

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 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.

On October 14, 2021, a secondary offering of Common Shares was completed (the "**Offering**"), pursuant to which the Acquiror disposed of an aggregate of 50,000,000 Common Shares (the "**Offered Shares**") at a price of \$4.55 per Common Share for aggregate gross proceeds to the Acquiror of \$227,500,000. The Offering was made, on a bought deal basis, pursuant to an underwriting agreement dated effective September 27, 2021 (the "**Underwriting Agreement**") entered into among Cenovus, the Acquiror, the Issuer, Peters & Co. Limited, BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., and TD Securities Inc. (collectively, the "**Underwriters**"). Pursuant to the Underwriting Agreement, the Underwriters received a cash commission equal to 4% of the gross proceeds from the sale of Offered Shares, resulting in net proceeds to the Acquiror of \$218,400,000.

The Offered Shares were offered by way of a short form prospectus of the Issuer dated October 8, 2021 filed in all of the provinces of Canada (other than Quebec), and certain Offered Shares were sold in the United States on a private placement basis to "qualified institutional buyers" pursuant to Rule 144A of the *Securities Act of 1933*.

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.

Pursuant to the Offering, the Acquiror disposed of legal and beneficial ownership of 50,000,000 Common Shares, being 100% of the Common Shares held by the Acquiror. Following completion of the Offering, the Acquiror no longer beneficially owns, controls or exercises direction over any Common Shares in the Issuer. No Warrants were sold pursuant to the Offering.

Prior to the Offering, the Acquiror held 50,000,000 Common Shares and 15,000,000 Warrants, representing approximately 24.7% of the issued and outstanding Common Shares on an undiluted basis and approximately 26.8% of the issued and outstanding Common Shares on a fully-diluted basis. If all of the Warrants are exercised, the Acquiror would hold 15,000,000 Common Shares, representing approximately 6.9% of the issued and outstanding Common Shares.

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 Items 2.2 and 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,

See Item 3.1 above.

(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

Not applicable.

(c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

Not applicable.

- 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.**

See Item 2.2 above.

- 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 2.2 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.

Cenovus disposed of the Offered Shares, and intends to use the net proceeds received therefrom, as part of its plan to reduce net debt levels. 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 completion of the Offering, the resignation of one of nominee of Cenovus to the board of directors of the Issuer (the "**Board**"), and (ii) 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.

The Acquiror and the Issuer entered into an investor agreement dated December 2, 2020 (the "**Investor Agreement**") in connection with the acquisition of the Common Shares by the Issuer. Pursuant to the Investor Agreement, the Issuer granted the Acquiror the right to appoint two nominees to the Board for so long as the Acquiror, together with its affiliates, owned more than 20% of the issued and outstanding Common Shares or one nominee for so long as the Acquiror, together with its affiliates, owned 10% or more but less than 20% of the issued and outstanding Common Shares.

As a result of the Offering, the Acquiror and Cenovus no longer hold 10% of the issued and outstanding Common Shares. Accordingly, the Investor Agreement automatically terminated in accordance with its terms and the Acquiror ceased to have any further rights thereunder. In connection with the termination of the Investor Agreement, Sarah Walters, who was a nominee of the Acquiror on the Board, has resigned as a director of the Issuer. Kam Sandhar, who was nominated to the Board by the Selling Shareholder pursuant to the Investor Agreement, remains a director of the Issuer, notwithstanding the termination of the Investor Agreement.

The Offering was completed pursuant to the terms of the Underwriting Agreement, a copy of which is available under the Issuer's SEDAR profile at www.sedar.com.

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.

See Items 3.1 and 6 above.

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 MARTEN HILLS PARTNERSHIP, by
its managing partner, **CENOVUS ENERGY INC.**

By: *"Kam Sandhar"*
Kam Sandhar
Executive Vice-President,
Strategy & Corporate Development