Cenovus Energy

Interim Carve-out Consolidated Financial Statements
(unaudited)

For the period ended September 30, 2009

(U.S. Dollars)

Consolidated Statement of Earnings *(unaudited)*

($ millions)		Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenues, Net of Royalties	*(Note 5)*	**$ 2,714**	$ 5,533	**$ 7,305**	$ 13,352
Expenses	*(Note 5)*				
Production and mineral taxes		**10**	27	**31**	65
Transportation and selling		**176**	254	**467**	748
Operating		**270**	271	**839**	958
Purchased product		**1,568**	2,986	**3,706**	7,482
Depreciation, depletion and amortization		**356**	344	**989**	1,030
Administrative		**44**	(9)	**122**	152
Interest, net	*(Note 7)*	**58**	56	**143**	165
Accretion of asset retirement obligation	*(Note 12)*	**11**	9	**29**	29
Foreign exchange (gain) loss, net	*(Note 8)*	**119**	(42)	**197**	(88)
(Gain) loss on divestitures	*(Note 6)*	**-**	-	**-**	2
		2,612	3,896	**6,523**	10,543
Net Earnings Before Income Tax		**102**	1,637	**782**	2,809
Income tax expense	*(Note 9)*	**39**	338	**158**	821
Net Earnings		**$ 63**	$ 1,299	**$ 624**	$ 1,988

See accompanying Notes to Carve-out Consolidated Financial Statements.

Consolidated Statement of Owner's Net Investment *(unaudited)*

($ millions)		Nine Months Ended September 30, 2009	2008
Owner's Net Investment, Beginning of Year		**$ 7,560**	$ 5,573
Net Earnings		**624**	1,988
Net Distributions to EnCana	*(Note 13)*	**(726)**	(1,008)
Owner's Net Investment, End of Period		**$ 7,458**	$ 6,553

Consolidated Statement of Comprehensive Income *(unaudited)*

($ millions)	Three Months Ended September 30, 2009	2008	Nine Months Ended September 30, 2009	2008
Net Earnings	**$ 63**	$ 1,299	**$ 624**	$ 1,988
Other Comprehensive Income, Net of Tax				
Foreign Currency Translation Adjustment	**724**	(399)	**1,273**	(663)
Comprehensive Income	**$ 787**	$ 900	**$ 1,897**	$ 1,325

Consolidated Statement of Accumulated Other Comprehensive Income *(unaudited)*

($ millions)	Nine Months Ended September 30, 2009	2008
Accumulated Other Comprehensive Income, Beginning of Year	**$ 188**	$ 2,434
Foreign Currency Translation Adjustment	**1,273**	(663)
Accumulated Other Comprehensive Income, End of Period	**$ 1,461**	$ 1,771

See accompanying Notes to Carve-out Consolidated Financial Statements.

Consolidated Balance Sheet *(unaudited)*

($ millions)		As at September 30, 2009	As at December 31, 2008
Assets			
Current Assets			
Cash and cash equivalents		**$ 185**	$ 153
Accounts receivable and accrued revenues		**876**	598
Current portion of partnership contribution receivable		**325**	313
Risk management	*(Note 16)*	**146**	681
Inventories	*(Note 10)*	**716**	503
		2,248	2,248
Property, Plant and Equipment, net	*(Note 5)*	**13,651**	12,210
Restricted Cash	*(Note 4)*	**3,619**	-
Investments and Other Assets		**241**	200
Partnership Contribution Receivable		**2,589**	2,834
Risk Management	*(Note 16)*	**3**	38
Goodwill		**1,068**	936
	(Note 5)	**$ 23,419**	$ 18,466
Liabilities and Net Investment			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 1,378**	$ 1,114
Income tax payable		**473**	254
Current portion of partnership contribution payable		**320**	306
Risk management	*(Note 16)*	**9**	40
Current portion of long-term debt	*(Note 11)*	**70**	84
		2,250	1,798
Long-Term Debt	*(Note 11)*	**2,798**	2,952
Cenovus Notes	*(Note 4)*	**3,468**	-
Other Liabilities		**63**	52
Partnership Contribution Payable		**2,615**	2,857
Risk Management	*(Note 16)*	**7**	-
Asset Retirement Obligation	*(Note 12)*	**726**	648
Future Income Taxes		**2,573**	2,411
		14,500	10,718
Net Investment			
Owner's net investment	*(Note 13)*	**7,458**	7,560
Accumulated other comprehensive income		**1,461**	188
Total Net Investment		**8,919**	7,748
		$ 23,419	$ 18,466

See accompanying Notes to Carve-out Consolidated Financial Statements.

Consolidated Statement of Cash Flows *(unaudited)*

($ millions)		Three Months Ended September 30, **2009**	Three Months Ended September 30, 2008	Nine Months Ended September 30, **2009**	Nine Months Ended September 30, 2008
Operating Activities					
Net earnings		**$ 63**	$ 1,299	**$ 624**	$ 1,988
Depreciation, depletion and amortization		**356**	344	**989**	1,030
Future income taxes	*(Note 9)*	**(87)**	463	**(177)**	639
Unrealized (gain) loss on risk management	*(Note 16)*	**342**	(861)	**524**	(348)
Unrealized foreign exchange (gain) loss		**127**	(50)	**211**	(93)
Accretion of asset retirement obligation	*(Note 12)*	**11**	9	**29**	29
(Gain) loss on divestitures	*(Note 6)*	**-**	-	**-**	2
Other		**29**	(81)	**47**	15
Net change in other assets and liabilities		**(3)**	(9)	**(10)**	(90)
Net change in non-cash working capital		**480**	(230)	**428**	(515)
Cash From Operating Activities		**1,318**	884	**2,665**	2,657
Investing Activities					
Capital expenditures	*(Note 5)*	**(483)**	(470)	**(1,376)**	(1,432)
Proceeds from divestitures	*(Note 6)*	**(2)**	8	**1**	47
Restricted cash	*(Note 4)*	**(3,619)**	-	**(3,619)**	-
Net change in investments and other		**11**	(30)	**(25)**	(36)
Net change in non-cash working capital		**20**	(11)	**(83)**	20
Cash (Used in) Investing Activities		**(4,073)**	(503)	**(5,102)**	(1,401)
Financing Activities					
Net issuance (repayment) of revolving long-term debt		**(230)**	(158)	**(360)**	(254)
Issuance of long-term debt		**-**	-	**173**	268
Issuance of Cenovus Notes	*(Note 4)*	**3,468**	-	**3,468**	-
Repayment of long-term debt		**(88)**	(165)	**(88)**	(236)
Net financing transactions with EnCana	*(Note 13)*	**(319)**	(139)	**(726)**	(1,008)
Cash (Used in) Financing Activities		**2,831**	(462)	**2,467**	(1,230)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency		**-**	(6)	**2**	(6)
Increase (Decrease) in Cash and Cash Equivalents		**76**	(87)	**32**	20
Cash and Cash Equivalents, Beginning of Period		**109**	409	**153**	302
Cash and Cash Equivalents, End of Period		**$ 185**	$ 322	**$ 185**	$ 322

See accompanying Notes to Carve-out Consolidated Financial Statements.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

1. Basis of Presentation

The Cenovus Energy ("Cenovus") Interim Carve-out Consolidated Financial Statements prepared in connection with the proposed corporate reorganization (the "Arrangement") (See Note 4), present the historic carve-out consolidated financial position, results of operations, changes in net investment and cash flows of Cenovus. The Cenovus Interim Carve-out Consolidated Financial Statements have been derived from the accounting records of EnCana Corporation ("EnCana") on a carve-out basis and should be read in conjunction with EnCana's Interim Consolidated Financial Statements and the notes thereto for the period ended September 30, 2009. The Cenovus Interim Carve-out Consolidated Financial Statements have been prepared on a carve-out basis and the results do not necessarily reflect what the results of operations, financial position, or cash flows would have been had Cenovus been a separate entity or future results in respect of Cenovus Energy Inc., as it will exist upon completion of the Arrangement.

The Cenovus Interim Carve-out Consolidated Financial Statements have been prepared following the same accounting policies and methods of computation as the Cenovus annual audited Carve-out Consolidated Financial Statements for the year ended December 31, 2008, except as noted below. The disclosures provided below are incremental to those included with the Cenovus annual audited Carve-out Consolidated Financial Statements. Certain information and disclosures normally required to be included in the notes to the annual audited Consolidated Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, the Cenovus Interim Carve-out Consolidated Financial Statements should be read in conjunction with the Cenovus annual audited Carve-out Consolidated Financial Statements and the notes thereto for the year ended December 31, 2008 and the EnCana annual audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2008.

The Cenovus Interim Carve-out Consolidated Financial Statements are presented in accordance with Canadian generally accepted accounting principles ("GAAP"). Cenovus's operations include the upstream exploration for, and development and production of bitumen, crude oil, natural gas and natural gas liquids ("NGLs") in Canada and refining operations in the United States.

2. Changes in Accounting Policies and Practices

As disclosed in the December 31, 2008 Cenovus annual audited Carve-out Consolidated Financial Statements, on January 1, 2009, Cenovus adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Section:

- "Goodwill and Intangible Assets", Section 3064. The new standard replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard has had no material impact on Cenovus's Carve-out Consolidated Financial Statements.

3. Recent Accounting Pronouncements

In February 2008, the CICA's Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. Cenovus will be required to report its results in accordance with IFRS beginning in 2011. EnCana has developed a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information for Cenovus. The impact of IFRS on Cenovus's Carve-out Consolidated Financial Statements is not reasonably determinable at this time.

As of January 1, 2011, Cenovus will be required to adopt the following CICA Handbook sections:

- "Business Combinations", Section 1582, which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard will impact the accounting treatment of future business combinations.

- "Consolidated Financial Statements", Section 1601, which together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard should not have a material impact on Cenovus's Carve-out Consolidated Financial Statements.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. Recent Accounting Pronouncements (continued)

- "Non-controlling Interests", Section 1602, which establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should not have a material impact on Cenovus's Carve-out Consolidated Financial Statements.

4. Proposed Corporate Reorganization of EnCana Corporation

In May 2008, EnCana's Board of Directors unanimously approved a proposal to split EnCana into two independent energy companies – one a natural gas company and the other an integrated oil company. The proposed Arrangement was expected to close in early January 2009.

In October 2008, EnCana announced the proposed Arrangement would be delayed until the global debt and equity markets regained stability.

On September 10, 2009, EnCana's Board of Directors unanimously approved plans to proceed with the proposed Arrangement. The proposed Arrangement is expected to be implemented through a court approved Plan of Arrangement and is subject to shareholder and regulatory approvals. The reorganization would result in two publicly traded entities with the names of Cenovus Energy Inc. and EnCana Corporation. Under the Arrangement, EnCana Shareholders will receive one New EnCana Common Share and one Cenovus Energy Inc. Common Share in exchange for each EnCana Common Share held.

Subject to court and shareholder approval, EnCana expects to complete the reorganization on November 30, 2009 following a Shareholders' meeting to vote on the proposed Plan of Arrangement to be held on November 25, 2009.

In conjunction with the proposed Arrangement, on September 18, 2009, Cenovus Energy Inc. completed a private offering of senior unsecured notes for an aggregate principal amount of $3,500 million issued in three tranches, which are exempt from the registration requirements of the U.S. Securities Act of 1933 under Rule 144A and Regulation S.

	As at September 30, 2009
U.S. Unsecured Notes	
4.5% due September 15, 2014	**$ 800**
5.7% due October 15, 2019	**1,300**
6.75% due November 15, 2039	**1,400**
	3,500
Debt Discounts and Financing Costs	**(32)**
Cenovus Notes	**3,468**
Amounts on Deposit in Escrow	**151**
Restricted Cash	**$ 3,619**

The notes are legal obligations of Cenovus Energy Inc. and have been disclosed on Cenovus's Consolidated Balance Sheet as a separate long-term liability, net of financing costs. The net proceeds of the private offering were placed into an escrow account held by the escrow agent, The Bank of New York Mellon, pending the completion of the Arrangement, pursuant to the terms and conditions of an escrow and security agreement for the benefit of the note holders. The underwriters have deposited $3,468 million into the escrow account and Cenovus Energy Inc. has contributed $151 million into the escrow account so that, in aggregate, the total escrowed funds of $3,619 million will be sufficient to pay the special mandatory redemption price for the notes if the Arrangement does not proceed.

Pursuant to the terms and conditions of the escrow and security agreement, neither EnCana nor Cenovus Energy Inc., or any of their subsidiaries have any rights to, access to, control of, or dominion over, the escrowed funds before the completion of the Arrangement. All amounts in the escrow account will be released to Cenovus Energy Inc. by the escrow agent promptly after the escrow agent has been notified that the Arrangement has become effective and all of the escrow conditions have been satisfied. If the Arrangement does not proceed, the notes will be subject to a special mandatory redemption at a redemption price, payable from the amounts held in escrow, equal to 101 percent of the aggregate principal amount of the notes plus a penalty payment computed with reference to the expected accrued interest.

Additional information about the calculation of the special mandatory redemption price and other effects of the proposed Arrangement can be found in EnCana's Information Circular dated October 20, 2009. The cash in escrow has been disclosed as Restricted Cash on Cenovus's Consolidated Balance Sheet and is not available for current use.

Subject to the completion of the Arrangement, Cenovus Energy Inc. has obtained commitments from a syndicate of banks to make available a C$2.0 billion three-year revolving credit facility and a C$500 million 364-day revolving credit facility.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Segmented Information

Cenovus's operating and reportable segments are as follows:

- **Canada** includes Cenovus's exploration for, and development and production of bitumen, crude oil, natural gas and NGLs and other related activities within the Canadian cost centre.
- **Downstream Refining** 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.
- **Market Optimization** is primarily responsible for the sale of Cenovus's proprietary production. These results are included in the Canada segment. Market optimization activities include third-party purchases and sales of product that provide operational flexibility for transportation commitments, product type, delivery points and customer diversification. These activities are reflected in the Market Optimization segment.
- **Corporate** mainly includes unrealized gains or losses recorded on derivative financial instruments. Once amounts are settled, the realized gains and losses are recorded in the operating segment to which the derivative instrument relates.

Market Optimization sells substantially all of Cenovus's upstream production to third-party customers. Transactions between segments are based on market values and eliminated on consolidation. The tables in this note present financial information on an after eliminations basis.

Cenovus has a decentralized decision making and reporting structure. Accordingly, Cenovus is organized into Divisions as follows:

- **Integrated Oil** Division is the combined total of Integrated Oil – Canada and Downstream Refining. Integrated Oil – Canada includes Cenovus's exploration for, and development and production of bitumen using enhanced recovery methods. Integrated Oil – Canada is composed of interests in the FCCL Partnership jointly owned with ConocoPhillips, the Athabasca natural gas assets and other bitumen interests.
- **Canadian Plains** Division includes natural gas and crude oil exploration, development and production assets located in eastern Alberta and Saskatchewan.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Segmented Information (continued)

Results of Operations (For the three months ended September 30)

Segment and Geographic Information

	Canada		Downstream Refining		Market Optimization	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 1,252**	$ 1,608	**$ 1,610**	$ 2,699	**$ 190**	$ 361
Expenses						
Production and mineral taxes	**10**	27	**-**	-	**-**	-
Transportation and selling	**176**	254	**-**	-	**-**	-
Operating	**163**	153	**99**	116	**4**	(1)
Purchased product	**(41)**	(45)	**1,425**	2,679	**184**	352
	944	1,219	**86**	(96)	**2**	10
Depreciation, depletion and amortization	**293**	285	**49**	50	**3**	1
Segment Income (Loss)	**$ 651**	$ 934	**$ 37**	$ (146)	**$ (1)**	$ 9

	Corporate		Consolidated	
	2009	2008	**2009**	2008
Revenues, Net of Royalties	**$ (338)**	$ 865	**$ 2,714**	$ 5,533
Expenses				
Production and mineral taxes	**-**	-	**10**	27
Transportation and selling	**-**	-	**176**	254
Operating	**4**	3	**270**	271
Purchased product	**-**	-	**1,568**	2,986
	(342)	862	**690**	1,995
Depreciation, depletion and amortization	**11**	8	**356**	344
Segment Income (Loss)	**$ (353)**	$ 854	**334**	1,651
Administrative			**44**	(9)
Interest, net			**58**	56
Accretion of asset retirement obligation			**11**	9
Foreign exchange (gain) loss, net			**119**	(42)
(Gain) loss on divestitures			**-**	-
			232	14
Net Earnings Before Income Tax			**102**	1,637
Income tax expense			**39**	338
Net Earnings			**$ 63**	$ 1,299

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Segmented Information (continued)

Results of Operations (For the three months ended September 30)

Product and Divisional Information

	Canada Segment					
	Integrated Oil - Canada		Canadian Plains		Total	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 377**	$ 395	**$ 875**	$ 1,213	**$ 1,252**	$ 1,608
Expenses						
Production and mineral taxes	**1**	-	**9**	27	**10**	27
Transportation and selling	**128**	148	**48**	106	**176**	254
Operating	**52**	57	**111**	96	**163**	153
Purchased product	**(41)**	(45)	**-**	-	**(41)**	(45)
Operating Cash Flow	**$ 237**	$ 235	**$ 707**	$ 984	**$ 944**	$ 1,219

	Integrated Oil Division					
	Oil *		Downstream Refining		Other *	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 345**	$ 362	**$ 1,610**	$ 2,699	**$ 32**	$ 33
Expenses						
Production and mineral taxes	**-**	-	**-**	-	**1**	-
Transportation and selling	**120**	137	**-**	-	**8**	11
Operating	**45**	42	**99**	116	**7**	15
Purchased product	**-**	-	**1,425**	2,679	**(41)**	(45)
Operating Cash Flow	**$ 180**	$ 183	**$ 86**	$ (96)	**$ 57**	$ 52

	Total	
	2009	2008
Revenues, Net of Royalties	**$ 1,987**	$ 3,094
Expenses		
Production and mineral taxes	**1**	-
Transportation and selling	**128**	148
Operating	**151**	173
Purchased product	**1,384**	2,634
Operating Cash Flow	**$ 323**	$ 139

	Canadian Plains Division					
	Gas		Oil & NGLs		Other	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 487**	$ 576	**$ 385**	$ 633	**$ 3**	$ 4
Expenses						
Production and mineral taxes	**3**	14	**6**	13	**-**	-
Transportation and selling	**10**	18	**38**	88	**-**	-
Operating	**56**	44	**55**	51	**-**	1
Operating Cash Flow	**$ 418**	$ 500	**$ 286**	$ 481	**$ 3**	$ 3

	Total	
	2009	2008
Revenues, Net of Royalties	**$ 875**	$ 1,213
Expenses		
Production and mineral taxes	**9**	27
Transportation and selling	**48**	106
Operating	**111**	96
Operating Cash Flow	**$ 707**	$ 984

* Oil and Other are included in Integrated Oil - Canada. Other includes production of natural gas and bitumen from the Athabasca and Senlac properties.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Segmented Information (continued)

Results of Operations (For the nine months ended September 30)

Segment and Geographic Information

	Canada		Downstream Refining		Market Optimization	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 3,383**	$ 4,657	**$ 3,849**	$ 7,514	**$ 574**	$ 836
Expenses						
Production and mineral taxes	**31**	65	**-**	-	**-**	-
Transportation and selling	**467**	748	**-**	-	**-**	-
Operating	**477**	575	**329**	375	**10**	13
Purchased product	**(72)**	(126)	**3,221**	6,800	**557**	808
	2,480	3,395	**299**	339	**7**	15
Depreciation, depletion and amortization	**804**	864	**146**	138	**7**	3
Segment Income (Loss)	**$ 1,676**	$ 2,531	**$ 153**	$ 201	**$ -**	$ 12

	Corporate		Consolidated	
	2009	2008	**2009**	2008
Revenues, Net of Royalties	**$ (501)**	$ 345	**$ 7,305**	$ 13,352
Expenses				
Production and mineral taxes	**-**	-	**31**	65
Transportation and selling	**-**	-	**467**	748
Operating	**23**	(5)	**839**	958
Purchased product	**-**	-	**3,706**	7,482
	(524)	350	**2,262**	4,099
Depreciation, depletion and amortization	**32**	25	**989**	1,030
Segment Income (Loss)	**$ (556)**	$ 325	**1,273**	3,069
Administrative			**122**	152
Interest, net			**143**	165
Accretion of asset retirement obligation			**29**	29
Foreign exchange (gain) loss, net			**197**	(88)
(Gain) loss on divestitures			**-**	2
			491	260
Net Earnings Before Income Tax			**782**	2,809
Income tax expense			**158**	821
Net Earnings			**$ 624**	$ 1,988

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Segmented Information (continued)

Results of Operations (For the nine months ended September 30)

Product and Divisional Information

Canada Segment	Integrated Oil - Canada		Canadian Plains		Total	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 913**	$ 1,028	**$ 2,470**	$ 3,629	**$ 3,383**	$ 4,657
Expenses						
Production and mineral taxes	**1**	1	**30**	64	**31**	65
Transportation and selling	**304**	418	**163**	330	**467**	748
Operating	**155**	190	**322**	385	**477**	575
Purchased product	**(72)**	(126)	**-**	-	**(72)**	(126)
Operating Cash Flow	**$ 525**	$ 545	**$ 1,955**	$ 2,850	**$ 2,480**	$ 3,395

Integrated Oil Division	Oil *		Downstream Refining		Other *	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 785**	$ 898	**$ 3,849**	$ 7,514	**$ 128**	$ 130
Expenses						
Production and mineral taxes	**-**	-	**-**	-	**1**	1
Transportation and selling	**286**	380	**-**	-	**18**	38
Operating	**123**	133	**329**	375	**32**	57
Purchased product	**-**	-	**3,221**	6,800	**(72)**	(126)
Operating Cash Flow	**$ 376**	$ 385	**$ 299**	$ 339	**$ 149**	$ 160

Integrated Oil Division	Total	
	2009	2008
Revenues, Net of Royalties	**$ 4,762**	$ 8,542
Expenses		
Production and mineral taxes	**1**	1
Transportation and selling	**304**	418
Operating	**484**	565
Purchased product	**3,149**	6,674
Operating Cash Flow	**$ 824**	$ 884

Canadian Plains Division	Gas		Oil & NGLs		Other	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 1,483**	$ 1,795	**$ 978**	$ 1,826	**$ 9**	$ 8
Expenses						
Production and mineral taxes	**11**	32	**19**	32	**-**	-
Transportation and selling	**31**	55	**132**	275	**-**	-
Operating	**158**	191	**161**	191	**3**	3
Operating Cash Flow	**$ 1,283**	$ 1,517	**$ 666**	$ 1,328	**$ 6**	$ 5

Canadian Plains Division	Total	
	2009	2008
Revenues, Net of Royalties	**$ 2,470**	$ 3,629
Expenses		
Production and mineral taxes	**30**	64
Transportation and selling	**163**	330
Operating	**322**	385
Operating Cash Flow	**$ 1,955**	$ 2,850

* Oil and Other are included in Integrated Oil - Canada. Other includes production of natural gas and bitumen from the Athabasca and Senlac properties.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Segmented Information (continued)

Capital Expenditures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	**2009**	2008
Capital				
Integrated Oil - Canada	**$ 111**	$ 142	**$ 340**	$ 494
Canadian Plains	**104**	173	**332**	593
Canada	**215**	315	**672**	1,087
Downstream Refining	**266**	133	**695**	310
Market Optimization	**1**	4	**(2)**	10
Corporate	**1**	18	**10**	25
	483	470	**1,375**	1,432
Acquisition Capital				
Canadian Plains	**-**	-	**1**	-
Total	**$ 483**	$ 470	**$ 1,376**	$ 1,432

Property, Plant and Equipment and Total Assets by Segment

	Property, Plant and Equipment As at		Total Assets As at	
	September 30, 2009	December 31, 2008	**September 30, 2009**	December 31, 2008
Canada	**$ 8,965**	$ 8,074	**$ 13,691**	$ 12,629
Downstream Refining	**4,598**	4,032	**5,407**	4,637
Market Optimization	**17**	24	**277**	234
Corporate	**71**	80	**4,044**	966
Total	**$ 13,651**	$ 12,210	**$ 23,419**	$ 18,466

6. Divestitures

During 2009, Cenovus has not made any significant divestitures. In 2008, Cenovus completed the divestiture of mature conventional oil and natural gas assets in Canada for proceeds of $47 million; $8 million in the Integrated Oil Division and $39 million in the Canadian Plains Division.

7. Interest, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	**2009**	2008
Interest Expense - Long-Term Debt	**$ 45**	$ 51	**$ 124**	$ 153
Interest Expense - Other *	**54**	51	**145**	155
Interest Income *	**(41)**	(46)	**(126)**	(143)
	$ 58	$ 56	**$ 143**	$ 165

* Interest Expense - Other and Interest Income are primarily due to the Partnership Contribution Payable and Receivable, respectively.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

8. Foreign Exchange (Gain) Loss, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	**2009**	2008
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar debt issued from Canada *	**$ (170)**	$ 70	**$ (272)**	$ 126
Translation of U.S. dollar partnership contribution receivable issued from Canada *	**254**	(119)	**414**	(218)
Other Foreign Exchange (Gain) Loss on:				
Monetary revaluations and settlements	**35**	7	**55**	4
	$ 119	$ (42)	**$ 197**	$ (88)

* Reflects the current year change in foreign exchange rates calculated on the period end balance.

9. Income Taxes

The provision for income taxes is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	**2009**	2008
Current				
Canada	**$ 137**	$ (72)	**$ 352**	$ 170
United States	**(11)**	(53)	**(17)**	12
Total Current Tax	**126**	(125)	**335**	182
Future	**(87)**	463	**(177)**	639
	$ 39	$ 338	**$ 158**	$ 821

10. Inventories

	As at September 30, 2009	As at December 31, 2008
Product		
Canada	**$ 66**	$ 46
Downstream Refining	**513**	323
Market Optimization	**123**	119
Parts and Supplies	**14**	15
	$ 716	$ 503

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

11. Long-Term Debt

Excluding the Cenovus Notes, Cenovus's current and long-term debt represents an allocation of their proportionate share of EnCana's consolidated current and long-term debt as at September 30, 2009 and December 31, 2008, respectively (See Note 14 to Cenovus's annual audited Consolidated Carve-out Financial Statements and the notes thereto for the year ended December 31, 2008). Excluding the Cenovus Notes, EnCana will retain the legal obligations associated with all outstanding long-term debt. As a result, excluding the Cenovus Notes, the long-term debt allocations presented in the Cenovus Carve-out Consolidated Financial Statements represent intercompany balances between EnCana and Cenovus with the same terms and conditions as EnCana's long-term debt and in the same proportion of Canadian and U.S. dollar denominated debt. Net interest expense has been calculated primarily using the debt balance allocated to Cenovus. Cenovus's weighted average interest rate on allocated debt was 5.3 percent in 2009 (2008 - 5.4 percent).

For the purpose of preparing the Cenovus Carve-out Consolidated Financial Statements, it was determined that Cenovus should maintain approximately the same Debt to Capitalization ratio as consolidated EnCana. As a result, long-term debt, excluding the Cenovus Notes, was allocated to Cenovus to ensure consistency with this ratio. At September 30, 2009, Cenovus has been allocated current and long-term debt of $2,868 million (December 31, 2008 - $3,036 million) representing approximately 35 percent of EnCana's consolidated long-term debt, excluding the Cenovus Notes (December 31, 2008 - 34 percent).

If the Arrangement is approved, Cenovus intends to pay the allocated long-term debt to EnCana with all or substantially all of the proceeds from the Cenovus Notes held in escrow (See Note 4). Cenovus's long-term debt balance at the time of the Arrangement is subject to amendment in accordance with any adjustments arising from the transition agreement to achieve Cenovus's new capital structure post split.

12. Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas assets and refining facilities:

	As at September 30, 2009	As at December 31, 2008
Asset Retirement Obligation, Beginning of Year	**$ 648**	$ 703
Liabilities Incurred	**5**	20
Liabilities Settled	**(23)**	(49)
Liabilities Divested	**-**	(1)
Change in Estimated Future Cash Flows	**(18)**	69
Accretion Expense	**29**	39
Foreign Currency Translation	**85**	(133)
Asset Retirement Obligation, End of Period	**$ 726**	$ 648

13. Net Investment

EnCana's investment in the operations of Cenovus is presented as Total Net Investment in the Carve-out Consolidated Financial Statements. Total Net Investment consists of Owner's Net Investment and Accumulated Other Comprehensive Income ("AOCI"). Owner's Net Investment represents the accumulated net earnings of the operations and the accumulated net distributions to EnCana. AOCI includes accumulated foreign currency translation adjustments.

Net financing transactions with EnCana as presented on the Consolidated Statement of Cash Flows represent the net distributions related to funding between Cenovus and EnCana.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. Capital Structure

EnCana's capital structure consists of Shareholders' Equity plus Long-Term Debt. EnCana's objectives when managing its capital structure are to:

i) maintain financial flexibility to preserve EnCana's access to capital markets and its ability to meet its financial obligations; and
ii) finance internally generated growth as well as potential acquisitions.

EnCana monitors its capital structure and short-term financing requirements using non-GAAP financial metrics consisting of Debt to Capitalization and Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). These metrics are used to steward EnCana's overall debt position as measures of EnCana's overall financial strength.

EnCana targets a Debt to Capitalization ratio of less than 40 percent. For the carve-out process it was determined that Cenovus should maintain approximately the same Debt to Capitalization ratio as EnCana calculated as follows:

	As at	
	September 30, 2009	December 31, 2008
Debt *	**$ 2,868**	$ 3,036
Total Net Investment	**8,919**	7,748
Total Capitalization	**$ 11,787**	$ 10,784
Debt to Capitalization ratio	**24%**	28%

* Excluding Cenovus Notes (See Note 4).

EnCana targets a Debt to Adjusted EBITDA of less than 2.0 times. Using the same calculation as EnCana at September 30, 2009, Cenovus's Debt to Adjusted EBITDA was 1.1x (December 31, 2008 - 0.7x) calculated on a trailing twelve-month basis as follows:

	As at	
	September 30, 2009	December 31, 2008
Debt *	**$ 2,868**	$ 3,036
Net Earnings	**$ 1,004**	$ 2,368
Add (deduct):		
Interest, net	**196**	218
Income tax expense	**62**	725
Depreciation, depletion and amortization	**1,277**	1,318
Accretion of asset retirement obligation	**39**	39
Foreign exchange (gain) loss, net	**35**	(250)
(Gain) loss on divestitures	**1**	3
Adjusted EBITDA	**$ 2,614**	$ 4,421
Debt to Adjusted EBITDA	**1.1x**	0.7x

* Excluding Cenovus Notes (See Note 4).

EnCana has a long-standing practice of maintaining capital discipline, managing its capital structure and adjusting its capital structure according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, EnCana may adjust capital spending, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt or repay existing debt.

EnCana's capital management objectives, evaluation measures and definitions have remained unchanged over the periods presented. EnCana is subject to certain financial covenants in its credit facility agreements and is in compliance with all financial covenants.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

15. Compensation Plans

As a result of the carve-out process, Cenovus has been allocated costs associated with EnCana's compensation plans. The tables below outline certain information related to these plans at September 30, 2009. Additional information is contained in Note 18 of Cenovus's annual audited Carve-out Consolidated Financial Statements for the year ended December 31, 2008.

A) Pensions

The following table summarizes the net benefit plan expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	**2009**	2008
Current Service Cost	**$ 1**	$ -	**$ 3**	$ 2
Interest Cost	**1**	2	**3**	4
Expected Return on Plan Assets	**(1)**	(1)	**(3)**	(3)
Amortization of Net Actuarial Losses	**1**	-	**2**	-
Amortization of Past Service Costs	**-**	1	**-**	1
Amortization of Transitional Obligation	**-**	(1)	**-**	(1)
Expense for Defined Contribution Plan	**-**	4	**12**	11
Net Benefit Plan Expense	**$ 2**	$ 5	**$ 17**	$ 14

For the period ended September 30, 2009, contributions of $3 million have been made to the defined benefit pension plans (2008 - $3 million).

B) Tandem Share Appreciation Rights ("TSARs")

The following table summarizes information related to the TSARs at September 30, 2009:

	Outstanding TSARs	**Weighted Average Exercise Price**
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**7,763,738**	**54.64**
Granted	**1,994,127**	**55.35**
Exercised - SARs	**(581,000)**	**42.47**
Exercised - Options	**(17,113)**	**34.41**
Forfeited	**(120,351)**	**59.90**
Outstanding, End of Period	**9,039,401**	**55.54**
Exercisable, End of Period	**4,959,957**	**51.17**

For the period ended September 30, 2009, Cenovus recorded compensation costs of $29 million related to the outstanding TSARs (2008 - $43 million).

C) Performance Tandem Share Appreciation Rights ("Performance TSARs")

The following table summarizes information related to the Performance TSARs at September 30, 2009:

	Outstanding Performance TSARs	**Weighted Average Exercise Price**
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**5,775,909**	**63.89**
Granted	**3,841,653**	**55.31**
Exercised - SARs	**(54,951)**	**56.09**
Exercised - Options	**(420)**	**56.09**
Forfeited	**(826,418)**	**62.75**
Outstanding, End of Period	**8,735,773**	**60.27**
Exercisable, End of Period	**1,652,398**	**60.46**

For the period ended September 30, 2009, Cenovus recorded compensation costs of $16 million related to the outstanding Performance TSARs (2008 - $12 million).

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

15. Compensation Plans (continued)

D) Share Appreciation Rights ("SARs")

The following table summarizes information related to the SARs at September 30, 2009:

	Outstanding SARs	Weighted Average Exercise Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**7,374**	**72.13**
Granted	**9,154**	**55.42**
Forfeited	**(741)**	**66.87**
Outstanding, End of Period	**15,787**	**62.69**
Exercisable, End of Period	**2,054**	**72.99**

For the period ended September 30, 2009, Cenovus has not recorded any compensation costs related to the outstanding SARs (2008 - nil).

E) Performance Share Appreciation Rights ("Performance SARs")

The following table summarizes information related to the Performance SARs at September 30, 2009:

	Outstanding Performance SARs	Weighted Average Exercise Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**14,745**	**69.40**
Granted	**12,090**	**55.31**
Forfeited	**(2,906)**	**67.94**
Outstanding, End of Period	**23,929**	**62.46**
Exercisable, End of Period	**2,532**	**69.40**

For the period ended September 30, 2009, Cenovus has not recorded any compensation costs related to the outstanding Performance SARs (2008 - nil).

F) Deferred Share Units ("DSUs")

The following table summarizes information related to the DSUs at September 30, 2009:

	Outstanding DSUs
Canadian Dollar Denominated	
Outstanding, Beginning of Year	**348,126**
Granted	**39,214**
Converted from HPR awards	**24,849**
Units, in Lieu of Dividends	**9,932**
Redeemed	**(24,037)**
Outstanding, End of Period	**398,084**

For the period ended September 30, 2009, Cenovus recorded compensation costs of $4 million related to the outstanding DSUs (2008 - $3 million).

Employees have the option to convert either 25 or 50 percent of their annual High Performance Results ("HPR") award into DSUs. The number of DSUs is based on the value of the award divided by the closing value of EnCana's share price at the end of the performance period of the HPR award. DSUs vest immediately, can be redeemed in accordance with the terms of the agreement and expire on December 15 of the calendar year following the year of termination.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Financial Instruments and Risk Management

Cenovus's carve-out financial assets and liabilities include cash and cash equivalents, restricted cash, accounts receivable and accrued revenues, accounts payable and accrued liabilities, the partnership contribution receivable and payable, risk management assets and liabilities, long-term debt and the Cenovus Notes. Risk management assets and liabilities arise from the use of derivative financial instruments. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows:

A) Fair Value of Financial Assets and Liabilities

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, and accounts payable and accrued liabilities approximate their carrying amount due to the short-term maturity of those instruments.

The fair value of restricted cash approximates its carrying amount due the nature of the amounts held in escrow (See Note 4).

The fair values of the partnership contribution receivable and partnership contribution payable approximate their carrying amount due to the specific nature of these instruments in relation to the creation of the integrated oil joint venture. Further information about these notes is disclosed in Note 10 to Cenovus's annual audited Carve-out Consolidated Financial Statements for the year ended December 31, 2008.

Risk management assets and liabilities are recorded at their estimated fair value based on the mark-to-market method of accounting, using quoted market prices or, in their absence, third-party market indications and forecasts.

The estimated fair values of long-term borrowings approximate their carrying amount as they represent intercompany balances with EnCana which are expected to be repaid at the time of the Arrangement (See Note 11).

The Cenovus Notes are carried at amortized cost using the effective interest method of amortization. The estimated fair values of the notes have been determined based on market information where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to Cenovus at period end (See Note 4).

The fair value of financial assets and liabilities were as follows:

	As at September 30, 2009		As at December 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Held-for-Trading:				
Cash and cash equivalents	**$ 185**	**$ 185**	$ 153	$ 153
Restricted cash	**3,619**	**3,619**	-	-
Risk management assets *	**149**	**149**	719	719
Loans and Receivables:				
Accounts receivable and accrued revenues	**876**	**876**	598	598
Partnership contribution receivable *	**2,914**	**2,914**	3,147	3,147
Financial Liabilities				
Held-for-Trading:				
Risk management liabilities *	**$ 16**	**$ 16**	$ 40	$ 40
Other Financial Liabilities:				
Accounts payable and accrued liabilities	**1,378**	**1,378**	1,114	1,114
Long-term debt *	**2,868**	**2,868**	3,036	3,036
Cenovus notes	**3,468**	**3,651**	-	-
Partnership contribution payable *	**2,935**	**2,935**	3,163	3,163

* Including current portion.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities

Net Risk Management Position	**As at September 30, 2009**	As at December 31, 2008
Risk Management		
Current asset	**$ 146**	$ 681
Long-term asset	**3**	38
	149	719
Risk Management		
Current liability	**9**	40
Long-term liability	**7**	-
	16	40
Net Risk Management Asset (Liability)	**$ 133**	$ 679

Summary of Unrealized Risk Management Positions

	As at September 30, 2009			As at December 31, 2008		
	Risk Management			Risk Management		
	Asset	**Liability**	**Net**	Asset	Liability	Net
Commodity Prices						
Natural gas	**$ 126**	**$ 7**	**$ 119**	$ 618	$ -	$ 618
Crude oil	**23**	**6**	**17**	92	40	52
Power	**-**	**3**	**(3)**	9	-	9
Total Fair Value	**$ 149**	**$ 16**	**$ 133**	$ 719	$ 40	$ 679

Net Fair Value Methodologies Used to Calculate Unrealized Risk Management Positions

	As at September 30, 2009	As at December 31, 2008
Prices actively quoted	**$ 113**	$ 521
Prices sourced from observable data or market corroboration	**20**	158
Total Fair Value	**$ 133**	$ 679

Prices actively quoted refers to the fair value of contracts valued using quoted prices in an active market. Prices sourced from observable data or market corroboration refers to the fair value of contracts valued in part using active quotes and in part using observable, market-corroborated data.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities (continued)

Net Fair Value of Commodity Price Positions at September 30, 2009

	Notional Volumes	Term	Average Price	Fair Value
Natural Gas Contracts				
Fixed Price Contracts				
NYMEX Fixed Price	416 MMcf/d	2009	7.30 US$/Mcf	$ 98
NYMEX Fixed Price	331 MMcf/d	2010	6.06 US$/Mcf	(2)
NYMEX Fixed Price	18 MMcf/d	2011	6.73 US$/Mcf	-
Purchased Options				
NYMEX Call	(18) MMcf/d	2009	11.75 US$/Mcf	(1)
NYMEX Put	47 MMcf/d	2009	9.11 US$/Mcf	21
Basis Contracts				
Canada	32 MMcf/d	2009		-
Canada *		2010-2013		1
Total Unrealized Gain on Financial Contracts				117
Premiums Paid on Unexpired Options				2
Natural Gas Fair Value Position				$ 119

* On Cenovus's behalf, EnCana has entered into swaps to protect against widening natural gas price differentials between production areas in Canada and various sales points. These basis swaps are priced using both fixed prices and basis prices determined as a percentage of NYMEX.

	Notional Volumes	Term	Average Price	Fair Value
Crude Oil Contracts				
Fixed Price Contracts				
WTI NYMEX Fixed Price	22,140 bbls/d	2010	76.89 US$/bbl	$ 20
Other Financial Positions *				(3)
Crude Oil Fair Value Position				$ 17

* Other financial positions are part of the ongoing operations of Cenovus's proprietary production and condensate management and its share of downstream crude supply positions.

	Fair Value
Power Purchase Contracts	
Power Fair Value Position	$ (3)

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities (continued)

Earnings Impact of Realized and Unrealized Gains (Losses) on Risk Management Positions

	Realized Gain (Loss)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	**2009**	2008
Revenues, Net of Royalties	**$ 306**	$ (172)	**$ 847**	$ (433)
Operating Expenses and Other	**(3)**	(3)	**(29)**	(5)
Gain (Loss) on Risk Management	**$ 303**	$ (175)	**$ 818**	$ (438)

	Unrealized Gain (Loss)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	**2009**	2008
Revenues, Net of Royalties	**$ (338)**	$ 865	**$ (501)**	$ 345
Operating Expenses and Other	**(4)**	(4)	**(23)**	3
Gain (Loss) on Risk Management	**$ (342)**	$ 861	**$ (524)**	$ 348

Reconciliation of Unrealized Risk Management Positions from January 1 to September 30, 2009

	2009		2008
	Fair Value	**Total Unrealized Gain (Loss)**	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	**$ 653**		
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	**294**	**$ 294**	$ (90)
Foreign Exchange Gain (Loss) on Canadian Dollar Contracts	**2**	**-**	-
Fair Value of Contracts Realized During the Period	**(818)**	**(818)**	438
Fair Value of Contracts Outstanding	**$ 131**	**$ (524)**	$ 348
Premiums Paid on Unexpired Options	**2**		
Fair Value of Contracts and Premiums Paid, End of Period	**$ 133**		

Commodity Price Sensitivities

The following table summarizes the sensitivity of the fair value of Cenovus's risk management positions to fluctuations in commodity prices, with all other variables held constant. Cenovus has used a 10 percent variability to assess the potential impact of commodity price changes. Fluctuations in commodity prices could have resulted in unrealized gains (losses) impacting net earnings as at September 30, 2009 as follows:

	10% Price Increase	10% Price Decrease
Natural gas price	$ (94)	$ 94
Crude oil price	(65)	65
Power price	5	(5)

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Financial Instruments and Risk Management (continued)

C) Risks Associated with Financial Assets and Liabilities

Cenovus is exposed to financial risks arising from its financial assets and liabilities. Financial risks include market risks (such as commodity prices, foreign exchange and interest rates), credit risk and liquidity risk. The fair value or future cash flows of financial assets or liabilities may fluctuate due to movement in market prices and the exposure to credit and liquidity risks.

Commodity Price Risk

Commodity price risk arises from the effect that fluctuations of future commodity prices may have on the fair value or future cash flows of financial assets and liabilities. To partially mitigate exposure to commodity price risk, EnCana has entered into various financial derivative instruments on Cenovus's behalf. The use of these derivative instruments is governed under formal policies and is subject to limits established by EnCana's Board of Directors. Derivative financial instruments are not used for speculative purposes.

Natural Gas - To partially mitigate the natural gas commodity price risk, EnCana has entered into option contracts and swaps, on Cenovus's behalf, which fix the NYMEX prices. To help protect against widening natural gas price differentials in various production areas EnCana has entered into swaps, on Cenovus's behalf, to manage the price differentials between these production areas and various sales points.

Crude Oil - EnCana, on Cenovus's behalf, has partially mitigated its commodity price risk on crude oil and condensate supply with swaps which fix WTI NYMEX prices.

Power - EnCana has in place two Canadian dollar denominated derivative contracts, which commenced January 1, 2007 for a period of 11 years, to manage its electricity consumption costs. At September 30, 2009, Cenovus's share of these contracts had an unrealized loss and a fair market value position of $(3) million.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to meet its obligation in accordance with agreed terms. This credit risk exposure is mitigated through the use of EnCana's Board-approved credit policies governing EnCana's credit portfolio and with credit practices that limit transactions according to counterparties' credit quality. Any foreign currency agreements are with major financial institutions in Canada and the United States or with counterparties having investment grade credit ratings. A substantial portion of Cenovus's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks.

With respect to counterparties to financial instruments, EnCana enters into contracts with the counterparties on behalf of Cenovus. At September 30, 2009, Cenovus had three counterparties whose net settlement position individually account for more than 10 percent of the fair value of the outstanding in-the-money net financial instrument contracts by counterparty. The maximum credit risk exposure associated with accounts receivable and accrued revenues, risk management assets and the partnership contribution receivable is the total carrying value.

Liquidity Risk

Liquidity risk is the risk that difficulties will be encountered in meeting a demand to fund financial liabilities as they come due. EnCana, on behalf of Cenovus, manages its liquidity risk through cash and debt management. As disclosed in Note 14, EnCana targets a Debt to Capitalization ratio of less than 40 percent and a Debt to Adjusted EBITDA of less than 2.0 times to steward EnCana's overall debt position.

In managing liquidity risk, EnCana has access to a wide range of funding at competitive rates through commercial paper, capital markets and banks. EnCana believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

Subject to the completion of the Arrangement, Cenovus Energy Inc. has obtained commitments from a syndicate of banks to make available a C$2.0 billion three-year revolving credit facility and a C$500 million 364-day revolving credit facility. Cenovus Energy Inc. believes these facilities will be sufficient to meet foreseeable borrowing requirements, post split.

Notes to Carve-out Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Financial Instruments and Risk Management (continued)

C) Risks Associated with Financial Assets and Liabilities (continued)

The timing of cash outflows relating to financial liabilities are outlined in the table below:

	Less Than 1 Year	1 - 3 Years	4 - 5 Years	Thereafter	Total
Accounts Payable and Accrued Liabilities	$ 1,378	$ -	$ -	$ -	$ 1,378
Risk Management Liabilities	9	7	-	-	16
Long-Term Debt *, **	241	655	952	3,479	5,327
Cenovus Notes **	141	409	1,209	5,517	7,276
Partnership Contribution Payable **	489	978	978	1,222	3,667

* The long-term debt represents an allocation of EnCana's consolidated long-term debt and is expected to be repaid to EnCana at the time of the Arrangement with proceeds from the Cenovus Notes as discussed in Note 11. The cash outflows presented represent the proportionate share of EnCana's cash outflows with similar terms and conditions.

** Principal and interest, including current portion.

Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of Cenovus's financial assets or liabilities. As Cenovus operates in North America, fluctuations in the exchange rate between the U.S./Canadian dollar can have a significant effect on reported results. Cenovus's functional currency is Canadian dollars; for consistent presentation with EnCana's Consolidated Financial Statements, unless otherwise indicated, the Cenovus Carve-out Consolidated Financial Statements and all dollar amounts are expressed in U.S. dollars. As the effects of foreign exchange fluctuations are embedded in Cenovus's results, the total effect of foreign exchange fluctuations are not separately identifiable.

To mitigate the exposure to the fluctuating U.S./Canadian exchange rate, Cenovus has been allocated a mix of both U.S. dollar and Canadian dollar debt as disclosed in Note 11.

As disclosed in Note 8, Cenovus's foreign exchange (gain) loss primarily includes unrealized foreign exchange gains and losses on the translation of U.S. dollar debt issued from Canada and the translation of the U.S. dollar partnership contribution receivable issued from Canada. At September 30, 2009, excluding the Cenovus Notes, Cenovus had $1,967 million in U.S. dollar debt issued from Canada ($1,804 million at December 31, 2008) and $2,914 million related to the U.S. dollar partnership contribution receivable ($3,147 million at December 31, 2008). A $0.01 change in the U.S. to Canadian dollar exchange rate would have resulted in a $9 million change in foreign exchange (gain) loss at September 30, 2009 (2008 - $13 million), excluding the Cenovus Notes.

Interest Rate Risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from financial assets or liabilities. EnCana partially mitigates its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt.

Cenovus's long-term debt and associated interest expense represents an allocation of their proportionate share of EnCana's consolidated long-term debt and net interest expense, excluding the Cenovus Notes (See Notes 4 and 11).

At September 30, 2009, the increase or decrease in net earnings for each one percent change in interest rates on Cenovus's proportionate share of EnCana's floating rate debt amounts to $1 million (2008 - $5 million).

17. Contingencies

Legal Proceedings

EnCana is involved in various legal claims associated with the normal course of operations. EnCana believes it has made adequate provision for such legal claims and any provision that has been identified as part of Cenovus's normal course of operations has been allocated to Cenovus and included in the Cenovus Carve-out Consolidated Financial Statements.

18. Reclassification

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2009.