "**Committee**" has the meaning ascribed thereto in Section 2.4;
 - (k) "**Corporation**" means Hammerhead Energy Inc., an Alberta corporation, and includes any successor corporation thereof;
 - (l) "**Court**" means the Alberta Court of King's Bench;
 - (m) "**DCRD**" means Decarbonization Plus Acquisition Corporation IV, an Alberta corporation;
 - (n) "**Dividend Equivalent**" means a bookkeeping entry whereby each Share Award is credited with the equivalent amount of the dividend paid on a Share in accordance with Section 4.2;
 - (o) "**Dividend Market Value**" means the Fair Market Value per Share on the dividend record date;
 - (p) "**Exchange**" means the stock exchange(s), if any, on which the Shares are listed and posted for trading;
 - (q) "**Exercise**" means the exercise of Share Awards granted to a Participant pursuant to this Plan in accordance with Section 4.6;
 - (r) "**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 (5) 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 Board in its sole discretion;
 - (s) "**Final Order**" means the final order of the Court dated February 3, 2023 in respect of the Arrangement;
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- (t) "**HEI Group**" means, collectively, the Corporation, any entity that is a Subsidiary of the Corporation from time to time, and any other entity designated by the Board from time to time as a member of the HEI Group for the purposes of this Plan (and, for greater certainty, including any successor entity of any of the aforementioned entities);
- (u) "**Incumbent Directors**" means any member of the Board who was a member of the Board at the effective date of this 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 Board, including a majority of the Incumbent Directors then on the Board, prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control;
- (v) "**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;
- (w) "**MI 62-104**" means Multilateral Instrument 62-104 - *Take-Over Bids and Issuer Bids*, as amended from time to time;
- (x) "**Participant**" means a Service Provider determined to be eligible to participate in this Plan in accordance with Section 3.1 and, where applicable, a former Service Provider deemed eligible to continue to participate in this Plan in accordance with Section 4.5;
- (y) "**Plan**" means this Share Award Plan, as the same may be amended or varied from time to time;
- (z) "**Plan of Arrangement**" means the Plan of Arrangement attached to the Final Order;
- (aa) "**Retirement**" means:
 - (i) the date that a Participant who is an officer or employee of one or more of the entities comprising the HEI Group reaches the age of fifty-five (55) and voluntarily ceases to be an officer or employee of one or more of the entities comprising the HEI Group, provided that: (A) if the Participant is an officer or employee of one or more of the entities comprising the HEI Group, such Participant has provided the Corporation with six (6) months prior written notice of the Participant's intention to retire; and (B) is offered by the Corporation the opportunity to and enters into an agreement (which shall include non-competition and non-solicitation covenants and the consequences of breaching such covenants including the immediate termination of all outstanding Share Awards notwithstanding the provisions of Section 4.5 in respect of such Retirement) with the Corporation respecting such Participant's retirement from any employment with the HEI Group in a form that is acceptable to the Corporation (a "**Retirement Agreement**"); or
 - (ii) such other meaning as the Board may determine from time to time;
- (bb) "**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;
- (cc) "**Share**" means a Class A common share of the Corporation;
- (dd) "**Share Award**" means a unit equivalent in value to a Share credited by means of a bookkeeping entry in the Participants' Accounts;
- (ee) "**Share Award Agreement**" has the meaning set forth in Section 3.2;
- (ff) "**Subsidiary**" has the meaning ascribed there in the *Securities Act* (Alberta);
- (gg) "**Successor**" has the meaning ascribed thereto in Section 5.2;

- (hh) **"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 Corporation is continued and where the shareholdings or other securityholdings, as the case may be, in the offeror and the constitution of the board of directors or similar body of the offeror is such that the take-over bid or tender offer would not be considered a "Change of Control" if Section 1.1(i)(ii) above was applicable to the transaction); and
- (ii) **"TSX"** means the Toronto Stock Exchange.

1.2 Interpretation

Words in the singular include the plural and words in the plural include the singular. Words importing male persons include female persons, corporations or other entities, as applicable. The headings in this document are for convenience and reference only and shall not be deemed to alter or affect any provision hereof. The words "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to this document as a whole and not to any particular Article, Section, paragraph or other part hereof. Unless otherwise indicated, all monetary amounts in this Plan and any Share Award Agreement are in Canadian dollars. Unless otherwise permitted by the Board or the Committee, all amounts payable under or in connection with this Plan or any Share Award Agreement shall be paid in Canadian dollars. If any monetary amount needs to be converted from U.S. dollars to Canadian dollars or vice versa for the purposes of this Plan or any Share Award Agreement, then the exchange rate for such conversion shall be determined by the Board or the Committee.

ARTICLE 2 PURPOSE AND ADMINISTRATION OF THE PLAN

2.1 Purpose

The limited purpose of this Plan is to provide for the issuance of Share Awards pursuant to Section 3.2(h)(xiii) of the Plan of Arrangement and thereby 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 Corporation; (b) more closely align their interests with those of the Corporation'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 Corporation's long-term success.

For greater certainty, notwithstanding any other provision of this Plan, no Share Awards may be issued hereunder except pursuant to Section 3.2(h)(xiii) of the Plan of Arrangement.

2.2 Administration of the Plan

Subject to Section 2.4, this Plan shall be administered by the Board.

2.3 Authority of the Board

Subject to the Plan of Arrangement, the Board shall have the full power to administer this Plan, including, but not limited to, the authority to:

- (a) interpret and construe any provision hereof and decide all questions of fact arising in their interpretation;
- (b) adopt, amend, suspend and rescind such rules and regulations for administration of this Plan as the Board may deem necessary in order to comply with the requirements of this Plan, or in order to conform to any law or regulation or to any change in any laws or regulations applicable thereto;
- (c) determine the Service Providers to whom Share Awards may be awarded;

- (d) award such Share Awards on such terms and conditions as it determines including, without limitation: the time or times at which Share Awards may be awarded; the term of each Share Award; whether restrictions or limitations are to be imposed on the Shares issuable on Exercise of a Share Award and the nature of such restrictions or limitations, if any; any acceleration or waiver of termination or forfeiture regarding any Share Award; in each case, based on such factors as the Board may determine appropriate, in its sole discretion;
- (e) take any and all actions permitted by this Plan; and
- (f) make any other determinations and take such other action in connection with the administration of this Plan that it deems necessary or advisable.

2.4 Delegation of Authority

To the extent permitted by applicable law, the Board may, from time to time, delegate to a committee (the "**Committee**") of the Board all or any of the powers conferred on the Board under this Plan. In such event, the Committee will exercise the powers delegated to it by the Board in the manner and on the terms authorized by the Board. Any decision made or action taken by the Committee arising out of or in connection with the administration or interpretation of this Plan in this context is final and conclusive.

The Board or the Committee may delegate or sub-delegate to any director or officer of the Corporation the whole or any part of the administration of this Plan and shall determine the scope of such delegation or sub-delegation in its sole discretion.

2.5 Discretionary Relief

Notwithstanding any other provision hereof, the Board may, in its sole discretion, waive any condition or provision set out herein or in any Share Award granted hereunder if it determines that specific individual circumstances warrant such waiver.

2.6 Amendment or Discontinuance of the Plan

- (a) The Board may, subject to any required approval of any Exchange, amend or discontinue the Plan and any Share Award granted thereunder at any time without the approval of the shareholders of the Corporation or any Participant whose Share Award is amended or terminated, provided that, subject to Sections 2.6(b) and (c), no amendment to the Plan or Share Awards granted pursuant to the 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 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 this Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of this Plan that is inconsistent with any other provision of this Plan, correcting grammatical or typographical errors and amending the definitions contained within this Plan respecting the administration of the Plan; (b) amending Share Awards under the 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 Plan or any outstanding Share Award granted hereunder may not be amended without shareholder approval to:
 - (i) permit Share Awards to be issued other than pursuant to Section 3.2(h)(xiii) of the Plan of Arrangement;
 - (ii) increase the number of Shares reserved for issuance pursuant to Share Awards in excess of the limit prescribed in Section 4.4 hereof;
 - (iii) extend the expiry date of any Share Award granted to an Insider (other than as permitted by the terms and conditions of the Plan);
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- (iv) permit a Participant to transfer Share Awards to a new beneficial holder other than for estate settlement purposes;
 - (v) reduce the limitations on Share Awards contained in Section 4.8 hereof; and
 - (vi) change this Section 2.6(a) to modify or delete any of (i) through (v) above.
- (b) Notwithstanding the foregoing, the Board may amend or terminate the Plan or any outstanding Share Award granted hereunder at any time without the approval of the shareholders of the Corporation or any Participant whose Share Award is amended or terminated, in order to conform the 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.
- (c) Without limitation of Sections 2.6(a) and (b), the Board may correct any defect or supply any omission or reconcile any inconsistency in this Plan in the manner and to the extent deemed necessary or desirable, may establish, amend, and rescind any rules and regulations relating to this Plan, and may make such determinations as it deems necessary or desirable for the administration of this Plan.
- (d) On termination of this Plan, the number of Shares corresponding to the outstanding Share Awards shall be delivered to the Participants in accordance with and upon compliance with Section 4.6. This 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 this Plan and the relevant Share Award Agreements.

2.7 Final Determination

Any determination, interpretation or decision by, or opinion of, the Board, the Committee or a director or officer of the Corporation made or held pursuant to the terms set out herein shall be made or held reasonably and shall be final, conclusive and binding on all parties concerned, including, but not limited to, the Corporation, the Participants and their beneficiaries and legal representatives.

Subject to Section 2.5, all rights, entitlements and obligations of Participants under this Plan are set forth in the terms hereof and cannot be modified by any other documents, statements or communications, except by amendment to the terms set out herein referred to in Section 2.6.

2.8 Withholding Taxes

When a Participant or other person becomes entitled to receive Shares or any payment or amount in respect of any Share Awards, the Corporation shall have the right to require the Participant or such other person to remit to the Corporation an amount sufficient to satisfy any withholding tax requirements relating thereto. Unless otherwise prohibited by the Committee or by applicable law, satisfaction of the withholding tax obligation may be accomplished by any of the following methods or by a combination of such methods:

- (a) the tendering by the Participant of cash payment to the Corporation in an amount less than or equal to the total withholding tax obligation;
 - (b) the withholding by the Corporation or a member of the HEI Group, as the case may be, from the Shares otherwise issuable to the Participant such number of Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the total withholding tax obligation (net of selling costs, which shall be paid by the Participant). The Participant consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of such Shares; or
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- (c) the withholding by the Corporation or a member of the HEI Group, as the case may be, from any cash payment otherwise due to the Participant such amount of cash as is less than or equal to the amount of the total withholding tax obligation; provided, however, that the sum of the Fair Market Value of any Shares so withheld and any cash so paid or withheld is sufficient to satisfy the total withholding tax obligation. Any reference in this Plan to the issuance of Shares or payment of any amount is expressly subject to this Section 2.8.

2.9 Taxes

Participants (or their beneficiaries) shall be responsible for reporting and paying all taxes with respect to any Share Awards under the Plan, whether arising as a result of the grant or Exercise of Share Awards or otherwise. The Corporation and the Committee make no guarantees to any person regarding the tax treatment of a Share Award or Shares issued or delivered under or pursuant to the Plan and none of the Corporation or any of its employees or representatives shall have any liability to a Participant with respect thereto. The Corporation will provide each Participant with (or cause each Participant to be provided with) a T4 slip or such information return as may be required by applicable law to report income, if any, arising upon the grant or Exercise of rights under this Plan by a Participant for income tax purposes.

2.10 Information

Each Participant shall provide the Corporation with all of the information (including personal information) that it requires in order to administer this Plan.

2.11 Account Information

Information pertaining to the Share Awards in Participants' Accounts will be made available to the Participants at least annually in such manner as the Corporation may determine and shall include such matters as the Board or the Committee may determine from time to time or as otherwise may be required by law.

2.12 Indemnification

Each member of the Board or Committee or any director or officer who is delegated the whole or any part of the administration of this Plan pursuant to Section 2.4 is indemnified and held harmless by the Corporation against any cost or expense (including any sum paid in settlement of a claim with the approval of the Corporation) arising out of any act or omission to act in connection with the terms hereof to the extent permitted by applicable law. This indemnification is in addition to any rights of indemnification a Board or Committee member or any director who is delegated the whole or any part of the administration of this Plan pursuant to Section 2.4 may have as director or otherwise under the by-laws of the Corporation, any agreement, any vote of shareholders, or disinterested directors, or otherwise.

ARTICLE 3 ELIGIBILITY AND PARTICIPATION IN THE PLAN

3.1 Participation

Subject to the Plan of Arrangement, the Board, in its sole discretion, shall determine, or shall delegate to the Committee the authority to determine, which Service Providers will participate in this Plan.

3.2 Share Award Agreement

A Participant shall confirm acknowledgement of an award of Share Awards made to such Participant in such form as determined by the Board from time to time (the "**Share Award Agreement**"), within such time period and in such manner as specified by the Board. If acknowledgement of an award of Share Awards is not confirmed by a Participant within the time specified, the Corporation reserves the right to revoke the crediting of Share Awards to the Participant's Account.

3.3 Participant's Agreement to be Bound

Participation in this Plan by any Participant shall be construed as irrevocable acceptance by the Participant of the terms and conditions set out herein and all rules and procedures adopted hereunder and as amended from time to time.

ARTICLE 4 TERMS OF THE PLAN

4.1 Grant of Share Awards

Subject to Section 3.2, an award of Share Awards pursuant to this 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. Subject to the Plan of Arrangement, the number of Share Awards to be credited to each Participant's Account shall be determined by the Board, or the Committee delegated by the Board to do so, each in its sole discretion.

For greater certainty, notwithstanding any other provision of this Plan, no Share Award may be issued hereunder except pursuant to Section 3.2(h)(xiii) of the Plan of Arrangement or Section 4.2.

4.2 Credits for Dividends

A Participant's Account shall be credited with a Dividend Equivalent in the form of additional Share Awards only if the 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 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.

4.3 Vesting

All Share Awards issued pursuant to Section 3.2(h)(xiii) of the Plan of Arrangement or Section 4.2 shall be fully vested and exercisable on issuance and shall not be subject to any vesting restrictions.

4.4 Limits on Issuances

Notwithstanding any other provision of this 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 in accordance with Section 4.2, if any.

For greater certainty, Share Awards that are cancelled, surrendered, terminated or that expire prior to the Exercise thereof shall not result in such Shares being available to be issued in respect of a subsequent grant of Share Awards pursuant to this Plan.

4.5 Share Award Terms

The term during which a Share Award may be outstanding shall, subject to the provisions of this 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 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 Board or the Committee, or unless the Corporation 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 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 Section 4.6; and (c) the former Participant shall not be entitled to any further distribution of Shares or any payment from this Plan.

Notwithstanding the preceding paragraph or anything else contained in this Plan to the contrary, unless otherwise determined by the Board or the Committee, or unless the Corporation 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 Section 4.6.

Notwithstanding the preceding paragraphs or anything else contained in this Plan to the contrary, unless otherwise determined by the Board or the Committee, or unless the Corporation and a Participant agree otherwise in a Share Award Agreement or other written agreement (including an employment or consulting agreement or a Retirement Agreement), and subject to the terms of any Retirement Agreement entered into by the Participant with the Corporation, each Share Award shall provide that if a Participant shall cease to be an officer of or be in the employ of, any of the entities comprising the HEI Group due to the Participant's Retirement 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 12 months of the Cessation Date in accordance with Section 4.6; and (c) the former Participant shall not be entitled to any further distribution of Shares or any payment from this Plan.

Where the expiry date of a Share Award occurs on a date when a Participant is subject to a Black-Out Period, such expiry date shall be extended to a date which is within seven business days following the end of such Black-Out Period (or such longer period as approved by the Board or the Committee).

This Plan does not confer upon a Participant any right with respect to continuation of employment by or service provision to any of the entities comprising the HEI Group, nor does it interfere in any way with the right of the Participant or any of the entities comprising the HEI Group to terminate the Participant's employment or service provision at any time.

4.6 Delivery of Shares by the Corporation

Subject to Section 4.7, the Corporation shall, as soon as practicable after the Exercise of any Share Awards granted under this 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 Corporation may satisfy its obligation to deliver Shares to the Participant upon the Exercise of such Participant's Share Awards by delivering Shares from the CIOC Employee Share Trust. The Corporation shall register and deliver certificates for such Shares to the Participant by first class insured mail, unless the Corporation shall have received alternative instructions from the Participant acceptable to the Corporation for the registration and/or delivery of the certificates. The Participant shall Exercise any Shares Awards by: (i) delivering to the Corporation a notice of exercise in writing, in such form as may be approved by the 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 \$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 Corporation 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 Corporation shall cause the Shares in respect of which the Share Award has been Exercised to be issued or delivered as provided above.

4.7 Surrender Offer

A Participant may make an offer (the "**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the Participant to the Corporation (and the termination thereof) of any of the Share Awards granted hereunder 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 Corporation may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the 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 Corporation) of the Surrender Offer agreed to by the Corporation and the Participant.

4.8 Limitations on Share Awards

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

ARTICLE 5 EFFECT OF CORPORATE EVENTS

5.1 Alterations in 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 Board may make such adjustments to this Plan, to any Share Awards and to any Share Award Agreements outstanding under this Plan as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Participants hereunder 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.

For greater certainty, and notwithstanding anything to the contrary in this Section 5.1, no adjustment shall be made in accordance with this Section 5.1 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 this Plan, in force from time to time for existing or proposed officers, directors, employees or Service Providers of the Corporation; (b) the issuance of additional Shares pursuant to a public offering or private placement by the Corporation or a take-over bid, tender offer or other acquisition made by the Corporation for the securities of another entity; or (c) upon Exercise or vesting of any convertible securities of the Corporation outstanding from time to time.

5.2 Merger and Sale, etc.

Except in the case of a transaction that is a Change of Control and to which Section 5.3 applies, if the Corporation enters into any transaction or series of transactions whereby the Corporation 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 Corporation and the Successor will execute such instruments and do such things as the 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 Corporation under this 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 Corporation under this Plan and Share Award Agreements with the same effect as though the Successor had been named as the Corporation herein and therein and thereafter, the Corporation shall be relieved of all obligations and covenants under this Plan and such Share Award Agreements and the obligation of the Corporation 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.

5.3 Change of Control

Notwithstanding any other provision in this 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 Corporation 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 Board or the Committee, in its absolute discretion, prior to the time such Change of Control takes place.

ARTICLE 6 GENERAL

6.1 Compliance with Laws

The Corporation, in its sole discretion, may postpone the issuance or delivery of any Shares that are issuable upon Exercise of any Share Award to such date as the Committee may consider appropriate, and may require any Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Shares in compliance with applicable laws, rules and regulations. The Corporation shall not be required to qualify for resale pursuant to a prospectus or similar document any Shares issued or delivered pursuant to the Plan, provided that, if required, the Corporation shall notify any Exchange, if applicable, and any other appropriate regulatory bodies in Canada and the United States of the existence of the Plan and the granting of Share Awards hereunder in accordance with any such requirements.

This Plan shall be subject to the approval, if required, of any Exchange. After listing on any such Exchange, the issuance of any Shares upon Exercise of any Share Awards granted hereunder prior to receipt of such approval shall be subject to and shall not be made unless approved by the Exchange and, if required by the Exchange, approved by shareholders in accordance with the requirements of the Exchange.

6.2 Share Awards to Companies

Share Awards may not be granted hereunder to a company, whether: (a) wholly-owned by any person to whom Share Awards may otherwise be granted hereunder; or (b) controlled by any person to whom Share Awards may otherwise be granted hereunder.

6.3 General Restrictions and Assignment

Except as required by law, the rights of a Participant hereunder are not capable of being assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Participant.

The rights and obligations hereunder may be assigned by the Corporation to a Successor to the business of the Corporation.

6.4 Price Fluctuations

No amount will be paid to, or in respect of, a Participant under this Plan to compensate for a downward fluctuation in the price of Shares, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose.

The Corporation makes no representations or warranties to Participants with respect to this Plan or the Share Awards whatsoever. Participants are expressly advised that the value of any Share Awards and Shares under this Plan will fluctuate as the price of Shares fluctuates.

In seeking the benefits of participation in this Plan, a Participant agrees to exclusively accept all risks associated with a decline in the price of Shares and all other risks associated with the holding of Share Awards.

6.5 No Shareholder Rights

Until Shares have actually been issued and/or delivered in accordance with the terms of this Plan, a Participant to whom a Share Award has been made shall not possess any incidents of ownership of such Shares including, for greater certainty and without limitation, the right to receive dividends, if any, on such Shares and the right to exercise voting rights in respect of such Shares.

6.6 Governing Law

The validity, construction and effect of this Plan and any actions taken or relating to this Plan shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein.

6.7 Currency

All values to be determined or amounts paid under this Plan shall be in Canadian dollars.

6.8 Severability

The invalidity or unenforceability of any provision of this document shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from this document.

6.9 Effective Time

This Plan is effective as of February 23, 2023.

**LEGACY SHARE OPTION PLAN
HAMMERHEAD ENERGY INC.**

Effective as of February 23, 2023

**HAMMERHEAD ENERGY INC.
LEGACY SHARE OPTION PLAN**

1. Purpose of Plan

The limited purpose of this plan is to provide for the issuance of Options pursuant to Section 3.2(h)(xii) of the Plan of Arrangement and thereby to aid in retaining and motivating certain 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 Options to acquire an increased proprietary interest in the Corporation.

For greater certainty, notwithstanding any other provision of this Plan, no Options may be issued hereunder except pursuant to Section 3.2(h)(xii) of the Plan of Arrangement.

2. Administration

The Plan shall be administered by the Committee pursuant to any rules of procedure that may be fixed by the Board.

3. Granting of Options

Subject to the Plan of Arrangement, the Committee may from time to time designate officers and employees of, and other eligible Service Providers to, the HEI Group to whom 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 Article 4 hereof.

4. Limitations to the Plan

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

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

No one Service Provider may be granted any Option which, together with all 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 Corporation, 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 Corporation, 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.

5. Vesting

All Options issued pursuant to Section 3.2(h)(xii) of the Plan of Arrangement shall be fully vested and exercisable on issuance and shall not be subject to any vesting restrictions.

6. Option Price

Subject to the Plan of Arrangement, the exercise price of Options granted under the Plan shall be fixed by the Committee when such Options are granted, provided that the exercise price of 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.

7. Option Terms

The period during which an Option is exercisable shall, subject to the provisions of the Plan requiring or permitting the acceleration or extension of the exercise period, be such period, not in excess of fifteen (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 (5) years from the date of grant. Each Option shall, among other things, contain provisions to the effect that the Option shall be personal to the Optionee and shall not be assignable. In addition, unless the Corporation and an Optionee agree otherwise in an Option Agreement or other written agreement (such as an agreement of employment or a Retirement Agreement), each Option shall provide that:

- (a) upon the death of the Optionee, the Option shall terminate on the date determined by the Committee which shall not be more than twelve (12) months from the date of death and, in the absence of any determination to the contrary, will be twelve (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, termination for cause or Retirement), the Option shall terminate on the expiry of the period not in excess of six (6) 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 ninety (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 Option shall terminate immediately on such termination for cause (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 any of the entities comprising the HEI Group due to the Optionee's Retirement, the Option shall terminate twelve months following the date that the Optionee ceases to be an officer of or be in the employ of any of the entities comprising 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 the Options held by such Optionee (or his or her heirs or successors) whether or not previously vested, and the vesting of all such 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, 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 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 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).

8. Exercise of Option

Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, of a written notice of exercise specifying the number of Common Shares with respect to which the Option is being exercised and accompanied by payment in full of the purchase price of the Common Shares then being purchased.

9. Cashless Exercise

Subject to the provisions of this Plan, if permitted by the Committee, an Optionee may elect to exercise a vested Option by surrendering such Option in exchange for the In-the-Money Value (as defined below) of the Option in lieu of purchasing the number of Common Shares then issuable on the exercise of the vested Option. If the Optionee so elects to exercise the Option, the Optionee shall be entitled to payment of the In-the-Money Value of the vested Option determined as of the date (the "**Pricing Date**") the Corporation receives notice of the exercise of such Option. 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 the Options in respect of which such election is made by the Current Market Price on the Pricing Date. "**In-the-Money Value**" means the amount by which the Current Market Price on the Pricing Date exceeds the exercise price of the applicable Options, multiplied by the number of Common Shares related to the applicable Options. "**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 (5) 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 Board of Directors acting reasonably. An Option may be exercised pursuant to this Article 9 from time to time by delivery to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, of a written notice of exercise specifying that the Optionee has elected to make a cashless exercise of such Option and the number of Options to be exercised (provided that the Committee may, in its sole discretion, vary the aforementioned procedure for exercising an Option from time to time). The Corporation will not be required, upon the exercise of any Options pursuant to this Article 9, to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of fractional Common Shares, the Corporation will pay to the Optionee within ten (10) business days after the exercise date, an amount in lawful money of Canada equal to the then Current Market Price of such fractional interest, provided that the Corporation will not be required to make any payment, calculated as aforesaid, that is less than \$10.00. Any reference in this Article 9 to the issuance of Common Shares or the payment of cash is subject to compliance with Article 18.

10. Surrender Offer

An Optionee may make an offer (the "**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the Optionee to the Corporation (and the termination thereof) of any of the Options granted hereunder for an amount (not to exceed the Fair Market Value of the Common Shares less the exercise price of the Options) specified in the Surrender Offer by the Optionee, and the Corporation may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the Options in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Optionee any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Corporation to the Optionee. The Corporation 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 pursuant to this Article 10, provided that the Corporation shall be under no obligation, express or implied, to make such election. Any reference in this Article 10 to the payment of cash is subject to compliance with Article 18.

11. Alterations in Shares

In the event:

- (a) of any change in the 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, the Common Shares are converted into or exchangeable for any other securities or property;

then the Board may make such adjustments to the Plan, to any Options and to any Option Agreements outstanding under the Plan, and make such amendments to any Option Agreements outstanding under the Plan, as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Optionees hereunder 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 in this Article 11, no adjustment shall be made in accordance with this Article 11 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 this Plan, in force from time to time for existing or proposed officers, directors, employees or Service Providers of the Corporation, or (ii) the issuance of additional Common Shares pursuant to a public offering or private placement by the Corporation or a take-over bid or tender offer made by the Corporation for the securities of another entity.

12. Merger and Sale, etc.

Except in the case of a transaction that is a Change of Control and to which Article 13 applies, if the Corporation enters into any transaction or series of transactions whereby the Corporation 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 Corporation 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 Corporation under this Plan and the Option 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 Corporation under this Plan and Option Agreements with the same effect as though the Successor had been named as the Corporation herein and therein and thereafter, the Corporation shall be relieved of all obligations and covenants under this Plan and such Option Agreements and the obligation of the Corporation to the Optionees in respect of the 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 the Options.

13. Termination of Option

Notwithstanding any other provision in this Plan or the terms of any Option Agreement, if there takes place a Change of Control, all issued and outstanding Options 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 Board, in its absolute discretion, prior to the time such Change of Control takes place.

14. No Rights as a Shareholder

An Optionee shall not have any of the rights or privileges of a shareholder of the Corporation in respect of any Common Shares issuable upon exercise of an Option until certificates representing such Common Shares have been issued and delivered.

15. Regulatory Authorities Approvals

The Plan shall be subject to the approval, if required, of any stock exchange on which the Common Shares are listed for trading. Any Options granted prior to receipt of such approval and after listing on any such stock exchange shall be conditional upon such approval being given and no such Options may be exercised unless such approval, if required, is given.

16. Options to Companies

The provisions herein in respect of the grant of Options shall apply, with appropriate modifications, to the grant of Options to a company either: (i) wholly-owned by any person to whom Options may otherwise be granted hereunder; or (ii) controlled by any person to whom Options may otherwise be granted hereunder (and the shares of which are held directly or indirectly by any such person and such person's spouse, minor children and/or minor grandchildren); subject to any requirements of any applicable regulatory authority having jurisdiction.

17. Option Agreements

A written agreement (an "**Option Agreement**") will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which Option Agreement will set out the number of Common Shares subject to Option, the exercise price, the vesting terms, the expiry date and any other terms approved by the Committee, all in accordance with the provisions of this Plan. The Option Agreement will be in such form as the Committee may from time to time approve or authorize the officers of the Corporation to enter into and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting Options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation. Such Option Agreements may also contain such other provisions as the Committee may determine.

18. Tax Withholding

The Corporation shall have the power and the right to deduct or withhold, or require (as a condition of exercise) an Optionee to remit to the Corporation, the required amount to satisfy, in whole or in part, federal, provincial, state and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan, including the grant or exercise of Options granted under this Plan. With respect to required withholding, the Corporation shall have the irrevocable right to (and the Optionee consents to) the Corporation setting off any amounts required to be withheld, in whole or in part, against amounts otherwise owing by the Corporation to such Optionee (whether arising pursuant to the Optionee's relationship as an officer or employee of the Corporation or as a result of the Optionee providing services on an ongoing basis to the Corporation or otherwise), or may make such other arrangements as are satisfactory to the Optionee and the Corporation. In addition, the Corporation may elect, in its sole discretion, to satisfy the withholding requirement, in whole or in part, by withholding such number of Common Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the withholding obligation net of selling costs (which costs shall be the responsibility of the Optionee and which shall be and are authorized to be deducted from the proceeds of sale). The Optionee consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Common Shares and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of such Common Shares. Any reference in this Plan to the issuance of Common Shares or a payment of cash is expressly subject to this Article 18.

19. No Guarantees Regarding Tax Treatment

Optionees (or their beneficiaries) shall be responsible for all taxes with respect to any Option outstanding under this Plan, whether arising as a result of the grant or exercise of Options or otherwise. The Corporation and the Committee make no guarantees to any person regarding the tax treatment of an Option or payments made under this Plan and none of the Corporation or any of its directors, officers, employees or representatives shall have any liability to an Optionee with respect thereto.

20. No Effect on Employment or Retainer

Participation in the Plan by an Optionee is entirely voluntary and does not affect the Optionee's employment or continued retainer by, or other engagement with, any of the entities comprising the HEI Group, nor does it interfere in any way with the right of the Optionee or any of the entities comprising the HEI Group to terminate the Optionee's employment or service provision at any time. Neither this Plan nor the granting to an Optionee of an Option hereunder of itself gives such Optionee any right to continue to be an officer, employee or Service Provider of any of the entities comprising the HEI Group. None of the terms and conditions governing an Option shall be affected by any change in the terms of the Optionee's employment or by engagement with any of the entities comprising the HEI Group so long as the Optionee continues to hold Options. The terms of this Plan or any option agreement shall not affect in any manner whatsoever the terms or validity of any employment or other services agreement to which the Corporation is a party.

21. Amendment or Discontinuance of the Plan

- (a) The Committee may, subject to any required approval of any Exchange, amend or discontinue the Plan and Options granted thereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, provided that, subject to the following paragraph of this Article 21, no amendment to the Plan or Options granted pursuant to the Plan may be made without the consent of the Optionee, if it adversely alters or impairs any Option previously granted to such Optionee under the 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 this Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of this Plan that is inconsistent with any other provision of this Plan, correcting grammatical or typographical errors and amending the definitions contained within this Plan respecting the administration of the Plan; (b) amending Options under the Plan, including with respect to the expiry date (provided that the term of the Option does not exceed fifteen years from the date the Option is granted and that such 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 Plan or any outstanding Option granted hereunder may not be amended without shareholder approval to:
- (i) permit Options to be issued other than pursuant to Section 3.2(h)(xii) of the Plan of Arrangement;
 - (ii) increase the number of Common Shares reserved for issuance pursuant to Options in excess of the limit prescribed in Article 4 hereof;
 - (iii) extend the expiry date of any Option granted to an Insider (other than as permitted by the terms and conditions of the Plan);
 - (iv) permit an Optionee to transfer Options to a new beneficial holder other than for estate settlement purposes;
 - (v) reduce the limitations on Options contained in Article 4 hereof; and
 - (vi) change this Article 21(a) to modify or delete any of (i) through (v) above.
- (b) Notwithstanding the foregoing, the Committee may amend or terminate the Plan or any outstanding Option granted hereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, in order to conform the Plan or such 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 Option previously granted.

22. Decisions Final and Binding

All decisions and interpretations by the Committee respecting this Plan or Options granted hereunder, including decisions as to adjustments in the number of Common Shares to be received upon exercise of an Option or the exercise price thereof in accordance with Article 11 shall be final and binding on the Corporation and all Optionees and their respective successors.

23. Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

- (a) "**affiliate**" and "**associate**" each have the meaning ascribed thereto in MI 62-104;
- (b) "**All or Substantially All of the Assets**" means greater than 90% of the aggregate fair market value of the assets of the Corporation and its Subsidiaries, on a consolidated basis, as determined by the Board in its sole discretion;
- (c) "**Arrangement**" means the arrangement involving Hammerhead Resources Inc., the Corporation, Decarbonization Plus Acquisition Corporation IV, 2453729 Alberta ULC, the securityholders of Hammerhead Resources Inc., the securityholders of the Corporation, the securityholders of Decarbonization Plus Acquisition Corporation IV and the securityholders of 2453729 Alberta ULC;
- (d) "**Black-Out Period**" means the period of time, if any, when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;
- (e) "**Board**" means the board of directors of the Corporation as constituted from time to time;
- (f) "**business day**" means a day other than a Saturday, Sunday or other day when banks in the City of Calgary, Alberta are generally not open for business;
- (g) "**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 Corporation 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 Corporation; and
 - (B) members of the Board who are members of the Board immediately prior to the earlier of such change and the first public announcement of such change cease to constitute a majority of the Board at any time within sixty days of such change; or
 - (iii) Incumbent Directors no longer constituting a majority of the Board; or
 - (iv) the winding up of the Corporation 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 Corporation 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 Corporation is continued and where the shareholdings or other securityholdings, as the case may be, in the continuing entity and the constitution of the 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 (f)(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 Corporation 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 (f)(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 Corporation and its Subsidiaries, on a consolidated basis, as determined in accordance with paragraph 23(b); or

- (v) any determination by a majority of the 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 Plan;
- (h) "**Common Shares**" means the Class A common shares of the Corporation or, in the event of an adjustment contemplated by Article 10 hereof, such other Common Shares to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment;
- (i) "**Committee**" means a committee of the Board appointed from time to time by the Board to administer the Plan or, if no such committee is appointed, the Board;
- (j) "**Corporation**" means Hammerhead Energy Inc., an Alberta corporation, and includes any successor corporation thereof;
- (k) "**Court**" means the Alberta Court of King's Bench;
- (l) "**Exchange**" means the stock exchange(s), if any, on which the Common Shares are listed and posted for trading;
- (m) "**Fair Market Value**" with respect to a Common Share, as at any date, means the volume weighted average of the prices at which the Common Shares traded on the Exchange (or, if the 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 the Common Shares occurs) for the five (5) trading days on which the Common Shares traded on the said stock exchange immediately preceding such date. In the event that the Common Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Common Shares as determined by the Board in its sole discretion;
- (n) "**Final Order**" means the final order of the Court dated February 3, 2023 in respect of the Arrangement;
- (o) "**HEI Group**" means, collectively, the Corporation, any entity that is a Subsidiary of the Corporation from time to time, including, without limitation, any entity designated by the Board from time to time as a member of the HEI Group for the purposes of this Plan (and, for greater certainty, including any successor entity of any of the aforementioned entities);
- (p) "**Incumbent Directors**" means any member of the Board who was a member of the Board at the effective date of the 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 Board, including a majority of the Incumbent Directors then on the Board, prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control;
- (q) "**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;
- (r) "**MI 62-104**" means Multilateral Instrument 62-104 - *Take-Over Bids and Issuer Bids*, as amended from time to time;
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- (s) **"Option"** means an option to purchase Common Shares granted pursuant to the provisions hereof;
- (t) **"Option Agreement"** has the meaning ascribed thereto in Article 16 hereof;
- (u) **"Optionees"** means persons to whom Options are granted and which Options, or a portion thereof, remain unexercised;
- (v) **"Plan"** means this share option plan of the Corporation, as the same may be amended or varied from time to time;
- (w) **"Plan of Arrangement"** means the Plan of Arrangement attached to the Final Order;
- (x) **"Retirement"** means:
 - (i) the date that an Optionee who is an officer or employee of one or more of the entities comprising the HEI Group reaches the age of fifty-five (55) and voluntarily ceases to be an officer or employee of one or more of the entities comprising the HEI Group, provided that: (A) if the Optionee is an officer or employee of one or more of the entities comprising the HEI Group, such Optionee has provided the Corporation with six (6) months prior written notice of the Optionee's intention to retire; and (B) is offered by the Corporation the opportunity to and enters into an agreement (which shall include non-competition and non-solicitation covenants and the consequences of breaching such covenants including the immediate termination of all outstanding Options notwithstanding the provisions of Section 7(d) in respect of such Retirement) with the Corporation respecting such Optionee's retirement from any employment with the HEI Group in a form that is acceptable to the Corporation (a **"Retirement Agreement"**); or
 - (ii) such other meaning as the Board may determine from time to time;
- (y) **"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;
- (z) **"Subsidiary"** has the meaning ascribed there in the *Securities Act* (Alberta);
- (aa) **"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 Common Shares (other than pursuant to an internal reorganization or in circumstances where the business of the Corporation is continued and where the shareholdings or other securityholdings, as the case may be, in the offeror and the constitution of the board of directors or similar body of the offeror is such that the take-over bid or tender offer would not be considered a "Change of Control" if paragraph 23(g)(ii) above was applicable to the transaction); and
- (bb) **"TSX"** means the Toronto Stock Exchange.

24. **Governing Law**

This Plan will be construed in accordance with and governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein.

25. **Currency**

Unless otherwise indicated, all monetary amounts in this Plan and any Option Agreement are in Canadian dollars. Unless otherwise permitted by the Committee, all amounts payable under or in connection with this Plan or any Option Agreement shall be paid in Canadian dollars. If any monetary amount needs to be converted from U.S. dollars to Canadian dollars or vice versa for the purposes of this Plan or any Option Agreement, then the exchange rate for such conversion shall be determined by the Committee.

26. Effective Time

This Plan shall be effective as of February 23, 2023.

**SHARE OPTION PLAN
HAMMERHEAD ENERGY INC.**

Effective as of February 23, 2023 and as amended and restated effective May 1, 2023

**HAMMERHEAD ENERGY INC.
SHARE OPTION PLAN**

1. Purpose of Plan

The purpose of this 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 Options to acquire an increased proprietary interest in the Corporation.

2. Administration

This Plan shall be administered by the Committee pursuant to any rules of procedure that may be fixed by the 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 Corporation or to one or more agents all or any of the powers conferred on the Committee under this 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 this Plan.

For greater certainty and without limiting the discretion conferred on the Committee pursuant to this Article, the Committee's decision to approve the grant of an Option in any period shall not require the Committee to approve the grant of an 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 an Option grant in any period require it to approve the grant of an Option of the same or similar size or with the same or similar terms and conditions to any Service Provider in any other period. The Committee shall not be precluded from approving the grant of an Option to any Service Provider solely because such Service Provider may previously have been granted an Option under this Plan or any other similar compensation arrangement of the Corporation or a member of the HEI Group. There is no obligation for uniformity of treatment of Service Providers or Optionees under this Plan. The terms and conditions of 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 an Option.

3. Granting of Options

The Committee may from time to time designate officers and employees of, and other eligible Service Providers to, the HEI Group to whom Options may be granted and the number of Shares to be optioned to each, provided that the number of Shares to be optioned shall not exceed the limitations provided in Article 4 hereof.

4. Limitations to this Plan

Notwithstanding any other provision of this Plan:

- (a) subject to Articles 11 and 12, the number of Shares reserved for issuance on exercise of Options outstanding under this Plan, together with the 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;
 - (b) no one Service Provider may be granted any Option which, together with all Options then held by such Optionee, would entitle or enable such Optionee to receive a number of Shares which is greater than 5% of the outstanding Shares, calculated on an undiluted basis; and
 - (c) the number of Shares:
 - (i) issued to Insiders of the Corporation, within any one year period; and
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- (ii) issuable to Insiders of the Corporation, at any time; under this Plan, or when combined with all of the Corporation's other Security Based Compensation Arrangements shall not exceed 10% of the Corporation's total issued and outstanding Shares, respectively.

Options that are cancelled, surrendered, terminated or expire prior to the exercise of all or a portion thereof shall result in the Shares that were reserved for issuance thereunder being available for a subsequent grant of Options pursuant to this Plan to the extent of any Shares issuable thereunder that are not issued under such cancelled, surrendered, terminated or expired Options. 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

5. Vesting

The Committee may, in its sole discretion, determine: (i) the time during which 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, Options will vest and be exercisable as to one-quarter (1/4) of the total number of Shares subject to the 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 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 Options granted, accelerate or provide for the acceleration of vesting of Options previously granted.

6. Option Price

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

7. Option Terms

The period during which an Option is exercisable shall, subject to the provisions of this Plan requiring or permitting the acceleration of rights of exercise or the extension of the exercise period, be such period, not in excess of ten (10) 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 (5) years from the date of grant. Each Option shall, among other things, contain provisions to the effect that the Option shall be personal to the Optionee and shall not be assignable. In addition, unless the Corporation and an Optionee agree otherwise in an Option Agreement or other written agreement (such as an agreement of employment or a Retirement Agreement), each Option shall provide that:

- (a) Death - upon the death of the Optionee, the Option shall terminate on the earlier of (i) the date determined by the Committee which shall not be more than twelve (12) months from the Cessation Date and, in the absence of any determination to the contrary, twelve (12) months from the Cessation Date and (ii) the Expiry Date of such Option;
 - (b) Other Termination - 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, termination for Cause, voluntary resignation or Retirement), the 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) ninety (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 Option;
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- (c) Termination for Cause - 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 Option shall terminate immediately on the Cessation Date (whether notice of such termination occurs verbally or in writing);
- (d) Voluntary Resignation - 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 fourteen (14) days after the Cessation Date the Option shall terminate;
- (e) Retirement - if the Optionee shall no longer be an officer of or be in the employ of any of the entities comprising the HEI Group due to the Optionee's Retirement, the 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 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 Shares that may be acquired on exercise of the Options held by such Optionee (or his or her heirs or successors) whether or not previously vested, and the vesting of all such 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 Shares which the Optionee was entitled to purchase on the Cessation Date. In the event of termination for Cause, all of the Shares optioned, whether vested or unvested shall be forfeited.

If any 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 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).

8. Exercise of Option

Subject to the provisions of this Plan, a vested Option may be exercised from time to time prior to the Expiry Date thereof by delivery to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, of a written notice of exercise specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full of the purchase price of the Shares then being purchased.

No Option holder who is resident in the United States may exercise Options unless the Shares issuable by the Corporation 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.

9. Cashless Exercise

Subject to the provisions of this Plan, if permitted by the Committee, an Optionee may elect to exercise a vested Option by surrendering such Option in exchange for the In-the-Money Value (as defined below) of the Option in lieu of purchasing the number of Shares then issuable on the exercise of the vested Option. If the Optionee so elects to exercise the Option, the Optionee shall be entitled to payment of the In-the-Money Value of the vested Option determined as of the date (the "**Pricing Date**") the Corporation receives notice of the exercise of such Option. The In-the-Money Value shall be paid in Shares issued from treasury with the number of Shares issuable being equal to the number obtained by dividing the In-the-Money Value of the Options in respect of which such election is made by the Current Market Price on the Pricing Date. "**In-the-Money Value**" means the amount by which the Current Market Price on the Pricing Date exceeds the exercise price of the applicable Options, multiplied by the number of Shares related to the applicable Options. "**Current Market Price**" means, as at any date when the Current Market Price is to be determined, the volume weighted average trading price per Share on the TSX, or, if the Shares are not listed on the TSX, on any Exchange in Canada or the United States, for the last five (5) trading days immediately prior to the date of determination, or if the Shares are not listed upon any stock exchange in Canada or the United States, the Current Market Price shall be determined by the Board of Directors acting in good faith. An Option may be exercised pursuant to this Article 9 from time to time by delivery to the Corporation at its head office in Calgary, Alberta or such other place as may be specified by the Corporation, of a written notice of exercise specifying that the Optionee has elected to make a cashless exercise of such Option and the number of Options to be exercised (provided that the Committee may, in its sole discretion, vary the aforementioned procedure for exercising an Option from time to time). The Corporation will not be required, upon the exercise of any Options pursuant to this Article 9, to issue fractions of Shares or to distribute certificates which evidence fractional Shares. In lieu of fractional Shares, the Corporation will pay to the Optionee within ten (10) business days after the exercise date, an amount in lawful money of Canada equal to the then Current Market Price of such fractional interest, provided that the Corporation will not be required to make any payment, calculated as aforesaid, that is less than \$10.00. Any reference in this Article 9 to the issuance of Shares or the payment of cash is subject to compliance with Article 17.

10. Surrender Offer

An Optionee may make an offer (the "**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the Optionee to the Corporation (and the termination thereof) of any of the Options granted hereunder for an amount (not to exceed the Fair Market Value of the Shares less the exercise price of the Options) specified in the Surrender Offer by the Optionee, and the Corporation may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the Options in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Optionee any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Corporation to the Optionee. Any reference in this Article 10 to the payment of cash is subject to compliance with Article 17.

11. Alterations in 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 shares;

then the Board may, subject to any required approval of the TSX, make such adjustments to this Plan, to any Options and to any Option Agreements outstanding under this Plan, and make such amendments to any Option Agreements outstanding under this Plan, as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent inappropriate dilution or enlargement of the rights granted to Optionees hereunder and/or to provide for the Optionees to receive and accept such other shares in lieu of Shares, and the Optionees shall be bound by any such determination.

For greater certainty, and notwithstanding anything to the contrary in this Article 11, no adjustment shall be made in accordance with this Article 11 with respect to the issue of Shares being made pursuant to or in connection with (i) any share option plan or share purchase plan, including this Plan, in force from time to time for existing or proposed officers, directors, employees or Service Providers of the Corporation, or (ii) the issuance of additional Shares pursuant to a public offering or private placement by the Corporation or a take-over bid or tender offer made by the Corporation for the securities of another entity.

With respect to any Options which are governed by section 7 of the Tax Act, all adjustments and actions described in this Article 11 shall be structured in compliance with the requirements of subsections 7(1.4) (if done by way of an exchange of Options) or with subsections 110(1.7) and 110(1.8) of the Tax Act.

12. Merger and Sale, etc.

Except in the case of a transaction that is a Change of Control and to which Article 13 applies, if the Corporation enters into any transaction or series of transactions whereby the Corporation 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 Corporation 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 Corporation under this Plan and the Option 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 Corporation under this Plan and Option Agreements with the same effect as though the Successor had been named as the Corporation herein and therein and thereafter, the Corporation shall be relieved of all obligations and covenants under this Plan and such Option Agreements and the obligation of the Corporation to the Optionees in respect of the 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 Shares upon vesting of the Options. With respect to any Options that are governed by section 7 of the Tax Act, to the extent commercially practicable, any such assumption by the Successor will be structured so as to be governed by subsection 7(1.4) of the Tax Act.

13. Acceleration of Vesting and Termination of Option

Notwithstanding any other provision in this Plan or the terms of any Option Agreement, upon the consummation of a Change of Control, all issued and outstanding 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 90th day after the occurrence of such Change of Control, or at such earlier time as may be established by the Board, in its absolute discretion, prior to the time such Change of Control takes place.

14. No Rights as a Shareholder

An Optionee shall not have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of an Option until certificates representing such Shares have been issued and delivered.

15. Regulatory Authorities Approvals

This Plan shall be subject to the approval, if required, of any Exchange(s) on which the Shares are listed for trading. Any Options granted prior to receipt of such approval and after listing on any such Exchange(s) shall be conditional upon such approval being given and no such Options may be exercised unless such approval, if required, is given.

16. Option Agreements

A written agreement (an "**Option Agreement**") will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which Option Agreement will set out the number of Shares subject to Option, the exercise price, the vesting dates, circumstances when vesting of Options may be accelerated, the Expiry Date, whether any of the Options are Options in respect of "non-qualified securities" under the Tax Act, and any other terms approved by the Committee, all in accordance with the provisions of this Plan. The Option Agreement will be in such form as the Committee may from time to time approve or authorize the officers of the Corporation to enter into and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting Options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation. Such Option Agreements may also contain such other provisions as the Committee may determine.

If an Optionee fails to acknowledge a grant of an Option by acceptance of the Option Agreement within the time specified by the Committee, the Corporation reserves the right to revoke the Option grant. Participation in this Plan by any Optionee shall be construed as irrevocable acceptance by the Participant of the terms and conditions set out herein and all rules and procedures adopted hereunder and as amended from time to time.

17. Tax Withholding

The Corporation shall have the power and the right to deduct or withhold, or require (as a condition of exercise) an Optionee to remit to the Corporation, the required amount to satisfy, in whole or in part, federal, provincial, state and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan, including the grant, exercise or surrender of Options granted under this Plan. With respect to required withholding, the Corporation shall have the irrevocable right to (and the Optionee consents to) the Corporation setting off any amounts required to be withheld, in whole or in part, against amounts otherwise owing by the Corporation to such Optionee (whether arising pursuant to the Optionee's relationship as an officer or employee of the Corporation or as a result of the Optionee providing services on an ongoing basis to the Corporation or otherwise), or may make such other arrangements as are satisfactory to the Optionee and the Corporation. In addition, the Corporation may elect, in its sole discretion, to satisfy the withholding requirement, in whole or in part, by withholding such number of Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the withholding obligation net of selling costs (which costs shall be the responsibility of the Optionee and which shall be and are authorized to be deducted from the proceeds of sale). The Optionee consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of such Shares. Any reference in this Plan to the issuance of Shares or a payment of cash is expressly subject to this Article 17.

18. Tax Treatment

All Options granted to persons who are granted Options by virtue of their employment with the Corporation or a Subsidiary shall have such terms and conditions so as to be governed by section 7 of the Tax Act.

Optionees (or their beneficiaries) shall be responsible for all taxes with respect to any Option outstanding under this Plan, whether arising as a result of the grant or exercise of Options or otherwise. The Corporation and the Committee make no guarantees to any person regarding the tax treatment of an Option or payments made under this Plan and none of the Corporation or any of its directors, officers, employees or representatives shall have any liability to an Optionee with respect thereto. Optionees are advised to consult with their own tax advisors.

The Corporation shall make reasonable commercial efforts to ensure that Optionees receive the most favourable tax treatment permitted by law in connection with the exercise and/or surrender of Options, including, without limitation, executing any tax elections necessary for an Optionee to receive capital-gains like tax treatment under paragraph 110(1)(d) of the Tax Act (or any successor provision thereof), provided that Corporation shall not be liable if the paragraph 110(1)(d) deduction is not available in respect of any Options granted under this Plan due to a failure of the Options to meet the conditions required to qualify for such deduction (other than the requirement for any election under subsection 110(1.1) of the Tax Act if the Options are subject to a cashless exercise under Article 9 or are surrendered under Article 10).

Notwithstanding any other provision of this Plan, grants of Options to Participants who are subject to United States federal income taxation ("**U.S. Taxpayers**") under the United States Internal Revenue Code of 1986, as amended (the "**Code**"), shall be made and administered under the terms of Schedule A to this Plan.

19. No Effect on Employment or Retainer

Participation in this Plan by an Optionee is entirely voluntary and does not affect the Optionee's employment or continued retainer by, or other engagement with, any of the entities comprising the HEI Group, nor does it interfere in any way with the right of the Optionee or any of the entities comprising the HEI Group to terminate the Optionee's employment or service provision at any time. Neither this Plan nor the granting to an Optionee of an Option hereunder of itself gives such Optionee any right to continue to be an officer, employee or Service Provider of any of the entities comprising the HEI Group. None of the terms and conditions governing an Option shall be affected by any change in the terms of the Optionee's employment or by engagement with any of the entities comprising the HEI Group so long as the Optionee continues to hold Options. The terms of this Plan or any option agreement shall not affect in any manner whatsoever the terms or validity of any employment or other services agreement to which the Corporation is a party. Schedule A is incorporated herein by reference

20. Amendment or Discontinuance of this Plan

- (a) The Committee may, subject to any required approval of any Exchange(s), amend, modify or discontinue this Plan and Options granted thereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, provided that, subject to the following paragraph of this Article 20, no amendment to this Plan or Options granted pursuant to this Plan may be made without the consent of the Optionee, if it adversely alters or impairs any Option previously granted to such Optionee under this 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 this Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of this Plan that is inconsistent with any other provision of this Plan, correcting grammatical or typographical errors and amending the definitions contained within this Plan respecting the administration of this Plan; (b) amending Options under this Plan, including with respect to the expiry date (provided that the term of the Option does not exceed ten years from the date the Option is granted and that such 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(s). Notwithstanding the foregoing, this Plan or any outstanding Option granted hereunder may not be amended without shareholder approval to:
- (i) increase the number of Shares reserved for issuance pursuant to Options in excess of the limit prescribed in Article 4 hereof;
 - (ii) extend the vesting date of any Options granted under this Plan to an Insider beyond the latest vesting date specified in the Option Agreement (other than as permitted by the terms and conditions of this Plan);
 - (iii) extend the expiry date of any Option granted to an Insider (other than as permitted by the terms and conditions of this Plan);
 - (iv) permit an Optionee to transfer Options to a new beneficial holder other than for estate settlement purposes;
 - (v) reduce the limitations on Options contained in Article 4 hereof;
 - (vi) increase the number of Shares that may be issued to Insiders above the restrictions contained in Article 4(c) hereof; and
 - (vii) change this Article 20(a) to modify or delete any of (i) through (v) above.
- (b) Notwithstanding the foregoing, the Committee may amend or terminate this Plan or any outstanding Option granted hereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of any relevant Exchange(s) or regulatory authority, whether or not that amendment or termination would affect any accrued rights or adversely alter or impair any Option previously granted.
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21. Decisions Final and Binding

All decisions and interpretations by the Committee respecting this Plan or Options granted hereunder, including decisions as to adjustments in the number of Shares to be received upon exercise of an Option or the exercise price thereof in accordance with Article 11 shall be final and binding on the Corporation and all Optionees and their respective successors, heirs and legal representatives, as applicable.

Subject to Article 32, all rights, entitlements and obligations of Optionees under this Plan and in respect of Options are set forth in the terms hereof and the applicable Option Agreements and cannot be modified by any other documents, statements or communications, except by amendment to the terms hereof or thereof in accordance with Article 20.

22. Defined Terms

Where used herein, the following terms shall have the following meanings, respectively:

- (a) "**affiliate**" and "**associate**" each have the meaning ascribed thereto in MI 62-104;
- (b) "**All or Substantially All of the Assets**" means greater than 90% of the aggregate fair market value of the assets of the Corporation and its Subsidiaries, on a consolidated basis, as determined by the Board in its sole discretion;
- (c) "**Black-Out Period**" means the period of time, if any, when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of an Option;
- (d) "**Board**" means the board of directors of the Corporation as constituted from time to time;
- (e) "**business day**" means a day other than a Saturday, Sunday or other day when banks in the City of Calgary, Alberta are generally not open for business;
- (f) "**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):
 - (i) 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
 - (ii) 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;
- (g) "**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;

- (h) **"Change of Control"** means:
- (i) (A) a successfully completed takeover bid; and (B) members of the Board who are members of the 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 Board at any time within sixty days of the successful completion of such takeover bid; or
 - (ii) (A) any change in the beneficial ownership or control of the outstanding securities or other interests of the Corporation 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 Corporation; and
 (B) members of the Board who are members of the Board immediately prior to the earlier of such change and the first public announcement of such change cease to constitute a majority of the Board at any time within sixty days of such change; or
 - (iii) Incumbent Directors no longer constituting a majority of the Board; or
 - (iv) the winding up of the Corporation 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 Corporation 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 Corporation is continued and where the shareholdings or other security holdings, as the case may be, in the continuing entity and the constitution of the 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 (f)(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 Corporation 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 (f)(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 Corporation and its Subsidiaries, on a consolidated basis, as determined in accordance with Article 22(b);
- provided that a Change of Control shall be deemed not to have occurred if a majority of the 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 this Plan;
- (i) **"Code"** has the meaning set forth in Article 18 hereof;
 - (j) **"Committee"** means the Compensation Committee of the Board or such other committee of the Board appointed from time to time by the Board to administer this Plan or, if no such committee is appointed, the Board;
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- (k) "**Corporation**" means Hammerhead Energy Inc., an Alberta corporation, and includes any successor corporation thereof;
- (l) "**Exchange**" means the stock exchange(s), if any, on which the Shares are listed and posted for trading;
- (m) "**Expiry Date**" means the date upon which an Option expires pursuant to the Option Agreement relating to such Option;
- (n) "**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 (5) 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 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 Board from time to time, acting reasonably and in good faith;
- (o) "**HEI Group**" means, collectively, the Corporation and any entity that is a Subsidiary of the Corporation from time to time (and, for greater certainty, including any successor entity of any of the aforementioned entities);
- (p) "**Incumbent Directors**" means any member of the Board who was a member of the Board at the effective date of this 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 Board, including a majority of the Incumbent Directors then on the Board, prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control;
- (q) "**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;
- (r) "**Leave of Absence**" means a Service Provider being absent from active employment or active service as a result of sabbatical, disability, education leave, maternity or parental leave, or any other form of leave approved by the Committee;
- (s) "**MI 62-104**" means Multilateral Instrument 62-104 - *Take-Over Bids and Issuer Bids*, as amended from time to time;
- (t) "**Option**" means an option to purchase Shares granted pursuant to the provisions hereof;
- (u) "**Option Agreement**" has the meaning ascribed thereto in Article 16 hereof;
- (v) "**Optionees**" means persons to whom Options are granted and which Options, or a portion thereof, remain unexercised;
- (w) "**Plan**" means this share option plan of the Corporation, as the same may be amended or varied from time to time;
- (x) "**Retirement**" means:
 - (i) the date that an Optionee who is an officer or employee of one or more of the entities comprising the HEI Group reaches the age of fifty-five (55), has ten (10) years of service with the HEI Group and voluntarily ceases to be an officer or employee of one or more of the entities comprising the HEI Group, provided that: (A) if the Optionee is an officer or employee of one or more of the entities comprising the HEI Group, such Optionee has provided the Corporation with six (6) months prior written notice of the Optionee's intention to retire; and (B) is offered by the Corporation the opportunity to and enters into an agreement (which shall include non-competition and non-solicitation covenants and the consequences of breaching such covenants including the immediate termination of all outstanding Options notwithstanding the provisions of Article 7(e) in respect of such Retirement) with the Corporation respecting such Optionee's retirement from any employment with the HEI Group in a form that is acceptable to the Corporation (a "**Retirement Agreement**");
 - or

- (ii) such other meaning as the Board may determine from time to time;
 - (y) "**Retirement Agreement**" has the meaning set forth in Article 22(x)(i) hereof;
 - (z) "**Security Based Compensation Arrangements**" has the meaning ascribed thereto in Part VI of the TSX Company Manual;
 - (aa) "**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;
 - (bb) "**Shares**" means the Class A common shares of the Corporation or, in the event of an adjustment contemplated by Article 11 hereof, such other shares to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment;
 - (cc) "**Subsidiary**" has the meaning ascribed there in the *Securities Act* (Alberta);
 - (dd) "**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 Corporation is continued and where the shareholdings or other security holdings, as the case may be, in the offeror and the constitution of the board of directors or similar body of the offeror is such that the take-over bid or tender offer would not be considered a "Change of Control" if paragraph 23(f)(ii) above was applicable to the transaction);
 - (ee) "**Tax Act**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, each as amended from time to time;
 - (ff) "**TSX**" means the Toronto Stock Exchange;
 - (gg) "**U.S.**" or "**United States**" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;
 - (hh) "**U.S. Securities Act**" means the United States Securities Act of 1933, as amended and the rules and regulations promulgated thereunder; and
 - (ii) "**U.S. Taxpayers**" has the meaning set forth in Article 18 hereof
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23. Interpretation

In this Plan: (a) words in the singular include the plural and words in the plural include the singular; (b) words importing the masculine gender shall include the feminine and neuter genders and vice versa; (c) article and sub-article headings contained herein are for convenience only and shall not affect the construction hereof; and (d) words "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to this document as a whole and not to any particular Article, paragraph or other part hereof.

24. Compliance with Legal Requirements

The Corporation shall not be obliged to issue any Shares pursuant to any Option if such issuance would violate any law or regulation or any rule of any government authority or Exchange. The Corporation, in its sole discretion, may postpone the issuance of Shares under any Option as the Committee may consider appropriate, and may require any Optionee to make such representations and furnish such information as it may consider appropriate in connection with the issuance of Shares in compliance with applicable laws, rules and regulations. The Corporation shall not be required to qualify for resale pursuant to a prospectus or similar document any Shares issued upon the exercise of Options, provided that, if required, the Corporation shall notify the Exchange(s) and any other appropriate regulatory bodies in Canada and the United States of the existence of this Plan and the granting of Options hereunder in accordance with any such requirements.

25. Foreign Optionees

The Corporation may, without amending this Plan, modify the terms of Options granted to Service Providers who provide services to the Corporation or any member of the HEI Group from outside of Canada in order to comply with the applicable laws of such foreign jurisdictions. Any such modification to this Plan with respect to a particular Service Provider shall be reflected in the Option Agreement for such Service Provider.

The Committee shall not grant any Options that may be denominated or settled in Shares to residents of the United States unless such Awards and the Shares issuable upon exercise thereof 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.

26. Ceasing to be a Member of the HEI Group

Except as otherwise provided in this Plan, Options granted under this Plan shall not be affected by any change in the relationship between or ownership of the Corporation and a member of the HEI Group.

27. Expenses

Except as provided in Articles 17 and 18, all expenses in connection with this Plan shall be borne by the Corporation.

28. Unfunded Plan

This Plan shall be unfunded. The Corporation shall not be required to segregate any assets that may at any time be represented by Shares or rights thereto, nor shall this Plan be construed as providing for such segregation. Any liability or obligation of the Corporation to any Optionee with respect to an Option under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Option Agreement, and no such liability or obligation of the Corporation shall be deemed to be secured by any pledge or other encumbrance on any property of the Corporation. Neither the Corporation nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.

29. Market Fluctuations

No amount will be paid to, or in respect of, a Optionee under this Plan to compensate for a downward fluctuation in the price of Shares, nor will any other form of benefit be conferred upon, or in respect of, a Optionee for such purpose. The Corporation makes no representations or warranties to Optionees with respect to this Plan or the Options whatsoever. Optionees are expressly advised that the value of any Options under this Plan will fluctuate as the trading price of Shares fluctuates. In seeking the benefits of participation in this Plan, a Optionee agrees to exclusively accept all risks associated with a decline in the market price of Shares and all other risks associated with the holding of Options.

30. Reorganization of the Corporation

The existence of any Options or Shares corresponding to any such Options shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Corporation or to create or issue any bonds, debentures, shares or other securities of the Corporation or the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

31. Optionee Information

Each Optionee shall provide the Corporation with all information (including personal information) required by the Corporation in order to administer this Plan. Each Optionee acknowledges that information required by the Corporation in order to administer this Plan may be disclosed to the Committee or its appointed administrator and other third parties in connection with the administration of this Plan. Each Optionee consents to such disclosure and authorizes the Corporation to make such disclosure on the Optionee's behalf.

32. Discretionary Relief

Notwithstanding any other provision hereof but subject to applicable law and the rules of any government authority or Exchange, the Committee may, in its sole discretion, waive any condition or provision set out herein or in any Option granted hereunder if it determines that specific individual circumstances warrant such waiver.

33. Indemnification

Each member of the Board or Committee or any director or officer who is delegated the whole or any part of the administration of this Plan pursuant to Article 2 is indemnified and held harmless by the Corporation against any cost or expense (including any sum paid in settlement of a claim with the approval of the Corporation) arising out of any act or omission to act in connection with the terms hereof to the extent permitted by applicable law. This indemnification is in addition to any rights of indemnification a Board or Committee member or any director or officer who is delegated the whole or any part of the administration of this Plan pursuant to Article 2 may have as director or officer or otherwise under the by-laws of the Corporation, any agreement, any vote of shareholders or disinterested directors, or otherwise.

34. Governing Law

This Plan will be construed in accordance with and governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein.

35. Currency

Unless otherwise indicated, all monetary amounts in this Plan and any Option Agreement are in Canadian dollars. Unless otherwise permitted by the Committee, all amounts payable under or in connection with this Plan or any Option Agreement shall be paid in Canadian dollars. If any monetary amount needs to be converted from U.S. dollars to Canadian dollars or vice versa for the purposes of this Plan or any Option Agreement, then the exchange rate for such conversion shall be determined by the Committee.

36. Effective Time

This Plan, as amended and restated, was approved by the Board on May 1, 2023, and is effective from such date, subject to acceptance of this Plan by the shareholders of the Corporation, the TSX and any other applicable regulatory authorities.

SCHEDULE A

U.S. Participants and Section 409A Compliance

(a) Notwithstanding any other provision of the Plan, grants of Options to Participants who are U.S. Taxpayers under the Code or any successor thereto, shall be made and administered under the terms of this Schedule A to the Plan. With respect to any Participant who is a U.S. Taxpayer, in no event shall the exercise price of the Options be less than Fair Market Value on the date of grant as determined under Section 409A of the Code.

(b) The Board or Committee, as the case may be, shall interpret and construe the Plan and take all authorized actions with respect to any U.S. Taxpayer in a manner that is consistent with applicable U.S. Treasury regulations and other guidance issued pursuant to Section 409A of the Code. However, neither the Board, the Committee, the Corporation nor any other person connected with the Plan in any capacity makes any representation, commitment, or guarantee that any tax treatment shall be applicable with respect to any grant of Options, any amounts deferred under this Plan, or any amounts paid to any person hereunder.

U.S. Participants and U.S. Securities Laws

(a) Shares issued pursuant to the Plan shall not be issued under the Plan to a Participant unless the issuance of those securities shall comply with all relevant laws, including, the U.S. Securities Act, applicable state securities laws, and the requirements of any stock exchange or automated inter-dealer quotation system in the United States upon which the Shares may then be listed or quoted, if applicable. The issuance shall also be subject to the approval of counsel for the Corporation with respect to such compliance, including the availability of an exemption from registration for the issuance of any Shares issued pursuant to the Plan. The unavailability of an exemption from registration for the issuance to a Participant of any Shares issued pursuant to the Plan or the inability of the Corporation to obtain from any regulatory body the authority deemed by the Corporation to be necessary for the lawful issuance and sale of any Shares under the Plan, shall relieve the Corporation of any liability for not issuing Shares to the Participant.

(b) As a condition to the issuance of the Shares pursuant to the Plan, the Corporation may require the Participant to execute such documentation and make such representations and warranties as may be necessary to comply with federal and state securities laws or as may be required by this Plan.

Clawback

The Plan and all Options granted hereunder are subject to any written clawback policies that the Corporation, with the approval of the Board or an authorized committee thereof, may adopt either prior to or following the effective time, including any policy adopted to conform to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and rules promulgated thereunder by the SEC and that the Corporation determines should apply to Options. Any such policy may subject a Participant's Options and amounts paid or realized with respect to Options to reduction, cancelation, forfeiture or recoupment if certain specified events or wrongful conduct occur, including an accounting restatement due to the Corporation's material noncompliance with financial reporting regulations or other events or wrongful conduct specified in any such clawback policy.

**EQUITY INCENTIVE AWARD PLAN
HAMMERHEAD ENERGY INC.**

Effective February 23, 2023 and as amended and restated effective May 1, 2023

**HAMMERHEAD ENERGY INC.
EQUITY INCENTIVE AWARD PLAN**

The board of directors of Hammerhead Energy Inc. has adopted this Equity Incentive Award Plan, dated effective February 23, 2023 and as amended and restated effective May 1, 2023, to govern the issuance of Incentive Awards and Share Awards to Service Providers.

1. Definitions

For purposes of this Plan:

- (a) "**Adjustment Ratio**" means, (i) with respect to any Incentive Award, the ratio used to adjust the number of Incentive Awards on which payment shall be based on the applicable Vesting Date pertaining to such Incentive Award determined in accordance with the terms of this Plan; and, in respect of each Incentive Award, the Adjustment Ratio shall initially be equal to one, and shall be cumulatively adjusted thereafter by increasing the Adjustment Ratio on each Dividend Payment Date, effective on the day following the Dividend Record Date, by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the Dividend, expressed as an amount per Share, paid on that Dividend Payment Date, and having as its denominator the Reinvestment Price, and (ii) with respect to any Share Award, the ratio used to adjust the number of Shares to be issued on exercise of such Share Award determined in accordance with the terms of this Plan; and, in respect of each Share Award, the Adjustment Ratio shall initially be equal to one, and shall be cumulatively adjusted thereafter by increasing the Adjustment Ratio on each Dividend Payment Date, effective on the day following the Dividend Record Date, by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the Dividend, expressed as an amount per Share, paid on that Dividend Payment Date, and having as its denominator the Reinvestment Price;
 - (b) "**affiliate**" and "**associate**" each have the meaning ascribed thereto in MI 62-104;
 - (c) "**All or Substantially All of the Assets**" means greater than 90% of the aggregate fair market value of the assets of the Corporation and its Subsidiaries, on a consolidated basis, as determined by the Board in its sole discretion;
 - (d) "**Award**" means an Incentive Award or a Share Award, as applicable;
 - (e) "**Award Agreement**" means an Incentive Award Agreement or a Share Award Agreement, as applicable;
 - (f) "**Black-Out Period**" means the period of time, if any, when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any Participant that holds an Award;
 - (g) "**Board**" means the board of directors of the Corporation as constituted from time to time;
 - (h) "**business day**" means a day other than a Saturday, Sunday or other day when banks in the City of Calgary, Alberta are generally not open for business;
 - (i) "**Cash Amount**" has the meaning set forth in Section 6(g) hereof;
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- (j) **"Cause"** means, unless otherwise defined in the applicable Award Agreement or employment agreement or consulting agreement of the Participant (in which case "Cause" shall have the meaning therein):
- (i) in respect of a Participant 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 Participant to terminate the Participant's employment without notice or compensation under the Canadian common law for just cause; and
 - (ii) in respect of a Participant that is a consultant to a member of the HEI Group, any material breach by the Participant of the terms of the contract or agreement under which the Participant is retained by a member of the HEI Group;
- (k) **"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;
- (l) **"Change of Control"** means:
- (i) (A) a successfully completed takeover bid; and (B) members of the Board who are members of the 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 Board at any time within sixty days of the successful completion of such takeover bid; or
 - (ii) (A) any change in the beneficial ownership or control of the outstanding securities or other interests of the Corporation 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 Corporation; and (B) members of the Board who are members of the Board immediately prior to the earlier of such change and the first public announcement of such change cease to constitute a majority of the Board at any time within sixty days of such change; or
 - (iii) Incumbent Directors no longer constituting a majority of the Board; or
 - (iv) the winding up of the Corporation 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 Corporation 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 Corporation is continued and where the shareholdings or other security holdings, as the case may be, in the continuing entity and the constitution of the 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 Corporation 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 Corporation and its Subsidiaries, on a consolidated basis, as determined in accordance with Section 1(c);
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provided that a Change of Control shall be deemed not to have occurred if a majority of the 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 this Plan;

- (m) "**Code**" has the meaning set forth in Section 7 hereof;
 - (n) "**Committee**" has the meaning set forth in Section 3 hereof;
 - (o) "**Corporate Performance Measures**" for any period that the Committee in its sole discretion shall determine, means the performance measures to be taken into consideration in granting Awards under this Plan and determining the Payout Multiplier in respect of any Performance Award, which shall be determined by the Committee in its sole discretion and may include, without limitation, any one or more of the following:
 - (i) Total Shareholder Return, absolute or relative;
 - (ii) the market price of the Shares;
 - (iii) the financial or operational performance or results of the Corporation, the members of the HEI Group, or a business unit or division thereof, including, without limitation, cash flow, cost structure, capital efficiency, production or reserves or unit costs of production;
 - (iv) other operational or performance criteria relating to the Corporation, the members of the HEI Group, or a business unit or division thereof;
 - (v) activities related to growth of the Corporation, the members of the HEI Group or a business unit or division thereof;
 - (vi) health and safety and environmental, social and governance performance of the Corporation, the members of the HEI Group, or a business unit or division thereof;
 - (vii) the execution of the Corporation's strategic plan as determined by the Board;
 - (viii) other performance criteria relating to the Participant; and
 - (ix) such additional measures as the Committee or the Board, in its sole discretion, shall consider appropriate in the circumstances;
 - (p) "**Corporation**" means Hammerhead Energy Inc., an Alberta corporation, and includes any successor corporation thereof;
 - (q) "**Dividend**" means any dividend, return of capital or special distribution paid by the Corporation 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;
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- (r) **"Dividend Payment Date"** means any date that a Dividend is paid to Shareholders;
 - (s) **"Dividend Record Date"** means the applicable record date in respect of any Dividend used to determine the Shareholders entitled to receive such Dividend;
 - (t) **"Exchange"** means the stock exchange(s), if any, on which the Shares are listed and posted for trading;
 - (u) **"Exercise Date"** means the day upon which the Corporation 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;
 - (v) **"Exercise Notice"** means a notice in writing to the Corporation 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;
 - (w) **"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 ten (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;
 - (x) **"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 (5) 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 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 Board from time to time, acting reasonably and in good faith;
 - (y) **"HEI Group"** means, collectively, the Corporation and any entity that is a Subsidiary of the Corporation from time to time (and, for greater certainty, including any successor entity of any of the aforementioned entities);
 - (z) **"Incentive Award"** means a Restricted Award or Performance Award made pursuant to this Plan and designated as an Incentive Award;
 - (aa) **"Incentive Award Agreement"** has the meaning set forth in Section 6 hereof;
 - (bb) **"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 this Plan, multiplied by the Fair Market Value of the Shares;
 - (cc) **"Incumbent Directors"** means any member of the Board who was a member of the Board at the effective date of this 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 Board, including a majority of the Incumbent Directors then on the Board, prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control;
 - (dd) **"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;
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- (ee) "**Leave of Absence**" means a Service Provider being absent from active employment or active service as a result of sabbatical, disability, education leave, maternity or parental leave, or any other form of leave approved by the Committee;
- (ff) "**MI 62-104**" means Multilateral Instrument 62-104 - *Take-Over Bids and Issuer Bids*, as amended from time to time;
- (gg) "**Participants**" has the meaning set forth in Section 4 hereof;
- (hh) "**Payout Multiplier**" means the payout multiplier determined by the Committee in its sole discretion in accordance with Section 6(e) hereof;
- (ii) "**Peer Comparison Group**" means, generally, public oil and gas exploration and production or other companies in the energy or other sectors that in the opinion of the Committee are competitors of the Corporation or are otherwise appropriate for comparison purposes and which shall be determined from time to time by the Committee in its sole discretion;
- (jj) "**Performance Award**" means (i) an Incentive Award under this 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 this Plan designated as a "Performance Award" in the Share Award Agreement pertaining thereto, which Shares shall be issued following the Exercise Date(s) thereof;
- (kk) "**Plan**" means this equity incentive award plan of the Corporation, as the same may be amended or varied from time to time;
- (ll) "**Reinvestment Price**" means the price, expressed as an amount per Share, paid by participants in the Corporation's dividend reinvestment plan, if any, to reinvest their Dividends in additional Shares on a Dividend Payment Date, provided that if the Corporation 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;
- (mm) "**Restricted Award**" means (i) an Incentive Award under this Plan designated as a "Restricted 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 this Plan designated as a "Restricted Award" in the Share Award Agreement pertaining thereto, which Shares shall be issued following the Exercise Date(s) thereof;
- (nn) "**Retirement**" means:
 - (i) the date that a Participant who is an officer or employee of one or more of the entities comprising the HEI Group reaches the age of fifty-five (55), has ten (10) years of service with the HEI Group and voluntarily ceases to be an officer or employee of one or more of the entities comprising the HEI Group, provided that: (A) if the Participant is an officer or employee of one or more of the entities comprising the HEI Group, such Participant has provided the Corporation with six (6) months prior written notice of the Participant's intention to retire; and (B) is offered by the Corporation the opportunity to and enters into an agreement (which shall include non-competition and non-solicitation covenants and the consequences of breaching such covenants including the immediate termination of all outstanding Awards notwithstanding the provisions of Section 6(i)(iv) in respect of such Retirement) with the Corporation respecting such Participant's retirement from any employment with the HEI Group in a form that is acceptable to the Corporation (a "**Retirement Agreement**"); or
 - (ii) such other meaning as the Board may determine from time to time;

- (oo) "**Retirement Agreement**" has the meaning set forth in Section 1(nn)(i) hereof;
 - (pp) "**Service Providers**" has the meaning set forth in Section 4 hereof;
 - (qq) "**Share**" means a Class A common share of the Corporation; or, in the event of an adjustment contemplated by Section 6(l) hereof, 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;
 - (rr) "**Share Award**" means a Restricted Award or Performance Award made and designated as a Share Award pursuant to this Plan;
 - (ss) "**Share Award Agreement**" has the meaning set forth in Section 6 hereof;
 - (tt) "**Shareholder**" means a holder of Shares;
 - (uu) "**Subsidiary**" has the meaning ascribed there in the *Securities Act* (Alberta);
 - (vv) "**Successor**" has the meaning set forth in Section 9 hereof;
 - (ww) "**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 Corporation is continued and where the shareholdings or other security holdings, as the case may be, in the offeror and the constitution of the board of directors or similar body of the offeror is such that the take-over bid or tender offer would not be considered a "Change of Control" if Section 1(l)(ii) above was applicable to the transaction);
 - (xx) "**Total Shareholder Return**" means, with respect to any period, the total return to Shareholders on the Shares calculated using cumulative Dividends on a reinvested basis and the change in the trading price of the Shares on the TSX over such period (or, if the Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one Exchange, on such Exchange on which the Shares are then listed and posted for trading as may be selected for such purpose by the Committee in its sole discretion) as may be determined by the Committee in its sole discretion;
 - (yy) "**TSX**" means the Toronto Stock Exchange;
 - (zz) "**U.S.**" or "**United States**" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;
 - (aaa) "**U.S. Securities Act**" means the United States Securities Act of 1933, as amended and the rules and regulations promulgated thereunder;
 - (bbb) "**U.S. Taxpayers**" has the meaning set forth in Section 7 hereof; and
 - (ccc) "**Vesting Date**" means, (A) 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 in and become irrevocably payable by the Corporation to the Participant in accordance with the terms hereof, and (B) with respect to any Share Award, the date upon which such Share Award shall irrevocably vest in and become exercisable by the Participant in accordance with the terms hereof.
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2. Purposes

The principal purposes of this 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 Corporation;
- (b) more closely align such Service Providers' interests with those of the Corporation's shareholders;
- (c) focus such Service Providers on operating and financial performance and long-term shareholder value; and
- (d) motivate and reward such Service Providers' performance and contributions to the Corporation's long-term success.

3. Administration

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

The Committee shall have the authority in its sole discretion to administer this Plan and to exercise all the powers and authorities either specifically granted to it under this Plan or necessary or advisable in the administration of this Plan, subject to and not inconsistent with the express provisions of this Plan and of Section 10 hereof, including, without limitation:

- (a) the authority to grant Awards;
 - (b) to determine the Fair Market Value of the Shares on any date;
 - (c) to determine the Incentive Award Value in respect of any Incentive Award on any date;
 - (d) to determine the Service Providers to whom, and the time or times at which Awards shall be granted and shall become issuable or payable, as the case may be;
 - (e) to determine the number of Shares to be covered by each Share Award, the number of Incentive Awards to be granted and in each case the allocation between Restricted Awards and Performance Awards;
 - (f) to determine members of the Peer Comparison Group, if any, from time to time;
 - (g) to determine the Corporate Performance Measures and the Payout Multiplier in respect of a particular period;
 - (h) to prescribe, amend and rescind rules and regulations relating to this Plan;
 - (i) interpret and construe any provision of this Plan and decide all questions of fact arising in their interpretation;
 - (j) to determine the terms and provisions of Award Agreements (which need not be identical) entered into in connection with Share Awards and Incentive Awards;
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- (k) to take any and all actions permitted by this Plan; and
- (l) to make any other determinations and take such other action in connection with the administration of this Plan that it deems necessary or advisable.

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 Corporation or to one or more agents all or any of the powers conferred on the Committee under this 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 this Plan.

For greater certainty and without limiting the discretion conferred on the Committee pursuant to this Section, 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 this Plan or any other similar compensation arrangement of the Corporation or a member of the HEI Group. There is no obligation for uniformity of treatment of Service Providers or Participants under this 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.

4. **Eligibility and Award Determination**

Awards may be granted only to persons who are employees or officers of the Corporation or a member of the HEI Group or who are consultants or other service providers to the Corporation or a member of the HEI Group (collectively, "**Service Providers**"); provided, however, that the participation of a Service Provider in this Plan is voluntary and any decision not to participate shall not affect any Service Provider's employment with or service to the Corporation or any member of the HEI Group. For greater certainty, a transfer of employment or services between the Corporation and a member of the HEI Group or between a members of the HEI Group shall not be considered an interruption or termination of the employment of a Participant for any purpose of this Plan.

The Committee, in its sole discretion, shall determine which Service Providers will participate in this Plan. In determining the Service Providers to whom Awards may be granted ("**Participants**") and the number of Shares to be covered by each Share Award or the number of Incentive Awards granted, the Committee may take into account such factors as it shall determine in its sole discretion, including without limitation, if so determined by the Committee, any one or more of the following factors:

- (a) compensation data for comparable benchmark positions among the Peer Comparison Group or among other comparison groups;
 - (b) the duties, responsibilities, position and seniority of the Participant;
 - (c) the Corporate Performance Measures for the applicable period compared with internally established performance measures approved by the Committee and/or similar performance measures of members of the Peer Comparison Group or among other comparison groups for such period;
 - (d) the individual contributions and potential contributions of the Participant to the success of the Corporation;
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- (e) any bonus payments paid or to be paid to the Participant in respect of his or her individual contributions and potential contributions to the success of the Corporation;
- (f) the Fair Market Value or current market price of the Shares at the time of such Award; and
- (g) such other factors as the Committee shall deem relevant in its sole discretion in connection with accomplishing the purposes of this Plan.

5. **Reservation of Shares**

Subject to Sections 6(l) and 9 hereof, the aggregate number of Shares reserved for issuance pursuant to Awards granted and outstanding hereunder, together with the aggregate number of Shares reserved for issuance under all other security based compensation arrangements (as defined in Section 6(c)) of the Company that provide for the issuance of Shares, shall not at any time exceed ten percent (10%) of the Shares then issued and outstanding.

If any Award granted under this 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 this 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.

For purposes of the calculations in this Section only, it shall be assumed that all issued and outstanding Incentive Awards will be settled by the issuance of Shares from treasury, notwithstanding the Corporation's right pursuant to Section 6(h) hereof to settle the Incentive Award Value underlying Incentive Awards in cash or by purchasing Shares on the open market.

6. **Terms and Conditions of Awards**

Each Award granted under this Plan shall be subject to the terms and conditions of this Plan and evidenced by a written agreement between the Corporation 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 and the following terms and conditions (and with such other terms and conditions as the Committee, in its sole discretion, shall establish):

- (a) **Type of Awards** - The Committee shall determine the number of Shares to be awarded to a Participant pursuant to the Share Award and/or the number of Incentive Awards to be awarded to a Participant in accordance with the provisions set forth in Section 4 hereof and shall designate such Award as either a "Restricted Award" or a "Performance Award", as applicable, in the Award Agreement relating thereto.
- (b) **Tax Treatment** - Notwithstanding any other provision of this Plan, (i) all Share Awards granted to employees and officers of a member of the HEI Group shall have such terms and conditions required or desirable to ensure that such Share Awards are continuously governed by section 7 of the *Income Tax Act* (Canada) and, except as provided in the second paragraph of Section 6(g) hereof, all Share Awards shall be settled solely by the issuance of Shares from treasury; and (ii) all Incentive Awards granted to employees and officers of a member of the HEI Group shall be granted as a bonus for services rendered by the Participant in the year of grant and shall have such terms and conditions required or desirable to ensure that such Incentive Awards do not constitute a "salary deferral arrangement" within the meaning of the *Income Tax Act* (Canada) by virtue of the exception in paragraph (k) of the definition thereof.
- (c) **Limitations on Awards** - No one Service Provider may be granted any Award which, together with all Awards then held by such Participant, would entitle or enable such Participant (assuming in the case of Incentive Awards that all such Incentive Awards would be settled by the issuance of Shares from treasury) to receive a number of Shares which is greater than 5% of the outstanding Shares, calculated on an undiluted basis. In addition: (i) the number of Shares issuable to Insiders at any time, under all security based compensation arrangements of the Corporation, 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 Corporation, shall not exceed 10% of the issued and outstanding Shares. For this purpose, "security based compensation arrangements" has the meanings ascribed thereto in Part VI of the TSX Company Manual. For purposes of the calculations in this Section, it shall be assumed that all issued and outstanding Incentive Awards will be settled by the issuance of Shares from treasury, notwithstanding the Corporation's right pursuant to Section 6(h) to settle the Incentive Award Value underlying Incentive Awards in cash or by purchasing Shares on the open market.

The Committee shall not grant any Awards that may be denominated or settled in Shares to residents of the United States unless such Awards and the Shares issuable upon exercise or settlement thereof 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.

(d) ***Vesting Dates and Adjustment of Awards***

(i) **Restricted Awards**: Subject to Section 6(i) hereof, with respect to any Restricted Award, unless otherwise determined by the Committee (and, for greater certainty, the Committee may in its sole discretion impose no or additional or different conditions to the determination of the Vesting Date(s) in respect of any Restricted Award including, without limitation, performance conditions, except that in no event may the Committee fix a Vesting Date for a Restricted Award that is an Incentive Award such that it is later than the Expiry Date), provided that the Participant remains in continuous employment or service with the Corporation or a member of the HEI Group through the applicable Vesting Date, the Vesting Date shall be the third anniversary of the grant date of the Restricted Award; provided, however, that, unless otherwise determined by the Committee:

(I) where a Participant is on a Leave of Absence, the Vesting Date or Vesting Dates for any Restricted Awards held by such Participant shall be suspended until such time as such Participant returns to active employment or active service, provided that where the period of the Leave of Absence exceeds three (3) months, the Vesting Date for any Restricted Award that occurs during or subsequent to the period of the Leave of Absence shall be extended by, and no adjustments shall be made to the Adjustment Ratio for Dividends that are paid during, that portion of the Leave of Absence that exceeds three (3) months, and further provided that, if any such extension would cause the Vesting Date or Vesting Dates to extend beyond the Expiry Date, such Awards and the rights to receive Shares in the case of Share Awards and the rights to receive payments in the case of Incentive Awards on such Vesting Date or Vesting Dates shall be terminated and all rights to receive Shares or payments thereunder shall be forfeited by the Participant;

(II) where a Vesting Date occurs for an Incentive Award on a date when a Participant is subject to a Black-Out Period, such Vesting Date shall be extended to the date which is seven business days following the end of such Black-Out Period, provided that if any such extension would cause the Vesting Date or Vesting Dates of such Incentive Award to extend beyond the Expiry Date, the amounts to be paid on such Vesting Date or Vesting Dates shall be paid on the Expiry Date notwithstanding the Black-Out Period. If the Expiry Date occurs and as a result of the previous sentence of this paragraph the Vesting Date will occur while a Black-Out Period is still in effect, then the Corporation shall pay the Participant the entire Incentive Award Value in cash (and not Shares) and, for greater certainty, the Corporation shall not have any right to pay the Incentive Award Value in whole or in part in Shares notwithstanding any other provision of this Plan or any Incentive Award Agreement;

- (III) in the event of any Change of Control prior to the Vesting Dates determined in accordance with the above provisions of this Section 6(d)(i), and regardless of whether or not a Participant is on a Leave of Absence, the Vesting Date for all Shares awarded pursuant to such Restricted Award that is a Share Award that have not yet been issued and for the balance of the Incentive Award Value underlying such Restricted Award that is an Incentive Award that remains to be paid as of such time shall be the date which is immediately prior to the date upon which a Change of Control is completed; and
 - (IV) (A) on the Exercise Date thereof, the number of Shares to be issued pursuant to any Restricted Award that is a Share Award shall be adjusted by multiplying such number by the Adjustment Ratio applicable to such Restricted Award at such time, and (B) on the Vesting Date thereof, the Incentive Award Value payable pursuant to any Restricted Award that is an Incentive Award shall be adjusted by multiplying the number of Incentive Awards for which payment remains to be made by the Adjustment Ratio applicable to such Incentive Award at such time.
- (ii) Performance Awards: Subject to Section 6(i) hereof, with respect to any Performance Award, unless otherwise determined by the Committee (and, for greater certainty, the Committee may in its sole discretion impose no or additional or different conditions to the determination of the Vesting Dates in respect of any Performance Award, except that in no event may the Committee fix a Vesting Date for a Performance Award that is an Incentive Award such that it is later than the Expiry Date), provided that the Participant remains in continuous employment or service with the Corporation or a member of the HEI Group through the applicable Vesting Date, the Vesting Date shall be the third anniversary of the grant date of the Performance Award; provided, however, that, unless otherwise determined by the Committee:
- (I) where a Participant is on a Leave of Absence, the Vesting Date or Vesting Dates for any Performance Awards held by such Participant shall be suspended until such time as such Participant returns to active employment or active service, provided that where the period of the Leave of Absence exceeds three (3) months, the Vesting Date for any Performance Award that occurs during or subsequent to the period of the Leave of Absence shall be extended by, and no adjustments shall be made to the Adjustment Ratio for Dividends that are paid during, that portion of the Leave of Absence that exceeds three (3) months, and further provided that, if any such extension would cause the Vesting Date or Vesting Dates to extend beyond the Expiry Date, such Awards and the rights to receive Shares in the case of Share Awards and the rights to receive payments in the case of Incentive Awards on such Vesting Date or Vesting Dates shall be terminated and all rights to receive Shares or payments thereunder shall be forfeited by the Participant;
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- (II) where a Vesting Date occurs for an Incentive Award on a date when a Participant is subject to a Black-Out Period, such Vesting Date shall be extended to the date which is seven business days following the end of such Black-Out Period, provided that if any such extension would cause the Vesting Date or Vesting Dates of such Incentive Award to extend beyond the Expiry Date, the amounts to be paid on such Vesting Date or Vesting Dates shall be paid on the Expiry Date notwithstanding the Black-Out Period. If the Expiry Date occurs and as a result of the previous sentence of this paragraph the Vesting Date will occur while a Black-Out Period is still in effect, then the Corporation shall pay the Participant the entire Incentive Award Value in cash (and not Shares) and, for greater certainty, the Corporation shall not have any right to pay the Incentive Award Value in whole or in part in Shares notwithstanding any other provision of this Plan or any Incentive Award Agreement;
- (III) in the event of any Change of Control prior to the Vesting Date determined in accordance with the above provisions of this Section 6(d)(ii), and regardless of whether or not a Participant is on a Leave of Absence, the Vesting Date for all Shares awarded pursuant to such Performance Award that is a Share Award that have not yet been issued and for the balance of the Incentive Award Value underlying such Performance Award that is an Incentive Award that remains to be paid as of such time shall be the date which is immediately prior to the date upon which a Change of Control is completed; and
- (IV) (A) on the Exercise Date thereof, the number of Shares to be issued pursuant to any Performance Award that is a Share Award shall be adjusted by multiplying such number by (1) the Adjustment Ratio applicable to such Performance Award at such time, and (2) the Payout Multiplier applicable to such Performance Award at such time, and (B) on the Vesting Date thereof, the Incentive Award Value payable pursuant to any Performance Award that is an Incentive Award shall be adjusted by multiplying the number of Incentive Awards for which payment remains to be made by (1) the Adjustment Ratio applicable to such Performance Award at such time, and (2) the Payout Multiplier applicable to such Performance Award at such time.

Notwithstanding any other provision of this Plan, but subject to the limits described in Sections 5 and 6(c) hereof and any other applicable requirements of the Exchange or other regulatory authority, the Committee hereby reserves the right to make any additional adjustments to the number of Shares to be issued pursuant to or the Incentive Award Value underlying any Performance Award if, in the sole discretion of the Committee, such adjustments are appropriate in the circumstances having regard to the principal purposes of this Plan.

- (e) **Determination of the Payout Multiplier** - Prior to the Vesting Date in respect of any Performance Award, the Committee will assess the performance of the Corporation for the applicable period. The weighting of the individual measures comprising the Corporate Performance Measures shall be determined by the Committee in its sole discretion and, following such determination, the Committee shall determine the applicable Payout Multiplier, which shall be not less than 0% and not more than 200%.
- (f) **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 Corporation 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 Corporation 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 and approved by the Committee).

(g) **Payment in Respect of Share Awards** - Subject to the paragraph immediately below, Share Awards shall be settled by the Corporation with Shares issued from the treasury of the Corporation.

A Participant may elect in an Exercise Notice to surrender a vested Share Award to the Corporation for cash in an amount equal to the aggregate Fair Market Value of such Shares that would otherwise be delivered in consideration for the surrender by the Participant to the Corporation of the right to receive such Shares under such Share Award (the "**Cash Amount**"). The Committee shall have the sole discretion to determine whether or not to accept the Participant's election. If the Committee accepts such election, then the Corporation shall pay the Cash Amount to the Participant in accordance with the provisions of this Section 6(g). If the Committee does not accept such election, such Share Award shall be settled by the Corporation with Shares issued from the treasury of the Corporation.

Any Shares deliverable or amount payable to a Participant in respect of a Share Award shall be delivered or paid to the Participant as soon as practicable following the Exercise Date and in any event within thirty (30) days of the Exercise Date (provided that any Shares deliverable or amount payable with respect to a Vesting Date that occurs after the Cessation Date, but before the Share Award has terminated in accordance with an applicable provision of Section 6(i), must occur not later than March 15 of the year following the year in which the Cessation Date occurs, if earlier) and the Corporation shall withhold from any such amount payable all amounts as may be required by law and in the manner contemplated by Section 7 hereof.

Where the determination of the number of Shares to be delivered to a Participant pursuant to a Share Award in respect of a particular exercise would result in the issuance of a fractional Share, the number of Shares deliverable shall be rounded down to the next whole number of Shares. No certificates representing fractional Shares shall be delivered pursuant to this Plan nor shall any cash amount be paid at any time in lieu of any such fractional interest.

No Share Award holder who is resident in the United States may settle a Share Award for Shares unless the Shares issuable upon settlement of the Share Awards 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.

(h) **Payment in Respect of Incentive Awards** - The Corporation, at its sole and absolute discretion, shall have the option of settling the Incentive Award Value payable in respect of an Incentive Award by any of the following methods or by a combination of such methods:

- (i) payment in cash;
- (ii) payment in Shares acquired by the Corporation on the Exchange; or
- (iii) payment in Shares issued from the treasury of the Corporation.

The Incentive Award Value of any Incentive Award shall be determined as at the applicable Vesting Date and shall be settled on a date during the period from and including the day the Vesting Date in respect of such Incentive Awards occurs until the Expiry Date of such Incentive Award determined by the Committee.

The Corporation shall not determine whether the payment method shall take the form of cash or Shares until the Vesting Date, or some reasonable time prior thereto. A holder of an Incentive Award shall not have any right to demand, be paid in, or receive Shares in respect of the Incentive Award Value underlying an Incentive Award, at any time. Notwithstanding any election by the Corporation to settle any Incentive Award Value, or portion thereof, in Shares, the Corporation reserves the right to change its election in respect thereof at any time up until payment is actually made, and the holder of such Incentive Award shall not have the right, at any time to enforce settlement in the form of Shares of the Corporation.

Any amount payable to a Participant in respect of an Incentive Award shall be paid to the Participant as soon as practicable following the Vesting Date and in any event not later than December 31 of the third year following the year in which the Incentive Award was granted (provided that any amount payable with respect to a Vesting Date that occurs after the Cessation Date, but before the Incentive Award has terminated in accordance with an applicable provision of Section 6(i), must occur not later than either the Expiry Date or March 15 of the year following the year in which the Cessation Date occurs, if earlier than the Expiry Date) and the Corporation shall withhold from any such amount payable all amounts as may be required by law and in the manner contemplated by Section 7 hereof. In any event, the amount payable to a Participant in respect of an Incentive Award shall not be paid later than the Expiry Date of that Incentive Award.

Where the Corporation elects to pay any amounts pursuant to an Incentive Award by issuing Shares, and the determination of the number of Shares to be delivered to a Participant in respect of a particular Vesting Date would result in the issuance of a fractional Share, the number of Shares deliverable shall be rounded down to the next whole number of Shares. No certificates representing fractional Shares shall be delivered pursuant to this Plan nor shall any cash amount be paid at any time in lieu of any such fractional interest.

No Incentive Award holder who is resident in the United States may settle an Incentive Award for Shares unless the Shares issuable upon settlement of the Incentive Awards 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.

(i) ***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:

(i) **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 Share 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 Corporation 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 (1) year after the Cessation Date, and (ii) the Expiry Date of such Share Award.

(ii) **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.

- (iii) 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 fourteen (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.
 - (iv) 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.
 - (v) 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) ninety (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.
 - (j) ***Rights as a Shareholder*** - Until the Shares granted pursuant to any Share Award have been issued or in the case of Incentive Awards until Shares have actually been issued should the Corporation elect to so issue Shares, in either case in accordance with the terms of this Plan, the Participant to whom such Award has been made shall not possess any incidents of ownership of such Shares including, for greater certainty and without limitation, the right to receive Dividends on such Shares and the right to exercise voting rights in respect of such Shares.
Such Participant shall only be considered a Shareholder in respect of such Shares when such issuance has been entered upon the records of the duly authorized transfer agent of the Corporation.
 - (k) ***Treatment of Non-Cash Dividends*** - In the case of a non-cash Dividend, including Shares or other securities or other property, the Committee will, in its sole discretion and subject to any required approval of the Exchange, determine whether or not such non-cash Dividend will be provided to the Award holder and, if so provided, the form in which it shall be provided.
 - (l) ***Effect of Certain Changes*** - In the event:
 - (i) of any change in the Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;
 - (ii) that any rights are granted to all Shareholders to purchase Shares at prices substantially below Fair Market Value; or
 - (iii) that, as a result of any recapitalization, merger, consolidation or other transaction, the Shares are converted into or exchangeable for any other securities,
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then, in any such case, the Board may, subject to any required approval of the Exchange, make such adjustments to this Plan, to any Awards and to any Award Agreements outstanding under this Plan as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent inappropriate dilution or enlargement of the rights granted to Participants hereunder.

- (m) ***Participant's 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 Corporation reserves the right to revoke the Award. Participation in this Plan by any Participant shall be construed as irrevocable acceptance by the Participant of the terms and conditions set out herein and all rules and procedures adopted hereunder and as amended from time to time.

7. **Withholding Taxes**

When a Participant or other person becomes entitled to receive Shares, a cash payment or other amount in respect of any Award, the Corporation shall have the right to require the Participant or such other person to remit to the Corporation an amount sufficient to satisfy any withholding tax requirements relating thereto. Unless otherwise prohibited by the Committee or by applicable law, satisfaction of the withholding tax obligation may be accomplished by any of the following methods or by a combination of such methods:

- (a) the tendering by the Participant of cash payment to the Corporation in an amount less than or equal to the total withholding tax obligation;
- (b) the withholding by the Corporation or a member of the HEI Group, as the case may be, from the Shares otherwise due or payable to the Participant such number of Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the total withholding tax obligation (net of selling costs, which shall be paid by the Participant). The Participant consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares and acknowledges and agrees that the Corporation does not accept responsibility for the price obtained on the sale of such Shares; or
- (c) the withholding by the Corporation or a member of the HEI Group, as the case may be, from any cash payment otherwise due to the Participant such amount of cash as is less than or equal to the amount of the total withholding tax obligation;

provided, however, that the sum of any cash so paid or withheld and the Fair Market Value of any Shares so withheld is sufficient to satisfy the total withholding tax obligation. Any reference in this Plan to the Incentive Award Value or payment of cash or issuance of Shares in settlement thereof or issuance of Shares or payment of cash pursuant to any Share Award is expressly subject to this Section 7.

Notwithstanding any other provision of this Plan, grants of Awards to Participants who are subject to United States federal income taxation ("**U.S. Taxpayers**") under the United States Internal Revenue Code of 1986, as amended (the "**Code**"), shall be made and administered under the terms of Schedule A to this Plan.

8. **Non-Transferability**

Subject to Section 6(i)(i) hereof, the right to receive payment pursuant to an Incentive Award or Shares pursuant to a Share Award granted to a Service Provider is personal to such Service Provider. Except as otherwise provided in this Plan, no assignment, sale, transfer, pledge or charge of an Award, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Award whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Award shall terminate and be of no further force or effect.

The rights and obligations hereunder and under any Award Agreement may be assigned by the Corporation to a Successor.

9. Merger and Sale, etc.

If the Corporation enters into any transaction or series of transactions, other than a transaction that is a Change of Control and to which Section 6(d)(i)(III) or 6(d)(ii)(III), as the case may be, hereof apply, whereby the Corporation 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 Corporation 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 Corporation under this 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 Corporation under this Plan and such Award Agreements with the same effect as though the Successor had been named as the Corporation herein and therein and thereafter, the Corporation shall be relieved of all obligations and covenants under this Plan and such Award Agreements and the obligation of the Corporation 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 Corporation under this 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.

10. Amendment and Termination of Plan

This Plan and any Awards granted pursuant to this Plan may, subject to any required approval of the Exchange, be amended, modified or terminated by the 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 this Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of this Plan that is inconsistent with any other provision of this Plan, correcting grammatical or typographical errors and amending the definitions contained within this Plan respecting the administration of this Plan; (b) amending Awards under this Plan, including with respect to the Expiry Date (provided that the term of the Award does not exceed ten 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, this 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 Section 5 hereof;
- (b) extend the Vesting Date of any Awards issued under this Plan to an Insider beyond the latest Vesting Date specified in the Award Agreement (other than as permitted by the terms and conditions of this Plan);

- (c) extend the Expiry Date of any Award granted to an Insider (other than as permitted by the terms and conditions of this 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 first paragraph of Section 6(c) hereof;
- (f) increase the number of Shares that may be issued to Insiders above the restrictions contained in Section 6(c) hereof; and
- (g) change this Section 10 to modify or delete any of (a) through (f) above.

In addition, no amendment to this Plan or any Awards granted pursuant to this 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 this Plan.

11. Miscellaneous

- (a) **Interpretation** - In this Plan: (a) words in the singular include the plural and words in the plural include the singular; (b) words importing the masculine gender shall include the feminine and neuter genders and vice versa; (c) section and subsection headings contained herein are for convenience only and shall not affect the construction hereof; and (d) words "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to this document as a whole and not to any particular Section, paragraph or other part hereof.
 - (b) **Compliance with Legal Requirements** - The Corporation shall not be obliged to issue any Shares pursuant to any Award if such issuance would violate any law or regulation or any rule of any government authority or Exchange. The Corporation, in its sole discretion, may postpone the issuance or delivery of Shares under any Award as the Committee may consider appropriate, and may require any Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Shares in compliance with applicable laws, rules and regulations. The Corporation shall not be required to qualify for resale pursuant to a prospectus or similar document any Shares awarded under this Plan, provided that, if required, the Corporation shall notify the Exchange and any other appropriate regulatory bodies in Canada and the United States of the existence of this Plan and the granting of Awards hereunder in accordance with any such requirements.
 - (c) **Foreign Participants** - The Corporation may, without amending this Plan, modify the terms of Awards granted to Service Providers who provide services to the Corporation or any member of the HEI Group from outside of Canada in order to comply with the applicable laws of such foreign jurisdictions. Any such modification to this Plan with respect to a particular Service Provider shall be reflected in the Award Agreement for such Service Provider. Schedule A is incorporated herein by reference.
 - (d) **No Right to Continued Employment or Service** - Nothing in this Plan or in any Award Agreement entered into pursuant hereto shall confer upon any Participant the right to continue in the employ or service of the Corporation or any member of the HEI Group, to be entitled to any remuneration or benefits not set forth in this Plan or an Award Agreement or to interfere with or limit in any way the right of the Corporation or any member of the HEI Group to terminate a Participant's employment or service arrangement with the Corporation or any member of the HEI Group.
 - (e) **Ceasing to be a Member of the HEI Group** - Except as otherwise provided in this Plan, Awards granted under this Plan shall not be affected by any change in the relationship between or ownership of the Corporation and a member of the HEI Group.
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- (f) **Expenses** - Except as provided in Sections 7 and 11(i), all expenses in connection with this Plan shall be borne by the Corporation.
- (g) **Unfunded Plan** - This Plan shall be unfunded. The Corporation shall not be required to segregate any assets that may at any time be represented by Shares, cash or rights thereto, nor shall this Plan be construed as providing for such segregation. Any liability or obligation of the Corporation to any Participant with respect to an Award under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement, and no such liability or obligation of the Corporation shall be deemed to be secured by any pledge or other encumbrance on any property of the Corporation. Neither the Corporation nor the Board nor the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan.
- (h) **Market Fluctuations** - No amount will be paid to, or in respect of, a Participant under this Plan to compensate for a downward fluctuation in the price of Shares, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose. The Corporation makes no representations or warranties to Participants with respect to this Plan or the Awards whatsoever. Participants are expressly advised that the value of any Awards and Shares under this Plan will fluctuate as the trading price of Shares fluctuates. Further, the payment amount or number of Shares delivered to a Service Provider following the vesting of a Performance Award may fluctuate based upon the terms of the applicable Corporate Performance Measures and Payout Multiplier. In seeking the benefits of participation in this Plan, a Participant agrees to exclusively accept all risks associated with a decline in the market price of Shares and all other risks associated with the holding of Awards.
- (i) **Taxes** - The Corporation shall not be liable for any personal income or other tax imposed on any Participant as a result of the awarding or holding of Awards, the issue or holding of Shares pursuant thereto or any other amounts or securities paid, issued or credited to a Participant under this Plan. It is the responsibility of the Participant to complete and file any tax returns which may be required under any applicable tax laws within the period prescribed by such laws. The Corporation and the Committee make no guarantees to any person regarding the tax treatment of an Award or payments made under this Plan and none of the Corporation or any of its employees or representatives shall have any liability to a Participant with respect thereto. Participants are advised to consult with their own tax advisors.
- (j) **Reorganization of the Corporation** - The existence of any Awards or Shares corresponding to any such Awards shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Corporation or to create or issue any bonds, debentures, shares or other securities of the Corporation or the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.
- (k) **Participant Information** - Each Participant shall provide the Corporation with all information (including personal information) required by the Corporation in order to administer this Plan. Each Participant acknowledges that information required by the Corporation in order to administer this Plan may be disclosed to the Committee or its appointed administrator and other third parties in connection with the administration of this Plan. Each Participant consents to such disclosure and authorizes the Corporation to make such disclosure on the Participant's behalf.
- (l) **Final Determination** - Any determination, interpretation or decision by, or opinion of, the Board, the Committee or a director or officer of the Corporation made or held pursuant to the terms set out herein shall be made or held reasonably and shall be final, conclusive and binding on all parties concerned, including, but not limited to, the Corporation, the Participants and their beneficiaries and legal representatives.
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Subject to Section 11(m), all rights, entitlements and obligations of Participants under this Plan and in respect of Awards are set forth in the terms hereof and the applicable Award Agreements and cannot be modified by any other documents, statements or communications, except by amendment to the terms hereof or thereof in accordance with Section 10.

- (m) **Discretionary Relief** - Notwithstanding any other provision hereof but subject to applicable law and the rules of any government authority or Exchange, the Committee may, in its sole discretion, waive any condition or provision set out herein or in any Award granted hereunder if it determines that specific individual circumstances warrant such waiver.
- (n) **Currency** - All values to be determined or amounts paid under this Plan shall be in Canadian dollars.

12. Indemnification

Each member of the Board or Committee or any director or officer who is delegated the whole or any part of the administration of this Plan pursuant to Section 3 is indemnified and held harmless by the Corporation against any cost or expense (including any sum paid in settlement of a claim with the approval of the Corporation) arising out of any act or omission to act in connection with the terms hereof to the extent permitted by applicable law. This indemnification is in addition to any rights of indemnification a Board or Committee member or any director or officer who is delegated the whole or any part of the administration of this Plan pursuant to Section 3 may have as director or officer or otherwise under the by-laws of the Corporation, any agreement, any vote of shareholders or disinterested directors, or otherwise..

13. Governing Law

The validity, construction and effect of this Plan and any actions taken or relating to this Plan shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

14. Effective Date

This Plan, as amended and restated, was approved by the Board on May 1, 2023, and is effective from such date, subject to acceptance of this Plan by the shareholders of the Corporation, the TSX and any other applicable regulatory authorities.

SCHEDULE A

U.S. Participants and Section 409A Compliance

- (a) Notwithstanding any other provision of the Plan, grants of Awards to Participants who are U.S. Taxpayers under the Code or any successor thereto, shall be made and administered under the terms of this Schedule A to the Plan.
- (b) Upon the vesting of a Share Award granted to a U.S. Taxpayer, the Participant shall automatically and without any required action on his or her behalf exercise and the Corporation shall issue from treasury to the Participant the number of Shares required to be delivered upon the vesting and exercise of such Participant's Share Awards and upon the vesting of an Incentive Award granted to a U.S. Taxpayer, the Corporation shall settle the Incentive Award Value by payment or delivery to the Participant the cash and/or Shares required to be delivered upon the vesting of such Participant's Awards, in each case not later than March 15 of the year following the year in which the Vesting Date of such Award occurs (the "**Payment Date**"), except as otherwise provided in this Schedule A; provided however the Committee may determine that the Award will otherwise be designed on the grant date to comply with section 409A of the Code.
- (c) In the event that an Award grant is amended, no such amendment shall be effective if it results in a postponement of the Vesting Date or the Payment Date, other than postponement on account of a Black-Out Period.
- (d) In the event of a Change of Control, the Vesting Date of the then unvested portion of an Award granted to a U.S. Taxpayer shall be the date determined by the Board, and in the case of Share Awards the Participant shall exercise and the Corporation shall issue from treasury to the Participant the number of Shares required to be delivered upon the vesting and exercise of such Participant's Share Awards and in the case of Incentive Awards the Corporation shall settle the Incentive Award Value by payment or delivery to the Participant the cash and/or Shares required to be delivered to the Participant upon the vesting of such Participant's Share Awards, in each case by the Payment Date.
- (e) The Board or Committee, as the case may be, shall interpret and construe the Plan and take all authorized actions with respect to any U.S. Taxpayer in a manner that is consistent with applicable U.S. Treasury regulations and other guidance issued pursuant to Section 409A of the Code. However, neither the Board, the Committee, the Corporation nor any other person connected with the Plan in any capacity makes any representation, commitment, or guarantee that any tax treatment shall be applicable with respect to any grant of Awards, any amounts deferred under this Plan, or any amounts paid to any person hereunder.
- (f) No Participant who is a U.S. Taxpayer shall be eligible for Retirement treatment.

U.S. Participants and U.S. Securities Laws

- (a) Shares issued pursuant to the Plan shall not be issued under the Plan to a Participant unless the issuance of those securities shall comply with all relevant laws, including, the U.S. Securities Act, applicable state securities laws, and the requirements of any Exchange or automated inter-dealer quotation system in the United States upon which the Shares may then be listed or quoted, if applicable. The issuance shall also be subject to the approval of counsel for the Corporation with respect to such compliance, including the availability of an exemption from registration for the issuance of any Shares issued pursuant to the Plan. The unavailability of an exemption from registration for the issuance to a Participant of any Shares issued pursuant to the Plan or the inability of the Corporation to obtain from any regulatory body the authority deemed by the Corporation to be necessary for the lawful issuance and sale of any Shares under the Plan, shall relieve the Corporation of any liability for not issuing Shares to the Participant.
- (b) As a condition to the issuance of the Shares pursuant to the Plan, the Corporation may require the Participant to execute such documentation and make such representations and warranties as may be necessary to comply with federal and state securities laws or as may be required by this Plan.
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Clawback

- (a) The Plan and all Awards granted hereunder are subject to any written clawback policies that the Corporation, with the approval of the Board or an authorized committee thereof, may adopt either prior to or following the effective time, including any policy adopted to conform to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and rules promulgated thereunder by the United States Securities and Exchange Commission and that the Corporation determines should apply to Awards. Any such policy may subject a Participant's Awards and amounts paid or realized with respect to Awards to reduction, cancelation, forfeiture or recoupment if certain specified events or wrongful conduct occur, including an accounting restatement due to the Corporation's material noncompliance with financial reporting regulations or other events or wrongful conduct specified in any such clawback policy.
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