

# HEADWATER EXPLORATION INC.

## Secondary Offering of Common Shares by Cenovus Energy Inc.

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### Terms and Conditions

September 28, 2021

*A preliminary short form prospectus containing important information relating to the securities described in this document has not yet been filed with the securities regulatory authorities in each of the provinces of Canada, excluding Quebec. A copy of the preliminary short form prospectus is required to be delivered to any investor that received this document and expressed an interest in acquiring the securities.*

*There will not be any sale or any acceptance of an offer to buy the securities until a receipt for the final short form prospectus has been issued.*

*This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary short form prospectus, final short form prospectus and any amendment, for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.*

<b>Issuer:</b>	Headwater Exploration Inc. (the “ <b>Company</b> ”).
<b>Selling Shareholder:</b>	Cenovus Marten Hills Partnership (the “ <b>Selling Shareholder</b> ”), a wholly-owned subsidiary of Cenovus Energy Inc. (“Cenovus”)
<b>Offering:</b>	45,000,000 common shares (“ <b>Common Shares</b> ”) of the Company (the “ <b>Offering</b> ”).
<b>Issue Price:</b>	\$4.55 per Common Share.
<b>Amount:</b>	\$204,750,000.
<b>Over-Allotment Option:</b>	The Selling Shareholder has agreed to grant to the Underwriters an option to purchase up to an additional 5,000,000 Common Shares (approximately 11% of the aggregate number of Common Shares issued under the Offering) at the Issue Price to cover any over-allotments and for market stabilization purposes, exercisable in whole or in part at any time until 30 days after the Closing Date (the “ <b>Over-Allotment Option</b> ”).
<b>Retained Interest:</b>	Upon Closing, the Selling Shareholder will own approximately 5 million Common Shares (no Common Shares if the Over-Allotment Option is exercised in full) and 15 million warrants to purchase common shares (the “ <b>Warrants</b> ”), representing approximately 9.2% of the Company’s outstanding Common Shares inclusive of the Warrants on an as exercised basis (approximately 6.9%, if the Over-Allotment Option is exercised in full).
<b>Use of Proceeds:</b>	The Company will not receive any proceeds from the Offering. The net proceeds from the Offering will be payable to the Selling Shareholder.
<b>Standstill / Lock-Up:</b>	The Company and the Selling Shareholder will be subject to a standstill and lock-up, respectively for 90 days post-Closing.
<b>Issue Type:</b>	Bought public offering of Common Shares to be completed by way of secondary offering pursuant to a short form prospectus, qualifying the Common Shares for distribution in all provinces of Canada, excluding Quebec.  The Common Shares may also be placed privately in the United States with certain qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933 and with certain accredited institutional investors under Regulation D.
<b>Eligibility for Investment:</b>	The Common Shares will be eligible under the usual Canadian statutes and for Canadian RRSPs, RRIFs, DPSPs, RDSPs, TFSAs and RESPs.
<b>Listing:</b>	The Common Shares trade on the Toronto Stock Exchange under the symbol “HWX”.
<b>Bookrunners:</b>	Peters & Co. Limited and BMO Capital Markets (the “ <b>Lead Underwriters</b> ”).
<b>Closing Date:</b>	Payment for and delivery of the Common Shares pursuant to the Offering is to occur on or about October 14, 2021, or such date as may be agreed upon by the Selling Shareholder, the Company and the Lead Underwriters.