

Form 62-103F1

Required Disclosure under the Early Warning Requirements

State if this report is filed to amend information disclosed in an earlier report. Indicate the date of the report that is being amended.

Item 1 – Security and Reporting Issuer

- 1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

Headwater Exploration Inc. (the “**Issuer**”)
Suite 1200, 500 - 4th Avenue S.W.
Calgary, Alberta T2P 2V6

This report relates to the issuance of common shares in the capital of the Issuer (“**Common Shares**”) and common share purchase warrants of the Issuer (“**Warrants**”).

- 1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Not applicable.

Item 2 – Identity of the Acquiror

- 2.1 State the name and address of the acquiror.

Cenovus Energy Inc. (“**Cenovus**”), through its wholly-owned subsidiary, Cenovus Marten Hills Partnership (the “**Acquiror**”)
225 – 6th Avenue SW
Calgary, AB T2P 0M5

- 2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

December 2, 2020

Pursuant to a purchase and sale agreement dated November 8, 2020 (the “**Purchase and Sale Agreement**”) among Cenovus, the Acquiror and the Issuer, the Issuer acquired Cenovus’s assets located in the Marten Hills area of Alberta (the “**Acquisition**”) for a purchase price that was satisfied in part by the issuance of 50,000,000 Common Shares and 15,000,000 Warrants.

- 2.3 State the names of any joint actors.

Cenovus and the Acquiror.

Item 3 – Interest in Securities of the Reporting Issuer

- 3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror’s securityholding percentage in the class of securities.

50,000,000 Common Shares and 15,000,000 Warrants

Following completion of the Acquisition, Cenovus, through the Acquiror, owns 50,000,000 Common Shares and 15,000,000 Warrants or approximately 25.6% of the issued and outstanding Common Shares on an undiluted basis and 30.9% of the issued and outstanding Common Shares after exercise of the Warrants (other than pursuant to a "cashless exercise"). Each Warrant entitles the Acquiror to acquire one Common Share at an exercise price of \$2.00 per Common Share at any time until December 2, 2023.

Prior to the Acquisition, neither Cenovus nor the Acquiror owned any securities of the Issuer.

- 3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.

See Item 3.1 above.

- 3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

- 3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

See Item 3.1 above.

- 3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

- (a) the acquiror, either alone or together with any joint actors, has ownership and control,
- (b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and
- (c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

See Item 3.1 above.

- 3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.

Not applicable.

- 3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right

to recall the securities or identical securities that have been transferred or lent under the arrangement.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

Not applicable.

Item 4 – Consideration Paid

- 4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

The Common Shares and Warrants were issued from the treasury of the Issuer as partial consideration for the Acquisition.

- 4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.

See Item 4.1 above.

- 4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.

Not applicable.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;

- (f) a material change in the reporting issuer's business or corporate structure;
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;
- (j) a solicitation of proxies from securityholders;
- (k) an action similar to any of those enumerated above.

The Common Shares and Warrants were issued as partial consideration for the Acquisition. As of the date of this report, neither Cenovus nor the Acquiror are aware of any plans, and neither have any future intentions which relate to or would result in any of items (a) through (k) of Item 5 above, other than, as described under Item 6, on closing of the Acquisition two officers of Cenovus were appointed to the board of directors of the Issuer, the potential exercise of Participation Rights and the potential exercise of the Warrants.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

In connection with the completion of the Acquisition, the Acquiror and Headwater entered into an investor agreement (the "**Investor Agreement**") on December 2, 2020. Pursuant to the Investor Agreement, the Issuer will grant the Acquiror the right to appoint two (2) nominees to the board of directors of the Issuer if it, together with its affiliates, owns twenty percent (20%) or more of the outstanding Common Shares, or one (1) nominee, if it, together with its affiliates, owns ten percent (10%) or more but less than twenty percent (20%) of the outstanding Common Shares. On closing of the Acquisition, two of Cenovus's officers were appointed to the board of directors of the Issuer in accordance with the terms of the Investor Agreement.

The Investor Agreement will also provide the Acquiror with a right to participate (the "**Participation Rights**") in future offerings of Common Shares or securities of the Issuer which are convertible, exchangeable or exercisable into Common Shares (the "**Convertible Securities**"), subject to the Acquiror owning or controlling, directly or indirectly, at least twenty percent (20%) of the issued and outstanding Common Shares at the time of such offering. The Participation Rights entitle the Acquiror to subscribe for the percentage of Common Shares or Convertible Securities being offered in the offering, which is equal to or less than the Acquiror's then ownership of the issued and outstanding Common Shares (expressed as a percentage).

In accordance with the terms of the Investor Agreement, the Acquiror will also agree to vote or cause to be voted all of the Common Shares held by it and its affiliates for or otherwise

abstain from voting in respect of any management proposal set forth in the management forms of proxy prepared in respect of any meeting of shareholders of the Issuer.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

The acquiror must certify that the information in this report is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his or her authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

The certificate must state the following:

I, as the acquiror, certify, or I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

CENOVUS ENERGY INC.

/s/ Gary F. Molnar

Per: _____
Gary F. Molnar
Assistant General Counsel &
Corporate Secretary