

Annual Information Form
for the year ended December 31, 2009
February 18, 2010



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NOTICE TO READER

This is the annual information form of Cenovus Energy Inc. for the year ended December 31, 2009. In this annual information form, unless otherwise specified or the context otherwise requires, reference to “we”, “us”, “our” or “Cenovus” includes reference to subsidiaries of, and partnership interests held by, Cenovus Energy Inc. and its subsidiaries subsequent to the Effective Date and the Cenovus Assets, as held by EnCana prior to the Effective Date. We acquired the Cenovus Assets from EnCana on the Effective Date in connection with the Arrangement.

Unless otherwise specified, all dollar amounts are expressed in U.S. dollars and all references to “dollars”, “US\$” or to “\$” are to U.S. dollars and all references to “C\$” are to Canadian dollars.

Unless otherwise indicated, all financial information included in this annual information form is determined using Canadian GAAP, which differs from U.S. GAAP in certain material respects, and thus may not be comparable to financial statements and financial information of U.S. companies. The notes to our audited consolidated financial statements for the year ended December 31, 2009 contain a discussion of the principal differences between the financial results calculated under Canadian GAAP and under U.S. GAAP.

Certain historical information contained in this annual information form has been provided by, or derived from information provided by, certain third parties, including EnCana. Although we have no knowledge that would indicate that any such information is untrue or incomplete, we assume no responsibility for the completeness or accuracy of such information or the failure by such third parties to disclose events which may have occurred or may affect the completeness or accuracy of such information, but which are unknown to us.

We commenced independent operations on December 1, 2009 following the completion of the Arrangement. The description of our business, recent significant developments, the presentation of financial statements and other information throughout this annual information form in respect of periods prior to December 1, 2009 is based on information with respect to the Cenovus Assets as operated by EnCana prior to December 1, 2009. See “General Development of our Business - The Arrangement” for further information on the Arrangement. Such financial information has been derived from the historical consolidated financial statements of EnCana for each of the relevant periods on a carve-out basis from such historical consolidated financial statements of EnCana for the relevant period and should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2009 and the carve-out consolidated financial statements in relation to Cenovus Energy for the year ended December 31, 2008 and the Management’s Discussion and Analysis thereon, each as set out in the Information Circular of EnCana dated October 20, 2009 relating to an arrangement involving Cenovus Energy Inc., and the unaudited interim carve-out consolidated financial statements in relation to Cenovus Energy for the nine months ended September 30, 2009 and the Management’s Discussion and Analysis thereon which are accessible on the SEDAR profile of EnCana at www.sedar.com and have been filed with the SEC and are available via EDGAR at www.sec.gov.

“Cenovus Energy” represents the historical operations, assets, liabilities and cash flows of the Integrated Oil and Canadian Plains Divisions of EnCana (prior to the completion of the Arrangement), as well as a portion of the Market Optimization and Corporate functions of EnCana (prior to the completion of the Arrangement). As a result, comparative historical financial results may not be indicative of those that would have resulted had we existed as a stand-alone entity during those periods. See “Risk Factors”.

This annual information form contains certain forward-looking statements or information within the meaning of applicable securities legislation. Forward-looking statements or information are typically identified by words such as “projected”, “anticipate”, “believe”,

“expect”, “plan”, “intend” or similar words suggesting future outcomes or statements regarding an outlook. All statements other than statements of historical fact contained in this annual information form are forward-looking statements or information. See “Note Regarding Forward-Looking Statements”.

NI 51-101 imposes oil and gas disclosure standards for Canadian public companies engaged in oil and gas activities. We have obtained an exemption from the Canadian securities regulatory authorities to permit us to provide disclosure in accordance with the relevant legal requirements of the SEC. This facilitates comparability of our oil and gas disclosure with that provided by U.S. and other international issuers, given that we are active in the U.S. capital markets. Accordingly, the proved and probable reserves data and much of the other oil and gas information included in this annual information form is disclosed in accordance with U.S. disclosure requirements. Such information, as well as the information that we anticipate disclosing in the future in reliance on such exemption, may differ from the corresponding information prepared in accordance with NI 51-101 standards. Pursuant to U.S. reporting protocols, production and reserves information is required to be presented on an after royalties basis. In addition, to provide more complete information on our business, we are voluntarily providing production and reserves information on a before royalties basis. The probable reserves data contained in this annual information form is also being provided on a voluntary basis. See “Reserves and Other Oil and Gas Information” and “Note Regarding Reserves Data and Other Oil and Gas Information”.

Unless otherwise noted, capitalized terms used in this annual information form have the meaning ascribed thereto under the heading “Glossary”.

CORPORATE STRUCTURE

Cenovus Energy Inc. was incorporated on September 24, 2008 under the CBCA as 7050372 Canada Inc. Pursuant to the Arrangement, 7050372 and Subco amalgamated under the CBCA on the Effective Date with the amalgamated company's name being "Cenovus Energy Inc.". Our executive and registered office is located at #4000, 421 - 7 Avenue S.W., Calgary, Alberta, Canada T2P 4K9. Prior to completion of the Arrangement, 7050372 did not carry on any active business and did not issue any shares.

For a further description of the Arrangement, see "General Development of Our Business – The Arrangement".

Intercorporate Relationships

We have the following principal subsidiaries and partnerships which have total assets that exceed ten percent of our total consolidated assets or sales and revenues which exceed ten percent of our total consolidated sales and revenues as at and for the year ended December 31, 2009:

Subsidiaries & Partnerships	Percentage Owned ⁽¹⁾	Jurisdiction of Incorporation, Continuance, Formation or Organization
Cenovus FCCL Ltd.	100	Alberta
FCCL Partnership	50	Alberta
Cenovus Downstream Holdings ULC	100	Alberta
Cenovus US Refineries, LLC	100	Delaware
Cenovus US Refinery Holdings	100	Delaware
WRB Refining LLC	50	Delaware

Note:

(1) Includes indirect ownership.

The above table does not include all of our subsidiaries and partnerships. The assets and revenues of our unnamed subsidiaries and partnerships did not exceed 20 percent of our total consolidated assets or total consolidated sales and revenues as at and for the year ended December 31, 2009.

GENERAL DEVELOPMENT OF OUR BUSINESS

Cenovus is an integrated oil company headquartered in Calgary, Alberta. Our operations include enhanced oil recovery (“EOR”) properties and established crude oil and natural gas production in Alberta and Saskatchewan. We also have ownership interests in two refineries in Illinois and Texas, USA.

We began independent operations on December 1, 2009 following the split of EnCana into two independent publicly traded energy companies – Cenovus and EnCana. Although we are a new company, we have operated a number of our assets for decades.

The Arrangement

The division of EnCana into two highly focused and independent publicly traded energy companies was completed on November 30, 2009. It resulted in, among other things, the establishment of our company as an independent integrated oil company anchored by stable production and cash flow from well-established crude oil and natural gas plays, integrated from crude oil production through to refined products.

Pursuant to the Arrangement and a number of preliminary transactions completed on or prior to the Effective Date, we indirectly acquired:

- (a) those assets associated with EnCana’s Integrated Oil Division, which included EnCana’s interests in the Foster Creek, Christina Lake, Narrows Lake and Borealis areas and the U.S. refinery interests in addition to certain of EnCana’s other bitumen interests and natural gas assets located in the Athabasca area;
- (b) those assets associated with EnCana’s Canadian Plains Division, which included the majority of EnCana’s legacy oil and natural gas assets in southern Alberta and Saskatchewan. This Division included the EOR properties located at Weyburn and Pelican Lake, as well as the Southern Alberta oil and gas properties; and
- (c) those assets associated with the foregoing businesses, including marketing, corporate and office space (including a proportionate share of The Bow office project).

Pursuant to the Pre-Arrangement Reorganization in connection with the Arrangement, EnCana transferred the Cenovus Assets to Subco in exchange for, among other things, an interest bearing demand intercompany note in the amount of \$3.5 billion (the “Demand Note”).

The Assumed Liabilities assumed, directly or indirectly, in connection with the Arrangement included, among others, those liabilities relating to EnCana’s Integrated Oil and Canadian Plains Divisions described above.

As a result of the Arrangement, each shareholder of EnCana (other than a Dissenting Shareholder) received one new EnCana common share (such shares being represented by existing EnCana common share certificates) and one Common Share for each EnCana common share held. On the Effective Date, 751,273,307 Common Shares were issued to such former holders of EnCana common shares.

In connection with the Arrangement and in order to provide ongoing liquidity, including working capital requirements, prior to the completion of the Arrangement, we obtained commitments from a syndicate of banks to make available an unsecured credit facility in the amount of C\$2.5 billion. The revolving syndicated credit facility consists of two tranches, a C\$2.0 billion three-year tranche and a C\$500 million 364-day tranche. The terms of each of these facilities commenced on the Effective Date.

On September 18, 2009, a predecessor entity of Cenovus completed, in three tranches, a \$3.5 billion private offering of debt securities (comprised of the 2014 Notes, 2019 Notes and 2039 Notes) which are exempt from the registration requirements of the U.S. Securities Act

under Rule 144A and Regulation S (the "Cenovus Note Offering"). See "Prior Sales". The net proceeds of the Cenovus Note Offering were placed into an escrow account pending the completion of the Arrangement. Upon completion of the Arrangement, the net proceeds, together with other pre-funded amounts, were released from escrow and were applied to repay all of the amounts outstanding under the Demand Note.

We have filed a business acquisition report in Form 51-102F4 in respect of the Arrangement. The business acquisition report is accessible under our profile on SEDAR at www.sedar.com and in our Form 6-K filed with the SEC on December 16, 2009, available via EDGAR at www.sec.gov.

Our Business

Our operations are organized into two operating divisions:

- **Integrated Oil** Division, which includes all of the assets within the upstream and downstream integrated oil business with our joint venture partner, as well as other bitumen interests and the Athabasca natural gas assets. The Integrated Oil Division has assets in both Canada and the U.S. including two major EOR properties: (i) Foster Creek; and (ii) Christina Lake; as well as two refineries: (i) Wood River; and (ii) Borger.
- **Canadian Plains** Division, which contains established crude oil and natural gas development assets in Alberta and Saskatchewan and includes two major EOR properties: (i) Weyburn; and (ii) Pelican Lake; as well as the Southern Alberta oil and gas properties. The Division also markets Cenovus's crude oil and natural gas, as well as third-party purchases and sales of product that provide operational flexibility for transportation commitments, product type, delivery points and customer diversification.

For financial statement reporting purposes, our operating and reportable segments are:

- **Upstream Canada**, which includes Cenovus's development and production of bitumen, crude oil, natural gas and natural gas liquids ("NGLs") and other related activities in Canada. This includes the Foster Creek and Christina Lake operations which are jointly owned with ConocoPhillips, an unrelated U.S. public company, and operated by Cenovus.
- **Downstream Refining**, which is focused on the refining of crude oil into petroleum and chemical products at two refineries located in the United States. The refineries are jointly owned with ConocoPhillips and operated by ConocoPhillips.
- **Corporate and Eliminations**, which primarily includes unrealized gains or losses recorded on derivative financial instruments as well as other Cenovus-wide costs for general and administrative and financing activities. As financial instruments are settled, realized gains and losses are recorded in the operating segment to which the derivative instrument relates. Eliminations relate to sales and operating revenues and purchased product between segments recorded at transfer prices based on current market prices and to unrealized intersegment profits in inventory.

In addition to the Arrangement, the following describes the significant events of the last three years in respect of our business:

2009

- In the first quarter of 2009, two new expansion phases at Foster Creek were commissioned. Phases D and E added a total of 60,000 barrels per day of bitumen production capacity, increasing the total production capacity of Foster Creek to approximately 120,000 barrels per day.

- In the second quarter of 2009, a joint regulatory application for Foster Creek phases F, G and H was submitted to the Energy Resources Conservation Board (“ERCB”) and Alberta Environment. Each phase is expected to increase production capacity by 30,000 barrels per day of bitumen.
- In the fourth quarter of 2009, FCCL sanctioned the next phase, phase D, of expansion at Christina Lake, which is expected to increase production capacity by 40,000 barrels per day of bitumen in 2013.
- In the fourth quarter of 2009, a joint regulatory application for Christina Lake phases E, F and G was submitted to the ERCB and Alberta Environment. Each phase is expected to increase production capacity by 40,000 barrels per day of bitumen.

2008

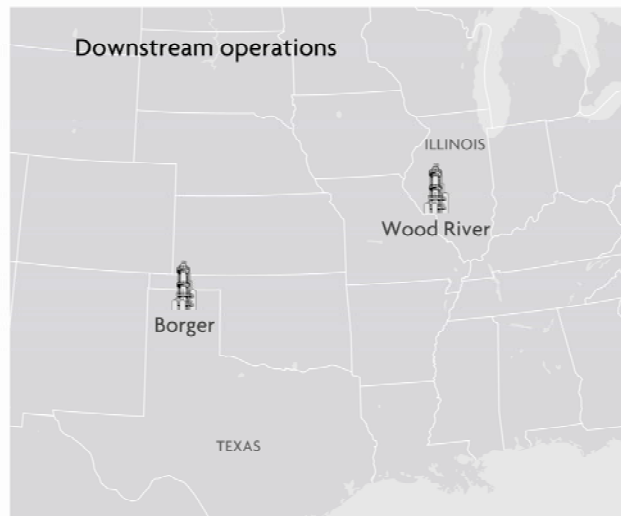
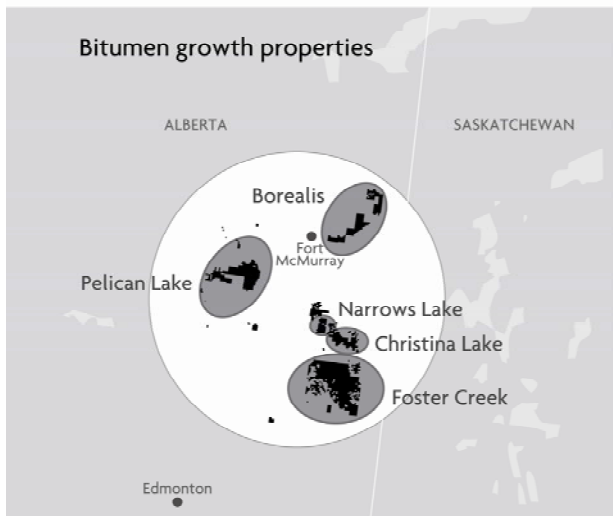
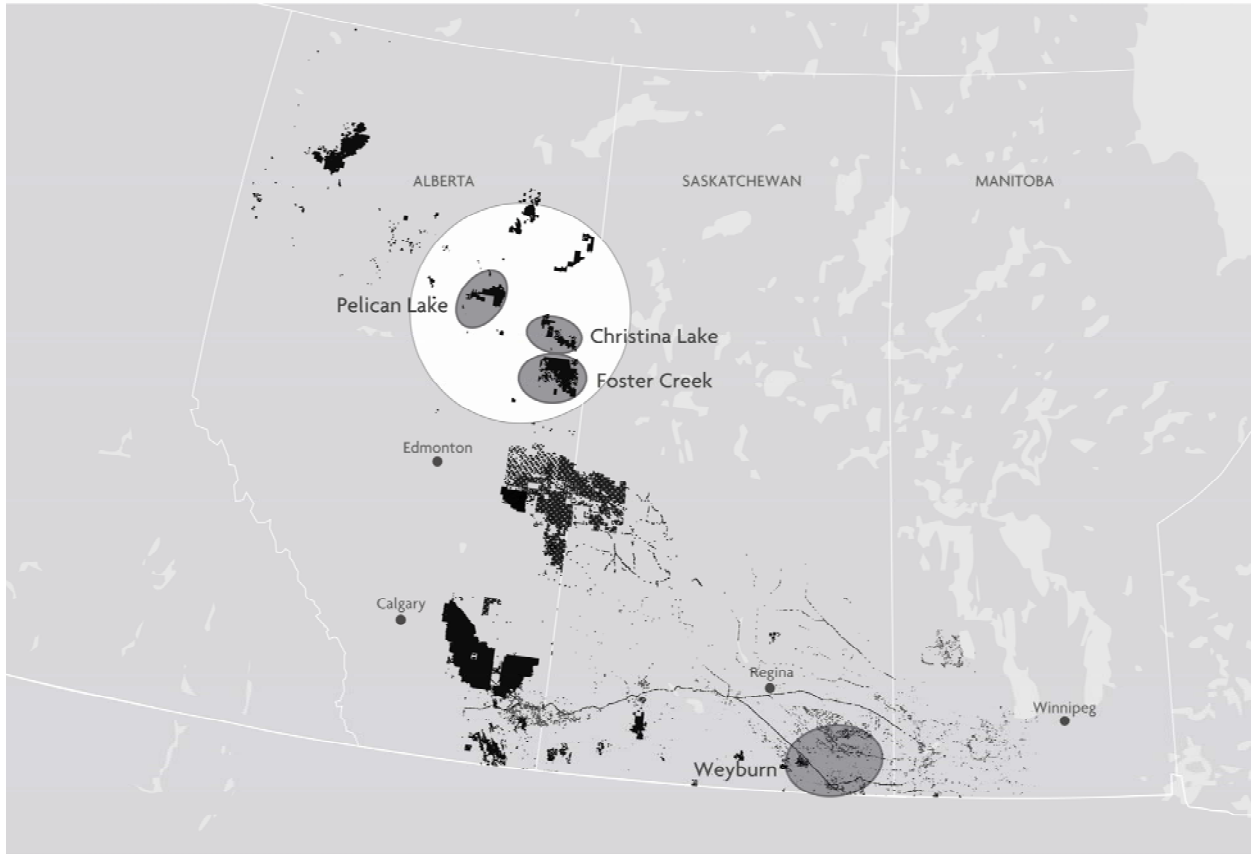
- In the second quarter of 2008, Christina Lake phase B expansion was commissioned. This phase added 8,000 barrels per day of production capacity, increasing the total production capacity at Christina Lake to approximately 18,000 barrels per day of bitumen.
- In the third quarter of 2008, the Wood River refinery received regulatory approvals to start construction on the CORE project. Our 50 percent share of the CORE project is expected to cost approximately \$1.8 billion and is anticipated to be completed and in operation in 2011. The expansion is expected to more than double heavy crude oil refining capacity to approximately 240,000 barrels per day and increase crude oil refining capacity by 50,000 barrels per day to approximately 356,000 barrels per day.

2007

- The creation of the integrated oil business venture, consisting of upstream and downstream assets, with ConocoPhillips was completed on January 3, 2007. It is comprised of two 50-50 operating entities, a Canadian upstream enterprise operated by Cenovus and a U.S. downstream enterprise operated by ConocoPhillips, with both ConocoPhillips and Cenovus having contributed equally valued assets and equity. The integrated oil business provides greater certainty of execution for our Foster Creek and Christina Lake EOR projects and allows us to participate in the full value chain from crude oil production through to refined products.
- In the first quarter of 2007, Foster Creek phase C expansion was commissioned. This phase added 30,000 barrels per day of production capacity, increasing the total production capacity at Foster Creek to approximately 60,000 barrels per day of bitumen.
- In the second quarter of 2007, a 25,000 barrel per day coker addition at the Borger refinery was completed. The refinery was shut down for approximately one month to complete a major planned turnaround timed to coincide with bringing the new coker online. The refinery started up again in June 2007 and ran its first barrel of Canadian heavy oil on July 10, 2007, marking a major milestone for the refinery.
- In the third quarter of 2007, regulatory approval and sanctioning was received for the Christina Lake phase C expansion, which is expected to increase production capacity by 40,000 barrels per day of bitumen in 2011.
- In the fourth quarter of 2007, a joint regulatory application for development of the Borealis property was submitted to the ERCB and Alberta Environment that would allow for the construction of a SAGD facility with production capacity of approximately 35,000 barrels per day of bitumen.

NARRATIVE DESCRIPTION OF OUR BUSINESS

The following maps outline the location of our assets, including our major properties and refining assets as at December 31, 2009.



Cenovus land
 Enhanced oil operations
 Refineries

This graphic is for illustration purposes only. Land as at December 31, 2009.

One hundred percent of our reserves and production are located in Canada. At December 31, 2009, we had a land base of approximately 7.8 million net acres and a proved reserves base (our share after royalties) of approximately 719 million barrels of bitumen reserves, 232 million barrels of crude oil and NGLs reserves and 1,474 billion cubic feet of natural gas reserves. The estimated proved reserves life index as at December 31, 2009 was approximately 14.7 years. We also had probable reserves (our share after royalties) of approximately 403 million barrels of bitumen, 127 million barrels of crude oil and NGLs and 405 billion cubic feet of natural gas as at December 31, 2009.

The following narrative describes each of our operating divisions in greater detail.

Integrated Oil Division

The Integrated Oil Division includes all of the assets within the integrated oil business with ConocoPhillips described below, as well as other bitumen interests and the Athabasca natural gas assets. The Integrated Oil Division has assets in both Canada and the U.S. and contains two EOR properties: (i) Foster Creek; and (ii) Christina Lake; as well as two refineries at Wood River and Borger. In 2009, the Integrated Oil Division had capital investment of approximately \$1,383 million, which included continued development of the CORE project, as well as the drilling of approximately 80 net wells (including 40 stratigraphic test wells).

As at December 31, 2009, we held bitumen rights of approximately 1,055,000 gross acres (760,000 net acres) within the Athabasca and Cold Lake areas, as well as the exclusive rights to lease an additional 652,000 net acres on our behalf and/or our assignee's behalf on the Cold Lake Air Weapons Range.

The following table summarizes landholdings for the Integrated Oil Division as at December 31, 2009.

Landholdings (thousands of acres)	Developed Acreage		Undeveloped Acreage		Total Acreage		Average Working Interest
	Gross	Net	Gross	Net	Gross	Net	
Foster Creek	7	4	65	32	72	36	50%
Christina Lake	1	-	24	12	25	12	50%
Narrows Lake ⁽¹⁾	-	-	25	15	25	15	60%
Borealis	-	-	36	36	36	36	100%
Athabasca	520	443	355	283	875	726	83%
Other	23	10	923	675	946	685	72%
Integrated Oil Total	551	457	1,428	1,053	1,979	1,510	76%

Note:

(1) Under an area of mutual interest arrangement, ConocoPhillips made an election to participate in a certain Cenovus lease acquisition through ConocoPhillips's interest in FCCL, reducing Cenovus's working interest share to 50 percent on January 1, 2010.

The following table sets forth our share of daily average production figures for the periods indicated.

Production (annual average)	Crude Oil and NGLs (bbls/d)		Natural Gas (MMcf/d)		Total Production (BOE/d)	
	2009	2008	2009	2008	2009	2008
Foster Creek	36,654	25,947	-	-	36,654	25,947
Christina Lake	6,527	4,236	-	-	6,527	4,236
Athabasca	-	-	49	63	8,167	10,500
Other	2,553	2,729	-	-	2,553	2,729
Integrated Oil Total	45,734	32,912	49	63	53,901	43,412

The following table summarizes the Integrated Oil Division's interests in producing wells as at December 31, 2009. These figures exclude wells which were capable of producing, but that were not producing as of December 31, 2009.

Producing Wells (number of wells)	Producing Oil Wells		Producing Gas Wells		Total Producing Wells	
	Gross	Net	Gross	Net	Gross	Net
Foster Creek	171	86	-	-	171	86
Christina Lake	16	8	8	4	24	12
Athabasca	-	-	683	647	683	647
Integrated Oil Total	187	94	691	651	878	745

The following describes major producing areas or activities in the Integrated Oil Division.

Integrated Oil Business

On January 3, 2007, the creation of the integrated oil business with ConocoPhillips was completed. The integrated oil business includes Canadian upstream assets contributed by Cenovus and U.S. downstream assets contributed by ConocoPhillips. The business is comprised of two 50-50 operating entities, a Canadian upstream entity, FCCL, operated by Cenovus and a U.S. downstream enterprise, WRB, operated by ConocoPhillips.

FCCL owns the Foster Creek and Christina Lake EOR projects. Cenovus FCCL Ltd., our wholly-owned subsidiary, is the operating and managing partner of FCCL. WRB owns the Wood River and Borger refineries. ConocoPhillips held a disproportionate economic interest in the Borger refinery of 85 percent in 2007 and 65 percent in 2008, before reverting to 50 percent in 2009. ConocoPhillips is the operator and manager of WRB. FCCL has a management committee, while WRB has a board of directors; both are composed of three of our representatives and three of ConocoPhillips's representatives, with each company holding equal voting rights.

At December 31, 2009, the combined production capacity of the Foster Creek and Christina Lake properties was approximately 138,000 barrels per day. FCCL plans to increase production capacity to approximately 218,000 barrels of bitumen per day from the combined facilities at Foster Creek and Christina Lake with the completion of the Christina Lake phase C expansion in 2011 and phase D expansion in 2013.

At December 31, 2009, WRB had processing capability to refine up to approximately 70,000 barrels per day of bitumen equivalent. WRB plans to refine approximately 150,000 barrels per day of bitumen equivalent to primarily motor fuels with the completion of the CORE project in 2011.

Foster Creek

We have a 50 percent interest in Foster Creek, an EOR property which uses SAGD technology and produces from the McMurray formation. We hold surface access rights from the Governments of Canada and Alberta and bitumen rights for exploration, development and transportation from areas within the Cold Lake Air Weapons Range which were granted by the Government of Alberta. In addition, we hold exclusive rights to lease several hundred thousand acres of bitumen rights in other areas on the Cold Lake Air Weapons Range on our behalf and/or our assignee's behalf. In the first quarter of 2009, two new expansion phases were completed at Foster Creek adding production capacity of approximately 60,000 barrels of bitumen per day and increasing total production capacity to approximately 120,000 barrels of bitumen per day.

We continually research and develop technologies to increase bitumen recovery, decrease costs of extracting bitumen and reduce our environmental footprint. One focus area is alternate methods of artificial lift where we utilize new pump designs that are expected to enable us to optimize SAGD performance by operating at lower pressures, thereby realizing lower steam-oil ratios and decreasing facility capital and operating costs. As at

December 31, 2009, electrical submersible pumps were in use on 133 wells at Foster Creek and we expect to continue to utilize this technology on new SAGD wells.

In addition, we have successfully piloted another technology at Foster Creek whereby an additional well, a wedge well, is drilled between two producing well pairs to produce bitumen that is heated by proximity to a steam chamber, but is not recoverable by the adjacent production wells. We have received a U.S. patent for this technology, with the Canadian patent pending and expected to be received in the first half of 2010. This technology requires no additional steam, thus it helps reduce the overall steam-oil ratio. In 2009, we drilled 18 wedge wells (2008 - four wells). As at December 31, 2009, there were 27 wedge wells producing. This process will be piloted at our Christina Lake property in the first quarter of 2010.

We also focus on reducing our reliance on natural gas for the generation of steam used in SAGD production operations. The Solvent Aided Process ("SAP") is discussed under "Christina Lake" below.

We operate an 80-megawatt natural gas-fired cogeneration facility in conjunction with the SAGD operation at Foster Creek. The steam and power generated by the facility is presently being used within the SAGD operation and the excess power generated is being sold into the Alberta Power Pool.

Christina Lake

We have a 50 percent interest in a SAGD EOR project at Christina Lake which produces from the McMurray formation. During 2008, the phase B expansion was completed which increased production capacity to approximately 18,000 barrels of bitumen per day.

The phase C expansion, which is expected to add an additional 40,000 barrels per day of bitumen production capacity, is currently under construction and is expected to be completed in 2011, increasing total bitumen production capacity to 58,000 barrels per day.

During the fourth quarter of 2009, the phase D expansion was sanctioned by FCCL. This expansion is expected to add an additional 40,000 barrels per day of bitumen production capacity at Christina Lake. We have accelerated the completion of phase D by six months and it is expected to be completed in mid-2013. Regulatory approval for this additional phase was received in 2008.

There have been several innovations to SAGD technology that have been undertaken at Christina Lake over the past several years. One major project that started in 2009 is a new SAP pilot. This SAP pilot utilizes a mixture of steam and solvent to enhance recovery of the bitumen by reducing the steam-oil ratio and increasing the overall recovery of the oil in place. Business cases are currently being evaluated for the potential use of this technology in the Christina Lake and Narrows Lake development plans.

Another innovation was undertaken in 2007, whereby a remote water disposal system was utilized to successfully manage bottom water pressures and further reduce the steam-oil ratio.

Narrows Lake

We hold a 50 percent interest in the Narrows Lake area which is located within the greater Christina Lake regional area. We are preparing development plans and regulatory applications for a project at Narrows Lake that would include two to three phases with each phase expected to add approximately 40,000 barrels per day of bitumen production capacity.

Wood River Refinery

We have a 50 percent interest in the Wood River refinery, located in Roxana, Illinois. As at December 31, 2009, the Wood River refinery had a processing capacity of approximately 306,000 barrels per day of crude oil. It processes light, low-sulphur and heavy, high-sulphur

crude oil that it receives from North American crude oil pipelines to produce gasoline, diesel and jet fuel, petrochemical feedstocks and asphalt. The gasoline and diesel are transported via pipelines to markets in the upper Midwest. Other products are transported via pipeline, truck, barge and railcar to markets in the Midwest. In 2007, the refinery completed the construction of a proprietary sulphur removal unit that produces low-sulphur gasoline. In September 2008, regulatory approval was received to proceed with the CORE project at Wood River which is expected to increase crude oil refining capacity by approximately 50,000 barrels per day, increase coking capacity by approximately 65,000 barrels per day, more than double heavy crude oil refining capacity to approximately 240,000 barrels per day and increase the clean transportation fuels yield by approximately ten percent to approximately 89 percent. Capital expenditures for the CORE project are estimated at \$3.6 billion (\$1.8 billion net to Cenovus) and the project is scheduled to be completed in 2011. At December 31, 2009, the CORE project was 71 percent complete, on schedule and on budget.

Borger Refinery

We have a 50 percent interest in the Borger refinery, located in Borger, Texas. As at December 31, 2009, the Borger refinery had a processing capacity of approximately 146,000 barrels per day of crude oil and approximately 45,000 barrels per day of NGLs. It processes mainly medium, high-sulphur and heavy, high-sulphur crude oil and NGLs that it receives from North American pipeline systems to produce gasoline, diesel and jet fuel along with NGLs and solvents. The refined products are transported via pipelines to markets in Texas, New Mexico, Colorado and the U.S. Mid-Continent. In July 2007, a new coker with a capacity of approximately 25,000 barrels per day was brought into service along with a new vacuum unit and revamped gas, oil and distillate hydrotreaters. This project has enabled the refinery to process heavy oil blends, particularly Canadian heavy oil, and comply with clean fuel regulations for ultra-low sulphur diesel and low-sulphur gasoline. The project has also enabled compliance with required reductions of sulphur dioxide and other air emissions.

The following table summarizes the combined refineries' key operational results for the periods indicated.

Refinery Operations⁽¹⁾	2009	2008
Crude Oil Capacity (Mbbls/d)	452	452
Crude Oil Runs (Mbbls/d)	394	423
Crude Utilization (%)	87	93
Refined Products (Mbbls/d)		
Gasoline	223	230
Distillates	120	139
Other	74	79
Total	417	448

Note:

(1) Represents 100 percent of the Wood River and Borger refinery operations.

Other Integrated Oil Division Properties

Borealis

We hold a 100 percent working interest in the Borealis area, which is located approximately 90 kilometres northeast of Fort McMurray. Borealis is not included in the integrated oil business with ConocoPhillips. Approximately 200 delineation wells have been drilled in the greater Borealis area as at December 31, 2009. A joint application for development has been submitted to the ERCB and Alberta Environment that would allow for the construction of a SAGD facility with production capacity of approximately 35,000 barrels of bitumen per day. We continue to evaluate the greater Borealis area in support of the development application.

Athabasca Gas

We produce natural gas from the Cold Lake Air Weapons Range and several surrounding landholdings located in northeast Alberta and hold surface access and natural gas rights for exploration, development and transportation from areas within the Cold Lake Air Weapons Range that were granted by the Governments of Canada and Alberta. The majority of our natural gas production in the area is processed through wholly-owned and operated compression facilities.

Natural gas production continues to be impacted by the September 2003, July 2004, September 2004, July 2007 and October 2009 ERCB decisions to shut-in natural gas production from the McMurray, Wabiskaw and Clearwater formations that may put at risk the recovery of bitumen resources in the area. The decisions resulted in a decrease in annualized natural gas production of approximately 25 million cubic feet per day in 2009 (26 million cubic feet per day in 2008). The Alberta Government's Department of Energy is providing financial assistance in the form of a royalty credit, which is equal to approximately 50 percent of the cash flow lost as a result of the shut-in wells.

Canadian Plains Division

The Canadian Plains Division encompasses crude oil development and production activities in Alberta and Saskatchewan, as well as established natural gas development and production activities in both southern and northern Alberta and southern Saskatchewan. Three major properties are located in the Canadian Plains Division: EOR projects at Pelican Lake and Weyburn, as well as conventional oil and natural gas in Southern Alberta. The Division also markets crude oil and natural gas, including third-party purchases and sales of product that provide operational flexibility for transportation commitments, product type, delivery points and customer diversification.

As at December 31, 2009, the Canadian Plains Division had an established land position of approximately 6.7 million gross acres (6.3 million net acres), of which approximately 4.3 million gross acres (4.1 million net acres) are developed. The mineral rights on approximately 50 percent of the total net acreage are owned in fee title by Cenovus, which means that production is subject to a mineral tax that is generally less than the Crown royalty imposed on production from land where the government owns the mineral rights. In 2009, the Canadian Plains Division had capital investment of approximately \$478 million and drilled approximately 614 net wells. Of our capital expenditures, 56 percent was oil focused, while 43 percent of the capital expenditure was natural gas focused.

Plans for 2010 include further EOR initiatives, continued drilling, well optimizations, well recompletions (including coalbed methane ("CBM")) and investment in facility infrastructure necessary for continued development.

The following table summarizes the landholdings for the Canadian Plains Division as at December 31, 2009.

Landholdings (thousands of acres)	Developed Acreage		Undeveloped Acreage		Total Acreage		Average Working Interest
	Gross	Net	Gross	Net	Gross	Net	
Weyburn	99	87	383	377	482	464	96%
Pelican Lake	133	133	279	264	412	397	96%
Southern Alberta							
Suffield	928	917	63	60	991	977	99%
Brooks North	569	567	8	8	577	575	100%
Langevin	1,132	1,022	371	345	1,503	1,367	91%
Drumheller	356	345	19	16	375	361	96%
Total Southern Alberta	2,985	2,851	461	429	3,446	3,280	95%
Other	1,058	986	1,303	1,193	2,361	2,179	92%
Canadian Plains Total	4,275	4,057	2,426	2,263	6,701	6,320	94%

The following table sets forth our share of daily average production figures for the periods indicated.

Production (annual average)	Crude Oil and NGLs (bbls/d)		Natural Gas (MMcf/d)		Total Production (BOE/d)	
	2009	2008	2009	2008	2009	2008
Weyburn	14,960	14,056	-	-	14,960	14,056
Pelican Lake	20,105	21,975	-	1	20,105	22,102
Southern Alberta						
Suffield	12,038	13,054	213	231	47,567	51,621
Brooks North	1,104	839	260	273	44,373	46,339
Langevin	8,293	9,111	185	203	39,044	43,029
Drumheller	2,122	2,276	81	93	15,679	17,776
Total Southern Alberta	23,557	25,280	739	800	146,663	158,765
Other	5,428	6,027	36	41	11,489	12,748
Canadian Plains Total	64,050	67,338	775	842	193,217	207,671

The following table summarizes the Canadian Plains Division's interests in producing wells as at December 31, 2009. These figures exclude wells which were capable of producing, but that were not producing, as of December 31, 2009.

Producing Wells (number of wells)	Producing Oil Wells		Producing Gas Wells		Total Producing Wells	
	Gross	Net	Gross	Net	Gross	Net
Weyburn	764	482	-	-	764	482
Pelican Lake	445	445	9	9	454	454
Southern Alberta						
Suffield	745	745	10,348	10,330	11,093	11,075
Brooks North	57	57	7,338	7,230	7,395	7,287
Langevin	251	246	7,028	6,388	7,279	6,634
Drumheller	121	118	1,612	1,552	1,733	1,669
Total Southern Alberta	1,174	1,166	26,326	25,550	27,500	26,665
Other	665	626	1,173	1,154	1,838	1,780
Canadian Plains Total	3,048	2,719	27,508	26,663	30,556	29,381

The following describes major producing areas or activities in the Canadian Plains Division.

Weyburn

We have a 62 percent working interest (50 percent economic interest) in the unitized portion of the Weyburn crude oil field in southeast Saskatchewan. The Weyburn unit produces light and medium sour crude from the Mississippian Midale formation and covers 78 sections of land. Cenovus is the operator and we are increasing ultimate recovery in the EOR area of the field with a carbon dioxide (“CO₂”) miscible flood project. As at December 31, 2009, approximately 70 percent of the approved and planned CO₂ flood pattern development at the Weyburn unit was complete. Since the inception of the project, approximately 15 million tonnes of CO₂ have been injected as part of the EOR program. We estimate that another 15 million tonnes will be injected as part of the EOR project. The CO₂ is delivered by pipeline directly to the Weyburn facility from a coal gasification project in North Dakota.

Pelican Lake

Pelican Lake produces heavy crude oil from the Cretaceous Wabiskaw formation in northeast Alberta through horizontally drilled waterflood and polymer EOR methods. Facility infrastructure expansion in this area continued in 2009 to accommodate higher total fluid production volumes associated with its waterflood and polymer projects. The polymer flood program was expanded by 50 injection wells during 2009.

In addition to the heavy crude oil in the Wabiskaw formation, large deposits of bitumen have been identified in the Cretaceous Grand Rapids and the Devonian Grosmont formations in the Pelican Lake area which we continue to evaluate. In 2009, 17 stratigraphic test wells were drilled to acquire technical data on these formations.

We hold a 38 percent non-operated interest in a 110-kilometre, 20-inch diameter crude oil pipeline which connects the Pelican Lake area to a major pipeline that transports crude oil from northern Alberta to crude oil markets.

In August 2008, we entered into an agreement with Pembina Pipeline Corporation (“Pembina”) to transport blended heavy oil from Utikuma, Alberta to Edmonton, Alberta via Pembina’s 100,000 barrels per day capacity pipeline. This pipeline will be used to transport heavy oil from our Pelican Lake property to crude oil markets. The parties also agreed to transport condensate, used as diluent for transporting heavy oil, from Whitecourt, Alberta to Utikuma, Alberta via a 22,000 barrel per day capacity pipeline. The initial term of the agreement is ten years from the in-service date, which is estimated to be in mid-2011.

Southern Alberta

We own all the mineral rights across the majority of our fee title lands in southern Alberta and we lease the majority of the Cretaceous rights in Suffield and parts of southeastern Alberta. Approximately 59 percent of the land we hold in this area is fee simple or freehold and approximately 41 percent is Crown land. Our Southern Alberta properties are comprised of both oil and gas fields.

Southern Alberta - Oil Properties

We hold interests in multiple zones, primarily in the Early Cretaceous, in the Suffield, Langevin, Brooks North and Drumheller areas in southern Alberta with a mix of medium and heavy oil production. Development in this area focuses on infill drilling, optimization of existing wells and EOR schemes. We operate water handling facilities to effectively manage primary and enhanced oil production.

The following table sets forth net oil wells drilled and daily average oil production figures for the periods indicated.

Net Wells Drilled and Production (annual average)	Net Wells Drilled		Light/Medium (bbls/d)		Heavy Oil (bbls/d)	
	2009	2008	2009	2008	2009	2008
	Suffield	40	47	-	-	12,038
Brooks North	18	3	894	642	-	-
Langevin	14	16	8,053	8,862	-	-
Drumheller	28	1	1,421	1,595	-	-
Southern Alberta - Oil Properties - Total	100	67	10,368	11,099	12,038	13,054

Southern Alberta - Natural Gas Properties

We hold interests in multiple zones, primarily in the Late Cretaceous, in the Suffield, Brooks North, Langevin and Drumheller areas in southern Alberta.

Development in this area focuses on infill drilling up to 16 wells per section, recompletions and optimization of existing wells.

The following table sets forth net gas wells drilled and daily average gas production figures for the periods indicated.

Net Wells Drilled and Production (annual average)	Net Wells Drilled		Gas Production (MMcf/d)	
	2009	2008	2009	2008
	Suffield	170	468	213
Brooks North	163	478	260	273
Langevin	109	248	185	203
Drumheller	56	172	81	93
Southern Alberta - Natural Gas Properties - Total	498	1,366	739	800

Included in the Brooks North and Langevin area lands is the Belly River Cretaceous formation where Cenovus is producing CBM. In 2009, approximately 500 wells were recompleted which added approximately 14 million cubic feet per day of natural gas production by the end of the year. The CBM assets are long-life and low decline and are expected to generate production for future growth in a capital efficient manner.

Suffield is one of the core areas of our Southern Alberta major property. The Suffield area is largely made up of the Suffield Block, where operations are carried out pursuant to an agreement among Cenovus, the Government of Canada and the Province of Alberta governing surface access to CFB Suffield. In 1999, the parties agreed to permit access to the Suffield military training area to additional operators. Our predecessor companies, Alberta Energy Company Ltd. and EnCana Corporation, have operated at CFB Suffield for over 30 years. On October 6, 2008, pursuant to the Canadian *Environmental Assessment Act*, a joint review panel ("JRP"), made up of provincial and federal regulators, heard our application for a shallow gas infill development in the National Wildlife Area ("NWA") at CFB Suffield. The hearing was completed in late October 2008. On January 27, 2009, the JRP released its recommendations, concluding that the proposed project could proceed provided two key pre-conditions were met: first, critical habitat assessments for certain specific species of plants and animals must be finalized by Environment Canada within the NWA; and second, the role of the Suffield Environmental Advisory Committee ("SEAC") must be clarified by the parties to the surface access agreement, and SEAC must be resourced adequately to provide proper environmental oversight of the project. The JRP also concluded that other mitigations and recommendations should be followed once the two key pre-conditions were met. We are working with necessary interested parties to proceed with this project.

Other Properties

We have started evaluating medium and light oil prospects in the Bakken and Shaunavon areas in Saskatchewan.

We also hold interests in other conventional oil and natural gas producing properties, primarily located in east central and northern Alberta.

Crude Oil and Natural Gas Marketing

Our Marketing group is focused on enhancing the netback price of our proprietary production. Canadian Plains divisional results include third-party purchases and sales of product to provide operational flexibility for transportation commitments, product quality, delivery points and customer diversification. The Marketing and Power group is also focused on ensuring reliable sourcing and lowest delivered cost of power at the field level.

We also seek to mitigate the market risk associated with future cash flows by entering into various risk management contracts relating to produced products. Details of those transactions related to our various risk management positions for crude oil, natural gas and power are found in the notes to our consolidated financial statements for the year ended December 31, 2009.

Crude Oil Marketing

We manage the transportation and marketing of crude oil for our upstream operating divisions. Our objective is to sell production to achieve the best price within the constraints of a diverse sales portfolio, as well as to obtain and manage condensate supply, inventory and storage to meet diluent requirements. During 2009, our blend volumes on behalf of FCCL were 120,894 barrels per day (2008 - 80,866 barrels per day), while our non-partnership blend volumes were 78,303 barrels per day (2008 - 86,560 barrels per day).

Natural Gas Marketing

Our natural gas is primarily marketed to industrials, other producers and energy marketing companies. In 2009, approximately 25 percent of our sales of natural gas were directly marketed by us to industrials. The remaining 75 percent of sales of natural gas were marketed to other producers and energy marketing companies. Prices received by us are based primarily upon prevailing index prices for natural gas. Prices are impacted by competing fuels in such markets and by North American regional supply and demand for natural gas.

RESERVES AND OTHER OIL AND GAS INFORMATION

We retain independent qualified reserves evaluators (“IQREs”) to evaluate and prepare reports on 100 percent of our bitumen, crude oil, NGLs and natural gas reserves annually. These evaluators are McDaniel & Associates Consultants Ltd. and GLJ Petroleum Consultants Ltd. The following reserves information is derived from the reserves reports prepared for us by each of these companies.

We have a Reserves Committee (as defined herein) of independent Board members which reviews the qualifications and appointment of the IQREs. The Reserves Committee also reviews the procedures for providing information to the evaluators.

Cenovus’s Vice-President, Strategic Planning and Reserves Governance and two other staff under this individual’s direction oversee the preparation of the reserves estimates by the IQREs. Currently, this internal staff of two professional engineers have combined relevant experience of over 65 years. The Vice-President and other engineering staff are all members of the appropriate provincial professional associations and are members of various industry associations such as the Society of Petroleum Engineers.

The evaluations by the IQREs are conducted from the fundamental petrophysical, geological, engineering, financial and accounting data. Processes and procedures are in place to ensure that the IQREs are in receipt of all relevant information. Reserves are estimated based on material balance analysis, decline analysis, volumetric calculations or a combination of these methods, in all cases having regard to economic considerations. In the case of producing reserves, the emphasis is on decline analysis where volumetric analysis is considered to limit forecasts to reasonable levels. Non-producing reserves are estimated by analogy to producing offsets, with consideration of volumetric estimates of in place quantities.

There are numerous uncertainties inherent in estimating quantities of crude oil and natural gas reserves. See “Risk Factors - Risks relating to our Business - Our crude oil and natural gas reserves data and future net revenue estimates are uncertain”. Classifications of reserves as proved or probable are only attempts to define the degree of uncertainty associated with the estimates. In addition, whereas proved reserves are those reserves that can be estimated with reasonable certainty to be economically producible, probable reserves are those additional reserves that are less certain to be recovered than proved reserves, but which, together with proved reserves, are as likely as not to be recovered. Therefore, probable reserves estimates, by definition, have a higher degree of uncertainty than proved reserves.

Reserves Quantities Information

Revised reserves disclosure requirements issued by the SEC at the end of 2008 require separate disclosure of our bitumen reserves from our crude oil and NGLs reserves. The following information in this annual information form reflects this separation for each of the years presented.

The majority of our bitumen reserves will be recovered and produced using SAGD technology. SAGD involves injecting steam into horizontal wells drilled into the bitumen formation and recovering heated bitumen from producing wells located below the injection wells. This technique has a surface footprint comparable to conventional oil production. We have no bitumen reserves that require mining techniques to recover the bitumen.

Total Proved Reserves After Royalties

In 2009, bitumen reserves increased by approximately eight percent, largely as a result of Christina Lake phase D receiving approval to proceed. The increase was partially offset by reductions attributed to higher royalty bitumen rates resulting from a higher WTI price. In addition, as a result of the new Alberta Royalty Framework, where royalties are determined on a sliding scale depending on the price of bitumen, when prices are between C\$55 per barrel and C\$120 per barrel, pre-payout royalty rates range from one to nine percent of gross revenue. Once a project reaches payout, the royalty is based on the greater of one to nine percent of a project's gross revenue or 25 to 40 percent of net revenue. The actual royalty rate that is payable within these ranges is determined based on the WTI U.S. dollar price of crude oil, translated into Canadian dollars. In 2008, bitumen reserves increased by approximately 12 percent, largely due to lower royalties resulting from a lower WTI price. In 2007, bitumen reserves decreased by approximately 26 percent, as a consequence of 50 percent of the Foster Creek and Christina Lake reserves being contributed into the integrated oil business with ConocoPhillips. The subsequent approval of Christina Lake phase C and other minor additions and revisions in the year restored 52 percent of the contributed reserves.

In 2009, crude oil and NGLs reserves decreased by approximately four percent as aggregate additions and revisions were insufficient to replace production. During 2008, crude oil and NGLs reserves increased by approximately four percent as reserve additions exceeded production and negative revisions. During 2007, crude oil and NGLs reserves decreased approximately four percent as reserves additions were more than offset by production.

In 2009, natural gas reserves decreased by approximately 21 percent as production and negative revisions to undeveloped reserves due to low gas prices, exceeded additions and positive revisions. Natural gas reserves during 2008 decreased by approximately eight percent, with positive revisions and additions insufficient to offset production. In 2007, natural gas reserves decreased by approximately nine percent, as positive revisions and additions only replaced approximately 46 percent of production.

Impact of SEC Modernization of Oil and Gas Reporting Requirements

SEC reporting requirements have changed with respect to prices used to estimate reserves and in the definition of proved oil and gas reserves. Our IQREs have determined that no changes to reserves have occurred as a result of the definition changes. However, the changes related to prices did impact our reserves at December 31, 2009. The following is a summary of the impact of using the new pricing rules (average 2009 prices) as compared to the old pricing rules (price on December 31, 2009): bitumen reserves are higher by 28 million barrels and oil and NGLs reserves are higher by seven million barrels, both as a result of lower royalty rates, and natural gas reserves are lower by 156 billion cubic feet as a result of low gas prices.

Net Proved Reserves (Share After Royalties)⁽¹⁾⁽²⁾
Constant Pricing

	Bitumen (millions of barrels)	Crude Oil and Natural Gas Liquids (millions of barrels)	Natural Gas (billions of cubic feet)
2007			
Beginning of year	800	240	2,209
Revisions and improved recovery	63	12	47
Extensions and discoveries	142	5	116
Purchase of reserves in place	-	-	-
Sale of reserves in place	(398)	-	-
Production	(11)	(26)	(353)
End of year	596	231	2,019
Developed	72	184	1,818
Undeveloped	524	47	201
Total	596	231	2,019
2008			
Beginning of year	596	231	2,019
Revisions and improved recovery	84	27	93
Extensions and discoveries	-	8	75
Purchase of reserves in place	-	-	-
Sale of reserves in place	-	-	(1)
Production	(12)	(25)	(331)
End of year	668	241	1,855
Developed	126	175	1,715
Undeveloped	542	66	140
Total	668	241	1,855
2009			
Beginning of year	668	241	1,855
Revisions and improved recovery	(88)	8	(128)
Extensions and discoveries	160	6	50
Purchase of reserves in place	-	-	-
Sale of reserves in place	(4)	-	(2)
Production	(17)	(23)	(301)
End of year	719	232	1,474
Developed	108	170	1,450
Undeveloped	611	62	24
Total	719	232	1,474

Notes:

- (1) Definitions:
- (a) "Net" reserves are the remaining reserves attributable to the Cenovus Assets, after deduction of estimated royalties and including royalty interests.
 - (b) "Proved" oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations.
 - (c) "Proved Developed" reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.
 - (d) "Proved Undeveloped" reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.
- (2) Estimates of total net proved bitumen, crude oil or natural gas reserves are not filed with any U.S. federal authority or agency other than the SEC.

Supplemental Reserves Disclosure

The volatility of our net bitumen reserves and the net oil reserves at Pelican Lake due to the linkage of royalty rates to the WTI oil reference price has led Cenovus to conclude that it would facilitate comprehension of our assets to disclose our reserves on a before royalty basis, in addition to the above disclosure on a net, or after royalty, basis. This will provide a clearer understanding of the outcome of our reserves development activities.

Total Proved Reserves Before Royalties

In 2009, bitumen reserves increased by approximately 24 percent, as a result of the approval of Christina Lake phase D. In 2008, bitumen reserves were unchanged, as minor revisions offset production in the year. In 2007, bitumen reserves decreased by approximately 22 percent, as a consequence of 50 percent of the Foster Creek and Christina Lake reserves being contributed into the integrated oil business effective January 2, 2007. The subsequent approval of Christina Lake phase C and other minor additions and revisions in the year restored approximately 57 percent of the contributed reserves.

In 2009, crude oil and NGLs reserves remained relatively constant as additions and revisions very slightly exceeded production. During 2008, crude oil and NGLs reserves decreased by approximately four percent as reserves additions and positive revisions were exceeded by production and negative revisions. During 2007, crude oil and NGLs reserves decreased approximately one percent as reserves additions nearly offset production.

In 2009, natural gas reserves decreased by approximately 21 percent as production and negative revisions to undeveloped reserves due to low gas prices exceeded additions and positive revisions. Natural gas reserves during 2008 decreased by approximately nine percent, with positive revisions and additions insufficient to offset production. In 2007, natural gas reserves decreased by approximately nine percent, as positive revisions and additions only replaced approximately 43 percent of production.

Impact of SEC Modernization of Oil and Gas Reporting Requirements

SEC reporting requirements have changed with respect to prices used to estimate reserves and in the definition of proved oil and gas reserves. Our IQREs have determined that no changes to reserves have occurred as a result of the definition changes. However, the changes related to prices did impact our reserves at December 31, 2009. The following is a summary of the impact of using the new pricing rules (average 2009 prices) as compared to the old pricing rules (price on December 31, 2009): bitumen reserves are unchanged, oil and NGLs reserves are slightly down by one million barrels and natural gas reserves are lower by 164 billion cubic feet as a result of low gas prices.

Company Share Proved Reserves Before Royalties⁽¹⁾⁽²⁾
Constant Pricing

	Bitumen (millions of barrels)	Crude Oil and Natural Gas Liquids (millions of barrels)	Natural Gas (billions of cubic feet)
2007			
Beginning of year	901	292	2,342
Revisions and improved recovery	93	23	37
Extensions and discoveries	165	5	122
Purchase of reserves in place	-	-	-
Sale of reserves in place	(449)	-	-
Production	(11)	(31)	(374)
End of year	699	289	2,127
Developed	82	228	1,917
Undeveloped	617	61	210
Total	699	289	2,127
2008			
Beginning of year	699	289	2,127
Revisions and improved recovery	12	7	76
Extensions and discoveries	-	8	79
Purchase of reserves in place	-	-	-
Sale of reserves in place	-	-	-
Production	(12)	(28)	(345)
End of year	699	276	1,937
Developed	135	202	1,790
Undeveloped	564	74	147
Total	699	276	1,937
2009			
Beginning of year	699	276	1,937
Revisions and improved recovery	28	22	(151)
Extensions and discoveries	161	6	51
Purchase of reserves in place	-	-	-
Sale of reserves in place	(5)	-	(3)
Production	(17)	(27)	(305)
End of year	866	277	1,529
Developed	132	203	1,504
Undeveloped	734	74	25
Total	866	277	1,529

Notes:

- (1) Definitions:
- (a) "Company Share" reserves are the remaining reserves attributable to the Cenovus Assets, before deduction of estimated royalties, but including royalty interests.
 - (b) "Proved" oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs and under existing economic conditions, operating methods, and government regulations.
 - (c) "Proved Developed" reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.
 - (d) "Proved Undeveloped" reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.
- (2) Estimates of total Company Share proved bitumen, crude oil or natural gas reserves are not filed with any U.S. federal authority or agency other than the SEC.

Optional Disclosure of Probable Reserves

In addition to providing total proved reserves results, both before and after royalties, we are also providing information on our probable reserves. Probable reserves are those additional reserves quantities of bitumen, crude oil, natural gas and NGLs that are less certain to be recovered than proved reserves, but which, together with proved reserves, are as likely as not to be recovered.

Probable reserves were estimated at the same time as the IQREs estimated the proved reserves, and incorporate the same technical and economic data in their estimation.

Total Probable Reserves After Royalties

At the end of 2009, probable bitumen reserves were 403 million barrels, or approximately 35 percent less than the previous year, due to the reclassification of Christina Lake phase D to proved reserves from probable reserves. In 2008, bitumen reserves were 624 million barrels, an increase of approximately 16 percent. In 2007, bitumen reserves were 537 million barrels.

At the end of 2009, probable crude oil and NGLs reserves were 127 million barrels, a decrease of approximately seven percent. In 2008, crude oil and NGLs reserves were 136 million barrels, an increase of approximately 14 percent. In 2007, crude oil and NGLs reserves were 119 million barrels.

At the end of 2009, probable natural gas reserves were 405 billion cubic feet, a decrease of approximately 22 percent. Natural gas reserves in 2008 were 522 billion cubic feet, a decrease of approximately eight percent. In 2007, natural gas reserves were 569 billion cubic feet.

Net Probable Reserves (Share After Royalties)⁽¹⁾⁽²⁾ Constant Pricing

	Bitumen (millions of barrels)	Crude Oil and Natural Gas Liquids (millions of barrels)	Natural Gas (billions of cubic feet)
2007			
End of year	537	119	569
2008			
End of year	624	136	522
2009			
End of year	403	127	405
Developed	10	69	362
Undeveloped	393	58	43
Total	403	127	405

Notes:

(1) Definitions:

- (a) "Net" reserves are the remaining reserves attributable to the Cenovus Assets, after deduction of estimated royalties, but including royalty interests.
- (b) "Probable" reserves are those additional reserves quantities of bitumen, crude oil, natural gas and NGLs that are less certain to be recovered than proved reserves, but which, together with proved reserves, are as likely as not to be recovered.
- (c) "Probable Developed" reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.
- (d) "Probable Undeveloped" reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(2) Estimates of total net probable bitumen, crude oil or natural gas reserves are not filed with any U.S. federal authority or agency other than the SEC.

Supplemental Reserves Disclosure

As with proved reserves, the impact of oil price variations on royalty rates on probable reserves from year to year can create an unclear view of the development of our bitumen business. We are providing probable reserves on a before royalty basis below to assist understanding of our business.

Probable Reserves Before Royalties

At the end of 2009, probable bitumen reserves were 479 million barrels, or approximately 25 percent less than the previous year, due to the reclassification of Christina Lake phase D to proved reserves from probable reserves. In 2008, bitumen reserves were 637 million barrels, an increase of approximately two percent. In 2007, bitumen reserves were 622 million barrels.

At the end of 2009, probable crude oil and NGLs reserves were 156 million barrels, a decrease of approximately one percent. In 2008, crude oil and NGLs reserves were 158 million barrels, an increase of approximately five percent. In 2007, crude oil and NGLs reserves were 150 million barrels.

At the end of 2009, probable natural gas reserves were 436 billion cubic feet, a decrease of approximately 23 percent. Natural gas reserves in 2008 were 566 billion cubic feet, a decrease of approximately eight percent. In 2007, natural gas reserves were 618 billion cubic feet.

Company Share Probable Reserves Before Royalties⁽¹⁾⁽²⁾ Constant Pricing

	Bitumen (millions of barrels)	Crude Oil and Natural Gas Liquids (millions of barrels)	Natural Gas (billions of cubic feet)
2007			
End of year	622	150	618
2008			
End of year	637	158	566
2009			
End of year	479	156	436
Developed	12	84	393
Undeveloped	467	72	43
Total	479	156	436

Notes:

- (1) Definitions:
 - (a) "Company Share" reserves are the remaining reserves attributable to the Cenovus Assets, before deduction of estimated royalties, but including royalty interests.
 - (b) "Probable" reserves are those additional reserves quantities of bitumen, crude oil, natural gas and NGLs that are less certain to be recovered than proved reserves, but which, together with proved reserves, are as likely as not to be recovered.
 - (c) "Probable Developed" reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.
 - (d) "Probable Undeveloped" reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.
- (2) Estimates of total Company Share probable bitumen, crude oil or natural gas reserves are not filed with any U.S. federal authority or agency other than the SEC.

Development of Proved Undeveloped Reserves

Bitumen

At the end of 2009, we had proved undeveloped bitumen reserves of 611 million barrels after royalties, or approximately 85 percent of our total proved bitumen reserves. Our existing reserves will be recovered using SAGD. Typical SAGD project development involves installing a steam generation facility, at a cost much greater than drilling a production/injection well pair, and drilling sufficient SAGD wells to fully utilize the available steam.

Proved bitumen reserves have been determined in compliance with Canadian Oil and Gas Evaluation Handbook standards. Proved developed bitumen reserves are differentiated from proved undeveloped bitumen reserves by the presence of drilled production/injection well pairs at the reserves estimation effective date. Because a steam plant has a long life relative to well pairs, in the early stages of a SAGD project, only a small portion of proved reserves will be developed as the number of well pairs drilled will be limited by the available steam capacity.

The forecast production of Cenovus's proved bitumen reserves extends over 40 years, based on existing facilities. Production of the current proved developed portion is estimated to last ten years.

Oil

We have a significant CO₂ EOR project at Weyburn and a significant waterflood/polymer flood EOR project at Pelican Lake. These projects occur in large, well-developed reservoirs, where undeveloped reserves are not necessarily defined by the absence of drilling, but by improved recovery associated with development of the EOR schemes. Extending both EOR schemes requires intensive capital investment in infrastructure development and will occur over many years.

At Weyburn, investment in proved undeveloped reserves is projected to continue for well over 30 years, with drilling of supplementary wells taking place over the next six years and CO₂ flood advancement continuing many years beyond that. At Pelican Lake, investment in proved undeveloped reserves is projected to continue for over 20 years, with a combination of infill drilling and polymer flood advancement.

Material Changes to Proved Undeveloped Reserves

The approval of Christina Lake phase D added approximately 160 million barrels of proved undeveloped bitumen reserves in 2009. Natural gas reserves were reduced by approximately 108 billion cubic feet due to low gas prices.

Development Progress

In 2009, approximately \$240 million was spent to convert 17 million barrels of bitumen, eight million barrels of oil and 41 billion cubic feet of natural gas from proved undeveloped to proved developed reserve status.

Aging of Proved Undeveloped Reserves

The only current proved undeveloped reserves that have remained undeveloped for five years or more are located in the Pelican Lake EOR project. Limited polymer flooding to date has provided positive indications for broader application throughout the reservoir.

Commodity Prices for Reserves Evaluation

To estimate Cenovus's reserves, the IQREs used the following 2009 reference prices:

	2009	2008	% Change
Crude Oil (\$/bbl)			
WTI	61.18	44.60	37
WCS (C\$)	58.65	41.98	40
Natural Gas (\$/MMbtu)			
Henry Hub	3.87	5.71	(32)
AECO (C\$)	3.77	6.22	(39)

The 2009 prices reflect the new SEC requirements that prices be determined by using the average of the first day of the month price for each of the 12 months preceding the effective date of the evaluation. The 2008 reference prices were based on prices at December 31, 2008.

Other Disclosures About Oil and Gas Activities

The tables in this section set forth oil and gas information prepared by us in accordance with the U.S. Financial Accounting Standards Board's ASC 932-10, "Extractive Activities - Oil and Gas".

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein

In calculating the standardized measure of discounted future net cash flows for 2009, 12-month average price and cost assumptions were applied to our annual future production from proved reserves to determine cash inflows. For the 2008 and 2007 calculations of standardized measure of discounted future net cash flows, the prices were based on the year-end price for each of the respective years. Future production and development costs are based on average price assumptions and assume the continuation of existing economic, operating and regulatory conditions. Future income taxes are calculated by applying statutory income tax rates to future pre-tax cash flows after provision for the tax cost of the oil and natural gas properties based upon existing laws and regulations. The discount was computed by application of a ten percent discount factor to the future net cash flows. The calculation of the standardized measure of discounted future net cash flows is based upon the discounted future net cash flows prepared by the IQREs in relation to the reserves they respectively evaluated, and adjusted to the extent provided by contractual arrangements such as price risk management activities, in existence at year-end and to account for asset retirement obligations and future income taxes.

We caution that the discounted future net cash flows relating to proved oil and gas reserves are an indication of neither the fair market value of our oil and gas properties, nor the future net cash flows expected to be generated from such properties. The discounted future net cash flows do not include the fair market value of exploratory properties and probable or possible oil and gas reserves, nor is consideration given to the effect of anticipated future changes in crude oil and natural gas prices, development, asset retirement and production costs and possible changes to tax and royalty regulations. The prescribed discount rate of ten percent may not appropriately reflect future interest rates. The computation also excludes values attributable to the marketing of our proprietary production and third-party purchases and sales of product.

**Standardized Measure of Discounted Future Net Cash Flows
Relating to Proved Oil and Gas Reserves**

	2009	2008	2007
		(\$ millions)	
Future cash inflows	48,006	31,626	57,706
Less future:			
Production costs	16,757	15,001	17,345
Development costs	5,313	4,334	4,635
Asset retirement obligation payments	2,954	1,669	1,769
Income taxes	5,553	2,142	7,641
Future net cash flows	17,429	8,480	26,316
Less 10 percent annual discount for estimated timing of cash flows	9,816	3,366	13,472
Discounted future net cash flows	7,613 ⁽¹⁾	5,114	12,844

Note:

(1) 2009 discounted future net cash flows have been calculated using 12-month average prices of: crude oil - WTI of \$61.18/bbl and WCS of C\$58.65/bbl; natural gas - Henry Hub of \$3.87/MMbtu and AECO of C\$3.77/MMbtu. Future net cash flows would have been \$12,524 million using the following single day December 31, 2009 prices: WTI of \$79.36/bbl and WCS of C\$75.21/bbl; natural gas - Henry Hub of \$5.78/MMbtu and AECO of C\$5.63/MMbtu. In 2008 and 2007, future net cash flows were calculated using the December 31 period end price for the respective years.

**Changes in Standardized Measure of Discounted Future Net Cash Flows
Relating to Proved Oil and Gas Reserves**

	2009	2008	2007
		(\$ millions)	
Balance, beginning of year	5,114	12,844	8,963
Changes resulting from:			
Sales of oil and gas produced during the period	(3,330)	(3,896)	(3,151)
Discoveries and extensions, net of related costs	817	165	1,330
Purchases of proved reserves in place	-	-	3
Sales of proved reserves in place	(11)	(2)	(1,244)
Net change in prices and production costs	5,561	(10,401)	6,206
Revisions to quantity estimates	(270)	1,589	524
Accretion of discount	632	1,647	1,127
Previously estimated development costs incurred net of changes in future development costs	(92)	670	468
Other	180	89	(73)
Net change in income taxes	(988)	2,409	(1,309)
Balance, end of year	7,613	5,114	12,844

Results of Operations, Capitalized Costs and Costs Incurred

Results of Operations⁽¹⁾

	2009	2008	2007
		(\$ millions)	
Oil and gas revenues, net of royalties, transportation and selling costs	4,058	4,732	3,883
Less:			
Operating costs, production and mineral taxes, and accretion of asset retirement obligations	728	836	732
Depreciation, depletion and amortization	1,090	1,103	1,217
Operating income	2,240	2,793	1,934
Income taxes	634	815	574
Results of operations	1,606	1,978	1,360

Note:

(1) All of our proved oil and gas reserves are located within Canada.

Capitalized Costs

	2009	2008	2007
		(\$ millions)	
Proved oil and gas properties	19,975	16,423	19,105
Unproved oil and gas properties	615	177	160
Total capital cost	20,590	16,600	19,265
Accumulated depreciation, depletion and amortization	10,945	8,476	9,707
Net capitalized costs	9,645	8,124	9,558

Costs Incurred

	2009	2008	2007
		(\$ millions)	
Acquisitions			
– Unproved	3	–	–
– Proved	–	–	14
Total acquisitions	3	–	14
Exploration costs	60	195	101
Development costs	894	1,305	1,140
Total costs incurred	957	1,500	1,255

Production Volumes and Per-Unit Results

Production Volumes

The following tables summarize our net daily production volumes, after royalties, on a quarterly basis for the periods indicated.

	Production Volumes - 2009				
	Year	Q4	Q3	Q2	Q1
PRODUCTION VOLUMES					
Oil and Natural Gas Liquids (bbls/d)					
Heavy Oil					
Foster Creek	36,654	45,035	38,954	34,249	28,170
Christina Lake	6,527	7,022	6,097	6,428	6,559
Integrated Oil – Other ⁽¹⁾	2,553	1,921	4,401	1,800	2,069
Canadian Plains	32,143	30,338	31,684	31,508	35,097
Light and Medium Oil – Canadian Plains	30,721	29,110	30,676	31,183	31,946
Natural Gas Liquids ⁽²⁾ – Canadian Plains	1,186	1,164	1,216	1,162	1,201
Total Oil and Natural Gas Liquids	109,784	114,590	113,028	106,330	105,042
Natural Gas (MMcf/d)					
Integrated Oil – Other	49	31	51	72	42
Canadian Plains	775	734	775	792	800
Total Natural Gas	824	765	826	864	842
Total (BOE/d)	247,117	242,090	250,695	250,330	245,375

Notes:

(1) Senlac property sold November 2009.

(2) Natural gas liquids include condensate volumes.

	Production Volumes - 2008				
	Year	Q4	Q3	Q2	Q1
PRODUCTION VOLUMES					
Oil and Natural Gas Liquids (bbls/d)					
Heavy Oil					
Foster Creek	25,947	28,955	26,979	21,038	26,770
Christina Lake	4,236	6,113	4,568	3,633	2,606
Integrated Oil – Other	2,729	2,133	2,273	3,009	3,514
Canadian Plains	35,029	32,843	34,655	34,618	38,029
Light and Medium Oil – Canadian Plains	31,128	32,147	30,134	30,479	31,752
Natural Gas Liquids ⁽¹⁾ – Canadian Plains	1,181	1,126	1,147	1,189	1,262
Total Oil and Natural Gas Liquids	100,250	103,317	99,756	93,966	103,933
Natural Gas (MMcf/d)					
Integrated Oil – Other	63	59	61	67	65
Canadian Plains	842	820	831	856	860
Total Natural Gas	905	879	892	923	925
Total (BOE/d)	251,083	249,817	248,423	247,799	258,100

Note:

(1) Natural gas liquids include condensate volumes.

	Production Volumes - 2007				
	Year	Q4	Q3	Q2	Q1
PRODUCTION VOLUMES					
Oil and Natural Gas Liquids (bbls/d)					
Heavy Oil					
Foster Creek	24,262	24,869	26,243	25,132	20,739
Christina Lake	2,552	2,321	2,497	2,862	2,530
Integrated Oil – Other	2,688	3,040	2,235	2,489	2,990
Canadian Plains	38,784	38,581	38,647	38,408	39,510
Light and Medium Oil – Canadian Plains	32,156	31,706	32,064	31,740	33,129
Natural Gas Liquids ⁽¹⁾ – Canadian Plains	1,260	1,422	1,209	1,206	1,203
Total Oil and Natural Gas Liquids	101,702	101,939	102,895	101,837	100,101
Natural Gas (MMcf/d)					
Integrated Oil – Other	91	69	105	98	91
Canadian Plains	875	876	858	874	891
Total Natural Gas	966	945	963	972	982
Total (BOE/d)	262,702	259,439	263,395	263,837	263,768

Note:

(1) Natural gas liquids include condensate volumes.

Per-Unit Results

The following tables summarize our net per-unit results on a quarterly basis, after royalties, for the periods indicated. The results exclude the impact of realized financial hedging.

	Per-Unit Results—2009				
	Year	Q4	Q3	Q2	Q1
Crude Oil – Heavy – Foster Creek (\$/bbl)					
Price	50.07	60.41	56.76	46.98	27.08
Production and mineral taxes	–	–	–	–	–
Transportation and selling	2.27	1.69	2.33	3.02	2.19
Operating	10.75	10.28	10.19	10.25	12.96
Netback	37.05	48.44	44.24	33.71	11.93
Crude Oil – Heavy – Christina Lake (\$/bbl)					
Price	47.66	54.06	59.28	49.25	26.08
Production and mineral taxes	–	–	–	–	–
Transportation and selling	2.78	0.95	5.06	2.46	2.74
Operating	14.76	17.75	14.41	11.92	14.78
Netback	30.12	35.36	39.81	34.87	8.56
Crude Oil – Heavy – Canadian Plains (\$/bbl)					
Price	48.49	57.48	57.30	48.22	31.34
Production and mineral taxes	(0.01)	0.02	(0.01)	0.02	(0.07)
Transportation and selling	1.12	0.81	1.10	1.37	1.17
Operating	9.80	13.24	8.74	9.61	7.82
Netback	37.58	43.41	47.47	37.22	22.42
Crude Oil – Heavy – Total (\$/bbl)					
Price	49.24	58.81	57.14	47.90	29.08
Production and mineral taxes	0.03	0.03	0.05	0.05	(0.03)
Transportation and selling	1.84	1.32	2.07	2.26	1.74
Operating	10.72	11.94	9.76	10.42	10.71
Netback	36.65	45.52	45.26	35.17	16.66
Crude Oil – Light and Medium – Canadian Plains (\$/bbl)					
Price	55.29	67.84	61.76	55.00	37.51
Production and mineral taxes	2.14	1.74	2.26	1.86	2.69
Transportation and selling	0.87	0.71	0.76	1.02	0.96
Operating	10.04	11.16	10.22	9.35	9.50
Netback	42.24	54.23	48.52	42.77	24.36
Crude Oil – Total (\$/bbl)					
Price	50.96	61.13	58.39	50.00	31.75
Production and mineral taxes	0.63	0.47	0.65	0.59	0.83
Transportation and selling	1.56	1.17	1.72	1.89	1.50
Operating	10.53	11.74	9.89	10.10	10.33
Netback	38.24	47.75	46.13	37.42	19.09
Natural Gas Liquids - Canadian Plains (\$/bbl)					
Netback	43.51	55.89	44.88	38.36	34.86
Total Liquids (\$/bbl)					
Price	50.87	61.08	58.25	49.88	31.78
Production and mineral taxes	0.62	0.47	0.64	0.58	0.82
Transportation and selling	1.55	1.15	1.70	1.87	1.48
Operating	10.41	11.62	9.78	9.99	10.21
Netback	38.29	47.84	46.13	37.44	19.27
Natural Gas – Total (\$/Mcf)					
Price	3.60	3.95	2.86	3.22	4.41
Production and mineral taxes	0.04	0.03	0.04	0.06	0.04
Transportation and selling	0.14	0.12	0.14	0.13	0.15
Operating	0.76	0.80	0.77	0.70	0.78
Netback	2.66	3.00	1.91	2.33	3.44
Total (\$/BOE)					
Price	34.58	41.36	35.80	32.36	28.69
Production and mineral taxes	0.42	0.31	0.42	0.46	0.49
Transportation and selling	1.14	0.93	1.24	1.25	1.14
Operating ⁽¹⁾	7.17	8.02	6.97	6.69	7.00
Netback	25.85	32.10	27.17	23.96	20.06

Note:

(1) Operating costs for the year include costs related to long-term incentives of \$0.09/BOE.

	Per-Unit Results—2008				
	Year	Q4	Q3	Q2	Q1
Crude Oil – Heavy – Foster Creek (\$/bbl)					
Price ⁽¹⁾	62.88	17.97	92.07	95.64	59.95
Production and mineral taxes	—	—	—	—	—
Transportation and selling	2.21	1.90	1.98	2.63	2.46
Operating	14.38	10.08	14.42	19.90	14.90
Netback	46.29	5.99	75.67	73.11	42.59
Crude Oil – Heavy – Christina Lake (\$/bbl)					
Price ⁽²⁾	59.63	29.61	86.06	81.02	56.94
Production and mineral taxes	—	—	—	—	—
Transportation and selling	3.34	2.78	2.81	3.62	5.25
Operating	22.79	14.07	22.24	30.92	33.66
Netback	33.50	12.76	61.01	46.48	18.03
Crude Oil – Heavy – Canadian Plains (\$/bbl)					
Price	74.08	31.30	95.86	98.65	70.44
Production and mineral taxes	0.03	0.06	0.07	(0.10)	0.07
Transportation and selling	1.60	1.13	2.42	1.60	1.29
Operating	9.04	7.17	7.62	11.30	9.93
Netback	63.41	22.94	85.75	85.85	59.15
Crude Oil – Heavy – Total (\$/bbl)					
Price	68.98	25.39	94.05	96.35	66.12
Production and mineral taxes	0.07	0.05	0.10	0.02	0.12
Transportation and selling	1.97	1.62	2.29	2.10	1.91
Operating	12.26	9.13	11.62	15.92	12.89
Netback	54.68	14.59	80.04	78.31	51.20
Crude Oil – Light and Medium – Canadian Plains (\$/bbl)					
Price	84.84	41.60	107.59	107.08	85.90
Production and mineral taxes	3.33	2.05	4.70	3.97	2.72
Transportation and selling	1.20	0.96	1.41	1.27	1.16
Operating	10.56	8.28	9.40	13.05	11.60
Netback	69.75	30.31	92.08	88.79	70.42
Crude Oil – Total (\$/bbl)					
Price	73.95	30.31	98.26	99.82	72.36
Production and mineral taxes	1.09	0.66	1.53	1.29	0.94
Transportation and selling	1.73	1.42	2.02	1.83	1.68
Operating	11.73	8.87	10.93	14.99	12.48
Netback	59.40	19.36	83.78	81.71	57.26
Natural Gas Liquids - Canadian Plains (\$/bbl)					
Netback	78.91	45.13	98.34	96.34	75.09
Total Liquids (\$/bbl)					
Price	74.00	30.47	98.26	99.77	72.39
Production and mineral taxes	1.08	0.65	1.51	1.28	0.93
Transportation and selling	1.71	1.40	2.00	1.81	1.66
Operating	11.59	8.78	10.80	14.81	12.33
Netback	59.62	19.64	83.95	81.87	57.47
Natural Gas – Total (\$/Mcf)					
Price	7.76	5.63	8.66	9.50	7.19
Production and mineral taxes	0.11	0.06	0.16	0.16	0.06
Transportation and selling	0.24	0.21	0.25	0.24	0.25
Operating	0.84	0.72	0.62	1.00	1.03
Netback	6.57	4.64	7.63	8.10	5.85
Total (\$/BOE)					
Price	57.55	32.39	70.37	73.39	54.82
Production and mineral taxes	0.83	0.47	1.19	1.07	0.58
Transportation and selling	1.54	1.34	1.69	1.57	1.57
Operating⁽³⁾	7.68	6.19	6.54	9.38	8.62
Netback	47.50	24.39	60.95	61.37	44.05

Notes:

- (1) The Foster Creek price for 2008 includes the impact of the write-down of condensate inventories to net realizable value (2008 - \$4.68/bbl; Q4 2008 - \$12.53/bbl; Q3 2008 - \$3.59/bbl).
- (2) The Christina Lake price for 2008 includes the impact of the write-down of condensate inventories to net realizable value (2008 - \$0.25/bbl; Q4 2008 - \$0.84/bbl).
- (3) Operating costs for the year include a recovery of costs related to long-term incentives of \$0.06/BOE.

	Per-Unit Results—2007				
	Year	Q4	Q3	Q2	Q1
Crude Oil – Heavy – Foster Creek (\$/bbl)					
Price	40.48	45.76	43.87	39.44	33.33
Production and mineral taxes	—	—	—	—	—
Transportation and selling	2.74	2.55	2.24	3.11	3.03
Operating ⁽¹⁾	13.44	12.75	10.98	13.37	16.49
Netback	24.30	30.46	30.65	22.96	13.81
Crude Oil – Heavy – Christina Lake (\$/bbl)					
Price	36.72	42.64	34.50	39.08	32.69
Production and mineral taxes	—	—	—	—	—
Transportation and selling	4.31	5.21	0.90	8.75	3.36
Operating ⁽¹⁾	24.57	29.98	25.50	20.65	23.19
Netback	7.84	7.45	8.10	9.68	6.14
Crude Oil – Heavy – Canadian Plains (\$/bbl)					
Price	43.91	49.52	48.22	40.70	37.22
Production and mineral taxes	0.05	0.07	0.06	0.06	(0.01)
Transportation and selling	1.18	1.13	1.36	1.19	1.03
Operating	7.59	9.06	7.27	7.56	6.48
Netback	35.09	39.26	39.53	31.89	29.72
Crude Oil – Heavy – Total (\$/bbl)					
Price	42.23	47.38	45.98	40.12	35.74
Production and mineral taxes	0.04	0.04	0.06	0.06	0.01
Transportation and selling	1.93	1.81	1.71	1.72	2.48
Operating	10.93	11.64	9.85	10.84	11.39
Netback	29.33	33.89	34.36	27.50	21.86
Crude Oil – Light and Medium – Canadian Plains (\$/bbl)					
Price	56.41	68.78	59.68	52.43	44.81
Production and mineral taxes	2.37	2.36	2.16	2.37	2.59
Transportation and selling	1.33	1.22	1.39	1.27	1.43
Operating	9.20	10.34	8.84	9.10	8.55
Netback	43.51	54.86	47.29	39.69	32.24
Crude Oil – Total (\$/bbl)					
Price	46.52	54.07	50.23	43.94	38.12
Production and mineral taxes	0.77	0.76	0.73	0.78	0.80
Transportation and selling	1.74	1.62	1.61	1.96	1.78
Operating	10.39	11.23	9.53	10.29	10.52
Netback	33.62	40.46	38.36	30.91	25.02
Natural Gas Liquids - Canadian Plains (\$/bbl)					
Netback	59.98	73.12	61.29	56.08	46.69
Total Liquids (\$/bbl)					
Price	46.69	54.33	50.36	44.08	38.22
Production and mineral taxes	0.76	0.75	0.72	0.77	0.79
Transportation and selling	1.72	1.60	1.59	1.94	1.76
Operating	10.27	11.08	9.42	10.17	10.41
Netback	33.94	40.90	38.63	31.20	25.26
Natural Gas – Total (\$/Mcf)					
Price	6.08	6.22	5.23	6.64	6.24
Production and mineral taxes	0.10	0.03	0.11	0.12	0.11
Transportation and selling	0.27	0.26	0.26	0.27	0.28
Operating	0.74	0.89	0.66	0.74	0.69
Netback	4.97	5.04	4.20	5.51	5.16
Total (\$/BOE)					
Price	40.51	44.04	38.85	41.48	37.74
Production and mineral taxes	0.65	0.42	0.70	0.75	0.71
Transportation and selling	1.65	1.58	1.56	1.74	1.70
Operating ⁽²⁾	6.75	7.59	6.12	6.66	6.64
Netback	31.46	34.45	30.47	32.33	28.69

Notes:

- (1) First quarter operating costs include a prior year under accrual of operating costs of approximately \$1.75/bbl for Foster Creek and \$2.53/bbl for Christina Lake.
- (2) Operating costs for the year include a recovery of costs related to long-term incentives of \$0.21/BOE.

The following tables show the impact of our realized financial hedging on per-unit results.

	2009				
	Year	Q4	Q3	Q2	Q1
Liquids (\$/bbl)	0.98	(0.05)	(0.01)	1.39	2.86
Natural Gas (\$/Mcf)	3.22	2.24	4.04	3.68	2.82
Total (\$/BOE)	11.18	7.07	13.25	13.24	11.02

	2008				
	Year	Q4	Q3	Q2	Q1
Liquids (\$/bbl)	(6.07)	2.71	(8.85)	(12.50)	(6.63)
Natural Gas (\$/Mcf)	(0.30)	1.07	(1.15)	(1.41)	0.34
Total (\$/BOE)	(3.50)	4.85	(7.69)	(10.01)	(1.43)

	2007				
	Year	Q4	Q3	Q2	Q1
Liquids (\$/bbl)	(3.40)	(9.98)	(4.94)	(1.47)	2.60
Natural Gas (\$/Mcf)	0.75	0.85	1.04	0.42	0.71
Total (\$/BOE)	1.40	(0.87)	1.84	0.98	3.58

Drilling Activity

The following tables summarize our gross participation and net interest in wells drilled for the periods indicated.

Exploration Wells Drilled

	Oil		Gas		Dry & Abandoned		Total Working Interest		Royalty	Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Gross	Net
	2009:										
Canadian Plains	4	4	-	-	-	-	4	4	8	12	4
Total Canada	4	4	-	-	-	-	4	4	8	12	4
2008:											
Canadian Plains	1	1	5	3	2	1	8	5	34	42	5
Total Canada	1	1	5	3	2	1	8	5	34	42	5
2007:											
Canadian Plains	3	3	4	4	-	-	7	7	89	96	7
Total Canada	3	3	4	4	-	-	7	7	89	96	7

Development Wells Drilled⁽¹⁾⁽²⁾⁽³⁾

	Oil		Gas		Dry & Abandoned		Total Working Interest		Royalty	Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Gross	Net
	2009:										
Integrated Oil	45	24	8	8	8	8	61	40	10	71	40
Canadian Plains	107	106	555	502	2	2	664	610	261	925	610
Total Canada	152	130	563	510	10	10	725	650	271	996	650
2008:											
Integrated Oil	41	21	13	13	4	4	58	38	41	99	38
Canadian Plains	105	92	1,489	1,372	7	7	1,601	1,471	503	2,104	1,471
Total Canada	146	113	1,502	1,385	11	11	1,659	1,509	544	2,203	1,509
2007:											
Integrated Oil	55	29	6	2	6	4	67	35	43	110	35
Canadian Plains	161	138	2,215	2,115	4	3	2,380	2,256	466	2,846	2,256
Total Canada	216	167	2,221	2,117	10	7	2,447	2,291	509	2,956	2,291

Notes:

- (1) "Gross" wells are the total number of wells in which we will have an interest.
- (2) "Net" wells are the number of wells obtained by aggregating our working interests in each of the gross wells.
- (3) At December 31, 2009, 11 gross wells (seven net wells), all in Canada, were being drilled.

In addition to the above tables, we drilled stratigraphic test wells during the year ended December 31, 2009, with the Integrated Oil Division having drilled 79 gross wells (40 net wells) and the Canadian Plains Division having drilled 22 gross wells (22 net wells).

Location of Wells⁽¹⁾⁽²⁾

The following table summarizes our interests in producing wells, including wells mechanically capable of producing, as at December 31, 2009.

	Oil		Gas		Total	
	Gross	Net	Gross	Net	Gross	Net
Alberta:						
Integrated Oil	187	94	767	716	954	810
Canadian Plains	3,151	3,066	28,342	27,469	31,493	30,535
Total Alberta	3,338	3,160	29,109	28,185	32,447	31,345
Saskatchewan:						
Canadian Plains	864	557	452	418	1,316	975
Total Saskatchewan	864	557	452	418	1,316	975
Total	4,202	3,717	29,561	28,603	33,763	32,320

Notes:

- (1) Cenovus also has varying royalty interests in 9,450 natural gas wells and 4,229 crude oil wells which are producing or capable of producing.
- (2) Includes wells containing multiple completions as follows: 24,868 gross natural gas wells (24,037 net wells) and 1,504 gross crude oil wells (1,292 net wells).

Interest in Material Properties⁽¹⁾

The following table summarizes our developed, undeveloped and total landholdings as at December 31, 2009.

	Developed		Undeveloped		Total	
	Gross	Net	Gross	Net	Gross	Net
	(thousands of acres)					
Alberta:						
Integrated Oil						
– Crown ⁽²⁾	551	457	1,428	1,053	1,979	1,510
Canadian Plains						
– Fee ⁽³⁾	1,910	1,910	450	450	2,360	2,360
– Crown ⁽²⁾	2,088	1,907	844	743	2,932	2,650
– Freehold ⁽⁴⁾	68	55	21	18	89	73
Total Alberta	4,617	4,329	2,743	2,264	7,360	6,593
Saskatchewan:						
Canadian Plains						
– Fee ⁽³⁾	68	68	438	438	506	506
– Crown ⁽²⁾	124	103	369	313	493	416
– Freehold ⁽⁴⁾	14	10	42	40	56	50
Total Saskatchewan	206	181	849	791	1,055	972
Manitoba:						
Canadian Plains – Fee ⁽³⁾	3	3	261	261	264	264
Total Manitoba	3	3	261	261	264	264
Total	4,826	4,513	3,853	3,316	8,679	7,829

Notes:

- (1) This table excludes approximately 2.4 million gross acres under lease or sublease, reserving to us, royalties or other interests.
- (2) Crown/Federal lands are those lands owned by the federal or provincial government or the First Nations, in which we have purchased a working interest lease.
- (3) Fee lands are those lands in which we have a fee simple interest in the mineral rights and have either: (i) not leased out all of the mineral zones; or (ii) retained a working interest. The current fee lands acreage summary now includes all fee titles owned by us, that have one or more zones that remain unleased or available for development.
- (4) Freehold lands are those lands owned by individuals (other than a government or Cenovus) in which Cenovus holds a working interest lease.

Capital Expenditures, Acquisitions and Divestitures

Our growth in recent years has been achieved primarily through internal growth. We have a large inventory of internal growth opportunities and continue to examine select acquisition opportunities to develop and expand our major properties. Acquisition opportunities may include corporate or asset acquisitions. We may finance any such acquisitions with debt, equity, cash generated from operations, proceeds from asset divestitures or a combination of these sources.

The following table summarizes our net capital investment for 2009 and 2008.

	2009	2008
	(\$ millions)	
Capital Investment		
Upstream Canada		
Foster Creek	231	336
Christina Lake	198	218
Canadian Plains	478	872
Other	47	90
	954	1,516
Downstream Refining	907	478
Corporate	31	52
Capital Investment	1,892	2,046
Acquisitions	3	-
Divestitures	(209)	(47)
Net Acquisition and Divestiture Activity	(206)	(47)
Net Capital Investment	1,686	1,999

Delivery Commitments

As part of the Arrangement, we assumed, under existing contracts and agreements, and we have, as part of our ordinary business operations, a number of delivery commitments to provide crude oil and natural gas. We have sufficient reserves of natural gas and crude oil to meet these commitments. More detailed information relating to such commitments can be found in the notes to our audited consolidated financial statements for the year ended December 31, 2009.

GENERAL

Competitive Conditions

All aspects of the oil and gas industry are highly competitive and we actively compete with other companies, particularly in the following areas: (i) exploration for and development of new sources of bitumen, crude oil and natural gas reserves; (ii) reserves and property acquisitions; (iii) transportation and marketing of oil, natural gas, NGLs, diluents and electricity; (iv) supply of refinery feedstock and the market for refined products; (v) access to services and equipment to carry out exploration, development or operating activities; and (vi) attracting and retaining experienced industry personnel. The oil and gas industry also competes with other industries that provide alternative forms of energy to consumers. Competitive forces can lead to cost increases or result in an oversupply of oil and natural gas, both of which could have a negative impact on our financial results.

Environmental Protection

Our operations are subject to laws and regulations concerning protection of the environment, pollution and the handling and transport of hazardous materials. These laws and regulations generally require us to remove or remedy the effect of our activities on the environment at present and former operating sites, including dismantling production facilities and remediating damage caused by the use or release of specified substances. The Safety, Environment and Responsibility Committee of our Board (the "SER Committee") reviews and recommends to our Board for approval environmental policies and oversees compliance with government laws and regulations. Monitoring and reporting programs for environmental, health and safety ("EH&S") performance in day-to-day operations, as well as inspections and assessments, have been designed to provide assurance that environmental and regulatory standards are met. Contingency plans have been put in place for a timely response to an environmental event and remediation/reclamation programs have been put in place and utilized to restore the environment.

We recognize that there is a cost associated with carbon emissions and we believe that greenhouse gas regulations and the cost of carbon at various price levels can be adequately accounted for as part of business planning. As part of our future planning, management and the Board review the impact of a variety of carbon constrained scenarios on our strategy, with a current price range from \$15 to \$65 per tonne of emissions applied across a range of regulatory policy options. A major benefit of applying a range of carbon prices at the strategic level is that it provides direct guidance to the capital allocation process. Although uncertainty remains regarding potential future emissions regulation, we will continue to assess and evaluate the cost of carbon relative to our investments across a range of scenarios.

We also examine the impact of carbon regulation on our major projects, including both our SAGD operations and refining assets. We continue to closely monitor potential greenhouse gas legislation developments in the U.S. Some of the climate change legislation being contemplated in the U.S. would require refiners to obtain emission allowances for emissions of greenhouse gases, including CO₂ based on the carbon content of their fuels. If this type of legislation is enacted into law, this could have a material impact on the cost structure of refined petroleum products that would be passed onto the consumer.

We expect to incur abandonment and site reclamation costs as existing oil and gas properties are abandoned and reclaimed. In 2009, expenditures beyond normal compliance with environmental regulations were not material. We do not anticipate making material expenditures beyond amounts paid in respect of normal compliance with environmental regulations in 2010. Based on estimates at December 31, 2009, the total anticipated undiscounted future cost of abandonment and reclamation costs to be incurred over the life of our proved reserves is estimated at approximately \$5.4 billion.

Social and Environmental Policies

We have a Corporate Responsibility Policy (the "Policy") that applies to any activity undertaken by or on behalf of Cenovus. The Policy has specific requirements in the areas of: (i) leadership commitment; (ii) sustainable value creation; (iii) governance and business practices; (iv) human rights; (v) labour practices; (vi) EH&S; (vii) stakeholder engagement; and (viii) socio-economic and community development.

The Policy and any revisions are approved by our executive team and our Board. Accountability for implementation of the Policy is at the operational level within Cenovus's business units. Business units have established processes to evaluate risks and programs are implemented to minimize that risk. Results related to the commitments are tied to the individual performance assessment process.

The Policy states the following with respect to the environment: (i) Cenovus will safeguard the environment and will operate in a manner consistent with recognized global industry standards in EH&S; (ii) we will strive to make efficient use of resources, to minimize our environmental footprint and to conserve habitat diversity and the plant and animal populations that may be affected by our operations; and (iii) we will strive to reduce our emissions intensity and increase our energy efficiency.

With respect to Cenovus's relationship with the communities in which we do business, the Policy states that: (i) we engage in collaborative, consultative and partnership approaches in our community investment and programs, recognizing that no corporation is solely responsible for changing the fundamental economic, environmental and social situation in a community or country; and (ii) through our activities, Cenovus will assist in local capacity-building and develop mutually beneficial relationships, to make a positive difference in the communities and regions where we operate.

With respect to human rights, the Policy states that Cenovus will not take part in human rights abuse and will not engage or be complicit in any activity that solicits or encourages human rights abuse.

Through the Policy, Cenovus is committed to protecting the health and safety of all individuals affected by our activities, including our workforce and the public. We will not compromise the health and safety of any individual in the conduct of our activities. Cenovus will strive to provide a safe and healthy working environment and we expect our workers to comply with the health and safety practices established for their protection.

Some of the steps that Cenovus has taken to embed the corporate responsibility approach throughout the organization include: (i) an EH&S management system; (ii) a security program to regularly assess security threats to business operations and to manage the associated risks; (iii) corporate responsibility performance metrics to track our progress; (iv) an energy efficiency program that focuses on reducing energy use at Cenovus's operations and supports initiatives at the community level while also incentivizing employees to reduce energy use in their homes; (v) an Investigations Practice and an Investigations Committee to review and resolve potential violations of Cenovus policies or practices and other regulations; (vi) an Integrity Helpline that provides an additional avenue for Cenovus's stakeholders to raise their concerns as well as the corporate responsibility website which allows people to write to Cenovus about non-financial issues of concern; (vii) an internal corporate EH&S audit program that evaluates Cenovus's compliance with the expectations and requirements of the EH&S management system; (viii) related policies and practices such as an Alcohol and Drug Policy, a Code of Business Conduct & Ethics and guidelines for correct behaviours with respect to the acceptance of gifts, conflicts of interest and the appropriate use of Cenovus equipment and technology in a manner that is consistent with leading ethical business practices; and (ix) a requirement for acknowledgement and sign-off on key policies from our Board and employees. In addition, our Board approves such policies and is advised of significant contraventions thereof, and

receives updates on trends, issues or events which could have a significant impact on Cenovus.

Employees

At December 31, 2009, we employed 2,221 full-time equivalent (“FTE”) employees as set forth in the following table.

	FTE Employees
Integrated Oil Division	804
Canadian Plains Division	859
Cenovus-wide	558
Total	2,221

We also engage a number of contractors and service providers.

Foreign Operations

One hundred percent of our reserves, production and assets are located in North America, which limits our exposure to risks and uncertainties in countries considered politically and economically unstable. Any of our future operations and related assets outside North America may be adversely affected by changes in governmental policy, social instability or other political or economic developments which are not within our control, including the expropriation of property, the cancellation or modification of contract rights and restrictions on repatriation of cash.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

The names, province or state and country of residence, position(s) of, and the number of Common Shares, as at December 31, 2009, beneficially owned, or controlled or directed, directly or indirectly by, the persons who serve as our directors are set out below.

Name and Residence ⁽¹⁾	Office Held	Principal Occupation	Common Shares Held
Ralph S. Cunningham ^(2,4,5,7) Houston, Texas, United States	Director	President & Chief Executive Officer EPE Holdings, LLC (Midstream energy services)	0
Patrick D. Daniel ^(2,3,4,5) Calgary, Alberta, Canada	Director	President & Chief Executive Officer Enbridge Inc. (Energy delivery)	39,348
Ian W. Delaney ^(2,4,5,7) Toronto, Ontario, Canada	Director	Chairman and Chief Executive Officer Sherritt International Corporation (Nickel/cobalt mining, oil and natural gas production, electricity generation and coal mining)	58,600
Brian C. Ferguson ⁽⁸⁾ Calgary, Alberta, Canada	Director, President & Chief Executive Officer	President & Chief Executive Officer Cenovus Energy Inc.	97,887
Michael A. Grandin ^(2,5,9) Calgary, Alberta, Canada	Chair	Corporate Director	123,120
Valerie A.A. Nielsen ^(2,3,5,6) Calgary, Alberta, Canada	Director	Corporate Director	44,217
Charles M. Rampacek ^(5,6,7) Dallas, Texas, United States	Director	Corporate Director	0
Colin Taylor ^(3,4,5) Toronto, Ontario, Canada	Director	Corporate Director	2,300
Wayne G. Thomson ^(2,5,6,7) Calgary, Alberta, Canada	Director	President Enviro Valve Inc. (Private technology company)	0

Notes:

- (1) Each of the directors became members of our Board pursuant to the Arrangement.
- (2) Former director of EnCana.
- (3) Member of the Audit Committee.
- (4) Member of the Human Resources and Compensation Committee.
- (5) Member of the Nominating and Corporate Governance Committee.
- (6) Member of the Reserves Committee.
- (7) Member of the Safety, Environment and Responsibility Committee.
- (8) As an officer and a non-independent director, Mr. Ferguson is not a member of any of the Committees of our Board.
- (9) Ex-officio non-voting member of all other Committees of our Board. As an ex-officio non-voting member, Mr. Grandin attends as his schedule permits and may vote when necessary to achieve a quorum.

Each of the directors was appointed as a member of our Board effective November 30, 2009 pursuant to the Arrangement and will hold office until the first annual meeting of the holders of Common Shares or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. Additional directors may be appointed by our Board prior or subsequent to the first annual meeting of holders of Common Shares in accordance with our articles. We have been granted an exemption by the TSX from being required to hold our first annual meeting of holders of Common Shares within six months of December 31, 2009. As a result, the first annual meeting of holders of Common Shares is expected to

occur in the second quarter of 2011 and, in any event, not later than May 31, 2011, at which time holders of Common Shares will vote on the election of our directors and appointment of our auditors.

Five Year Occupational History of Directors

Ralph S. Cunningham

Mr. Cunningham has been a director and President and Chief Executive Officer of EPE Holdings, LLC, the sole general partner of Enterprise GP Holdings L.P. (a publicly traded midstream energy holding company) since August 2007. From February 2006 until July 2007, he served as Group Executive Vice President and Chief Operating Officer and, from June 2007 to July 2007, also served as Interim President and Chief Executive Officer of Enterprise Products GP, LLC, the sole general partner of Enterprise Products Partners L.P. (a publicly traded midstream energy company). In addition, he has served as a director of Enterprise Products GP, LLC, the general partner of Enterprise Products Partners, L.P., since February 2006. He is also a director of Agrium Inc. (agricultural chemicals company), a director of LE GP, LLC, the general partner of Energy Transfer Equity, L.P. (a publicly traded energy partnership) and a director and Chairman of TETRA Technologies, Inc. (energy services and chemicals company). He was President and Chief Executive Officer of CITGO Petroleum Corporation (energy company) from May 1995 until his retirement in May 1997. In the not-for-profit sector, he is a member of the Auburn University Chemical Engineering Advisory Council and the Auburn University Engineering Advisory Council.

Patrick D. Daniel

Mr. Daniel has been President & Chief Executive Officer of Enbridge Inc. (energy delivery) since January 2001 and a director since May 2000. He has been a senior executive officer of Enbridge or its predecessor since 1994 and is a director of a number of Enbridge subsidiaries. He is a director of Canadian Imperial Bank of Commerce and a member of the North American Review Board of American Air Liquide Holdings, Inc. (industrial and medical gases and related services). In the not-for-profit sector, he is a member of the National Petroleum Council (an Oil and Natural Gas Advisory Committee to the U.S. Secretary of Energy) and a director of the American Petroleum Institute.

He holds a Bachelor of Science (University of Alberta) and Master of Science (University of British Columbia), both in chemical engineering.

Ian W. Delaney

Mr. Delaney has been Chairman of Sherritt International Corporation (nickel/cobalt mining, oil and natural gas production, electricity generation and coal mining) since 1995 and assumed the additional responsibilities of Chief Executive Officer of Sherritt International Corporation in January 2009. He is also Chairman of The Westaim Corporation (technology investment company) and a director of OPTI Canada Inc. (oilsands development and upgrading company).

Brian C. Ferguson

Mr. Ferguson became President & Chief Executive Officer of Cenovus on November 30, 2009. Prior to his executive leadership role at Cenovus, he was appointed Executive Vice-President & Chief Financial Officer of EnCana on March 1, 2006. At the time of the merger between Alberta Energy Company Ltd. and PanCanadian Energy Corporation in 2002, Mr. Ferguson was appointed Executive Vice-President, Corporate Development with responsibility for three primary functions: investor relations; business development, which included corporate strategic planning, acquisitions and divestitures, and corporate reserve evaluations; and a combined legal and corporate secretarial team.

Mr. Ferguson is a member of the Canadian Institute of Chartered Accountants (CICA) and is currently serving as Chairman of CICA's Risk Oversight and Governance Board.

He earned a Bachelor of Commerce degree, with distinction, from the University of Alberta in 1980 and received his Chartered Accountant designation in 1983.

Michael A. Grandin

Mr. Grandin is a Corporate Director. He is a director of BNS Split Corp. II (investment company) and HSBC Bank Canada. He was Chairman and Chief Executive Officer of Fording Canadian Coal Trust (publicly traded mining trust) from February 2003 to October 2008 when it was acquired by Teck Cominco Limited. He was President of PanCanadian Energy Corporation from October 2001 to April 2002 when it merged with Alberta Energy Company Ltd. to form EnCana. He was also Executive Vice-President and Chief Financial Officer of Canadian Pacific Limited from December 1997 to October 2001. Mr. Grandin served as Dean of the Haskayne School of Business, University of Calgary from April 2004 to January 2006.

Valerie A.A. Nielsen

Ms. Nielsen is a Corporate Director. She is a director of Wajax Income Fund (diversified company engaged in the sale and after-sales parts and service support of mobile equipment, diesel engines and industrial components). In the not-for-profit sector, she is a director of the Canada Olympic Committee. She was a member and past chair of an advisory group on the General Agreement on Tariffs and Trade (GATT), the North America Free Trade Agreement (NAFTA) and international trade matters pertaining to energy, chemicals and plastics from 1986 to 2002.

She holds a Bachelor of Science (Hon.) (Dalhousie University).

Charles M. Rampacek

Mr. Rampacek is a Corporate Director. Since June 2003, Mr. Rampacek has provided business and management consulting services to the energy industry. Since 2006, Mr. Rampacek has served as a director of Enterprise Products GP, LLC, the sole general partner of Enterprise Products Partners, L.P. (a publicly traded midstream energy company), and since 1998 he has been a director of Flowserve Corporation (a publicly traded manufacturer of industrial pumps, valves and seals). From August 2000 until May 2003, he served as Chairman and President and Chief Executive Officer of Probex Corporation (a publicly held energy technology company) and, from January 1996 through August 2000, Mr. Rampacek was President and Chief Executive Officer of Lyondell-Citgo Refining, L.P. (a crude oil refiner and manufacturer of petroleum products). From 1982 to 1995, he held various executive positions with energy-related subsidiaries of Tenneco Inc. (a publicly traded energy company) including President of Tenneco Gas Transportation Company, Executive Vice President of Tenneco Gas Operations and Senior Vice President of Refining and Natural Gas Liquids. In the not-for-profit sector, Mr. Rampacek serves on the Engineering Advisory Council for the University of Texas and the College of Engineering Leadership Board for the University of Alabama.

Colin Taylor

Mr. Taylor is a Corporate Director. From June 1996 until May 2004, Mr. Taylor served two consecutive four-year terms as Chief Executive and Managing Partner of Deloitte & Touche LLP. Subsequently, he was Senior Counsel at Deloitte & Touche LLP until his retirement in May 2008. He has held a number of international management and governance responsibilities throughout his professional career. Mr. Taylor also served as Advisory Partner to a number of public and private company clients of Deloitte & Touche LLP.

Wayne G. Thomson

Mr. Thomson has been President and a director of Enviro Valve Inc. (private company manufacturing proprietary pressure relief valves) since July 2009. He has also been President and a director of Virgin Resources Limited (private junior international oil and gas exploration company focused in Yemen) since February 2005. He is also a director of TG World Energy Corp. (TSX Venture listed international oil and gas exploration company). He

has served as President and a director of private and public companies in the oil and gas sector, namely, EcoMax Energy Services Ltd., Airborne Pollution Control, Hadrian Energy Corp., Gardiner Oil and Gas Limited and Petrocorp Exploration Limited (New Zealand oil and gas company).

Other Reporting Issuer Experience of Directors

The following table sets out our directors that are directors of other reporting issuers (or the equivalent) in Canada or a foreign jurisdiction:

Name	Name of Reporting Issuer
Ralph S. Cunningham	Agrium Inc. DEP Holdings, LLC ⁽¹⁾ Enterprise Products GP, LLC ⁽²⁾ EPE Holdings, LLC ⁽³⁾ LE GP, LLC ⁽⁴⁾ TETRA Technologies, Inc.
Patrick D. Daniel	Canadian Imperial Bank of Commerce Enbridge Inc.
Ian W. Delaney	OPTI Canada Inc. Sherritt International Corporation The Westaim Corporation
Michael A. Grandin	BNS Split Corp. II HSBC Bank Canada
Valerie A.A. Nielsen	Wajax Income Fund
Charles M. Rampacek	Enterprise Products GP, LLC ⁽²⁾ Flowserve Corporation
Wayne G. Thomson	TG World Energy Corp.

Notes:

(1) The sole general partner of Duncan Energy Partners L.P.

(2) The general partner of Enterprise Products Partners L.P.

(3) The sole general partner of Enterprise GP Holdings L.P.

(4) The general partner of Energy Transfer Equity L.P.

Executive Officers

The names, province and country of residence and positions of the persons who serve as our executive officers are set out below.

Name and Residence	Office Held and Principal Occupation
Brian C. Ferguson Calgary, Alberta, Canada	Director, President & Chief Executive Officer
Ivor M. Ruste Calgary, Alberta, Canada	Executive Vice-President & Chief Financial Officer
John K. Brannan Calgary, Alberta, Canada	Executive Vice-President <i>(President, Integrated Oil Division)</i>
Harbir S. Chhina Calgary, Alberta, Canada	Executive Vice-President, Enhanced Oil Development & New Resource Plays
Kerry D. Dyte Calgary, Alberta, Canada	Executive Vice-President, General Counsel & Corporate Secretary
Judy A. Fairburn Calgary, Alberta, Canada	Executive Vice-President, Environment & Strategic Planning
Sheila M. McIntosh Calgary, Alberta, Canada	Executive Vice-President, Communications & Stakeholder Relations
Donald T. Swystun Calgary, Alberta, Canada	Executive Vice-President <i>(President, Canadian Plains Division)</i>
Hayward J. Walls Calgary, Alberta, Canada	Executive Vice-President, Organization & Workplace Development

Five Year Occupational History of Executive Officers

John K. Brannan

Mr. Brannan is our Executive Vice-President (*President, Integrated Oil Division*). From November 2004 to November 2009, Mr. Brannan held the following positions with EnCana: Executive Vice-President (*President, Integrated Oil Division*) effective January 1, 2007; Managing Director, Frontier and International New Ventures effective July 1, 2005; and from November 19, 2003 to June 30, 2005, Managing Director, International & New Ventures.

Harbir S. Chhina

Mr. Chhina is our Executive Vice-President, Enhanced Oil Development & New Resource Plays. From November 2004 to November 2009, Mr. Chhina held the following positions with EnCana: Vice-President, Upstream Operations, Integrated Oil Division effective January 1, 2007; and from April 16, 2003 to December 31, 2006, Vice-President, Oil Recovery Business Unit.

Kerry D. Dyte

Mr. Dyte is our Executive Vice-President, General Counsel & Corporate Secretary. Mr. Dyte held the following positions with EnCana: from January 1, 2007 to November 2009, Vice-President, General Counsel & Corporate Secretary; and from December 1, 2002 to December 31, 2006, General Counsel & Corporate Secretary.

Judy A. Fairburn

Ms. Fairburn is our Executive Vice-President, Environment & Strategic Planning. From April 2002 to November 2009, Ms. Fairburn held the following positions with EnCana: Vice-President, Environment & Corporate Responsibility effective May 1, 2009; Vice-President, Environment & Strategic Planning effective December 2008; Vice-President, Downstream Operations effective January 2007; Vice-President, Weyburn Business Unit effective July 2004; Vice-President, Portfolio Management, Upstream Operations effective April 2003; and Vice-President, Strategic Planning, Onshore North America effective April 2002.

Sheila A. McIntosh

Ms. McIntosh is our Executive Vice-President, Communications & Stakeholder Relations. From November 2004 to November 2009, Ms. McIntosh held the following positions with EnCana: Executive Vice-President, Corporate Communications effective January 1, 2007; and from November 19, 2003 to December 31, 2006, Vice-President, Investor Relations.

Ivor M. Ruste

Mr. Ruste is our Executive Vice-President & Chief Financial Officer. From May 2006 to November 2009, Mr. Ruste held the following positions with EnCana: Executive Vice-President, Corporate Responsibility & Chief Risk Officer effective May 1, 2009; Executive Vice-President & Chief Risk Officer effective January 1, 2008; Vice-President, Finance for the Integrated Oil Division effective January 1, 2007; and Vice-President, Finance of the Corporate Finance Group effective May 1, 2006. From February 2003 to April 2006, he was a partner and the Office Managing Partner for the Edmonton, Alberta office of KPMG LLP, as well as the Alberta Region Managing Partner for KPMG LLP. During this period, he was also a member of the Board of Directors of KPMG Canada and, from December 2003 to March 2006, he was Vice Chair of the Board of Directors for KPMG Canada.

Donald T. Swystun

Mr. Swystun is our Executive Vice-President (*President, Canadian Plains Division*). From November 2004 to November 2009, Mr. Swystun held the following positions with EnCana: Executive Vice-President, (*President, Canadian Plains Division*) effective January 1, 2007; Executive Vice-President, Corporate Development effective March 1, 2006; and from September 1, 2001 to February 28, 2006, President, Ecuador Region.

Hayward J. Walls

Mr. Walls is our Executive Vice-President, Organization & Workplace Development. From November 2004 to November 2009, Mr. Walls held the following positions with EnCana: Executive Vice-President, Corporate Services effective January 1, 2006; and effective November 19, 2003, Vice-President, Information Services & Chief Information Officer.

As of December 31, 2009, all of our directors and executive officers, as a group, beneficially owned or exercised control or direction over, directly or indirectly, 1,020,399 Common Shares or approximately 0.14 percent of the number of Common Shares that were outstanding as of such date.

Corporate Cease Trade Orders or Bankruptcies

To our knowledge, other than as described below, none of our current directors or executive officers is, as at the date of this annual information form, or has been, within ten years before the date of this annual information form, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days

(collectively, an "Order") and that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of the company being the subject of such an Order and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To our knowledge, other than as described below, none of our directors or executive officers:

- (a) is, at the date of this annual information form, or has been within ten years before the date of this annual information form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to its own bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within ten years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Mr. Rampacek was the Chairman and President and Chief Executive Officer of Probex Corporation ("Probex") in 2003 when Probex filed a petition seeking relief under Chapter 7 of the Bankruptcy Code (United States). In 2005, two complaints seeking recovery of certain alleged losses were filed against former officers and directors of Probex, including Mr. Rampacek, as a result of the bankruptcy. These complaints were defended under Probex's director and officer insurance by AIG and settlement was reached and paid by AIG with bankruptcy court approval in the first half of 2006. An additional complaint was filed in 2005 against noteholders of certain Probex debt, of which Mr. Rampacek was a party. A settlement of \$2,000 was reached and similarly approved in the first half of 2006.

Conflicts of Interest

There are potential conflicts of interest to which our directors and officers may be subject in connection with our operations. In particular, certain of our directors and officers are, or may be, involved in managerial or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with ours or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of ours. Conflicts, if any, will be subject to the procedures and remedies available under the CBCA. The CBCA provides that, in the event a director or officer has an interest in a material contract or transaction, whether made or proposed, with the corporation, the director or officer shall disclose his interest in such contract or transaction and shall refrain from voting on any matter in respect of such contract or unless otherwise provided by the CBCA. As at the date of this annual information form, we are not aware of any existing or potential material conflicts of interest between us and any of our directors or officers.

STATEMENT OF EXECUTIVE COMPENSATION

The amounts reported in this Statement of Executive Compensation are reported in U.S. dollars. As the amounts are paid in Canadian dollars, we have converted the amounts to U.S. dollars using the exchange rate of C\$1.00 = US\$0.9555, which is the exchange rate for Canadian dollars to U.S. dollars on December 31, 2009 based on the daily noon buying rate published by the Bank of Canada.

Compensation Discussion and Analysis

Introduction

To ensure we meet our commitments to our shareholders, our employees and the communities in which we conduct our business, we depend on our highly-skilled, committed and experienced team of executive officers to execute on our strategy.

Our executive compensation program will focus on attracting, motivating, rewarding and retaining a strong team of executive officers, and will encourage short and long-term performance, to ensure that the interests of our executive officers are aligned with the interests of our shareholders.

Compensation Philosophy

Our compensation philosophy will demonstrate how we value our employees and our executive officers and how we align their interests with the interests of our shareholders. Our compensation philosophy is being developed to include the following elements:

- In our business, against the companies we compete with, we strive to be an employer of choice.
- Our compensation is results-oriented and includes competitive salaries and benefits, plus annual and long-term incentives.
- We provide a total compensation package, where all elements of the compensation program play a role in attracting, motivating, rewarding and retaining our employees and our executive officers and which incorporates clear differentiation of pay based on individual and company performance.
- Our total compensation is designed to be competitive and to position the total compensation of our executive officers to be in the top quartile of our peer group for outstanding performance. Similarly, for lesser performance, we will provide lower total compensation through our annual and long-term incentive programs.
- We recognize that total compensation may be impacted by increases and decreases in commodity prices that may occur as a result of the cyclical nature of our business. Therefore, we will test the total compensation of our executive officers for various performance outcomes to understand how these changes will impact compensation.

Committee Oversight

Our compensation program is overseen and governed by our Human Resources and Compensation Committee ("HRC Committee"). As outlined in its mandate, the HRC Committee's responsibilities include:

- Review and monitor our compensation philosophy and compensation program design on at least an annual basis.
- Review competitive analysis and performance data to make recommendations regarding the compensation of our President & Chief Executive Officer to our Board and to approve the compensation of our other executive officers and report it to our Board.
- Review and recommend succession planning for our executive officers to our Board.

- Review and monitor our short and long-term incentive programs, including making recommendations regarding the related incentive plans for approval by our Board and, in the case of our Employee Stock Option Plan, for approval by our shareholders (where required), and approve grants of long-term incentives.
- Review and monitor our pension and investment plans and programs and recommend pension and investment matters to the Board where necessary.

Market Data Comparisons and Our Peer Group

We will participate in annual compensation surveys that are conducted by various compensation consultants to monitor how we are doing. These surveys are useful for determining compensation trends and will give us guidance to help us determine how well we are meeting our compensation program principles.

We target to have the total direct compensation of our executive officers provided at a level that is consistent with the total direct compensation provided by our peer group to their executive officers. Specifically, we target the total direct compensation for our executive officers at the 50th percentile of our peer group and allow for the ability to provide higher compensation for superior performance. For the initial compensation review conducted for our executive officers, we identified the following companies as our peer group:

- Canadian Natural Resources Limited
- Devon Energy Corporation
- Enbridge Inc.
- EnCana Corporation
- Husky Energy Inc.
- Imperial Oil Limited
- Marathon Oil Corporation
- Murphy Oil Corporation
- Nexen Inc.
- Suncor Energy Inc.
- Talisman Energy Inc.
- TransCanada Corporation

This peer group is comprised of North American oil and gas companies of similar size and complexity to Cenovus, taking into consideration market capital and revenue.

We engage the services of Towers Watson, a respected compensation consultant, to advise us on the competitiveness of the compensation of our executive officers and on the competitiveness of our compensation program as a whole. Specifically, we obtain advice from Towers Watson on the following items:

- Regular competitive analysis of the elements of our compensation program, including base salary, annual bonus program, long-term incentive program, retirement and pension benefits and other compensation, which are provided to our executive officers.
- The objectives and principles that we use to design our compensation philosophy and program, including advice regarding the peer group.
- Trends and best practices in compensation philosophy and program design, using various research methods including compensation and workforce surveys.
- Provision of comprehensive retirement programs and pension plan advice, including acting as our actuary for pension plan matters and as asset management consultant for our pension and investment plans.

Our HRC Committee has directly retained Towers Watson to advise it specifically regarding matters relating to the compensation of our executive officers, including commenting and advising on the information provided to the HRC Committee by management concerning our executive officers and particularly regarding the compensation of our President & Chief

Executive Officer. The retainer of Towers Watson by our Board is independent from the advice provided to management. The terms of the retainer will be stated in a formal mandate that outlines the role of Towers Watson and the terms of reference as an independent advisor to the HRC Committee. To ensure independence, there is a clear reporting relationship between Towers Watson and the HRC Committee, regular meetings are held between Towers Watson and the HRC Committee without management present, and executive compensation consulting work is retained and managed directly by the Chair of the HRC Committee.

The Elements of our Compensation Program

Base Salary

Base salary provides a level of fixed cash compensation which is consistent with market practice. We determine the base salary of our executive officers annually based upon comparisons to the most recently available market data, and considering experience, scope of responsibilities, individual performance and strategic leadership over the course of the year.

Annual Bonus Program

We are developing the details of our annual bonus program with the objective of rewarding short-term performance and results in a manner consistent with market practice.

Our executive officers will identify performance objectives for each calendar year. In determining annual bonus awards, our program will involve evaluation of the following on an annual basis:

- Individual performance as compared to stated objectives; and
- Company performance on the basis of objective financial and operational measures as well as certain more subjective measures such as corporate and environmental responsibility, corporate governance and employment practices, all of which will be identified more particularly over the course of the year.

Bonus awards will be payable in the first quarter of each year, based upon the prior year's achievement of stated corporate and individual objectives.

Long-Term Incentive Program

We are developing our long-term incentive program to align the interests of our executive officers with our shareholders through holdings of significant equity interests and to provide for long-term retention. In addition to the intrinsic performance risk contained within equity-based incentives, we also believe it is important to include achievement of additional performance measures that will determine vesting of a portion of long-term incentives that may be granted.

We currently expect to grant long-term incentives on an annual basis, in conjunction with our annual compensation cycle, using guidelines based on a review of competitive market data and on individual performance. Our long-term incentive programs provide for the granting of stock options and performance share units.

We plan to use recycle ratio as the key performance measure for vesting of performance-based long-term incentives. We believe that recycle ratio is the key measure of total value added as it measures our ability to generate operating cash flow in excess of the all-in costs of adding reserves. Recycle ratio is calculated as follows:

$$\text{Recycle Ratio} = \frac{\text{Netback}}{\text{Finding \& Development Costs}}$$

Netback is calculated based upon:

- operating & administrative costs;
- commodity price;
- royalties; and
- transportation.

Finding & Development Costs are calculated based upon:

- capital spending (capital efficiency); and
- reported proved reserves additions.

The balance of the long-term incentives will vest based upon prescribed time vesting criteria over a period of three years.

Cenovus Options have associated tandem stock appreciation rights ("TSARs"). A TSAR entitles the optionholder to surrender the right to exercise the Cenovus Option to purchase a specified number of Common Shares and to receive cash (or, at our election, Common Shares) instead. The optionholder will be paid the closing price of a Common Share on the TSX on the last trading day preceding the date the TSAR is exercised less the grant price of the Cenovus Option, multiplied by the number of Cenovus Options surrendered. When a TSAR is exercised, the Cenovus Option it is associated with is surrendered and the underlying right to purchase a Common Share is forfeited.

The grant price of Cenovus Options will be the closing price of the Common Shares on the TSX on the day immediately prior to the day the Cenovus Options are granted.

Replacement Stock Options

Pursuant to the Arrangement, replacement stock options (with associated TSARs) were granted to our employees and executive officers. For each EnCana stock option held as of November 30, 2009, our employees and executive officers received one EnCana Replacement Option and one Cenovus Replacement Option. The grant price of the previously held EnCana stock options was adjusted as required by the EnCana Key Employee Stock Option Plan, using a stated formula based upon the one day volume weighted average trading price of a common share of each of EnCana (as traded on the TSX on a pre-Arrangement basis), new EnCana (as traded on the TSX on an if, as and when issued basis) and Cenovus (as traded on the TSX on an if, as and when issued basis) on December 2, 2009. All of the replacement stock options have associated TSARs.

The Cenovus Replacement Options have a five year term from their original grant date and vest according to their original grant date based upon the following schedule: 30 percent on the first anniversary date of the original grant, 30 percent on the second anniversary date of the original grant and the remaining 40 percent on the third anniversary date of the original grant. For two-thirds of the Cenovus Replacement Options which replaced grants from 2007 to 2009, there is an additional vesting requirement related to achievement of a stated recycle ratio. Specifically:

- 0 percent of the performance-based Cenovus Replacement Options vest where the recycle ratio is equal to or less than 1.0.
- 50 percent of the performance-based Cenovus Replacement Options vest where the recycle ratio is 2.0 or greater.
- 100 percent of the performance-based Cenovus Replacement Options vest where the recycle ratio is 3.0 or greater.
- Recycle ratios of between 1.0 and 3.0 will result in vesting of performance-based Cenovus Replacement Options on a linear basis such that portions of the grant may vest.

- Performance-based Cenovus Replacement Options that do not vest in a particular year are forfeited and cancelled.

Deferred Share Units

We have a Deferred Share Unit Plan for Employees (“DSU Plan”) under which our employees (including our executive officers) may elect, irrevocably and in the prior calendar year, to convert either 25 percent or 50 percent of their annual bonus (which would otherwise be paid in cash) to deferred share units (“DSUs”). In addition, the DSU Plan allows the HRC Committee to award a grant of DSUs on terms and conditions it determines at the time of the grant. Dividend equivalents are paid in the form of additional DSUs, consistent with dividends declared on Common Shares.

DSUs generally vest when they are credited to the individual’s account, unless the HRC Committee determines otherwise. DSUs may only be redeemed upon the departure of the individual from Cenovus, either by resignation, termination or retirement. When an individual departs, he or she must redeem the DSUs in his or her account by December 15 of the first calendar year following the year of his or her departure from Cenovus. The value of DSUs that may be redeemed is equal to the number of DSUs in the individual’s account on the date of redemption multiplied by the trading price of a Common Share on the day prior to the date of redemption. This amount is paid to the individual in cash on an after-tax basis.

Pursuant to the Arrangement, DSUs of EnCana held by employees of Cenovus were exchanged for Cenovus DSUs. The fair value of the Cenovus DSUs credited to each employee was based on the fair market value of Cenovus Common Shares relative to EnCana common shares prior to the Effective Date of the Arrangement.

Retirement and Pension Benefits

We believe it is important to provide for the future retirement of our executive officers through retirement and pension benefits. Our program provides competitive retirement and pension benefits, gives long-term financial security and aids with retention.

Certain of our executive officers, including our President & Chief Executive Officer, participate in the Defined Benefit Option of Cenovus’s Canadian Pension Plan (our “DB Plan”). Under our DB Plan, normal retirement is at age 65, although employees may retire as early as age 55 with a reduced pension for early commencement. We pay pensions from our DB Plan up to the permitted levels for registered pension plans.

Certain of our other executive officers, including our Executive Vice-President & Chief Financial Officer, participate in the Defined Contribution Option of Cenovus’s Canadian Pension Plan (our “DC Plan”). Under the terms of the DC Plan, contributions are made to an account for each employee or executive officer in the amount of eight percent of base salary. Each executive officer individually manages the investments made within their accounts. A specified number of investment options are made available by Cenovus within the DC Plan and the accounts held by executive officers.

Our Canadian Pension Plan, which includes both our Defined Benefit Option and Defined Contribution Option, is a registered pension plan. Additional pension benefits may be payable from the Cenovus Energy Inc. Canadian Supplemental Pension Plan for pension benefits beyond the limits permitted from a registered pension plan. Pension benefits are based on years of credited service and final average pensionable earnings for DB Plan participants.

Other Compensation

To achieve a competitive total compensation package, we provide additional elements of compensation such as an annual allowance, company-paid parking, financial and retirement planning services, company matching of personal contributions to an investment plan of up

to five percent of base salary and, in some cases, membership fees associated with the personal use of clubs.

2009 Compensation for our Named Executive Officers

Our Board considered available market data, taking into account the size and nature of our business, peer comparisons, experience, leadership and individual performance to determine the compensation to be provided to our executive officers in their capacity as executive officers of Cenovus in December 2009.

Effective December 1, 2009, the annual base salary of Brian C. Ferguson, our President & Chief Executive Officer, is \$859,950 and of Ivor M. Ruste, our Executive Vice-President & Chief Financial Officer, is \$429,975.

For the annual bonus award for the 2009 performance year, our Board considered the performance of our executive officers in their capacities as executive officers of Cenovus in December 2009 and also took into consideration their role, leadership and guidance through the Arrangement and through the transition period following the successful completion of the Arrangement.

Our President & Chief Executive Officer, Mr. Ferguson, was the strategic leader for Cenovus through the course of the Arrangement and in the transition period that followed. Our Board identified that Mr. Ferguson's performance was outstanding for his role leading up to the completion of the Arrangement and in transition activities that resulted in Cenovus becoming a fully independent company in December 2009. In addition, our Board recognized the successful operating and financial performance measures for the year for the Integrated Oil and Canadian Plains Divisions, which are our key operations. In recognition of the strong operating and financial performance of EnCana and Cenovus in 2009, and Mr. Ferguson's role in the Arrangement and in the transition in December 2009, our Board awarded a maximum bonus award. The amount of Mr. Ferguson's bonus earned in December 2009 was \$119,438 (representing 1/12th of the amount of the total award). In addition, our Board used its discretion to include in this bonus amount \$47,775 representing a special award relating to the significant contributions of Mr. Ferguson to the successful completion of the Arrangement that was made in the form of a grant of DSUs that vest one-half on the date of grant and one-half one year from the date of grant.

Mr. Ruste, Executive Vice-President & Chief Financial Officer, also achieved outstanding results in his role relating to the Arrangement and in the transition in December 2009. Of particular note, Mr. Ruste provided leadership in structuring and obtaining financing that allowed the Arrangement to proceed and that provides a strong foundation for Cenovus. In recognition of the strong operating and financial performance of EnCana and Cenovus, and Mr. Ruste's role in the Arrangement and in the transition in December 2009, Mr. Ruste was awarded a maximum bonus award, attributable to December 2009, of \$62,440 (representing 1/12th of the total bonus award). This bonus award includes an amount of \$35,831 representing a special award relating to the significant contributions of Mr. Ruste to the successful completion of the Arrangement that was made in the form of a grant of DSUs that vest one-half on the date of grant and one-half one year from the date of grant.

For 2009, the bonus target for all our employees, including our executive officers, was increased by ten percent to reinforce the achievement of significant capital budget savings in 2009. The successful achievement of this program was reflected in the December 2009 annual bonus payment of our executive officers.

Our executive officers were not granted any long-term incentives in December 2009 by Cenovus. Cenovus Replacement Options that were granted on November 30, 2009 as a result of the Arrangement are reported in the Outstanding Option-Based Awards Table that follows this Compensation Discussion and Analysis.

Share Ownership Guidelines

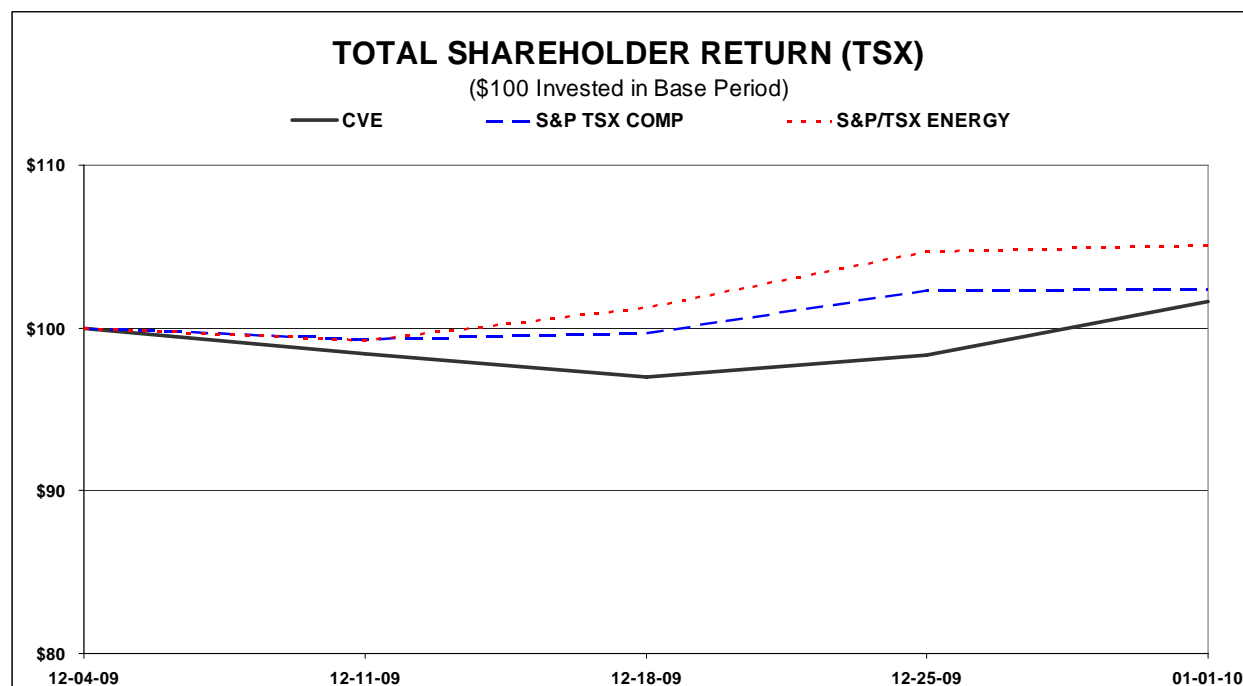
We believe it is important to closely align the interests of our executive officers with our shareholders and one key way to accomplish this is to require that they maintain certain minimum holdings of Common Shares. As a result, our HRC Committee approved the following Common Share ownership guidelines in December 2009:

President & Chief Executive Officer	4 times annual base salary
Other Executive Officers	2 times annual base salary

The executive officers who held executive officer positions with EnCana are required to achieve these Common Share ownership guidelines by December 1, 2012. For those new executive officers appointed at the time of successful completion of the Arrangement or in future years, achievement of the Common Share ownership guidelines will be required within five years of their appointment as an executive officer. The executive officers newly appointed at the time of successful completion of the Arrangement have until December 1, 2014 to achieve these guidelines.

Performance Graph

The following chart compares the cumulative total shareholder return for Cenovus on the TSX of \$100 invested in Common Shares (assuming reinvestment of dividends) over the period of time that Cenovus Common Shares traded on the TSX in December 2009.



Cenovus began trading on a regular basis on the TSX on December 3, 2009. Therefore, we are unable to determine any trends at this very early stage in respect of the compensation of our executive officers as compared to total shareholder return for the month of December 2009 as shown in the Performance Graph.

Tables

The amounts reported in the following tables are reported in U.S. dollars. As the amounts are paid in Canadian dollars, we have converted the amounts to U.S. dollars using the exchange rate of C\$1.00 = US\$0.9555, which is the exchange rate for Canadian dollars to U.S. dollars on December 31, 2009 based on the daily noon buying rate published by the Bank of Canada.

Summary Compensation Table

Cenovus commenced independent operations on December 1, 2009. The compensation earned in December 2009 by the President & Chief Executive Officer and the Executive Vice-President & Chief Financial Officer, in their capacities as executive officers of Cenovus, as discussed in the Compensation Discussion and Analysis, is summarized in the following table.

Name and Principal Position ⁽¹⁾	Year	Salary (\$)	Non-Equity Incentive Plan Compensation	Pension Value ⁽²⁾ (\$)	All Other Compensation ⁽³⁾ (\$)	Total Compensation (\$)
			Annual Incentive Plans (\$)			
Brian C. Ferguson President & Chief Executive Officer	2009	71,662	119,438 ⁽⁴⁾	33,421	7,195	231,716
Ivor M. Ruste Executive Vice-President & Chief Financial Officer	2009	35,831	62,440 ⁽⁴⁾	2,867	5,117	106,255

Notes:

- (1) No other executive officer of Cenovus was paid Total Compensation (excluding Pension Value) for December 2009 in his or her capacity as an executive officer of Cenovus of more than \$150,000.
- (2) Pension Value represents the compensatory change from November 30, 2009 to December 31, 2009 set out in the Compensatory Change column of the Defined Benefit Pension Table or the Defined Contribution Pension Table, as applicable.
- (3) All Other Compensation represents Mr. Ferguson's and Mr. Ruste's annual allowance and company matching of contributions to the investment plan for December 2009. There was no other compensation paid by Cenovus in 2009 to Mr. Ferguson and Mr. Ruste.
- (4) The Annual Incentive Plans amounts include the amount of the annual bonuses paid to Mr. Ferguson and Mr. Ruste that were earned in their capacities as executive officers of Cenovus for the month of December 2009. These amounts were paid partially in cash and partially in the form of DSUs under the DSU Plan.

Outstanding Option-Based Awards

The following table outlines the option-based awards outstanding as at December 31, 2009. There are no outstanding share-based awards.

Name	Number of securities underlying unexercised options ⁽¹⁾ (#)	Grant Date of Cenovus Replacement Options	Original Grant Date	Option Exercise price ⁽²⁾ (C\$)	Option expiration date	Value of unexercised in-the-money options ⁽³⁾ (US\$)
Brian C. Ferguson	80,000	30-Nov-2009	13-Feb-2006	22.91	13-Feb-2011	274,420
	134,250	30-Nov-2009	13-Feb-2007	26.64	13-Feb-2012	0
	138,750	30-Nov-2009	13-Feb-2008	32.96	13-Feb-2013	0
	150,000	30-Nov-2009	11-Feb-2009	26.27	11-Feb-2014	32,965
Ivor M. Ruste	50,000	30-Nov-2009	01-May-2006	26.54	01-May-2011	0
	67,125	30-Nov-2009	13-Feb-2007	26.64	13-Feb-2012	0
	69,375	30-Nov-2009	13-Feb-2008	32.96	13-Feb-2013	0
	90,000	30-Nov-2009	11-Feb-2009	26.27	11-Feb-2014	19,779

Notes:

- (1) The number of securities underlying unexercised options includes stock options that have vested and options that have not yet vested. For the 2007, 2008 and 2009 stock option grants, performance-based Cenovus Replacement Options that do not vest in a given year will be cancelled and deducted from the amounts stated in this table.
- (2) The exercise price of the previously held EnCana stock options was adjusted, as required by the EnCana Key Employee Stock Option Plan, using a formula based upon the one day volume weighted average trading price of a common share of each of EnCana (as traded on the TSX on a pre-Arrangement basis), new EnCana (as traded on the TSX on an if, as and when issued basis) and Cenovus (as traded on the TSX on an if, as and when issued basis) on December 2, 2009.
- (3) The value of unexercised in-the-money options is based on the December 31, 2009 closing price of the Common Shares of C\$26.50 on the TSX.

Incentive Plan Awards – Value Vested or Earned During the Year

This table provides the value of non-equity incentive plan compensation that was earned in December 2009. No option-based or share-based awards vested during December 2009.

Name	Non-Equity Incentive Plan Compensation – Value Earned During the Year ⁽¹⁾ (\$)
Brian C. Ferguson	119,438
Ivor M. Ruste	62,440

Note:

- (1) Non-Equity Incentive Plan Compensation includes the amount of the annual bonuses paid to Mr. Ferguson and Mr. Ruste that were earned in their capacities as executive officers of Cenovus for the month of December 2009. These amounts were paid partially in cash and partially in the form of a grant of DSUs under the DSU Plan.

Defined Benefit Pension Table

The following table outlines the estimated annual benefits, accrued pension obligations and compensatory and non-compensatory changes under the DB Plan.

Name	Number of Years of Credited Service (#)	Annual Benefits Payable (\$)		Accrued Obligation at Start of Year ⁽¹⁾ (\$)	Compensatory Change ⁽²⁾ (\$)	Non- Compensatory Change ⁽³⁾ (\$)	Accrued Obligation at Year End (\$)
		At Year End	At Age 65				
Brian C. Ferguson	27.25 ⁽⁴⁾	379,967	548,509	9,649,835 ⁽⁵⁾	33,421	(337,671)	9,345,585 ⁽⁶⁾

Notes:

- (1) The accrued obligation at the start of year is as of November 30, 2009 and is determined using the same methodology and assumptions described in the pension accounting information letter reflecting the company split from EnCana.
- (2) Includes service cost net of employee contributions plus the difference between actual and estimated earnings.
- (3) Includes interest on the accrued obligation as of November 30, 2009, employee contributions plus changes in the discount rate and exchange rates and other net experience as at December 31, 2009.
- (4) Includes three additional years of service granted under an individual agreement.
- (5) Includes incremental obligation of \$4,452,253 arising as a result of Mr. Ferguson's appointment as President & Chief Executive Officer (and the change in his base salary and bonus entitlement for pension inclusion purposes). Also includes optional contributions account balance of \$51,833, as of November 30, 2009, which represents the accumulated value of employee paid optional contributions to purchase optional DB pension benefits.
- (6) Includes optional contributions account balance of \$53,815, as of December 31, 2009, which represents the accumulated value of employee paid optional contributions to purchase optional DB pension benefits.

Defined Contribution Pension Table

The following table outlines the change in value of DC Plan holdings over the course of 2009.

Name	Accumulated Value at Start of Year (\$)	Compensatory Change (\$)	Non- Compensatory Change (\$) ⁽¹⁾	Accumulated Value at Year End (\$)
Ivor M. Ruste	119,340	2,867	2,909	125,116

Note:

- (1) Includes investment earnings during 2009.

Employment, Severance and Change in Control Arrangements

Cenovus has entered into change in control agreements with our executive officers. In addition, our executive officers receive the same treatment as other employees on a change in control in respect of vesting of a portion of their replacement stock options as specifically stated in the replacement stock option grant agreements. Cenovus has not entered into any other employment or severance arrangements with our executive officers.

The change in control agreements that have been entered into with our executive officers provide for a "double trigger" for payment of severance benefits. First, a change in control as defined in the agreement must occur. Secondly, the employment of the executive officer

must terminate (other than for cause, disability, retirement or death), which would include termination by the executive officer for certain specified reasons such as a change in responsibilities or a reduction in salary and benefits.

The terms of the change in control agreements provide for the following severance benefits should both aspects of the double trigger be activated (change in control and termination of employment):

- A lump sum severance payment representing the amount of salary and bonus, for a period of 36 months for our President & Chief Executive Officer and for a period of 24 months for our other executive officers. The bonus is determined based upon the average of the bonus payments paid to the executive officer over the preceding five-year period, which for our executive officers will include consideration of high performance reward program awards paid while at EnCana.
- Medical, dental and insurance benefits continue, for a period of 36 months for our President & Chief Executive Officer and for a period of 24 months for our other executive officers.
- All time-based replacement stock options and 50 percent of the performance-based replacement stock options would immediately vest and be available for exercise, for a period of 36 months for our President & Chief Executive Officer and for a period of 24 months for our other executive officers. The remaining 50 percent of the performance-based replacement stock options vest upon the achievement of the stated performance criteria as outlined in the grant agreements for the replacement stock options.
- Pension benefits continue to accrue, for a period of 36 months for our President & Chief Executive Officer and for a period of 24 months for our other executive officers.

Under the terms of the Cenovus Replacement Option grant agreements, on a change in control, immediate vesting of time-based and 50 percent of the performance-based Cenovus Replacement Options would occur for all optionholders.

Change in Control Table

The following table outlines the amounts that would be payable to our President & Chief Executive Officer and our Executive Vice-President & Chief Financial Officer if a change in control occurred on December 31, 2009 and, in the case of the change in control agreements, employment terminated as a result of the change in control on December 31, 2009.

Name	Long-Term Incentive Grant Agreements	Change in Control Agreements					
	Value of Exercisable Vested LTIs ⁽¹⁾	Cash Severance	Annual Incentive Plan ⁽²⁾	Value of Exercisable Vested LTIs ⁽¹⁾	Pension Benefits	Other Compensation and Benefits ⁽³⁾	Total
Brian C. Ferguson	21,977	2,579,850	2,256,980	21,977	5,087,764 ⁽⁴⁾	259,020	10,205,591
Ivor M. Ruste	13,186	859,950	799,621	13,186	96,314 ⁽⁵⁾	122,808	1,891,879

Notes:

- (1) The value of exercisable vested LTIs is calculated by multiplying the number of options that would vest on a change in control by the difference between the grant price and C\$26.50, the closing price of a Common Share on December 31, 2009.
- (2) The Annual Incentive Plan amount is calculated based upon the average of the bonus payments paid to Mr. Ferguson over the preceding five-year period and Mr. Ruste over the preceding four-year period (Mr. Ruste has four years of prior service), which for our executive officers will include consideration of high performance reward program awards paid while at EnCana. The average is then applied to a period of 36 months for Mr. Ferguson and over a period of 24 months for Mr. Ruste.
- (3) The value of Other Compensation and Benefits is the amount in the column titled "Other Compensation" in the Summary Compensation table multiplied by 36 for Mr. Ferguson and by 24 for Mr. Ruste.
- (4) The calculation of Mr. Ferguson's five-year annual average pensionable earnings is based on his annual base salary plus bonus (67 percent of salary). The early retirement reduction factor applicable under the Cenovus Energy Inc. Canadian Supplemental Pension Plan is calculated at the age he would have attained at December 31, 2012. This incremental lump sum pension value is equal to the difference between the actuarial present values of Mr. Ferguson's accrued pension, as modified, less the accrued pension, unmodified, using the commuted value basis for the DB Plan as of December 31, 2009. The discount rates used are 3.9 percent for ten years and 5.4 percent thereafter.
- (5) This incremental lump sum pension value is equal to eight percent of two times his annual base salary plus bonus (40 percent of salary).

Director Compensation

In December 2009, the compensation to be paid to our non-employee directors was determined following a review of the elements and level of compensation for directors of a company of comparable size and scope to Cenovus. Our President & Chief Executive Officer does not receive compensation for serving as a director of Cenovus.

Fees

Each non-employee director of our Board is paid an annual retainer of \$28,665 per year. This annual retainer is paid in quarterly installments and is pro-rated for periods of partial service. For each meeting of the Board (excluding our annual organization meeting for which no attendance fee is payable), a fee of \$1,433 is paid to each non-employee director who attends in person or by telephone. For each meeting of a Committee of the Board, a fee of \$1,433 is paid to each Committee member who attends in person or by telephone.

Each non-employee director is reimbursed for travel and other expenses for attending Board or Committee meetings. In addition, for each meeting of the Board where the director is normally resident outside of western Canada, or when the location of a meeting of the Board or a Committee of the Board is outside of western Canada and away from the director's place of residence, an additional fee equal to the normal meeting fee is paid to the director.

The Chair of each Committee of the Board is paid an additional fee of \$7,166 per annum for each Committee which the director chairs. The Audit Committee Chair is paid a supplemental fee of \$7,166 per year. Our non-executive Chair of the Board receives an additional annual retainer of \$238,875.

Deferred Share Units

Each non-employee director is provided with an annual grant of 7,500 DSUs under the Deferred Share Unit Plan for Directors of Cenovus Energy Inc. This annual grant of DSUs is made on January 1 of each year, the first grant occurring on January 1, 2010. Dividend equivalents are paid, in the form of additional DSUs, consistent with dividends declared on Common Shares. Newly appointed or elected directors receive their initial grant of DSUs upon joining the Board. We also provide the option to our non-employee directors to take all or a portion of their annual retainer and meeting fees in the form of DSUs.

DSUs vest when they are credited to the director's account. DSUs may only be redeemed upon the departure of the director from Cenovus, either by resignation, termination or retirement. When a director departs, he or she must redeem the DSUs in his or her account by December 15 of the first calendar year following the year of his or her departure as a director. The value of DSUs that may be redeemed is equal to the number of DSUs in the director's account on the date of redemption multiplied by the trading price of a Common Share on the day prior to the date of redemption. This amount is paid to the director in cash on an after-tax basis.

Pursuant to the Arrangement, DSUs of EnCana held by the directors of Cenovus were exchanged for Cenovus DSUs. The fair value of the Cenovus DSUs credited to each director was based on the fair market value of Cenovus Common Shares relative to EnCana common shares prior to the Effective Date of the Arrangement.

Share Ownership Guidelines

In December 2009, we implemented share ownership guidelines for our non-employee directors. Each director (excluding our non-executive Chair of our Board) is required to beneficially own voting shares of Cenovus, which may include holdings of DSUs, at least equal in value, based on the market price of Common Shares, to \$477,750. Our non-executive Chair of our Board is required to beneficially own voting shares of Cenovus, including DSUs, at least equal in value, based on the market price of Common Shares, to \$955,500. Each director is required to achieve the share ownership guidelines by the later of December 1, 2014 or within five years after the director joins the Board.

Director Compensation Table

The following table summarizes the annual compensation of our directors paid by Cenovus from November 30, 2009 to December 31, 2009.

Name	Fees Earned (\$)	All Other Compensation⁽¹⁾ (\$)	Total (\$)
Ralph S. Cunningham	7,416	1,433	8,849
Patrick D. Daniel	9,472	0	9,472
Ian W. Delaney	7,416	1,433	8,849
Michael A. Grandin	30,188	0	30,188
Valerie A.A. Nielsen	8,226	0	8,226
Charles M. Rampacek	6,792	1,433	8,226
Colin Taylor	8,226	1,433	9,659
Wayne G. Thomson	7,416	0	7,416

Note:

(1) Represents travel fees paid to directors as applicable.

AUDIT COMMITTEE

The full text of the Audit Committee mandate is included in Appendix C of this annual information form.

Composition of the Audit Committee

The Audit Committee consists of three members, all of whom are independent and financially literate in accordance with the definitions in National Instrument 52-110 *Audit Committees* ("NI 52-110"). The relevant education and experience of each of the members of the Audit Committee is outlined below.

Patrick D. Daniel (Audit Committee Chair)

Mr. Daniel holds a Bachelor of Science (University of Alberta) and a Master of Science (University of British Columbia), both in chemical engineering. He also completed Harvard University's Advanced Management Program. He is President and Chief Executive Officer and a director of Enbridge Inc. (energy delivery company), as well as a director of a number of Enbridge subsidiaries. He is a past director and member of the Audit Committee of Enerflex Systems Income Fund (compression systems manufacturer). He is also a past director and Chair of the Finance Committee of Synenco Energy Inc. (oilsands mining) which was acquired by Total E&P Canada Ltd. in August 2008.

Valerie A.A. Nielsen

Ms. Nielsen holds a Bachelor of Science (Hon.) (Dalhousie University). She is a professional geophysicist who has held management positions in the oil and gas industry and/or provided consulting services to industry for over 30 years. She has also completed a variety of finance and accounting courses at the university level. Ms. Nielsen was a member and past chair of an advisory group on the General Agreement on Tariffs and Trade (GATT), the North America Free Trade Agreement (NAFTA) and international trade matters pertaining to energy, chemicals and plastics from 1986 to 2002. She was also a director of the Bank of Canada. She is a director and serves on the Audit Committee of Wajax Income Fund (diversified company engaged in the sale and after-sales parts and service support of mobile equipment, diesel engines and industrial components).

Colin Taylor (Financial Expert)

Mr. Taylor is a chartered accountant, as well as a member and Fellow of the Institute of Chartered Accountants of Ontario. He also completed Harvard University's Advanced Management Program. Mr. Taylor served two consecutive four-year terms (June 1996 to May 2004) as Chief Executive and Managing Partner and was Senior Counsel of Deloitte & Touche LLP until his retirement in May 2008. He has held a number of international management and governance responsibilities throughout his professional career. Mr. Taylor also served as Advisory Partner to a number of public and private company clients of Deloitte & Touche LLP.

The above list does not include Michael A. Grandin who is an ex-officio member of the Audit Committee.

Pre-Approval Policies and Procedures

We have adopted policies and procedures with respect to the pre-approval of audit and permitted non-audit services to be provided by PricewaterhouseCoopers LLP. The Audit Committee has established a budget for the provision of a specified list of audit and permitted non-audit services that the Audit Committee believes to be typical, recurring or otherwise likely to be provided by PricewaterhouseCoopers LLP. The budget generally covers the period between the adoption of the budget and the next meeting of the Audit Committee, but, at the option of the Audit Committee, it may cover a longer or shorter period. The list of services is sufficiently detailed as to the particular services to be provided to ensure that: (i) the Audit Committee knows precisely what services it is being asked to pre-approve; and (ii) it is not necessary for any member of management to make a judgment as to whether a proposed service fits within the pre-approved services.

Subject to the following paragraph, the Audit Committee has delegated authority to the Chair of the Audit Committee (or if the Chair is unavailable, any other member of the Audit Committee) to pre-approve the provision of permitted services by PricewaterhouseCoopers LLP which are not otherwise pre-approved by the Audit Committee, including the fees and terms of the proposed services ("Delegated Authority"). Any required determination about the Chair's unavailability will be required to be made by the good faith judgment of the applicable other member(s) of the Audit Committee after considering all facts and circumstances deemed by such member(s) to be relevant. All pre-approvals granted pursuant to Delegated Authority must be presented by the member(s) who granted the pre-approvals to the full Audit Committee at its next meeting.

The fees payable in connection with any particular service to be provided by PricewaterhouseCoopers LLP that has been pre-approved pursuant to Delegated Authority: (i) may not exceed C\$200,000, in the case of pre-approvals granted by the Chair of the Audit Committee, and (ii) may not exceed C\$50,000, in the case of pre-approvals granted by any other member of the Audit Committee.

All proposed services or the fees payable in connection with such services that have not already been pre-approved must be pre-approved by either the Audit Committee or pursuant to Delegated Authority. Prohibited services may not be pre-approved by the Audit Committee or pursuant to Delegated Authority.

External Auditor Service Fees

During fiscal 2009, no fees were billed to Cenovus for professional services rendered by PricewaterhouseCoopers LLP. Prior to the Arrangement, all fees had been billed to EnCana.

We did not rely on the *de minimus* exemption provided by Section (c)(7)(i)(C) of Rule 2-01 of SEC Regulation S-X in 2009.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Cenovus and the Board are committed to attaining the highest standards of corporate governance. We maintain appropriate governance practices as fundamental to generating long-term shareholder value. We continually assess and update our practices and believe we employ a leading system of corporate governance to ensure the interests of our shareholders are well protected.

The securities regulatory authorities in all of the provinces and territories of Canada (collectively, the "CSA") adopted National Policy 58-201 *Corporate Governance Guidelines* ("NP 58-201") effective June 30, 2005 and National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101") effective June 30, 2005, as amended effective December 31, 2007 and March 17, 2008. Disclosure of governance practices is required in accordance with NI 58-101.

With respect to the U.S., we are required to comply with the provisions of the *Sarbanes-Oxley Act of 2002* and the rules adopted by the SEC pursuant to that Act, as well as the governance rules of the NYSE, in each case as applicable to foreign issuers. Most of the NYSE corporate governance standards are not mandatory for Cenovus as a non-U.S. company, but we are required to disclose the significant differences between our corporate governance practices and the requirements applicable to U.S. companies listed on the NYSE under NYSE corporate governance standards. Except as summarized on our website www.cenovus.com, we are in compliance with the NYSE corporate governance standards in all significant respects.

Our Board and its Committees continually evaluate and enhance our corporate governance practices by monitoring Canadian and U.S. regulatory developments affecting corporate governance, accountability and transparency of public company disclosure.

The following statement of our corporate governance practices is made in accordance with Form 58-101F1 of NI 58-101. Statements are also included with respect to certain applicable provisions of the *Sarbanes-Oxley Act of 2002*, related SEC rules, NYSE rules and Canadian rules relating to audit committees pursuant to NI 52-110. Our approach to corporate governance meets or exceeds the best practices enunciated under NP 58-201.

Board of Directors

Independence

Our Board is currently composed of nine directors, eight of whom are independent directors. Mr. Ferguson, our President & Chief Executive Officer, is the only member of our Board who is a member of our management. The remainder of the directors are independent directors on the basis that such directors have no direct or indirect material relationship with us which could be reasonably expected to interfere with the exercise of a member's independent judgment.

Our Board is responsible for determining whether or not each director is independent within the meaning of such term set forth in NI 58-101. In applying this definition, our Board considers all relationships of our directors with us, including business, family and other relationships.

Pursuant to our By-Laws, our Chair and the Chief Executive Officer shall not be the same person, except in very limited circumstances. The Chair of our Board is required to ensure that our Board is properly organized, functions effectively and meets its obligations and responsibilities including those relating to corporate governance matters.

Majority Voting for Directors

Our Board has a policy requiring that a director tender his or her resignation if the director receives more “withheld” votes than “for” votes at any meeting where shareholders vote on the uncontested election of directors. Our Board will consider the resignation and, in the absence of special circumstances, will accept the resignation consistent with an orderly transition. The director will not participate in any Committee or our Board deliberations on the resignation offer. Our Board will make its decision to accept or reject the resignation within 90 days. Our Board may fill a vacancy in accordance with our articles, By-Laws and applicable corporate laws.

Other Directorships

Our Board has not adopted a formal policy limiting the number of outside directorships of our directors. Other public company board memberships held by our directors are described in “Directors and Executive Officers - Other Reporting Issuer Experience of Directors” in this annual information form. Directors who serve together on other boards are Mr. Cunningham and Mr. Rampacek who are directors of Enterprise Products GP, LLC, the sole general partner of Enterprise Products Partners, L.P. We do not believe this interlocking board relationship will impact on the ability of these directors to act in our best interests.

Board of Directors’ Mandate

The fundamental responsibility of our Board pursuant to our Board of Directors’ Mandate (the “Board Mandate”) is to appoint a competent executive team and to oversee the management of the business, with a view to maximizing shareholder value and ensuring corporate conduct in an ethical and legal manner via an appropriate system of corporate governance and internal control. The Board Mandate sets out the key responsibilities of our Board in its stewardship and includes the following primary responsibilities. The Board Mandate is set out as Appendix D to this annual information form.

Supervision of Management

Our Board is responsible for appointing the Chief Executive Officer and monitoring the Chief Executive Officer’s performance against a set of mutually agreed upon corporate objectives directed at maximizing shareholder value. The HRC Committee provides recommendations to our Board on succession planning, on senior management development and on the performance of management in relation to the accomplishment of their annual objectives. The HRC Committee is comprised exclusively of independent directors. Annually, the HRC Committee measures management’s performance and total compensation against the combined set of objectives comprised in our annual budget and our strategic plan. Our Board supports management’s commitment to training and developing all employees.

Our Strategic Plan

Our Board is responsible for the annual review and approval of our strategic plan. Key objectives of the strategic plan, as well as quantifiable operating and financial targets, and systems for the identification, monitoring and mitigation of principal business risks, are incorporated into the annual strategy review. Our Board discusses and reviews all materials relating to the strategic plan with management and receives updates from management on the strategic plan throughout the year. Management is required to seek our Board’s approval for any transaction that would have a significant impact on our strategic plan.

Risk Management

Our Board is responsible for ensuring that a system is in place to identify our principal risks, including operational risks, and to monitor the process to manage such risks. The Audit Committee reviews management's identification of significant financial risks or exposures and meets regularly to review reports and discuss significant risk areas with the internal and external auditors. In addition, our Board ensures that an adequate system of internal control exists.

Communications

Our Board is responsible for approving a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.

We provide detailed information on our business, operating and financial results in accordance with our continuous disclosure requirements under applicable securities laws. Our news releases and other prescribed documents are required to be filed on the electronic database maintained by the CSA known as "SEDAR" at www.sedar.com and that maintained by the SEC known as "EDGAR" at www.sec.gov.

Our Board receives regular reports on any key communications issues. Procedures to facilitate feedback from shareholders include the following:

- (a) shareholders may send comments via email to investor.relations@cenovus.com;
- (b) a confidential and, where desired, anonymous Integrity Helpline to report concerns by telephone to 1-877-445-3222, or by written correspondence to our corporate offices at P.O. Box 766, 421 – 7 Avenue S.W., Calgary, Alberta, Canada T2P 0M5; and
- (c) our transfer agent, CIBC Mellon Trust Company, has a website (www.cibcmellon.com) and a toll-free number (1-800-387-0825) to assist shareholders.

Expectations of Directors

The Board Mandate also sets out the expectations and business duties of the directors, including the expectation for directors to attend all meetings and the responsibility to ensure that Board materials are distributed to all directors in advance of regularly scheduled meetings to allow for sufficient review. Our Board has a code of business conduct and ethics for directors, officers, employees, contractors and consultants, and monitors compliance with the practice, and approves any waivers of the practice, for officers and directors.

Corporate Governance

Our Board is responsible for establishing an appropriate system of corporate governance, including policies and practices to ensure our Board functions independently of management and to ensure that processes are in place to address applicable regulatory, corporate, securities and other compliance matters.

Position Descriptions

We have established written guidelines for each of the President & Chief Executive Officer, the Chair of our Board and each Committee Chair which are available on our website at www.cenovus.com. Our Board is responsible for monitoring the Chief Executive Officer's performance against mutually agreed corporate objectives directed at maximizing shareholder value. As part of this process, the HRC Committee reviews and approves corporate goals and objectives relevant to the President & Chief Executive Officer's compensation and evaluates the President & Chief Executive Officer's performance in light of

these corporate goals and objectives. Our Board has established clearly defined limits with respect to management's authority.

Orientation and Continuing Education of Directors

The Nominating and Corporate Governance Committee of our Board (the "NCG Committee") is responsible for implementing procedures for the orientation and education of new Board members concerning their role and responsibilities and for the continued development of existing members of our Board. We have established a formal program for new directors which includes a series of interviews and orientation sessions with senior management and field tours of major producing properties and areas of operations hosted by the respective division executive and senior operating staff. As part of the formal orientation, new directors will receive an information package containing our strategic planning materials, directors' information handbook, recently issued disclosure materials and independent third-party peer comparison information. In addition to the formal program, new members to our Board are encouraged to conduct their own due diligence through independent meetings with the Chair of our Board, President & Chief Executive Officer or any other director.

We provide continuing education opportunities for all directors so that individual directors can enhance their skills and have a current understanding of our business environment.

In addition to ongoing internal continuing education programs, directors have the opportunity to attend external educational programs to assist in their development as a director. All such external programs will be approved through the Chair of our Board.

Ethical Business Conduct

We have a set of guiding principles and values outlining the basis on which we operate as a high performance, principled corporation. These principles and values, in conjunction with our Corporate Responsibility Policy, establish our commitment to conducting business ethically and legally. To provide further guidelines in this regard, we have established a written code of business conduct and ethics (the "Code of Business Conduct & Ethics").

The Code of Business Conduct & Ethics applies to all officers, employees, contractors, consultants and directors. The Code of Business Conduct & Ethics makes specific reference to the protection and proper use of our assets, fair dealings with our stakeholders, detection and prevention of fraud and compliance with laws and regulations. All of our officers, employees, contractors, consultants and directors are asked to review the Code of Business Conduct & Ethics and confirm on a regular basis that they understand their individual responsibilities and agree to its requirements.

Any waiver of the Code of Business Conduct & Ethics for officers or directors may only be made by our Board and will be promptly disclosed to shareholders as required by law.

We have established the Investigations Practice to provide an effective, consistent and appropriate procedure by which all incidents that potentially violate our policies or practices, or are potential violations under statutes, regulations, rules and policies applicable to us, are properly received, reviewed, investigated, documented and brought to appropriate resolution. For this purpose, the Investigations Committee conducts, reviews and oversees investigations. The Investigations Committee also refers violations related to any accounting, internal accounting controls or auditing matters to the Audit Committee. The applicable Committees of our Board, including specifically the Audit Committee, receive quarterly summaries on the nature and status of ongoing investigations and the resolutions of any investigations since the previous report. These Committees will report any significant or material investigations to our Board.

We have an Integrity Helpline which provides an additional avenue for stakeholders to communicate concerns about how we conduct our business. Concerns can be reported to the Integrity Helpline orally or in writing and may be made confidentially or anonymously. All concerns reported through the Integrity Helpline relating to violations of policies or practices are handled in accordance with the Investigations Practice. A report of

investigations and Integrity Helpline complaints, which preserves confidentiality and anonymity, is prepared on a quarterly basis and provided to the applicable Committees of our Board at regularly scheduled Committee meetings.

In addition to the statutory obligations of directors to address conflict of interest matters, we have established a protocol to assist our executive team in managing in advance any potential conflicts of interest that may impact individual directors. The protocol requires an executive team member to: confirm an individual director's potential conflict with the Chief Executive Officer; provide advice to the Chair for advance notice to the affected director; ensure the portion of written reference material which gives rise to a conflict is excluded from the pre-meeting distribution to the affected director; and, with respect to the particular item in question, recommend directly to the affected director that he or she abstain from participating in the meeting or excuse himself or herself from the meeting.

We have established a policy on Disclosure, Confidentiality and Employee Trading that governs the conduct of all staff, contractors, consultants and directors and restricted trading and insider guidelines for directors and senior officers.

President & Chief Executive Officer general guidelines have been established which require the President & Chief Executive Officer to foster a corporate culture that promotes ethical practices and encourages individual integrity and social responsibility.

The Corporate Responsibility Policy, Code of Business Conduct & Ethics and the President & Chief Executive Officer General Guidelines are available at www.cenovus.com.

Nomination of Directors

The NCG Committee is comprised of all of the independent directors of our Board. The NCG Committee has a written mandate establishing the NCG Committee's purpose which includes assessing and recommending new nominees to our Board. In assessing new nominees, the NCG Committee seeks to ensure that there is a sufficient range of skills, expertise and experience to ensure that our Board can carry out its mandate and function effectively. The NCG Committee receives and evaluates suggestions for candidates from individual directors, the President & Chief Executive Officer and from professional search organizations.

The NCG Committee also considers the appropriate size of our Board for the ensuing year and, on a periodic basis, oversees the evaluation and assessment of the effectiveness of our Board as a whole, the Committees of our Board and the contribution of individual members.

The NCG Committee is responsible for reviewing, reporting and providing recommendations for improvement to our Board with respect to all aspects of corporate governance. The NCG Committee is responsible for this Statement of Corporate Governance Practices. The NCG Committee monitors best practices among major Canadian and U.S. companies to help ensure we adhere to high standards of corporate governance.

The NCG Committee has the authority to retain and terminate any search firm to be used by the NCG Committee or our Board to identify candidates. The NCG Committee, upon approval by a majority of the members, may engage any outside resources deemed advisable.

Compensation

The HRC Committee is comprised exclusively of independent directors. The HRC Committee has a written mandate establishing the responsibilities of the HRC Committee. The HRC Committee is authorized to engage outside resources if deemed advisable and has the authority to retain and terminate any consultant used in the evaluation of executive officer compensation.

The HRC Committee has two primary functions:

- to assist our Board in carrying out its responsibilities by reviewing compensation and human resources issues in support of the achievement of our business strategy and making recommendations to our Board as appropriate. The HRC Committee is responsible for reviewing and approving corporate goals and objectives relevant to the President & Chief Executive Officer compensation, evaluating the President & Chief Executive Officer's performance against those goals and objectives and making recommendations to our Board with respect to the President & Chief Executive Officer's compensation; and
- to assist our Board in carrying out its fiduciary responsibilities in reviewing pension issues and overseeing the investment management of our savings and investment plans.

Our Board reviews the adequacy and form of the directors' compensation to ensure that it realistically reflects the responsibilities and risks involved in being a director. The HRC Committee recommends to our Board, for approval, the directors' compensation and the remuneration for the non-executive Chair of our Board.

Audit Committee

For further information about our Audit Committee and a copy of the Audit Committee Mandate, please see "Audit Committee" in this annual information form and Appendix C to this annual information form, respectively.

Reserves Committee

One hundred percent of our reserves are evaluated by independent qualified reserves evaluators. We have a reserves committee of our Board (the "Reserves Committee"), which is comprised solely of independent directors. The Reserves Committee reviews the qualifications and appointment of the independent qualified reserves evaluators, the procedures for providing information to the evaluators and the annual reserves estimates prior to public disclosure.

Safety, Environment and Responsibility Committee

The SER Committee's primary function is to assist our Board in fulfilling its role in oversight and governance by reviewing, reporting and making recommendations to our Board on our policies, standards and practices with respect to corporate responsibility, including the environment, occupational health, safety and overall business conduct and ethics.

Board Assessments

We have established appropriate practices for the regular evaluation of the effectiveness of our Board, its Committees and its members.

The NCG Committee is responsible for assessing the effectiveness of our Board and Committees of our Board. As part of its process, the Chair of the NCG Committee meets periodically with each director to discuss the effectiveness of our Board, Committees of our Board and each director. To assist the Chair in the review, each director is required to complete an anonymous effectiveness questionnaire annually as well as periodic self and peer evaluation forms. Formal long-form effectiveness questionnaires are expected to be

used every two years and more abbreviated forms are expected to be used in alternating years. The assessments will include a review of an individual director's knowledge, skills, experience and meaningful contributions.

The Vice-Chair of the NCG Committee also meets periodically with the Chair of the NCG Committee to discuss his effectiveness as the Chair of the Board, Chair of the NCG Committee and as a member of our Board. The NCG Committee assesses the adequacy of information given to directors, communication between our Board and management and the processes of our Board and its Committees.

The NCG Committee recommends to our Board any changes that would enhance the performance of our Board based on all of the NCG Committee's assessments.

Key Governance Documents

Many policies and practices support our corporate framework. The following documents constitute key components of our corporate governance system and are available at www.cenovus.com:

- Code of Business Conduct & Ethics
- Corporate Responsibility Policy
- Board of Directors' Mandate
- Chair of the Board of Directors and Committee Chair General Guidelines
- President & Chief Executive Officer General Guidelines
- Audit Committee Mandate
- Human Resources and Compensation Committee Mandate
- Nominating and Corporate Governance Committee Mandate
- Reserves Committee Mandate
- Safety, Environment and Responsibility Committee Mandate

DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the rights, privileges, restrictions and conditions which are attached to the Common Shares and the Preferred Shares. We are authorized to issue an unlimited number of Common Shares, an unlimited number of First Preferred Shares and an unlimited number of Second Preferred Shares. As of December 31, 2009, there were approximately 751 million Common Shares outstanding and no Preferred Shares have been issued.

Common Shares

The holders of Common Shares are entitled to receive dividends if, as and when declared by our Board. The holders of Common Shares are entitled to receive notice of and to attend all meetings of shareholders and are entitled to one vote per Common Share held at all such meetings. In the event of the liquidation, dissolution or winding up or other distribution of our assets among our shareholders for the purpose of winding up our affairs, the holders of Common Shares will be entitled to participate rateably in any distribution of our assets.

We have a Shareholder Rights Plan that was adopted to ensure, to the extent possible, that all our shareholders are treated fairly in connection with any take-over bid for us. The Shareholder Rights Plan creates a right that attaches to each issued Common Share. Until the separation time, which typically occurs at the time of an unsolicited take-over bid, whereby a person acquires or attempts to acquire 20 percent or more of our Common Shares, the rights are not separable from the Common Shares, are not exercisable and no separate rights certificates are issued. Each right entitles the holder, other than the 20 percent acquiror, from and after the separation time (unless delayed by our Board) and before certain expiration times, to acquire Common Shares at 50 percent of the market price at the time of exercise. The Shareholder Rights Plan must be reconfirmed by our shareholders at our annual shareholder meeting to be held in 2012 and every third annual shareholder meeting thereafter until its expiry.

Preferred Shares

Preferred Shares may be issued in one or more series. Our Board may determine the designation, rights, privileges, restrictions and conditions attached to each series of Preferred Shares before the issue of such series. Holders of Preferred Shares are not entitled to vote at any meeting of our shareholders, but may be entitled to vote if we fail to pay dividends on that series of Preferred Shares. The First Preferred Shares are entitled to priority over the Second Preferred Shares and the Common Shares with respect to the payment of dividends and the distribution of our assets in the event of any liquidation, dissolution or winding up of our affairs. Our Board is restricted from issuing First Preferred Shares or Second Preferred Shares if by doing so the aggregate amount payable to holders of each such class of shares as a return of capital in the event of liquidation, dissolution or winding up or any other distribution of our assets among our shareholders for the purpose of winding up our affairs would exceed C\$500 million.

Employee Stock Option Plan

Our employee stock option plan ("ESOP") was approved by shareholders in connection with the Arrangement. The purpose of the ESOP is to provide eligible employees with an incentive to achieve the longer-term objectives of Cenovus; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of Cenovus; and to attract and retain in the employ of Cenovus or any of our subsidiaries, persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in Cenovus. Non-employee directors of Cenovus are not entitled to receive Cenovus Options under the ESOP.

The ESOP is administered by the HRC Committee. The HRC Committee has the authority to interpret the ESOP and any option granted thereunder and the discretion to attach TSARs to

the options. The following is a summary of the principal terms of the ESOP. Further information relating to the Cenovus Replacement Options is also set out under the heading “Statement of Executive Compensation – Compensation Discussion and Analysis – The Elements of our Compensation Program – Long-Term Incentive Program – Replacement Stock Options”.

Common Shares Reserved

A maximum of 64 million Common Shares have been reserved for issuance under the ESOP, representing approximately 8.52 percent of the total number of outstanding Common Shares as at December 31, 2009. There were 39,603,522 Cenovus Options outstanding under the ESOP and 24,361,222 Cenovus Options available for grant, representing approximately 5.27 percent and 3.24 percent, respectively, of the total number of outstanding Common Shares as at December 31, 2009. Any Common Share subject to a Cenovus Option that expires or terminates without having been fully exercised may be made the subject of a further option.

Grant of Options, Exercise Price, Vesting and Expiry

Cenovus Options may be granted from time to time to eligible employees of Cenovus and our subsidiaries. Subject to regulatory requirements, the terms, conditions and limitations of Cenovus Options granted under the ESOP will be determined by the HRC Committee and set out in an option agreement to be entered into effective as at the time of the grant.

The number of Common Shares reserved for issuance at any time pursuant to Cenovus Options granted to insiders (as such term is defined in the TSX Company Manual) under the ESOP, and all other security-based compensation arrangements of Cenovus, shall not exceed ten percent of the number of Common Shares then outstanding, calculated on a non-diluted basis, and the aggregate number of Common Shares issued to insiders pursuant to Cenovus Options, and all other security-based compensation arrangements of Cenovus, within any one year period, shall not exceed ten percent of the number of the Common Shares outstanding, calculated on a non-diluted basis.

Except in respect of the Cenovus Replacement Options, the exercise price of a Cenovus Option will not be less than the market price of the Common Shares at the grant date, calculated as the closing price of the Common Shares on the TSX on the last trading day preceding the date on which the option agreement granting the option is made, or, if the Common Shares shall not have traded that day, on the next preceding day on which Common Shares were traded. See “Statement of Executive Compensation – Compensation Discussion and Analysis – The Elements of our Compensation Program – Long-Term Incentive Program – Replacement Stock Options”.

The HRC Committee has the right to determine at the time of grant that a particular option will be exercisable in whole or in part on different dates or for reasons other than the passage of time. Each Cenovus Option (unless sooner terminated in accordance with the terms, conditions and limitations of the option) shall be exercisable during such period, not exceeding seven years from the date the option was granted as the HRC Committee may determine. Prior to Board approval on February 9, 2010 of an amendment to the ESOP, options could be granted for a period not exceeding five years from the date of grant. Shareholder approval will not be sought for this amendment because it was approved in accordance with the specific amendment provision in the ESOP and does not require shareholder approval. Cenovus Replacement Options have a term of five years. Cenovus Options generally vest 30 percent on the first anniversary, 30 percent on the second anniversary and an additional 40 percent on the third anniversary of the grant, and, in certain cases, subject to the satisfaction of certain performance conditions.

Performance Vesting Criteria

A portion of the Cenovus Options that will be granted may be performance-based and may vest not only upon the passage of time, but also upon the achievement of a prescribed

performance measure, which Cenovus has currently determined to be a recycle ratio. For more detailed information concerning the performance vesting criteria, see “Statement of Executive Compensation – Compensation Discussion and Analysis – The Elements of our Compensation Program – Long-Term Incentive Program”.

Two-thirds of the Cenovus Replacement Options granted in connection with the Arrangement are also subject to additional vesting requirements dependent upon a recycle ratio. See “Statement of Executive Compensation – Compensation Discussion and Analysis – The Elements of our Compensation Program – Long-Term Incentive Program – Replacement Stock Options”.

TSARs

All Cenovus Replacement Options have associated TSARs which entitle the optionholder to surrender the right to exercise his or her option to purchase a specified number of Common Shares and to receive cash or Common Shares (at Cenovus’s discretion) in an amount equal to the excess of the closing price of the Common Shares on the TSX on the last trading day preceding the date of exercise of the TSAR, over the exercise price for the Cenovus Option, multiplied by the number of optioned Common Shares surrendered. Where a TSAR is exercised, the right to the underlying Common Share is forfeited and such number of Common Shares are returned to the Common Shares reserved and available for new option grants. Cenovus Options that may be granted in the future will also have associated TSARs.

Non-Assignable and No Rights as a Shareholder

A Cenovus Option may be exercised only by the optionholder and will not be assignable, except on death. An optionholder only has rights as a shareholder of Cenovus with respect to Common Shares that the optionholder has acquired through exercise of a Cenovus Option or through the holding of Common Shares otherwise acquired. Nothing in the ESOP or in any option grant agreement confers or will confer on any optionholder any right to remain as an employee of Cenovus or any of our subsidiaries.

Adjustments

Adjustments will be made to the exercise price of a Cenovus Option, the number of Common Shares delivered to an optionholder upon exercise of an option and the maximum number of Common Shares that may at any time be reserved for issuance pursuant to options granted under the ESOP in certain circumstances, such as a stock dividend, split, recapitalization, merger, consolidation, combination or exchange of Common Shares or other similar corporate change.

Blackout Period

If the exercise period of a Cenovus Option expires during, or within ten business days following, a period when option exercising is prohibited by Cenovus (the “Blackout Period”), then the exercise period of such option will be extended to the date which is ten business days after the last day of the Blackout Period (the “Blackout Extension Period”), after which time such option shall expire and terminate.

Amendments

The Board may, at any time and from time to time, amend, suspend, discontinue or terminate the ESOP in whole or in part; provided, however, no such amendment, suspension, discontinuance or termination may, without the consent of any optionholder, adversely alter or impair the rights under any Cenovus Option previously granted. Any amendment to be made to the ESOP or a Cenovus Option under the ESOP is subject to the prior approval of the TSX. The Board has the power and authority to approve amendments relating to the ESOP or a specific option without further approval of the shareholders of Cenovus, examples of which include, but are not limited to:

- (i) extending or, in the event of a change in control, retirement, death or disability, accelerating the terms of vesting applicable to any Cenovus Option or group of Cenovus Options;
- (ii) altering the terms and conditions of vesting applicable to any Cenovus Option or group of Cenovus Options;
- (iii) changing the termination provisions of the ESOP or any Cenovus Option, provided that the change does not provide for an extension beyond the original expiry date of such option;
- (iv) accelerating the expiry date in respect of a Cenovus Option;
- (v) determining the adjustment provisions pursuant to the ESOP. See "Adjustments" above;
- (vi) amending the definitions contained within the ESOP and other amendments of a "housekeeping" nature; and
- (vii) amending or modifying the mechanics of exercise of a Cenovus Option or TSAR.

Approval by shareholders of Cenovus will be required for amendments that relate to:

- (i) accelerating the terms of vesting applicable to any Cenovus Option or group of Cenovus Options other than in the event of a change in control, retirement, death or disability;
- (ii) any increase in the number of shares reserved for issuance under the ESOP;
- (iii) any reduction in the grant price or cancellation and reissue of Cenovus Options;
- (iv) any extension of the term of a Cenovus Option beyond the original expiry date, except as permitted under the Blackout Extension Period;
- (v) any increase to the length of the Blackout Extension Period;
- (vi) the inclusion of non-employee directors, on a discretionary basis, as eligible participants;
- (vii) any allowance for the transferability or assignability of Cenovus Options other than for estate settlement purposes;
- (viii) amendments to the specific amendment provision of the ESOP; and
- (ix) amendments required to be approved by shareholders of Cenovus under applicable law (including, without limitation, the rules, regulations and policies of the TSX).

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Our ESOP is the only compensation plan under which our equity securities have been authorized for issuance. As of December 31, 2009, there were an aggregate of 39,603,522 options outstanding under the ESOP, the details of which are as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders — ESOP	39,603,522	\$27.19	24,361,222
Equity compensation plans not approved by securityholders	-	-	-
Total	39,603,522	\$27.19	24,361,222

DIVIDENDS

The declaration of dividends is at the sole discretion of our Board and is considered quarterly.

In the fourth quarter of 2009, we paid a dividend of \$0.20 per Common Share. Our Board has established a quarterly dividend of C\$0.20 per Common Share. A first quarter dividend of C\$0.20 was declared payable on March 31, 2010 to holders of Common Shares of record on March 15, 2010.

MARKET FOR SECURITIES

All of the outstanding Common Shares are listed and posted for trading on the TSX and the NYSE under the symbol CVE. The following table outlines the share price trading range and volume of shares traded by month in 2009.

	TSX				NYSE			
	Share Price Trading Range			Share Volume	Share Price Trading Range			Share Volume
	High	Low	Close		High	Low	Close	
2009 December ⁽¹⁾	(C\$ per share)			(millions)	(\$ per share)			(millions)
	27.18	24.68	26.50	59.0	25.70	23.37	25.20	24.5

Note:

(1) The Common Shares began trading on the TSX on December 3, 2009 and on the NYSE on December 9, 2009.

CREDIT RATINGS

The following table outlines the ratings and outlooks of Cenovus's debt as of December 31, 2009:

	Standard & Poor's Ratings Services ("S&P")	Moody's Investors Service ("Moody's")	DBRS Limited ("DBRS")
Senior unsecured Long-Term Rating	BBB+/Stable	Baa2/Stable	A (low)/Stable
Commercial Paper Short-Term Rating	A-1(Low)/Stable	P-2/Stable	R-1 (low)/Stable

Credit ratings are intended to provide an independent measure of the credit quality of an issue of securities. The credit ratings assigned by the rating agencies are not recommendations to purchase, hold or sell the securities nor do the ratings comment on market price or suitability for a particular investor. A rating may not remain in effect for any given period of time and may be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

S&P's long-term credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BBB+ by S&P is within the fourth highest of ten categories and indicates that the obligation exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within the major rating categories. S&P's Canadian commercial paper ratings scale ranges from A-1(High) to D, which represents the range from highest to lowest quality. A rating of A-1(Low) is the third highest of eight categories and indicates that the obligor has satisfactory capacity to meet its financial commitments. A ratings outlook gives the potential direction of a short- or long-term rating and the "stable" designation indicates that a rating is not likely to change.

Moody's long-term credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. A rating of Baa2 by Moody's is within the fourth highest of nine categories and is assigned to debt securities which are considered medium-grade (i.e., they are subject to moderate credit risk). Such debt securities may possess certain speculative characteristics. The addition of a 1, 2 or 3 modifier after a rating indicates the relative standing within a particular rating category. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category. Moody's short-term credit ratings are on a scale that ranges from P-1 (highest quality) to NP (lowest quality). A rating of P-2 is the second highest of four categories and indicates that the issuer has a strong ability to repay short-term debt obligations.

DBRS' long-term credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of A(low) by DBRS is within the third highest of ten categories and is assigned to debt securities considered to be of satisfactory credit quality. Protection of interest and principal is substantial, but the degree of strength is less than that of higher rated securities. Entities in the A category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated securities. The assignment of a "(high)" or "(low)" modifier within each rating category indicates relative standing within such category. DBRS' short-term credit ratings are on a scale ranging from R-1 (high) to D, which represents the range from highest to lowest quality. A rating of R-1(low) is the third highest of ten categories and indicates that the short-term debt is of satisfactory credit

quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favorable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in the industry.

PRIOR SALES

Debt Securities

On September 18, 2009, a predecessor entity of Cenovus completed, in three tranches, a \$3.5 billion private offering of debt securities (comprised of the 2014 Notes, 2019 Notes and 2039 Notes) which are exempt from the registration requirements of the U.S. Securities Act under Rule 144A and Regulation S. The net proceeds of the Cenovus Note Offering were placed into an escrow account pending the completion of the Arrangement. Upon completion of the Arrangement, the net proceeds, together with other pre-funded amounts, were released from escrow and were applied to repay all of the amounts outstanding under the Demand Note.

The Notes are our direct, unsecured and unsubordinated obligations and rank equally and rateably with all of our other existing and future unsecured and unsubordinated indebtedness. The Notes are structurally subordinate to all existing and future indebtedness and liabilities of any of our corporate and partnership subsidiaries.

We have agreed to use our commercially reasonable efforts to cause a registration statement with respect to an offer to exchange the Cenovus Notes for a new issue of notes registered under the U.S. Securities Act to be declared effective no later than September 18, 2010.

RISK FACTORS

If any event arises from the risk factors set forth below, our business, prospects, financial condition, results of operation or cash flows and, in some cases, our reputation could be materially adversely affected.

Risks relating to the Arrangement

As a result of the Arrangement, any financing that we may require will be obtained on a stand alone basis.

As a result of the Arrangement, we are independent of EnCana and any financing that we may require in the future will be obtained by us on a stand alone basis. In addition, our credit ratings are determined independently of, and without reference to, the historical or current ratings of EnCana. Differences in credit ratings affect the interest rate charged on financings, as well as the amounts of indebtedness, types of financing structures and debt markets that may be available to us.

As a result, we may not be able to secure adequate debt or equity financing or otherwise raise the capital we require on the same terms as EnCana (as it existed historically or exists currently), desirable terms or at all.

We may be unable to make the changes necessary to operate as an independent entity and may incur greater costs.

As a result of the Arrangement, we separated from the other businesses of EnCana and such separation may materially adversely affect us. We may not be able to implement successfully the changes necessary to operate independently. We may incur additional costs relating to operating independently that could materially affect our cash flow and results of operations. We require EnCana to provide us with certain services (including, but not limited to, information technology services) on a transitional basis. We may, as a result, be dependent on such services until we are able to provide our own.

The historical financial information of our assets may not be representative of our results as an independent entity, and, therefore, may not be reliable as an indicator of our historical or future results.

Our assets were integrated within the business units of EnCana for 11 of the 12 months of 2009; consequently, our financial information has been derived, in substantial part, from the consolidated financial statements and accounting records of EnCana and reflect certain assumptions and allocations. Our financial position, results of operations and cash flows could differ from those that would have resulted had we operated autonomously or as an entity independent of EnCana for all of fiscal 2009.

Our separate operating history as a stand alone entity.

We became an independent public company on November 30, 2009. The operating history of EnCana in respect of our assets cannot be regarded as our operating history. Our ability to raise capital, satisfy our obligations and provide a return to our shareholders will be dependent upon our future performance. We will not be able to rely on the capital resources and cash flows of EnCana. Our future operating results and performance may be materially different than those we would have achieved had we been operating as part of EnCana.

Risks relating to our Business

A substantial or extended decline in crude oil, natural gas and refined products prices could have a material adverse effect on us.

Our financial performance and condition are substantially dependent on the prevailing prices of crude oil, natural gas and refined products. Fluctuations in crude oil, natural gas and refined products prices could have an adverse effect on our operations and financial condition, the value and amount of our proved reserves and the value of our refining assets. Prices for crude oil, natural gas and refined products fluctuate in response to changes in the supply of and demand for crude oil, natural gas and refined products, market uncertainty and a variety of additional factors beyond our control. Crude oil prices are determined by international supply and demand. Factors which affect crude oil prices include the actions of the Organization of Petroleum Exporting Countries, world economic conditions, government regulation, political stability in the Middle East and elsewhere, the foreign supply of crude oil, the price of foreign imports, the availability of alternate fuel sources and weather conditions. Natural gas prices realized by us are affected primarily by North American supply and demand, weather conditions and by prices of alternate sources of energy (including refined product and imported liquefied natural gas). Our refined products margins are impacted by, among other things: market competitiveness, the cost of inputs and fluctuations in the supply and demand for refined products. Any substantial or extended decline in the prices of crude oil, natural gas or refined products could result in a delay or cancellation of existing or future drilling, development or construction programs or curtailment in production at some properties or could result in unutilized long-term transportation commitments and low utilization levels at the refineries, all of which could have an adverse effect on our revenues, profitability and cash flows.

The market prices for heavy oil are lower than the established market indices for light and medium grades of oil, due principally to the higher transportation and refining costs associated with heavy oil. As well, bitumen prices are lower still than heavy oil prices due to the cost of diluent blending. Also, the market for heavy oil is more limited than for light and medium grades, making it more susceptible to supply and demand changes. Future price differentials are uncertain and any increase in the heavy oil differentials could have an adverse effect on our business.

We will conduct an annual assessment of the carrying value of our assets in accordance with Canadian GAAP. If crude oil and natural gas prices decline, the carrying value of our assets could be subject to financial downward revisions and our earnings could be adversely affected.

Our ability to operate and complete projects is dependent on certain factors outside of our control.

Our ability to operate, generate sufficient cash flows and complete projects will depend upon numerous factors beyond our control. In addition to commodity prices and continued market demand for our products, these non-controllable factors include, but are not limited to: general business and market conditions; economic recessions and financial market turmoil; the ability to secure and maintain cost effective financing for our commitments; environmental and regulatory matters; unexpected cost increases; royalties; taxes; the availability of drilling and other equipment; the ability to access lands; weather; the availability of processing capacity; the availability and proximity of pipeline capacity; the availability of diluents to transport crude oil; technology failures; accidents; the availability of skilled labour; and reservoir quality.

Current market conditions are challenging with the global recession negatively impacting commodity prices as well as access to credit and capital markets. These conditions impact our customers and suppliers and may alter our spending and operating plans. There may be unexpected business impacts from this market uncertainty.

Our downstream operations will be sensitive to refined products margins. Margin volatility is impacted by numerous conditions including: fluctuations in the supply and demand for refined products; market competitiveness; the costs of crude oil; labour; maintenance; electricity; chemicals and other inputs; unplanned production disruptions due to equipment failure; power disruptions and other factors including weather. It is expected that all of these and other factors will continue to impact downstream margins for the foreseeable future. As a result, it can be reasonably expected that downstream results will fluctuate over time and from period to period.

We will undertake a variety of projects including exploration and development projects and the construction or expansion of facilities, refineries and pipelines. Project delays may delay expected revenues and project cost overruns could make projects uneconomic.

All of our operations are subject to regulation and intervention by governments that can affect or prohibit the drilling, completion and tie-in of wells, production, the construction or expansion of facilities and refineries and the operation and abandonment of fields. Contract rights can be cancelled or expropriated. Changes to government regulation could impact our existing and planned projects.

Certain of our operations require us to obtain certain approvals from various regulatory authorities and there can be no assurance that we will be able to obtain all necessary licenses, permits and other approvals that may be required to carry out certain exploration and development activities on our properties. In addition, obtaining certain approvals from regulatory authorities can involve, among other things, stakeholder consultation, environmental impact assessments and public hearings. Regulatory approvals that are obtained may also be subject to the satisfaction of certain conditions, including, but not limited to, security deposit obligations, regulatory oversight of projects by third parties, habitat assessments and other commitments or obligations. Failure to obtain applicable regulatory approvals or satisfy any of the conditions thereto on a timely basis on satisfactory terms could result in delays, abandonment or restructuring of projects and increased costs, all of which could have a material adverse effect on our business, financial conditions, results of operations and cash flow.

Our crude oil and natural gas reserves data and future net revenue estimates are uncertain.

There are numerous uncertainties inherent in estimating quantities of crude oil and natural gas reserves, including many factors beyond our control. The reserves data in this annual information form represent estimates only. In general, estimates of economically recoverable crude oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as product prices, future

operating and capital costs, historical production from the properties and the assumed effects of regulation by governmental agencies, including with respect to royalty payments, all of which may vary considerably from actual results. All such estimates are to some degree uncertain and classifications of reserves are only attempts to define the degree of uncertainty involved. For those reasons, estimates of the economically recoverable bitumen, crude oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. Our actual production, revenues, taxes and development and operating expenditures with respect to our reserves may vary from such estimates and such variances could be material.

Estimates with respect to reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be material, in the estimated reserves.

Our hedging activities could result in realized and unrealized losses.

The nature of our operations results in exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. We will monitor our exposure to such fluctuations and, where we deem it appropriate, utilize derivative financial instruments and physical delivery contracts to help mitigate the potential impact of declines in crude oil, natural gas and refined product prices, changes in interest rates and foreign exchange rates. Under Canadian GAAP, derivative instruments that do not qualify as hedges, or are not designated as hedges, are marked-to-market with changes in fair value recognized in current period net earnings. The utilization of derivative financial instruments may therefore introduce significant volatility into our reported net earnings.

The terms of our various hedging agreements, if any, may limit the benefit to us of commodity price increases or changes in interest rates and foreign exchange rates. We may also suffer financial loss because of hedging arrangements if:

- we are unable to produce oil, natural gas or refined products to fulfill delivery obligations; or
- counterparties to our hedging agreements are unable to fulfill their obligations under the hedging agreements.

Our ability to secure and maintain cost effective financing for our capital and other commitments.

The nature of our operations will require significant capital commitments; consequently, failure to achieve timely and cost effective financing could have a negative impact on our future plans. Unpredictable financial markets and associated credit impacts may impede our ability to secure and maintain cost effective financing and limit our ability to achieve timely access to capital markets.

Our business is subject to environmental legislation in all jurisdictions in which we operate and any changes in such legislation could negatively affect our results of operations.

All phases of the crude oil, natural gas and refining businesses are subject to environmental regulation pursuant to a variety of Canadian, U.S. and other federal, provincial, territorial, state and municipal laws and regulations (collectively, "environmental legislation").

Environmental legislation requires that wells, facility sites, refineries and other properties associated with our operations be constructed, operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types

of operations, including exploration and development projects and changes to certain existing projects, may require the submission and approval of environmental impact assessments or permit applications. Environmental legislation imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances to the environment. It also imposes restrictions, liabilities and obligations in connection with the management of fresh or potable water sources that are being used, or whose use is contemplated, in connection with oil and gas operations. Compliance with environmental legislation can require significant expenditures, including expenditures for clean up costs and damages arising out of contaminated properties and failure to comply with environmental legislation may result in the imposition of fines and penalties. Although it is not expected that the costs of complying with environmental legislation will have a material adverse effect on our financial condition or results of operations, no assurance can be made that the costs of complying with environmental legislation in the future will not have such an effect.

Various federal, provincial and state governments have announced intentions to regulate greenhouse gas emissions and other air pollutants and a number of legislative and regulatory measures to address greenhouse gas emissions are in various phases of review, discussion or implementation in the United States and Canada. These include proposed federal legislation and state actions in the United States to develop statewide or regional programs, each of which could impose reductions in greenhouse gas emissions.

Adverse impacts to our business if comprehensive greenhouse gas legislation is enacted in any jurisdiction in which we operate, may include, among other things, increased compliance costs, permitting delays, substantial costs to generate or purchase emission credits or allowances adding costs to the products we produce, and reduced demand for crude oil and certain refined products. In particular, some of the climate change legislation being contemplated in the U.S. would require refiners to obtain emission allowances for emissions of greenhouse gases, including CO₂ based on the carbon content of their fuels. If this approach was enacted into law, this could have a material impact on the cost structure of refined petroleum products.

Beyond existing legal requirements, the extent and magnitude of any adverse impacts of any of these additional programs cannot be reliably or accurately estimated at this time because specific legislative and regulatory requirements have not been finalized and uncertainty exists with respect to the additional measures being considered and the time frames for compliance.

If we fail to acquire or find additional crude oil and natural gas reserves, our reserves and production will decline materially from their current levels.

Our future crude oil and natural gas reserves and production, and therefore our cash flows, are highly dependent upon our success in exploiting our current resource base and acquiring, discovering or developing additional reserves. Without reserves additions through exploration, acquisition or development activities, our reserves and production will decline over time as reserves are depleted. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash from operating activities is insufficient and external sources of capital become limited, our ability to make the necessary capital investments to maintain and expand our crude oil and natural gas reserves will be impaired. In addition, there can be no certainty that we will be able to find and develop or acquire additional reserves to replace production at acceptable costs.

Our operations are subject to the risk of business interruption and casualty losses.

Our business is subject to all of the operating risks normally associated with the exploration for, development of and production of crude oil and natural gas and the operation of refining facilities. These risks include, but are not limited to, blowouts, explosions, fire, gaseous leaks, migration of harmful substances and crude oil and refined products spills, acts of

vandalism and terrorism, any of which could cause personal injury, result in damage to, or destruction of, crude oil and natural gas wells or formations or production facilities or refineries and other property, equipment and the environment, as well as interrupt operations. In addition, all of our operations are subject to all of the risks normally incident to the transportation, processing, storing, refining and marketing of crude oil, natural gas and other related products, drilling and completion of crude oil and natural gas wells, and the operation and development of crude oil and natural gas properties, including, among others, encountering unexpected formations or pressures, premature declines of reservoir pressure or productivity, blowouts, equipment failures and other accidents, sour gas releases, uncontrollable flows of crude oil, natural gas or well fluids, adverse weather conditions, pollution and other environmental risks.

The occurrence of a significant event against which we are not fully insured could have a material adverse effect on our financial position.

We do not operate all of our properties and assets.

Other companies operate a portion of the assets in which we have interests. We will have limited ability to exercise influence over operations of these assets or their associated costs. Our dependence on the operator and other working interest owners for these properties and assets and our limited ability to influence operations and associated costs could materially adversely affect our financial performance. The success and timing of our activities on assets operated by others therefore will depend upon a number of factors that are outside of our control, including: timing and amount of capital expenditures; timing and amount of operating and maintenance expenditures; the operator's expertise and financial resources; approval of other participants; selection of technology; and risk management practices.

All of our downstream operations are operated by ConocoPhillips. The success of our downstream operations is dependant on the ability of ConocoPhillips to successfully operate this business and maintain the operations of the refineries.

We are exposed to risks associated with the use of current technology, and the pursuit of new technology, which could negatively affect our results of operations.

Current SAGD technologies for enhanced recovery of heavy oil are energy intensive, requiring significant consumption of natural gas and other fuels in the production of steam that is used in the recovery process. The amount of steam required in the production process can also vary and affect costs. The performance of the reservoir can also affect the timing and levels of production using this technology. A large increase in recovery costs could cause certain projects that rely on SAGD technology to become uneconomical, which could have a negative effect on our results of operations.

There are risks associated with growth and other capital projects that rely largely or partly on new technologies and the incorporation of such technologies into new or existing operations. The success of projects incorporating new technologies cannot be assured.

There are a number of risks particular to oil recovery operations that could have a material adverse impact on us.

Producing oil through enhanced recovery methods and upgrading and refining heavy oil requires high levels of investment and involves particular risks and uncertainties. Our oil operations are susceptible to loss of production, slowdowns, shutdowns, or restrictions on our ability to produce higher value products due to the interdependence of our component systems. While there are virtually no finding costs associated with bitumen resources, delineation of the resources, the costs associated with production, including drilling wells for SAGD operations, and the costs associated with upgrading heavy oil can entail significant capital outlays. The costs associated with oil production are largely fixed in the short-term and, as a result, operating costs per unit are largely dependent on levels of production.

Fluctuations in exchange rates could affect expenses or result in realized and unrealized losses.

Worldwide prices for crude oil, natural gas and refined products are set in U.S. dollars. However, many of our expenses outside of the U.S. will be denominated in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar could impact our expenses and have an adverse effect on our financial performance and condition.

We may become subject to claims by third parties.

From time to time, we may be the subject of litigation arising out of our operations. Claims under such litigation may be material or may be indeterminate and the outcome of such litigation may materially impact our financial condition or results of operations. We may be required to incur significant expenses or devote significant resources to defend ourselves against any such litigation.

We may be adversely affected by certain terms of the Separation Agreement.

Pursuant to the Separation Agreement, EnCana and Cenovus have each agreed to cooperate fully with each other and our respective counsels in the investigation, prosecution, defense and resolution of the Joint Litigation (as defined herein), which includes, without limitation, certain judicial actions to which EnCana is a party relating to the entitlement to CBM. The possible impacts and effects of such agreement are uncertain. Our obligation to cooperate fully with EnCana and its counsel in respect of the Joint Litigation and the limitation this may place on the position that Cenovus may otherwise wish to take with respect to these matters may have an adverse effect on Cenovus. The outcome of any of the Joint Litigation matters cannot be predicted and may materially impact our financial condition or results of operations. In addition, the existence of such agreement and our obligations thereunder may have an effect on the manner in which we determine to conduct our business or operations until such time that all of the Joint Litigation is resolved.

We have certain post-Arrangement indemnification and other obligations under each of the Arrangement Agreement and Separation Agreement

EnCana and Cenovus have agreed to indemnify each other for certain liabilities and obligations associated with, among other things, in the case of EnCana's indemnity, the business and assets retained by EnCana, and in the case of our indemnity, the Cenovus Businesses and the Cenovus Assets. At the present time, we cannot determine whether we will have to indemnify EnCana for any substantial obligations under the terms of the Arrangement. We also cannot assure that if EnCana has to indemnify Cenovus and our affiliates for any substantial obligations, EnCana will be able to satisfy such obligations.

In connection with the Arrangement, EnCana and Cenovus entered into the Arrangement Agreement which contains a number of representations, warranties and covenants, including agreement by each of the parties to indemnify and hold harmless each other against any loss suffered or incurred resulting from a breach of certain tax-related covenants. One of these covenants was that each party would not take any action, omit to take any action or enter into any transaction that could adversely impact the Canadian Tax Ruling or the U.S. Tax Ruling. With respect to Canadian income taxation, there are a variety of transactions that the parties were or are prohibited from undertaking prior to and after the implementation of the Arrangement. One of these is that no party is permitted to dispose of or exchange property having a fair market value greater than ten percent of the fair market value of its property, net of liabilities, or undergo an acquisition of control where such disposition or control acquisition is for Canadian tax purposes part of the "series of transactions or events" that includes the Arrangement, except in limited circumstances.

Under the Separation Agreement, (i) we have agreed to indemnify EnCana and its affiliates from and against any liabilities associated with, among other things, the Cenovus Assets

and Cenovus Businesses, whether relating to the period, or arising, prior to or after the Reorganization Time, and (ii) EnCana has agreed to indemnify us and our affiliates from and against any liabilities associated with, among other things, the assets owned by EnCana or any affiliate of EnCana and the businesses carried on by EnCana or any affiliate of EnCana after the Reorganization Time, whether relating to the period, or arising, prior to or after the Reorganization Time.

Any indemnification claim against us pursuant to the provisions of the Arrangement Agreement or Separation Agreement could have a material adverse effect.

Our success is dependent on successful recruitment, retention and succession.

Our success is dependent upon our management and the quality of our personnel. Failure to retain current employees or to attract and retain new employees with the necessary skills could have a material adverse effect on our growth and profitability. Although the demand for personnel has recently reduced, competition for key oil and gas professionals remains high.

Our ability to operate is dependent upon a variety of information systems.

We depend on a variety of information systems to operate effectively. A failure of any one of the information systems or a failure among the systems could result in operational difficulties, damage or loss of data, productivity losses or result in unauthorized knowledge and use of information.

Other Risk Factors

A discussion of additional risks which may impact our business, prospects, financial condition, results of operation and cash flows, and in some cases our reputation, can be found in our Management's Discussion and Analysis for the year ended December 31, 2009 which is accessible on our SEDAR profile at www.sedar.com and on EDGAR at www.sec.gov.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings to which we are or were a party, or that any of our property is or was the subject of, which is or was, or can be reasonably considered to be, material to us or any of our properties and we are not aware of any such legal proceedings that are contemplated.

Since incorporation, there have not been any penalties or sanctions imposed against us by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against us, and we have not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of our directors or executive officers or any person or company that beneficially owns, or controls or directs, directly or indirectly, more than ten percent of any class or series of our outstanding voting securities, of which there are none that we are aware, or any associate or affiliate of any of the foregoing persons, in each case, as at the date of this annual information form, has or has had any material interest, direct or indirect, in any past transaction or any proposed transaction that has materially affected or is reasonably expected to materially affect us.

INTERESTS OF EXPERTS

Our independent auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have issued an independent auditors' report dated February 17, 2010 in respect of our consolidated financial statements as at December 31, 2009 and December 31, 2008 and for each of the years in the three year period ended December 31, 2009 and Cenovus's internal control over financial reporting as at December 31, 2009. PricewaterhouseCoopers LLP has advised that they are independent with respect to Cenovus within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta and the rules of the SEC. Prior to November 30, 2009, PricewaterhouseCoopers LLP was the auditor of EnCana and, on November 30, 2009, was appointed auditor of Cenovus.

Information relating to reserves in this annual information form has been calculated by GLJ Petroleum Consultants Ltd. and McDaniel & Associates Consultants Ltd. as independent qualified reserves evaluators. The principals of each of GLJ Petroleum Consultants Ltd. and McDaniel & Associates Consultants Ltd., in each case, as a group own beneficially, directly or indirectly, less than one percent of any class of our securities.

TRANSFER AGENTS AND REGISTRARS

In Canada:

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Canada

In the United States:

BNY Mellon Shareowner Services
480 Washington Blvd.
Jersey City, New Jersey 07310
U.S.A.

Tel: 1-866-332-8898

Website:

www.cibcmellon.com/investorinquiry

MATERIAL CONTRACTS

The only contracts that can reasonably be regarded as material to us, other than contracts entered into in the ordinary course of business, are as follows:

- (a) Arrangement Agreement. The Arrangement Agreement provided for the implementation of the Plan of Arrangement pursuant to Section 192 of the CBCA and, among other things, certain representations, warranties and covenants of the parties and certain indemnities among Cenovus and EnCana.
- (b) Separation Agreement. In connection with the Arrangement, we entered into the Separation Agreement and several ancillary agreements to complete the transfer of the Cenovus Businesses to us. The Separation Agreement sets forth the agreement of the parties with respect to the indirect transfer of assets from EnCana to us and the indirect assumption of the Assumed Liabilities by us and certain transitional arrangements governing the relationship between EnCana and us following the Reorganization Time.

The Separation Agreement allocates between EnCana and Cenovus responsibility and liability for outstanding legal actions based on whether such legal actions relate primarily to the Cenovus Businesses or the Cenovus Assets (on the one hand) or the retained businesses and assets of EnCana (on the other hand). With respect to outstanding legal actions that affect both EnCana and us or unknown or future legal actions brought after the Reorganization Time, the Separation Agreement provides that each party will be liable for its proportionate share of all costs and liabilities arising out of or relating to such legal actions based on the extent to which such

legal actions relate to the Cenovus Businesses or the Cenovus Assets (in our case) or the retained businesses and assets (in the case of EnCana).

Pursuant to the Separation Agreement, Cenovus and EnCana have agreed, in respect of certain litigation matters, including, without limitation, certain judicial actions relating to CBM involving EnCana (collectively, the "Joint Litigation"), to cooperate fully with the other and its counsel in the investigation, prosecution, defense and resolution of such Joint Litigation. Subject to certain exceptions contained within the Separation Agreement, EnCana has exclusive authority and control over the investigation, prosecution, defense and appeal of all Joint Litigation. See "Risk Factors" in this annual information form.

Under the terms of the Separation Agreement, we have generally agreed to indemnify EnCana and its affiliates from and against any liabilities associated with, among other things, the Cenovus Businesses or the Cenovus Assets, whether relating to the period, or arising, prior to or after the Reorganization Time. The Separation Agreement contains a reciprocal indemnity under which EnCana generally agrees to indemnify us and our affiliates from and against any liabilities relating to, among other things, the businesses and assets retained by EnCana. Cenovus and EnCana will indemnify each other with respect to non-performance of our respective obligations under the Separation Agreement including the obligation not to do anything after the Arrangement which could interfere with any transactions outlined in the Canadian Tax Ruling and the U.S. Tax Ruling. See "Risk Factors".

Other matters governed by the Separation Agreement include responsibility for taxes, access to books and records, confidentiality, insurance and dispute resolution.

- (c) Note Indenture. On September 18, 2009, we issued the Notes, which were issued and are governed under the terms of the Note Indenture.

Pursuant to the Note Indenture, the Notes:

- (i) are our direct unsecured and unsubordinated obligations ranking equally and ratably in right of payment with all of our other unsecured and unsubordinated indebtedness;
- (ii) the 2014 Notes bear interest to be paid semi-annually in arrears on March 15 and September 15 of each year, commencing March 15, 2010; the 2019 Notes bear interest to be paid semi-annually in arrears on April 15 and October 15 of each year, commencing April 15, 2010; and the 2039 Notes bear interest to be paid semi-annually in arrears on May 15 and November 15 of each year, commencing May 15, 2010; and
- (iii) bear interest on overdue principal, and overdue interest, at the rate otherwise applicable to the Notes.

Interest is computed on the basis of a 360-day year of twelve 30-day months. The interest period relating to an interest payment date shall be the period from but not including the preceding interest payment date to and including the relevant interest payment date.

Payment of the principal, premium, if any, and interest on the Notes will be made in United States dollars.

We have agreed to use our commercially reasonable efforts to cause a registration statement with respect to an offer to exchange the Notes for a new issue of notes registered under the U.S. Securities Act to be declared effective no later than September 18, 2010.

Copies of these agreements may be inspected at our registered office located at #4000, 421 – 7 Avenue S.W., Calgary, Alberta, Canada T2P 4K9 during normal business hours and are available on our SEDAR profile at www.sedar.com and on EDGAR at www.sec.gov.

PROMOTER

Under applicable Canadian securities laws, EnCana was considered a promoter of Cenovus in that it took the initiative in our founding for the purpose of implementing the Arrangement. We acquired our assets from EnCana pursuant to the Arrangement, as described in this annual information form. As consideration for the acquisition of our assets pursuant to the Arrangement, we issued the Demand Note payable to EnCana in the aggregate amount of \$3.5 billion. The value of the Demand Note was determined through the equitable allocation of the pre-Arrangement value of EnCana's debt as determined by, among other things, an assessment of assets and liabilities to be transferred to Cenovus pursuant to the Arrangement, an allocation of then current income tax payable, an allocation of transaction costs related to the Arrangement and appropriate capital structures. The Demand Note was repaid in full on the Effective Date.

Subsequent to the completion of the Arrangement, Cenovus made a payment to EnCana in the amount of \$250 million to adjust the cash balances of both companies as at the Effective Date to the agreed upon amounts pursuant to the Separation Agreement.

As of the date hereof, EnCana does not beneficially own or control or direct, directly or indirectly, any Common Shares.

We are independent of EnCana to the greatest extent practicable. Certain ongoing contractual arrangements between EnCana and Cenovus are generally limited to our mutual obligations under, among others, the Arrangement Agreement, the Separation Agreement and the ancillary agreements contemplated in the Separation Agreement (including the Employee Matters Agreement), including indemnification in certain circumstances, and confidentiality and access to records necessary to comply with, among other things, continuous disclosure requirements. In addition, we may require EnCana to provide us with certain services (including, but not limited to, information technology services) on a transitional basis.

Pursuant to the Employee Matters Agreement, we are required to make certain reimbursement payments to EnCana in respect of any cash payments made by EnCana on the surrender of EnCana Replacement Options by our employees.

ADDITIONAL INFORMATION

Additional information relating to us is available via SEDAR at www.sedar.com and also via EDGAR at www.sec.gov.

Additional financial information is contained in our audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2009.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual information form contains certain forward-looking statements or information (collectively referred to in this note as “forward-looking statements”) within the meaning of applicable securities legislation. Forward-looking statements are typically identified by words such as “projected”, “anticipate”, “believe”, “expect”, “plan”, “intend” or similar words suggesting future outcomes or statements regarding an outlook. All statements other than statements of historical fact contained in this annual information form are forward-looking statements, including, but not limited to, statements relating to the anticipated benefits of the Arrangement, operational information, future exploration and development plans, future acquisition or disposition opportunities, potential dividends, estimates of proved and probable reserves, production growth rates over the long-term, cash flow, financial metrics (including debt to capitalization and debt to adjusted EBITDA), future net capital investment, anticipated future production, estimates of reserves decline rates and capital efficiency, production capacity and annual production growth rate, our corporate structure, division of our assets, successful use of new technology and innovations to increase recovery and decrease costs, the ability to receive patents for our technology and the expected timing thereof, possible internal and external growth opportunities for our assets and the possible form of financing for the same, capital requirements, estimated cost of carbon and abandonment and site reclamation costs, our development plans, the timing of completion and anticipated capacities of the Foster Creek and Christina Lake expansions, the anticipated capacities of and the timing of capacity expansions for the Wood River refinery, including the timing of completion of the CORE project and the capital expenditures for such expansions, the ability of ConocoPhillips and Cenovus to successfully manage and operate the integrated oil business and the ability of the parties to obtain regulatory approvals, expectations that we will continue to carry out certain market optimization and risk mitigation activities in the marketing of crude oil and natural gas, expectations of future cash flows, our ability to meet delivery commitments of crude oil, natural gas and refined products, our ability to meet social and environmental legislation and policies, the expectation that the location of our assets in North America limits our exposure to risks and uncertainties, the amounts, types, terms and conditions of financing that may be made available to us, our estimated capitalization and adequacy thereof and the financing plans and initiatives that may be undertaken by us.

Readers are cautioned not to place undue reliance on forward-looking statements contained in this annual information form, which reflect the analysis of our management only as of the date of this annual information form. All such forward-looking statements are subject to important risks, uncertainties and assumptions. These statements are forward-looking because they are based on our current expectations, estimates and assumptions. Some of the assumptions, risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this annual information form include, but are not limited to: volatility of and assumptions regarding oil and gas prices, assumptions based upon our current guidance, fluctuations in currency and interest rates, product supply and demand, market competition, risks inherent in our and our subsidiaries’ marketing operations, including credit risks, imprecision of reserves estimates and estimates of recoverable quantities of oil, bitumen, natural gas and NGLs from properties and other sources not currently classified as proved or probable and life index of proved reserves, our and our subsidiaries’ ability to replace and expand oil and gas reserves, the ability of ConocoPhillips and Cenovus to successfully manage and operate the North American integrated heavy oil business and the ability of the parties to obtain regulatory approvals, refining and marketing margins, potential disruption or unexpected technical difficulties in developing new products and manufacturing processes, potential failure of new products to achieve acceptance in the market, unexpected cost increases or technical difficulties in constructing or modifying manufacturing or refining facilities, unexpected difficulties in manufacturing, transporting or refining synthetic crude oil, risks

associated with technology and the application thereof to our business, our ability to generate sufficient cash flow from operations to meet our current and future obligations, our ability to access external sources of debt and equity capital, the timing and the costs of well and pipeline construction, our and our subsidiaries' ability to secure adequate product transportation, changes in royalty, tax, environmental, greenhouse gas, carbon and other laws or regulations or the interpretations of such laws or regulations, political and economic conditions in the countries in which we and our subsidiaries operate, the risk of war, terrorist threats, hostilities, civil insurrection and instability affecting countries in which we and our subsidiaries operate, risks associated with existing and potential future lawsuits and regulatory actions made against us and our subsidiaries, the financing plans and initiatives that may be undertaken by us, the capitalization and adequacy thereof for us, the expected impacts of the Arrangement on our employees, operations, suppliers, business partners and stakeholders, our ability to obtain financing in the future on a stand alone basis, that the historical financial information pertaining to our assets as operated by EnCana prior to December 1, 2009 may not be representative of our results as an independent entity, that we have a limited operating history, as a separate entity, and other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by us.

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. Readers are cautioned that the foregoing list of important factors is not exhaustive. All such forward-looking statements are made pursuant to the "safe harbor" provisions of the United States *Private Securities Litigation Reform Act of 1995* and applicable Canadian securities legislation.

The forward-looking statements contained in this annual information form are made as of the date hereof and we do not undertake any obligation to release publicly the results of any revision to these forward-looking statements which may be made to reflect events or circumstances after the date of this annual information form or to reflect the occurrence of unanticipated events, except as required by applicable Canadian securities laws. The forward-looking statements contained in this annual information form are expressly qualified in their entirety by the foregoing.

NOTE REGARDING RESERVES DATA AND OTHER OIL AND GAS INFORMATION

NI 51-101 imposes oil and gas disclosure standards for Canadian public companies engaged in oil and gas activities. We have obtained an exemption from the Canadian securities regulatory authorities to permit us to provide disclosure in accordance with the relevant legal requirements of the SEC. This facilitates comparability of our oil and gas disclosure with that provided by U.S. and other international issuers, given that we are active in the U.S. capital markets. Accordingly, the proved and probable reserves data and much of the other oil and gas information included in this annual information form is disclosed in accordance with U.S. disclosure requirements. Such information, as well as the information that we anticipate disclosing in the future in reliance on such exemption, may differ from the corresponding information prepared in accordance with NI 51-101 standards.

In 2008, the SEC amended its oil and gas reporting requirements effective for Cenovus's 2009 year end reporting. The U.S. Financial Accounting Standards Board also amended its oil and gas reserve estimation and disclosure requirements to align with the amended SEC requirements. The amendments included changing the price used to calculate reserves from a year-end single day price to a historical 12-month average price, permitting optional disclosure of probable reserves and the sensitivity of reserves to price and requiring the separate disclosure of bitumen reserves from crude oil and NGLs reserves.

The primary differences between the current U.S. requirements and the NI 51-101 requirements are that: (i) the U.S. standards require disclosure only of proved reserves, whereas NI 51-101 requires disclosure of proved and probable reserves; and (ii) the U.S. standards require that the reserves and related future net revenue be estimated under existing economic and operating conditions, i.e., historic 12-month average price, whereas NI 51-101 requires disclosure of reserves and related future net revenue using forecast prices and costs. The definitions of proved reserves also differ, but according to the Canadian Oil and Gas Evaluation Handbook, the reference source for the definition of proved reserves under NI 51-101, differences in the estimated proved reserves quantities based on constant prices should not be material.

According to the SEC, proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations. Prices include consideration of future price changes only to the extent provided by contractual arrangements in existence at year-end.

The current U.S. requirements permit, but do not require, the disclosure of probable reserves information. The SEC has defined probable reserves as those additional reserves that are less certain to be recovered than proved reserves, but which, together with proved reserves, are as likely as not to be recovered.

Under U.S. disclosure standards, reserves and production information is required to be disclosed on a net basis (after royalties). The Alberta Government has implemented an oilsands royalty scheme which ties the bitumen royalty rate to the West Texas Intermediate reference oil price, in Canadian dollars. Since oil price is unregulated and can have significant volatility, this in turn means the royalty rate can vary significantly. For example, our year-end 2008 proved bitumen reserves were subject to a forecasted average royalty rate of four percent, while year-end 2009 proved bitumen reserves face a forecasted average royalty rate of 16 percent. This oil price dependent volatility can mask the impact of our development activities. To provide more complete information on our business, we are voluntarily providing reserves and production information for both proved and probable reserves, on a before royalties basis, as well as on an after royalties basis.

GLOSSARY

The following is a glossary of certain terms used in this annual information form:

"2014 Notes" means the \$800,000,000 aggregate principal amount of 4.50% senior notes due September 15, 2014 issued by Subco on September 18, 2009;

"2019 Notes" means the \$1,300,000,000 aggregate principal amount of 5.70% senior notes due October 15, 2019 issued by Subco on September 18, 2009;

"2039 Notes" means the \$1,400,000,000 aggregate principal amount of 6.75% senior notes due November 15, 2039 issued by Subco on September 18, 2009;

"7050372" means 7050372 Canada Inc., a corporation incorporated under the CBCA, which amalgamated with Subco on the Effective Date with the resulting amalgamated corporation being named "Cenovus Energy Inc.";

"Arrangement" means an arrangement under Section 192 of the CBCA involving, among others, EnCana, 7050372 and Subco, which became effective on the Effective Date;

"Arrangement Agreement" means the Arrangement Agreement dated as of October 20, 2009 among EnCana, 7050372 and Subco;

"Assumed Liabilities" means the liabilities assumed by Subco pursuant to the Separation Agreement and described under "General Development of Our Business – The Arrangement";

"Board" means our board of directors;

"Canadian GAAP" means generally accepted accounting principles as in effect in Canada;

"Canadian Tax Ruling" means the advance income tax rulings and opinions received from the Canada Revenue Agency with respect to certain aspects of the Pre-Arrangement Reorganization, the Arrangement and certain other transactions, and includes any replacements thereof and amendments and supplements thereto received or anticipated to be received from the Canada Revenue Agency;

"CBCA" means the *Canada Business Corporations Act*, R.S.C. 1985, c.C-44, as amended, and the regulations thereunder;

"Cenovus Assets" means the assets transferred by EnCana to Subco pursuant to the Separation Agreement and described under "General Development of Our Business – The Arrangement";

"Cenovus Businesses" means, collectively, the Integrated Oil Division and the Canadian Plains Division of EnCana as they existed prior to the Effective Date;

"Cenovus Options" means the options to acquire Common Shares, including any associated tandem stock appreciation rights, granted by us pursuant to the Cenovus Employee Stock Option Plan and, unless otherwise specified, includes Cenovus Replacement Options;

"Cenovus Replacement Options" means the options to acquire Common Shares, including any associated tandem stock appreciation rights, granted by us to the holders of options of EnCana pursuant to the Arrangement;

"Common Shares" means the common shares in the capital of Cenovus Energy Inc.;

"CORE" means the coker and refinery expansion project at the Wood River Refinery in Illinois, United States;

"Dissenting Shareholder" means a shareholder of EnCana that validly exercised its dissent rights in connection with the special resolution to approve the Arrangement;

“EDGAR” means the U.S. Electronic Data-Gathering Analysis and Retrieval system;

“Effective Date” means November 30, 2009, the date upon which the Arrangement became effective;

“Employee Matters Agreement” means the employee and benefits matters agreement dated November 23, 2009 among EnCana, 7050372 and Subco regarding certain transitional employee matters in respect of us and EnCana after completion of the Arrangement, as it may be amended, modified or supplemented from time to time in accordance with its terms;

“EnCana” means EnCana Corporation, a corporation existing under the CBCA;

“EnCana Replacement Options” means the options to acquire common shares of EnCana, including any associated tandem stock appreciation rights, granted by EnCana to the holders of options to acquire common shares of EnCana pursuant to the Arrangement;

“FCCL” means FCCL Partnership, a general partnership formed under the *Partnership Act*, R.S.A. 2000, c.P-3, as amended;

“First Preferred Shares” means the first preferred shares in the capital of Cenovus Energy Inc.;

“NI 51-101” means National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators;

“Note Indenture” means the indenture dated as of September 18, 2009 between Subco and The Bank of New York Mellon;

“Notes” means, collectively, the 2014 Notes, the 2019 Notes and the 2039 Notes;

“NYSE” means the New York Stock Exchange;

“Plan of Arrangement” means the plan of arrangement involving, among others, Cenovus Energy Inc. and EnCana;

“Pre-Arrangement Reorganization” means the reorganization mechanics effected prior to the Arrangement becoming effective;

“Preferred Shares” means, collectively, the First Preferred Shares and Second Preferred Shares;

“Reorganization Time” means the time that all or substantially all of the Cenovus Assets were transferred by EnCana to Subco and the Assumed Liabilities were assumed by Subco, which was 12:10 a.m. (Calgary time) on the Effective Date;

“SAGD” means steam assisted gravity drainage;

“SEC” means the U.S. Securities and Exchange Commission;

“Second Preferred Shares” means the second preferred shares in the capital of Cenovus Energy Inc.;

“SEDAR” means the Canadian System for Electronic Document Analysis and Retrieval;

“Separation Agreement” means the separation and transition agreement dated November 30, 2009 involving, among others, EnCana, 7050372 and Subco regarding the transfer of the Cenovus Assets from EnCana to Subco, the assumption of the Assumed Liabilities by 7050372 and Subco and certain transitional arrangements after completion of the Arrangement, as it may be amended, modified or supplemented from time to time in accordance with its terms;

“Shareholder Rights Plan” means our shareholder rights plan dated as of October 20, 2009 and restated as of November 30, 2009;

“**Subco**” means Cenovus Energy Inc. (formerly EnCana Finance Ltd.), a corporation continued under the CBCA, which amalgamated with 7050372 on the Effective Date with the resulting amalgamated corporation being named “Cenovus Energy Inc.”;

“**TSX**” means the Toronto Stock Exchange;

“**United States**” and “**U.S.**” means the United States of America;

“**U.S. GAAP**” means generally accepted accounting principles as in effect in the United States;

“**U.S. Securities Act**” means the United States *Securities Act of 1933*, as amended;

“**U.S. Tax Ruling**” means the private letter ruling received from the U.S. Internal Revenue Service confirming the U.S. federal income tax consequences of certain aspects of the Pre-Arrangement Reorganization, the Arrangement and certain other transactions, and includes any amendments and supplements thereto; and

“**WRB**” means WRB Refining LLC.

ABBREVIATIONS

Oil and Natural Gas Liquids

bbl	barrel
bbls/d	barrels per day
Mbbls/d	thousand barrels per day
MMbbls	million barrels
NGLs	natural gas liquids
BOE	barrel of oil equivalent
BOE/d	barrel of oil equivalent per day
MBOE	thousand barrels of oil equivalent
MBOE/d	thousand barrels of oil equivalent per day

Natural Gas

Tcf	trillion cubic feet
Bcf	billion cubic feet
Mcf	thousand cubic feet
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MMbtu	million British thermal units

In this annual information form, certain natural gas volumes have been converted to BOE or MBOE on the basis of six Mcf to one bbl. BOE and MBOE may be misleading, particularly if used in isolation. A conversion ratio of one bbl to six Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the well head.

APPENDIX A
REPORT ON RESERVES DATA
BY INDEPENDENT QUALIFIED RESERVES EVALUATORS

To the Board of Directors of Cenovus Energy Inc. (the "Corporation"):

1. We have evaluated the Corporation's reserves data as at December 31, 2009. The reserves data consists of the following:
 - (a) estimated proved and probable oil and gas reserves quantities as at December 31, 2009 using constant prices and costs; and
 - (b) the related estimates of discounted future net cash flows under the standardized measure calculation for proved oil and gas reserves quantities.

2. The reserves data are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society) with the necessary modifications to reflect definitions and standards under the U.S. Financial Accounting Standards Board policies (the "FASB Standards") and the legal requirements of the U.S. Securities and Exchange Commission ("SEC Requirements").

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with the principles and definitions outlined above.
4. The following table sets forth both the estimated proved reserves quantities (after royalties) and related estimates of future net cash flows (before deduction of income taxes) assuming constant prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Corporation evaluated by us for the year ended December 31, 2009:

Evaluator and Preparation Date of Report	Reserves Location	Estimated Proved Reserves Quantities After Royalty		Related Estimates of Future Net Cash Flow BTax, 10% discount rate (US\$MM)
		Liquids (MMbbl)	Gas (Bcf)	
McDaniel & Associates Consultants Ltd. January 11, 2010	Canada	879	1,386	8,881
GLJ Petroleum Consultants Ltd. January 11, 2010	Canada	72	88	1,004
Totals		951	1,474	9,885

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook as modified by the FASB Standards and SEC Requirements.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.
7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

(signed) McDaniel & Associates Consultants Ltd.
Calgary, Alberta, Canada

(signed) GLJ Petroleum Consultants Ltd.
Calgary, Alberta, Canada

February 9, 2010

APPENDIX B

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management and directors of Cenovus Energy Inc. (the "Corporation") are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. In the case of the Corporation, the regulatory requirements are covered under NI 51-101, as amended by a Decision dated October 20, 2009, and require disclosure of information contemplated by, and consistent with, U.S. Disclosure Requirements (as defined in the Decision). Required information includes reserves data, which consist of the following:

- (i) proved oil and gas reserves quantities estimated as at December 31, 2009 using constant prices and costs; and
- (ii) the related estimates of discounted future net cash flows under the standardized measure calculation for proved oil and gas reserves quantities.

The Corporation will also be disclosing optional reserves information, consisting of probable oil and gas reserves quantities estimated as at December 31, 2009 using constant prices and costs.

Independent qualified reserves evaluators have evaluated the Corporation's reserves data. A report from the independent qualified reserves evaluators dated February 9, 2010 (the "IQRE Report"), highlighting the standards they followed and their results, accompanies this Report.

The Reserves Committee of the board of directors of the Corporation, which Committee is comprised exclusively of non-management and unrelated directors, has:

- (a) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluators;
- (b) met with the independent qualified reserves evaluators to determine whether any restrictions placed by management affected the ability of the independent qualified reserves evaluators to report without reservation; and
- (c) reviewed the reserves data as outlined in the IQRE Report with management and each of the independent qualified reserves evaluators.

The board of directors of the Corporation (the "Board of Directors") has reviewed the standardized measure calculation with respect to the Corporation's proved oil and gas reserves quantities. The Board of Directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has approved:

- (a) the content and filing with securities regulatory authorities of the proved oil and gas reserves quantities, related standardized measure calculation, probable oil and gas reserves quantities and other oil and gas activity information contained in the annual information form of the Corporation accompanying this Report;
- (b) the filing of the IQRE Report; and
- (c) the content and filing of this Report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

(signed) Brian C. Ferguson
President & Chief Executive Officer

(signed) Judy A. Fairburn
Executive Vice-President, Environment
and Strategic Planning

(signed) Michael A. Grandin
Director and Chair of the Board

(signed) Wayne G. Thomson
Director and Chair of the
Reserves Committee

February 10, 2010

APPENDIX C

AUDIT COMMITTEE MANDATE

I. PURPOSE

The Audit Committee (the "Committee") is appointed by the Board of Directors of Cenovus Energy Inc. ("Cenovus" or the "Corporation") to assist the Board in fulfilling its oversight responsibilities.

The Committee's primary duties and responsibilities are to:

- Review and approve management's identification of principal financial risks and monitor the process to manage such risks.
- Oversee and monitor the Corporation's compliance with legal and regulatory requirements.
- Receive and review the reports of the Audit Committee of any subsidiary with public securities.
- Oversee and monitor the integrity of the Corporation's accounting and financial reporting processes, financial statements and system of internal controls regarding accounting and financial reporting and accounting compliance.
- Oversee audits of the Corporation's financial statements.
- Oversee and monitor the qualifications, independence and performance of the Corporation's external auditors and internal auditing department.
- Provide an avenue of communication among the external auditors, management, the internal auditing department, and the Board of Directors.
- Report to the Board of Directors regularly.

The Committee has the authority to conduct any review or investigation appropriate to fulfilling its responsibilities. The Committee shall have unrestricted access to personnel and information, and any resources necessary to carry out its responsibility. In this regard, the Committee may direct internal audit personnel to particular areas of examination.

II. COMPOSITION AND MEETINGS

Committee Member's Duties in addition to those of a Director

The duties and responsibilities of a member of the Committee are in addition to those duties set out for a member of the Board of Directors.

Composition

The Committee shall consist of not less than three and not more than eight directors as determined by the Board, all of whom shall qualify as independent directors pursuant to National Instrument 52-110 *Audit Committees* (as implemented by the Canadian Securities Administrators and as amended from time to time) ("NI 52-110").

All members of the Committee shall be financially literate, as defined in NI 52-110, and at least one member shall have accounting or related financial managerial expertise. In particular, at least one member shall have, through (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions; (ii) experience actively supervising a principal financial officer, principal

accounting officer, controller, public accountant, auditor or person performing similar functions; (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or (iv) other relevant experience:

- An understanding of generally accepted accounting principles and financial statements;
- The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;
- An understanding of internal controls and procedures for financial reporting; and
- An understanding of audit committee functions.

Committee members may not, other than in their respective capacities as members of the Committee, the Board or any other committee of the Board, accept directly or indirectly any consulting, advisory or other compensatory fee from the Corporation or any subsidiary of the Corporation, or be an "affiliated person" (as such term is defined in the *United States Securities Exchange Act of 1934*, as amended (the "*Exchange Act*"), and the rules adopted by the U.S. Securities and Exchange Commission ("SEC") thereunder) of the Corporation or any subsidiary of the Corporation. For greater certainty, directors' fees and fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation that are not contingent on continued service should be the only compensation an audit committee member receives from the Corporation.

At least one member shall have experience in the oil and gas industry.

Committee members shall not simultaneously serve on the audit committees of more than two other public companies, unless the Board first determines that such simultaneous service will not impair the ability of the relevant members to effectively serve on the Committee, and required public disclosure is made.

The non-executive Board Chairman shall be a non-voting member of the Committee. See "Quorum" for further details.

Appointment of Members

Committee members shall be appointed by the Board, effective after the election of directors at the annual meeting of shareholders, provided that any member may be removed or replaced at any time by the Board and shall, in any event, cease to be a member of the Committee upon ceasing to be a member of the Board.

The Nominating and Corporate Governance Committee will recommend for approval to the Board an unrelated Director to act as Chairman of the Committee. The Board shall appoint the Chairman of the Committee.

If the Chairman of the Committee is unavailable or unable to attend a meeting of the Committee, the Chair shall ask another member to chair the meeting, failing which a member of the Committee present at the meeting shall be chosen to preside over the meeting by a majority of the members of the Committee present at such meeting.

The Chairman of the Committee presiding at any meeting of the Committee shall not have a casting vote.

The items pertaining to the Chairman in this section should be read in conjunction with the Committee Chair section of the *Chair of the Board of Directors and Committee Chair General Guidelines*.

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

The Corporate Secretary or one of the Assistant Corporate Secretaries of the Corporation or such other person as the Corporate Secretary of the Corporation shall designate from time to time shall be the Secretary of the Committee and shall keep minutes of the meetings of the Committee.

Meetings

Committee meetings may, by agreement of the Chairman of the Committee, be held in person, by video conference, by means of telephone or by a combination of any of the foregoing.

The Committee shall meet at least quarterly. The Chairman of the Committee may call additional meetings as required. In addition, a meeting may be called by the non-executive Board Chairman, the President & Chief Executive Officer, or any member of the Committee or by the external auditors.

The Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee.

Directors, who are not members of the Committee, may attend Committee meetings, on an ad hoc basis, upon prior consultation and approval by the Committee Chairman or by a majority of the members of the Committee.

The Committee may, by specific invitation, have other resource persons in attendance.

The President & Chief Executive Officer, the Executive Vice-President & Chief Financial Officer, the Comptroller and the head of internal audit are expected to be available to attend the Committee's meetings or portions thereof.

Notice of Meeting

Notice of the time and place of each Committee meeting may be given orally, or in writing, or by facsimile, or by electronic means to each member of the Committee at least 24 hours prior to the time fixed for such meeting. Notice of each meeting shall also be given to the external auditors of the Corporation.

A member and the external auditors may, in any manner, waive notice of the Committee meeting. Attendance of a member at a meeting shall constitute waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

Quorum

A majority of Committee members, present in person, by video conference, by telephone, or by a combination thereof, shall constitute a quorum. In addition, if an ex officio, non-voting member's presence is required to attain a quorum of the Committee, then the said member shall be allowed to cast a vote at the meeting.

Minutes

Minutes of each Committee meeting should be succinct yet comprehensive in describing substantive issues discussed by the Committee. However, they should clearly identify those items of responsibilities scheduled by the Committee for the meeting that have been discharged by the Committee and those items of responsibilities that are outstanding.

Minutes of Committee meetings shall be sent to all Committee members and to the external auditors.

The full Board of Directors shall be kept informed of the Committee's activities by a report following each Committee meeting.

III. RESPONSIBILITIES

Review Procedures

Review and update the Committee's mandate annually, or sooner, where the Committee deems it appropriate to do so. Provide a summary of the Committee's composition and responsibilities in the Corporation's annual report or other public disclosure documentation.

Provide a summary of all approvals by the Committee of the provision of audit, audit-related, tax and other services by the external auditors for inclusion in the Corporation's annual report filed with the SEC.

Annual Financial Statements

1. Discuss and review with management and the external auditors the Corporation's and any subsidiary with public securities annual audited financial statements and related documents prior to their filing or distribution. Such review to include:
 - (a) The annual financial statements and related footnotes including significant issues regarding accounting principles, practices and significant management estimates and judgments, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies.
 - (b) Management's Discussion and Analysis.
 - (c) A review of the use of off-balance sheet financing including management's risk assessment and adequacy of disclosure.
 - (d) A review of the external auditors' audit examination of the financial statements and their report thereon.
 - (e) Review of any significant changes required in the external auditors' audit plan.
 - (f) A review of any serious difficulties or disputes with management encountered during the course of the audit, including any restrictions on the scope of the external auditors' work or access to required information.
 - (g) A review of other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
2. Review and formally recommend approval to the Board of the Corporation's:
 - (a) Year-end audited financial statements. Such review shall include discussions with management and the external auditors as to:
 - (i) The accounting policies of the Corporation and any changes thereto.
 - (ii) The effect of significant judgments, accruals and estimates.
 - (iii) The manner of presentation of significant accounting items.
 - (iv) The consistency of disclosure.
 - (b) Management's Discussion and Analysis.
 - (c) Annual Information Form as to financial information.
 - (d) All prospectuses and information circulars as to financial information.

The review shall include a report from the external auditors about the quality of the most critical accounting principles upon which the Corporation's financial status

depends, and which involve the most complex, subjective or significant judgmental decisions or assessments.

Quarterly Financial Statements

3. Review with management and the external auditors and either approve (such approval to include the authorization for public release) or formally recommend for approval to the Board the Corporation's:
 - (a) Quarterly unaudited financial statements and related documents, including Management's Discussion and Analysis.
 - (b) Any significant changes to the Corporation's accounting principles.

Review quarterly unaudited financial statements of any subsidiary of the Corporation with public securities prior to their distribution.

Other Financial Filings and Public Documents

4. Review and discuss with management financial information, including earnings press releases, the use of "pro forma" or non-GAAP financial information and earnings guidance, contained in any filings with the securities regulators or news releases related thereto (or provided to analysts or rating agencies) and consider whether the information is consistent with the information contained in the financial statements of the Corporation or any subsidiary with public securities. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).

Internal Control Environment

5. Ensure that management, the external auditors, and the internal auditors provide to the Committee an annual report on the Corporation's control environment as it pertains to the Corporation's financial reporting process and controls.
6. Review and discuss significant financial risks or exposures and assess the steps management has taken to monitor, control, report and mitigate such risk to the Corporation.
7. Review significant findings prepared by the external auditors and the internal auditing department together with management's responses.
8. Review in consultation with the internal auditors and the external auditors the degree of coordination in the audit plans of the internal auditors and the external auditors and enquire as to the extent the planned scope can be relied upon to detect weaknesses in internal controls, fraud, or other illegal acts. The Committee will assess the coordination of audit effort to assure completeness of coverage and the effective use of audit resources. Any significant recommendations made by the auditors for the strengthening of internal controls shall be reviewed and discussed with management.

Other Review Items

9. Review policies and procedures with respect to officers' and directors' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal auditor or the external auditors.
10. Review all related party transactions between the Corporation and any officers or directors, including affiliations of any officers or directors.
11. Review with the General Counsel, the head of internal audit and the external auditors the results of their review of the Corporation's monitoring compliance with each of the Corporation's published codes of business conduct and applicable legal requirements.
12. Review legal and regulatory matters, including correspondence with regulators and governmental agencies, that may have a material impact on the interim or annual

financial statements, related corporation compliance policies, and programs and reports received from regulators or governmental agencies. Members from the Legal and Tax departments should be at the meeting in person to deliver their reports.

13. Review policies and practices with respect to off-balance sheet transactions and trading and hedging activities, and consider the results of any review of these areas by the internal auditors or the external auditors.
14. Ensure that the Corporation's presentations on net proved reserves have been reviewed with the Reserves Committee of the Board.
15. Review management's processes in place to prevent and detect fraud.
16. Review procedures for the receipt, retention and treatment of complaints received by the Corporation, including confidential, anonymous submissions by employees of the Corporation, regarding accounting, internal accounting controls, or auditing matters.
17. Review with the President & Chief Executive Officer, the Executive Vice-President & Chief Financial Officer of the Corporation and the external auditors: (i) all significant deficiencies and material weaknesses in the design or operation of the Corporation's internal controls and procedures for financial reporting which could adversely affect the Corporation's ability to record, process, summarize and report financial information required to be disclosed by the Corporation in the reports that it files or submits under the *Exchange Act* or applicable Canadian federal and provincial legislation and regulations within the required time periods, and (ii) any fraud, whether or not material, that involves management of the Corporation or other employees who have a significant role in the Corporation's internal controls and procedures for financial reporting.
18. Meet on a periodic basis separately with management.

External Auditors

19. Be directly responsible, in the Committee's capacity as a committee of the Board and subject to the rights of shareholders and applicable law, for the appointment, compensation, retention and oversight of the work of the external auditors (including resolution of disagreements between management and the external auditors regarding financial reporting) for the purpose of preparing or issuing an audit report, or performing other audit, review or attest services for the Corporation. The external auditors shall report directly to the Committee.
20. Meet on a regular basis with the external auditors (without management present) and have the external auditors be available to attend Committee meetings or portions thereof at the request of the Chairman of the Committee or by a majority of the members of the Committee.
21. Review and discuss a report from the external auditors at least quarterly regarding:
 - (a) All critical accounting policies and practices to be used;
 - (b) All alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and
 - (c) Other material written communications between the external auditors and management, such as any management letter or schedule of unadjusted differences.
22. Obtain and review a report from the external auditors at least annually regarding:
 - (a) The external auditors' internal quality-control procedures.

- (b) Any material issues raised by the most recent internal quality-control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with those issues.
 - (c) To the extent contemplated in the following paragraph, all relationships between the external auditors and the Corporation.
23. Review and discuss with the external auditors all relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation, (i) receiving and reviewing, as part of the report described in the preceding paragraph, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation and its affiliates, (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence.
24. Review and evaluate:
- (a) The external auditors' and the lead partner of the external auditors' team's performance, and make a recommendation to the Board of Directors regarding the reappointment of the external auditors at the annual meeting of the Corporation's shareholders or regarding the discharge of such external auditors.
 - (b) The terms of engagement of the external auditors together with their proposed fees.
 - (c) External audit plans and results.
 - (d) Any other related audit engagement matters.
 - (e) The engagement of the external auditors to perform non-audit services, together with the fees therefor, and the impact thereof, on the independence of the external auditors.
25. Upon reviewing and discussing the information provided to the Committee in accordance with paragraphs 21 through 24, evaluate the external auditors' qualifications, performance and independence, including whether or not the external auditors' quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining auditor independence, taking into account the opinions of management and the head of internal audit. The Committee shall present its conclusions with respect to the external auditors to the Board.
26. Ensure the rotation of partners on the audit engagement team in accordance with applicable law. Consider whether, in order to assure continuing external auditor independence, it is appropriate to adopt a policy of rotating the external auditing firm on a regular basis.
27. Set clear hiring policies for the Corporation's hiring of employees or former employees of the external auditors.
28. Consider with management and the external auditors the rationale for employing audit firms other than the principal external auditors.
29. Consider and review with the external auditors, management and the head of internal audit:
- (a) Significant findings during the year and management's responses and follow-up thereto.

- (b) Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information, and management's response.
- (c) Any significant disagreements between the external auditors or internal auditors and management.
- (d) Any changes required in the planned scope of their audit plan.
- (e) The resources, budget, reporting relationships, responsibilities and planned activities of the internal auditors.
- (f) The internal audit department mandate.
- (g) Internal audit's compliance with the Institute of Internal Auditors' standards.

Internal Audit Department and Independence

- 30. Meet on a periodic basis separately with the head of internal audit.
- 31. Review and concur in the appointment, compensation, replacement, reassignment, or dismissal of the head of internal audit.
- 32. Confirm and assure, annually, the independence of the internal audit department and the external auditors.

Approval of Audit and Non-Audit Services

- 33. Review and, where appropriate, approve the provision of all permitted non-audit services (including the fees and terms thereof) in advance of the provision of those services by the external auditors (subject to the de minimus exception for non-audit services described in the *Exchange Act* or applicable Canadian federal and provincial legislation and regulations which are approved by the Committee prior to the completion of the audit).
- 34. Review and, where appropriate and permitted, approve the provision of all audit services (including the fees and terms thereof) in advance of the provision of those services by the external auditors.
- 35. If the pre-approvals contemplated in paragraphs 33 and 34 are not obtained, approve, where appropriate and permitted, the provision of all audit and non-audit services promptly after the Committee or a member of the Committee to whom authority is delegated becomes aware of the provision of those services.
- 36. Delegate, if the Committee deems necessary or desirable, to subcommittees consisting of one or more members of the Committee, the authority to grant the pre-approvals and approvals described in paragraphs 33 through 35. The decision of any such subcommittee to grant pre-approval shall be presented to the full Committee at the next scheduled Committee meeting.
- 37. The Committee may establish policies and procedures for the pre-approvals described in paragraphs 33 and 34, so long as such policies and procedures are detailed as to the particular service, the Committee is informed of each service and such policies and procedures do not include delegation of the Committee's responsibilities under the *Exchange Act* or applicable Canadian federal and provincial legislation and regulations to management.

Other Matters

- 38. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Financial Officer.
- 39. Upon a majority vote of the Committee outside resources may be engaged where and if deemed advisable.

40. Report Committee actions to the Board of Directors with such recommendations, as the Committee may deem appropriate.
41. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain, obtain advice or otherwise receive assistance from independent counsel, accountants, or others to assist it in the conduct of any investigation as it deems necessary and the carrying out of its duties.
42. The Corporation shall provide for appropriate funding, as determined by the Committee in its capacity as a committee of the Board, for payment (i) of compensation to the external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, (ii) of compensation to any advisors employed by the Committee and (iii) of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
43. Obtain assurance from the external auditors that disclosure to the Committee is not required pursuant to the provisions of the *Exchange Act* regarding the discovery of illegal acts by the external auditors.
44. The Committee shall review and reassess the adequacy of this Mandate annually and recommend any proposed changes to the Board for approval.
45. The Committee's performance shall be evaluated annually by the Nominating and Corporate Governance Committee of the Board of Directors.
46. Perform such other functions as required by law, the Corporation's mandate or bylaws, or the Board of Directors.
47. Consider any other matters referred to it by the Board of Directors.

Approved: November 30, 2009

APPENDIX D

BOARD OF DIRECTORS' MANDATE

The fundamental responsibility of the Board of Directors (the "Board") of Cenovus Energy Inc. ("Cenovus" or the "Corporation") is to appoint a competent executive team and to oversee the management of the business, with a view to maximizing shareholder value and ensuring corporate conduct in an ethical and legal manner via an appropriate system of corporate governance and internal control.

Executive Team Responsibility

- Appoint the Chief Executive Officer ("CEO") and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value.
- In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities.
- Ensure that a process is established that adequately provides for succession planning, including the appointing, training and monitoring of senior management.
- Establish limits of authority delegated to management.

Operational Effectiveness and Financial Reporting

- Annual review and adoption of a strategic planning process and approval of the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Ensure that a system is in place to identify the principal risks to the Corporation and that the best practical procedures are in place to monitor and mitigate the risks.
- Ensure that processes are in place to address applicable regulatory, corporate, securities and other compliance matters.
- Ensure that processes are in place for the Corporation to mitigate environmental impacts, address health and safety matters that may arise with our activities, and operate in a manner consistent with recognized standards.
- Ensure that an adequate system of internal control exists.
- Ensure that due diligence processes and appropriate controls are in place with respect to applicable certification requirements regarding the Corporation's financial and other disclosure.
- Review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements.
- Approve annual operating and capital budgets.
- Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy which diverge from the ordinary course of business.
- Review operating and financial performance results relative to established strategy, budgets and objectives.

Integrity/Corporate Conduct

- Approve a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders.
- Approve a code of business conduct and ethics for directors, officers, employees, contractors and consultants and monitor compliance with the Practice and approve any waivers of the Practice for officers and directors.

Board Process/Effectiveness

- Ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all meetings.
- Engage in the process of determining Board member qualifications with the Nominating and Corporate Governance Committee including ensuring that a majority of directors qualify as independent directors pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (as implemented by the Canadian Securities Administrators and as amended from time to time).
- Approve the nomination of directors.
- Provide a comprehensive orientation to each new director.
- Establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management.
- Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members.
- Establish committees and approve their respective mandates and the limits of authority delegated to each committee.
- Review and re-assess the adequacy of the Audit Committee Mandate on a regular basis, but not less frequently than on an annual basis.
- Review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director.
- Each member of the Board is expected to understand the nature and operations of the Corporation's business, and have an awareness of the political, economic and social trends prevailing in all countries or regions in which the Corporation invests, or is contemplating potential investment.
- Independent directors shall meet regularly, and in no case less frequently than quarterly, without non-independent directors and management participation.
- In addition to the above, adherence to all other Board responsibilities as set forth in the Corporation's By-Laws, applicable policies and practices and other statutory and regulatory obligations, such as approval of dividends, issuance of securities, etc., is expected.

Approved: November 30, 2009

