Cenovus Energy Inc.

Interim Consolidated Financial Statements (unaudited)

For the Period Ended September 30, 2012

(Canadian Dollars)

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME (unaudited)

For the period ended September 30,
($ millions, except per share amounts)

	Notes	Three Months Ended 2012	Three Months Ended 2011	Nine Months Ended 2012	Nine Months Ended 2011
Revenues	1				
Gross sales		**4,462**	3,989	**13,427**	11,705
Less: Royalties		**122**	131	**309**	338
		4,340	3,858	**13,118**	11,367
Expenses	1				
Purchased product		**2,303**	2,348	**7,335**	6,559
Transportation and blending		**398**	294	**1,323**	973
Operating		**418**	340	**1,201**	1,020
Production and mineral taxes		**9**	9	**28**	27
(Gain) loss on risk management	18	**194**	(460)	**(184)**	(478)
Depreciation, depletion and amortization		**397**	318	**1,176**	912
Exploration expense	10	**-**	-	**68**	-
General and administrative		**104**	38	**254**	206
Finance costs	3	**120**	112	**344**	335
Interest income	4	**(28)**	(31)	**(84)**	(94)
Foreign exchange (gain) loss, net	5	**(51)**	85	**(42)**	56
(Gain) loss on divestiture of assets		**1**	-	**-**	(3)
Other (income) loss, net		**-**	1	**(4)**	1
Earnings Before Income Tax		**475**	804	**1,703**	1,853
Income tax expense	6	**186**	294	**592**	641
Net Earnings		**289**	510	**1,111**	1,212
Other Comprehensive Income (Loss), Net of Tax					
Foreign currency translation adjustment		**(45)**	100	**(36)**	73
Comprehensive Income		**244**	610	**1,075**	1,285
Net Earnings per Common Share	7				
Basic		**$ 0.38**	$ 0.68	**$ 1.47**	$ 1.61
Diluted		**$ 0.38**	$ 0.67	**$ 1.46**	$ 1.60

See accompanying Notes to Consolidated Financial Statements (unaudited).

CONSOLIDATED BALANCE SHEETS (unaudited)

As at
($ millions)

	Notes	**September 30, 2012**	December 31, 2011
Assets			
Current Assets			
Cash and cash equivalents		**1,543**	495
Accounts receivable and accrued revenues		**1,765**	1,405
Current portion of Partnership Contribution Receivable		**375**	372
Inventories	8	**1,221**	1,291
Risk management	18	**163**	232
Assets held for sale	9	**-**	116
Current Assets		**5,067**	3,911
Exploration and Evaluation Assets	1,10	**1,269**	880
Property, Plant and Equipment, net	1,11	**15,353**	14,324
Partnership Contribution Receivable		**1,479**	1,822
Risk Management	18	**31**	52
Income Tax Receivable		**-**	29
Other Assets		**53**	44
Goodwill	1	**1,132**	1,132
Total Assets		**24,384**	22,194
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**2,760**	2,579
Income tax payable		**234**	329
Current portion of Partnership Contribution Payable		**376**	372
Risk management	18	**39**	54
Liabilities related to assets held for sale	9	**-**	54
Current Liabilities		**3,409**	3,388
Long-Term Debt	12	**4,626**	3,527
Partnership Contribution Payable		**1,508**	1,853
Risk Management	18	**4**	14
Decommissioning Liabilities	13	**2,126**	1,777
Other Liabilities		**153**	128
Deferred Income Taxes		**2,494**	2,101
Total Liabilities		**14,320**	12,788
Shareholders' Equity		**10,064**	9,406
Total Liabilities and Shareholders' Equity		**24,384**	22,194

See accompanying Notes to Consolidated Financial Statements (unaudited).

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

($ millions)

	Share Capital (Note 14)	Paid in Surplus	Retained Earnings	AOCI*	Total
Balance as at December 31, 2010	3,716	4,083	525	71	8,395
Net earnings	-	-	1,212	-	1,212
Other comprehensive income (loss)	-	-	-	73	73
Total comprehensive income (loss) for the period	-	-	1,212	73	1,285
Common shares issued under option plans	59	-	-	-	59
Stock-based compensation expense	-	17	-	-	17
Dividends on common shares	-	-	(452)	-	(452)
Balance as at September 30, 2011	**3,775**	**4,100**	**1,285**	**144**	**9,304**
Balance as at December 31, 2011	3,780	4,107	1,400	119	9,406
Net earnings	-	-	1,111	-	1,111
Other comprehensive income (loss)	-	-	-	(36)	(36)
Total comprehensive income (loss) for the period	-	-	1,111	(36)	1,075
Common shares issued under option plans	47	-	-	-	47
Stock-based compensation expense	-	34	-	-	34
Dividends on common shares	-	-	(498)	-	(498)
Balance as at September 30, 2012	**3,827**	**4,141**	**2,013**	**83**	**10,064**

* Accumulated Other Comprehensive Income.

See accompanying Notes to Consolidated Financial Statements (unaudited).

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the period ended September 30,
($ millions)

	Notes	Three Months Ended 2012	Three Months Ended 2011	Nine Months Ended 2012	Nine Months Ended 2011
Operating Activities					
Net earnings		**289**	510	**1,111**	1,212
Depreciation, depletion and amortization		**397**	318	**1,176**	912
Exploration expense		**-**	-	**68**	-
Deferred income taxes	6	**110**	258	**408**	551
Unrealized (gain) loss on risk management	18	**293**	(381)	**60**	(422)
Unrealized foreign exchange (gain) loss	5	**(60)**	63	**(82)**	1
(Gain) loss on divestiture of assets		**1**	-	**-**	(3)
Unwinding of discount on decommissioning liabilities	3,13	**22**	19	**64**	56
Other		**65**	6	**141**	118
		1,117	793	**2,946**	2,425
Net change in other assets and liabilities		**(19)**	(17)	**(71)**	(62)
Net change in non-cash working capital		**(69)**	145	**(213)**	(42)
Cash From Operating Activities		**1,029**	921	**2,662**	2,321
Investing Activities					
Capital expenditures – exploration and evaluation assets	10	**(104)**	(39)	**(451)**	(341)
Capital expenditures – property, plant and equipment	11	**(734)**	(593)	**(1,983)**	(1,498)
Proceeds from divestiture of assets		**-**	-	**65**	8
Net change in investments and other		**5**	1	**(10)**	(21)
Net change in non-cash working capital		**92**	48	**18**	(7)
Cash (Used in) Investing Activities		**(741)**	(583)	**(2,361)**	(1,859)
Net Cash Provided (Used) before Financing Activities		**288**	338	**301**	462
Financing Activities					
Net issuance (repayment) of short-term borrowings		**(204)**	(87)	**3**	(3)
Issuance of long-term debt		**1,219**	-	**1,219**	-
Proceeds on issuance of common shares		**3**	6	**35**	44
Dividends paid on common shares	7	**(166)**	(150)	**(498)**	(452)
Other		**-**	(3)	**1**	(3)
Cash From (Used in) Financing Activities		**852**	(234)	**760**	(414)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency		**(6)**	9	**(13)**	10
Increase (Decrease) in Cash and Cash Equivalents		**1,134**	113	**1,048**	58
Cash and Cash Equivalents, Beginning of Period		**409**	245	**495**	300
Cash and Cash Equivalents, End of Period		**1,543**	358	**1,543**	358

See accompanying Notes to Consolidated Financial Statements (unaudited).

1. DESCRIPTION OF BUSINESS AND SEGMENTED DISCLOSURES

Cenovus Energy Inc. and its subsidiaries (together "Cenovus" or the "Company") are in the business of the development, production and marketing of crude oil, natural gas and natural gas liquids ("NGLs") in Canada with refining operations in the United States ("U.S.").

Cenovus began independent operations on December 1, 2009, as a result of the plan of arrangement ("Arrangement") involving Encana Corporation ("Encana") whereby Encana was split into two independent energy companies, one a natural gas company, Encana, and the other an oil company, Cenovus. In connection with the Arrangement, Encana common shareholders received one share in each of the new Encana and Cenovus in exchange for each Encana share held.

Cenovus was incorporated under the *Canada Business Corporations Act* and its shares are publicly traded on the Toronto ("TSX") and New York ("NYSE") stock exchanges. The executive and registered office is located at #4000, 421 - 7th Avenue S.W., Calgary, Alberta, Canada, T2P 4K9. Information on the Company's basis of presentation for these financial statements is found in Note 2.

The Company's reportable segments are as follows:

- **Oil Sands,** which consists of Cenovus's producing bitumen assets at Foster Creek and Christina Lake, heavy oil assets at Pelican Lake, new resource play assets such as Narrows Lake, Grand Rapids and Telephone Lake, and the Athabasca natural gas assets. Certain of the Company's operated oil sands properties, notably Foster Creek, Christina Lake and Narrows Lake, are jointly owned with ConocoPhillips, an unrelated U.S. public company.

- **Conventional,** which includes the development and production of conventional crude oil, natural gas and NGLs in Alberta and Saskatchewan, notably the carbon dioxide enhanced oil recovery project at Weyburn, and the Bakken and Lower Shaunavon crude oil properties.

- **Refining and Marketing,** which is focused on the refining of crude oil products into petroleum and chemical products at two refineries located in the U.S. The refineries are jointly owned with and operated by Phillips 66, an unrelated U.S. public company. This segment 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.

- **Corporate and Eliminations,** which primarily includes unrealized gains and losses recorded on derivative financial instruments, gains and losses on divestiture of assets, as well as other Cenovus-wide costs for general and administrative, and financing activities. As financial instruments are settled, the 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.

The tabular financial information which follows presents the segmented information first by segment, then by product and geographic location.

All amounts in $ millions, unless otherwise indicated

A) Results of Operations – Segment and Operational Information (For the Three Months Ended September 30)

	Oil Sands		Conventional		Refining and Marketing	
	2012	2011	**2012**	2011	**2012**	2011
Revenues						
Gross sales	**1,007**	754	**489**	553	**3,066**	2,691
Less: Royalties	**83**	82	**39**	49	**-**	-
	924	672	**450**	504	**3,066**	2,691
Expenses						
Purchased product	**-**	-	**-**	-	**2,403**	2,357
Transportation and blending	**367**	263	**31**	31	**-**	-
Operating	**150**	108	**133**	121	**136**	112
Production and mineral taxes	**-**	-	**9**	9	**-**	-
(Gain) loss on risk management	**(28)**	(12)	**(71)**	(51)	**-**	(16)
Operating Cash Flow	**435**	313	**348**	394	**527**	238
Depreciation, depletion and amortization	**127**	93	**222**	195	**36**	20
Exploration expense	**-**	-	**-**	-	**-**	-
Segment Income (Loss)	**308**	220	**126**	199	**491**	218

	Corporate and Eliminations		Consolidated	
	2012	2011	**2012**	2011
Revenues				
Gross sales	**(100)**	(9)	**4,462**	3,989
Less: Royalties	**-**	-	**122**	131
	(100)	(9)	**4,340**	3,858
Expenses				
Purchased product	**(100)**	(9)	**2,303**	2,348
Transportation and blending	**-**	-	**398**	294
Operating	**(1)**	(1)	**418**	340
Production and mineral taxes	**-**	-	**9**	9
(Gain) loss on risk management	**293**	(381)	**194**	(460)
	(292)	382	**1,018**	1,327
Depreciation, depletion and amortization	**12**	10	**397**	318
Exploration expense	**-**	-	**-**	-
Segment Income (Loss)	**(304)**	372	**621**	1,009
General and administrative	**104**	38	**104**	38
Finance costs	**120**	112	**120**	112
Interest income	**(28)**	(31)	**(28)**	(31)
Foreign exchange (gain) loss, net	**(51)**	85	**(51)**	85
(Gain) loss on divestiture of assets	**1**	-	**1**	-
Other (income) loss, net	**-**	1	**-**	1
	146	205	**146**	205
Earnings Before Income Tax			**475**	804
Income tax expense			**186**	294
Net Earnings			**289**	510

All amounts in $ millions, unless otherwise indicated

B) Financial Results by Upstream Product (For the Three Months Ended September 30)

Crude Oil and NGLs	Oil Sands		Conventional		Total	
	2012	2011	**2012**	2011	**2012**	2011
Revenues						
Gross sales	**998**	736	**368**	339	**1,366**	1,075
Less: Royalties	**84**	82	**38**	46	**122**	128
	914	654	**330**	293	**1,244**	947
Expenses						
Transportation and blending	**367**	263	**27**	23	**394**	286
Operating	**142**	103	**78**	61	**220**	164
Production and mineral taxes	**-**	-	**7**	7	**7**	7
(Gain) loss on risk management	**(23)**	(8)	**(9)**	(7)	**(32)**	(15)
Operating Cash Flow	**428**	296	**227**	209	**655**	505

Natural Gas	Oil Sands		Conventional		Total	
	2012	2011	**2012**	2011	**2012**	2011
Revenues						
Gross sales	**7**	17	**116**	211	**123**	228
Less: Royalties	**(1)**	-	**1**	3	**-**	3
	8	17	**115**	208	**123**	225
Expenses						
Transportation and blending	**-**	-	**4**	8	**4**	8
Operating	**5**	4	**53**	59	**58**	63
Production and mineral taxes	**-**	-	**2**	2	**2**	2
(Gain) loss on risk management	**(5)**	(4)	**(62)**	(44)	**(67)**	(48)
Operating Cash Flow	**8**	17	**118**	183	**126**	200

Other	Oil Sands		Conventional		Total	
	2012	2011	**2012**	2011	**2012**	2011
Revenues						
Gross sales	**2**	1	**5**	3	**7**	4
Less: Royalties	**-**	-	**-**	-	**-**	-
	2	1	**5**	3	**7**	4
Expenses						
Transportation and blending	**-**	-	**-**	-	**-**	-
Operating	**3**	1	**2**	1	**5**	2
Production and mineral taxes	**-**	-	**-**	-	**-**	-
(Gain) loss on risk management	**-**	-	**-**	-	**-**	-
Operating Cash Flow	**(1)**	-	**3**	2	**2**	2

Total Upstream	Oil Sands		Conventional		Total	
	2012	2011	**2012**	2011	**2012**	2011
Revenues						
Gross sales	**1,007**	754	**489**	553	**1,496**	1,307
Less: Royalties	**83**	82	**39**	49	**122**	131
	924	672	**450**	504	**1,374**	1,176
Expenses						
Transportation and blending	**367**	263	**31**	31	**398**	294
Operating	**150**	108	**133**	121	**283**	229
Production and mineral taxes	**-**	-	**9**	9	**9**	9
(Gain) loss on risk management	**(28)**	(12)	**(71)**	(51)	**(99)**	(63)
Operating Cash Flow	**435**	313	**348**	394	**783**	707

All amounts in $ millions, unless otherwise indicated

C) Geographic Information (For the Three Months Ended September 30)

	Canada		United States		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
Revenues						
Gross sales	**2,006**	1,768	**2,456**	2,221	**4,462**	3,989
Less: Royalties	**122**	131	**-**	-	**122**	131
	1,884	1,637	**2,456**	2,221	**4,340**	3,858
Expenses						
Purchased product	**502**	452	**1,801**	1,896	**2,303**	2,348
Transportation and blending	**398**	294	**-**	-	**398**	294
Operating	**289**	232	**129**	108	**418**	340
Production and mineral taxes	**9**	9	**-**	-	**9**	9
(Gain) loss on risk management	**189**	(429)	**5**	(31)	**194**	(460)
	497	1,079	**521**	248	**1,018**	1,327
Depreciation, depletion and amortization	**361**	298	**36**	20	**397**	318
Exploration expense	**-**	-	**-**	-	**-**	-
Segment Income (Loss)	**136**	781	**485**	228	**621**	1,009

The Oil Sands and Conventional segments operate in Canada. Both of Cenovus's refining facilities are located and carry on business in the U.S. The marketing of Cenovus's crude oil and natural gas produced in Canada, as well as the third party purchases and sales of product, is undertaken in Canada. Physical product sales that settle in the U.S. are considered to be export sales undertaken by a Canadian business. The Corporate and Eliminations segment is attributed to Canada with the exception of the unrealized risk management gains and losses which have been attributed to the country in which the transacting entity resides.

All amounts in $ millions, unless otherwise indicated

D) Results of Operations – Segment and Operational Information (For the Nine Months Ended September 30)

	Oil Sands		Conventional		Refining and Marketing	
	2012	2011	**2012**	2011	**2012**	2011
Revenues						
Gross sales	**3,026**	2,340	**1,546**	1,717	**9,020**	7,698
Less: Royalties	**175**	190	**134**	148	**-**	-
	2,851	2,150	**1,412**	1,569	**9,020**	7,698
Expenses						
Purchased product	**-**	-	**-**	-	**7,500**	6,609
Transportation and blending	**1,212**	869	**111**	104	**-**	-
Operating	**432**	321	**382**	351	**389**	349
Production and mineral taxes	**-**	-	**28**	27	**-**	-
(Gain) loss on risk management	**(35)**	49	**(195)**	(102)	**(14)**	(3)
Operating Cash Flow	**1,242**	911	**1,086**	1,189	**1,145**	743
Depreciation, depletion and amortization	**352**	254	**680**	575	**109**	54
Exploration expense	**-**	-	**68**	-	**-**	-
Segment Income (Loss)	**890**	657	**338**	614	**1,036**	689

	Corporate and Eliminations		Consolidated	
	2012	2011	**2012**	2011
Revenues				
Gross sales	**(165)**	(50)	**13,427**	11,705
Less: Royalties	**-**	-	**309**	338
	(165)	(50)	**13,118**	11,367
Expenses				
Purchased product	**(165)**	(50)	**7,335**	6,559
Transportation and blending	**-**	-	**1,323**	973
Operating	**(2)**	(1)	**1,201**	1,020
Production and mineral taxes	**-**	-	**28**	27
(Gain) loss on risk management	**60**	(422)	**(184)**	(478)
	(58)	423	**3,415**	3,266
Depreciation, depletion and amortization	**35**	29	**1,176**	912
Exploration expense	**-**	-	**68**	-
Segment Income (Loss)	**(93)**	394	**2,171**	2,354
General and administrative	**254**	206	**254**	206
Finance costs	**344**	335	**344**	335
Interest income	**(84)**	(94)	**(84)**	(94)
Foreign exchange (gain) loss, net	**(42)**	56	**(42)**	56
(Gain) loss on divestiture of assets	**-**	(3)	**-**	(3)
Other (income) loss, net	**(4)**	1	**(4)**	1
	468	501	**468**	501
Earnings Before Income Tax			**1,703**	1,853
Income tax expense			**592**	641
Net Earnings			**1,111**	1,212

All amounts in $ millions, unless otherwise indicated

E) Financial Results by Upstream Product (For the Nine Months Ended September 30)

	Crude Oil and NGLs					
	Oil Sands		Conventional		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Gross sales	2,994	2,286	1,187	1,076	4,181	3,362
Less: Royalties	175	189	130	139	305	328
	2,819	2,097	1,057	937	3,876	3,034
Expenses						
Transportation and blending	1,211	868	96	78	1,307	946
Operating	405	301	224	175	629	476
Production and mineral taxes	-	-	24	19	24	19
(Gain) loss on risk management	(20)	61	(9)	30	(29)	91
Operating Cash Flow	1,223	867	722	635	1,945	1,502

	Natural Gas					
	Oil Sands		Conventional		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Gross sales	25	47	350	633	375	680
Less: Royalties	-	1	4	9	4	10
	25	46	346	624	371	670
Expenses						
Transportation and blending	1	1	15	26	16	27
Operating	18	17	155	173	173	190
Production and mineral taxes	-	-	4	8	4	8
(Gain) loss on risk management	(15)	(12)	(186)	(132)	(201)	(144)
Operating Cash Flow	21	40	358	549	379	589

	Other					
	Oil Sands		Conventional		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Gross sales	7	7	9	8	16	15
Less: Royalties	-	-	-	-	-	-
	7	7	9	8	16	15
Expenses						
Transportation and blending	-	-	-	-	-	-
Operating	9	3	3	3	12	6
Production and mineral taxes	-	-	-	-	-	-
(Gain) loss on risk management	-	-	-	-	-	-
Operating Cash Flow	(2)	4	6	5	4	9

	Total Upstream					
	Oil Sands		Conventional		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Gross sales	3,026	2,340	1,546	1,717	4,572	4,057
Less: Royalties	175	190	134	148	309	338
	2,851	2,150	1,412	1,569	4,263	3,719
Expenses						
Transportation and blending	1,212	869	111	104	1,323	973
Operating	432	321	382	351	814	672
Production and mineral taxes	-	-	28	27	28	27
(Gain) loss on risk management	(35)	49	(195)	(102)	(230)	(53)
Operating Cash Flow	1,242	911	1,086	1,189	2,328	2,100

All amounts in $ millions, unless otherwise indicated

F) Geographic Information (For the Nine Months Ended September 30)

	Canada		United States		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
Revenues						
Gross sales	**6,059**	5,412	**7,368**	6,293	**13,427**	11,705
Less: Royalties	**309**	338	**-**	-	**309**	338
	5,750	5,074	**7,368**	6,293	**13,118**	11,367
Expenses						
Purchased product	**1,466**	1,330	**5,869**	5,229	**7,335**	6,559
Transportation and blending	**1,323**	973	**-**	-	**1,323**	973
Operating	**830**	688	**371**	332	**1,201**	1,020
Production and mineral taxes	**28**	27	**-**	-	**28**	27
(Gain) loss on risk management	**(169)**	(459)	**(15)**	(19)	**(184)**	(478)
	2,272	2,515	**1,143**	751	**3,415**	3,266
Depreciation, depletion and amortization	**1,067**	858	**109**	54	**1,176**	912
Exploration expense	**68**	-	**-**	-	**68**	-
Segment Income (Loss)	**1,137**	1,657	**1,034**	697	**2,171**	2,354

The Oil Sands and Conventional segments operate in Canada. Both of Cenovus's refining facilities are located and carry on business in the U.S. The marketing of Cenovus's crude oil and natural gas produced in Canada, as well as the third party purchases and sales of product, is undertaken in Canada. Physical product sales that settle in the U.S. are considered to be export sales undertaken by a Canadian business. The Corporate and Eliminations segment is attributed to Canada with the exception of the unrealized risk management gains and losses which have been attributed to the country in which the transacting entity resides.

G) Exploration and Evaluation Assets, Property, Plant and Equipment, Goodwill and Total Assets

By Segment

	Exploration and Evaluation Assets		Property, Plant and Equipment	
As at	**September 30, 2012**	December 31, 2011	**September 30, 2012**	December 31, 2011
Oil Sands	**1,148**	741	**7,128**	6,224
Conventional	**121**	139	**4,848**	4,668
Refining and Marketing	**-**	-	**3,047**	3,200
Corporate and Eliminations	**-**	-	**330**	232
Consolidated	**1,269**	880	**15,353**	14,324

	Goodwill		Total Assets	
As at	**September 30, 2012**	December 31, 2011	**September 30, 2012**	December 31, 2011
Oil Sands	**739**	739	**11,532**	10,524
Conventional	**393**	393	**5,580**	5,566
Refining and Marketing	**-**	-	**5,069**	4,927
Corporate and Eliminations	**-**	-	**2,203**	1,177
Consolidated	**1,132**	1,132	**24,384**	22,194

All amounts in $ millions, unless otherwise indicated

By Geographic Region

As at	Exploration and Evaluation Assets September 30, 2012	Exploration and Evaluation Assets December 31, 2011	Property, Plant and Equipment September 30, 2012	Property, Plant and Equipment December 31, 2011
Canada	**1,269**	880	**12,307**	11,124
United States	**-**	-	**3,046**	3,200
Consolidated	**1,269**	880	**15,353**	14,324

As at	Goodwill September 30, 2012	Goodwill December 31, 2011	Total Assets September 30, 2012	Total Assets December 31, 2011
Canada	**1,132**	1,132	**19,848**	17,536
United States	**-**	-	**4,536**	4,658
Consolidated	**1,132**	1,132	**24,384**	22,194

H) Capital Expenditures

For the period ended September 30,	Three Months Ended 2012	Three Months Ended 2011	Nine Months Ended 2012	Nine Months Ended 2011
Capital				
Oil Sands	**516**	306	**1,606**	950
Conventional	**231**	193	**591**	458
Refining and Marketing	**38**	101	**60**	320
Corporate	**45**	31	**133**	92
	830	631	**2,390**	1,820
Acquisition Capital				
Oil Sands	**2**	-	**2**	4
Conventional	**6**	1	**42**	15
Corporate	**-**	-	**-**	3
Total	**838**	632	**2,434**	1,842

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

In these interim Consolidated Financial Statements, unless otherwise indicated, all dollars are expressed in Canadian dollars. All references to C$ or $ are to Canadian dollars and references to US$ are to U.S. dollars.

These interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements including International Accounting Standard 34, "*Interim Financial Reporting*" ("IAS 34") and have been prepared following the same accounting policies and methods of computation as the annual Consolidated Financial Statements for the year ended December 31, 2011 except for income taxes on earnings in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual earnings or loss. The disclosures provided below are incremental to those included with the annual Consolidated Financial Statements. Certain information and disclosures normally included in the notes to the annual Consolidated Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

These interim Consolidated Financial Statements of Cenovus were approved by the Audit Committee effective October 24, 2012.

All amounts in $ millions, unless otherwise indicated

3. FINANCE COSTS

For the period ended September 30,	Three Months Ended 2012	2011	Nine Months Ended 2012	2011
Interest Expense – Short-Term Borrowings and Long-Term Debt	**59**	54	**166**	160
Interest Expense – Partnership Contribution Payable	**29**	34	**91**	104
Unwinding of Discount on Decommissioning Liabilities	**22**	19	**64**	56
Other	**10**	5	**23**	15
	120	112	**344**	335

4. INTEREST INCOME

For the period ended September 30,	Three Months Ended 2012	2011	Nine Months Ended 2012	2011
Interest Income – Partnership Contribution Receivable	**(25)**	(30)	**(79)**	(91)
Other	**(3)**	(1)	**(5)**	(3)
	(28)	(31)	**(84)**	(94)

5. FOREIGN EXCHANGE (GAIN) LOSS, NET

For the period ended September 30,	Three Months Ended 2012	2011	Nine Months Ended 2012	2011
Unrealized Foreign Exchange (Gain) Loss on translation of:				
U.S. dollar debt issued from Canada	**(129)**	261	**(122)**	155
U.S. dollar Partnership Contribution Receivable issued from Canada	**53**	(185)	**22**	(144)
Other	**16**	(13)	**18**	(10)
Unrealized Foreign Exchange (Gain) Loss	**(60)**	63	**(82)**	1
Realized Foreign Exchange (Gain) Loss	**9**	22	**40**	55
	(51)	85	**(42)**	56

6. INCOME TAXES

The provision for income taxes is as follows:

For the period ended September 30,	Three Months Ended 2012	2011	Nine Months Ended 2012	2011
Current Tax				
Canada	**56**	35	**139**	88
United States	**20**	1	**45**	2
Total Current Tax	**76**	36	**184**	90
Deferred Tax	**110**	258	**408**	551
	186	294	**592**	641

7. PER SHARE AMOUNTS

A) Net Earnings per Share

For the three months ended ($ millions, except earnings per share)	September 30, 2012 Net Earnings	September 30, 2012 Shares	September 30, 2012 Earnings per Share	September 30, 2011 Net Earnings	September 30, 2011 Shares	September 30, 2011 Earnings per Share
Net earnings per share – basic	**289**	**755.7**	**$0.38**	510	754.3	$0.68
Dilutive effect of Cenovus TSARs	**-**	**2.3**		-	3.5	
Net earnings per share – diluted	**289**	**758.0**	**$0.38**	510	757.8	$0.67

For the nine months ended ($ millions, except earnings per share)	September 30, 2012 Net Earnings	September 30, 2012 Shares	September 30, 2012 Earnings per Share	September 30, 2011 Net Earnings	September 30, 2011 Shares	September 30, 2011 Earnings per Share
Net earnings per share – basic	**1,111**	**755.5**	**$1.47**	1,212	753.9	$1.61
Dilutive effect of Cenovus TSARs	**-**	**3.0**		-	4.0	
Net earnings per share – diluted	**1,111**	**758.5**	**$1.46**	1,212	757.9	$1.60

B) Dividends per Share

The Company paid dividends of $498 million, $0.66 per share, for the nine months ended September 30, 2012 (September 30, 2011 – $452 million, $0.60 per share).

The Cenovus Board of Directors declared a fourth quarter dividend of $0.22 per share, payable on December 31, 2012, to common shareholders of record as of December 14, 2012.

8. INVENTORIES

As at	September 30, 2012	December 31, 2011
Product		
Refining and Marketing	**994**	1,079
Oil Sands	**194**	186
Conventional	**1**	1
Parts and Supplies	**32**	25
	1,221	1,291

9. ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities classified as held for sale consisted of the following:

As at	September 30, 2012	December 31, 2011
Assets Held for Sale		
Property, plant and equipment	**-**	116
Liabilities Related to Assets Held for Sale		
Decommissioning liabilities	**-**	54

In January 2012, the Company completed the sale of non-core natural gas assets located in Northern Alberta. A loss of $2 million was recorded on the sale. These assets and the related liabilities were reported in the Conventional segment.

All amounts in $ millions, unless otherwise indicated

10. EXPLORATION AND EVALUATION ASSETS

	E&E
COST	
As at December 31, 2010	713
Additions	527
Transfers to property, plant and equipment (Note 11)	(356)
Divestitures	(3)
Change in decommissioning liabilities	(1)
As at December 31, 2011	880
Additions	451
Transfers to property, plant and equipment (Note 11)	(1)
Exploration expense	(68)
Divestitures	-
Change in decommissioning liabilities	7
As at September 30, 2012	**1,269**

Exploration and evaluation assets ("E&E assets") consist of the Company's evaluation projects which are pending the determination of technical feasibility and commercial viability. All of the Company's E&E assets are located within Canada.

Additions to E&E assets for the nine months ended September 30, 2012 include $26 million of internal costs directly related to the evaluation of these projects (year ended December 31, 2011 – $15 million). Costs classified as general and administrative expenses have not been capitalized as part of capital expenditures. No borrowing costs have been capitalized during the nine months ended September 30, 2012 or for the year ended December 31, 2011.

For the nine months ended September 30, 2012, $1 million of E&E assets were transferred to property, plant and equipment – development and production assets following the determination of technical feasibility and commercial viability of the projects in question (year ended December 31, 2011 – $356 million).

Impairment

The impairment of E&E assets and any subsequent reversal of such impairment losses are recognized in exploration expense in the Consolidated Statements of Earnings and Comprehensive Income. During the nine months ended September 30, 2012, $68 million of previously capitalized E&E costs related primarily to the Roncott assets within the Conventional segment were deemed not to be technically feasible and commercially viable and were recognized as exploration expense. There were no amounts expensed for the nine months ended September 30, 2011.

All amounts in $ millions, unless otherwise indicated

11. PROPERTY, PLANT AND EQUIPMENT, NET

	Upstream Assets				
	Development & Production	Other Upstream	Refining Equipment	Other [1]	Total
COST					
As at December 31, 2010	21,720	153	2,950	450	25,273
Additions	1,704	41	391	131	2,267
Transfers from E&E assets (Note 10)	356	-	-	-	356
Transfers and reclassifications	(326)	-	(5)	(2)	(333)
Change in decommissioning liabilities	403	-	10	1	414
Exchange rate movements	1	-	79	-	80
Divestitures	-	-	-	(4)	(4)
As at December 31, 2011	23,858	194	3,425	576	28,053
Additions	1,759	31	59	134	1,983
Transfers from E&E assets (Note 10)	1	-	-	-	1
Transfers and reclassifications	-	-	(44)	-	(44)
Change in decommissioning liabilities	324	-	-	-	324
Exchange rate movements	1	-	(112)	-	(111)
Divestitures	-	-	-	-	-
As at September 30, 2012	**25,943**	**225**	**3,328**	**710**	**30,206**
ACCUMULATED DEPRECIATION, DEPLETION AND IMPAIRMENT					
As at December 31, 2010	12,121	124	97	304	12,646
Depreciation and depletion expense	1,108	15	85	40	1,248
Transfers and reclassifications	(211)	-	(5)	-	(216)
Impairment losses	2	-	45	-	47
Exchange rate movements	1	-	3	-	4
As at December 31, 2011	13,021	139	225	344	13,729
Depreciation and depletion expense	1,019	13	109	35	1,176
Transfers and reclassifications	-	-	(44)	-	(44)
Impairment losses	-	-	-	-	-
Exchange rate movements	-	-	(8)	-	(8)
Divestitures	-	-	-	-	-
As at September 30, 2012	**14,040**	**152**	**282**	**379**	**14,853**
CARRYING VALUE					
As at December 31, 2010	9,599	29	2,853	146	12,627
As at December 31, 2011	10,837	55	3,200	232	14,324
As at September 30, 2012	**11,903**	**73**	**3,046**	**331**	**15,353**

1. Includes office furniture, fixtures, leasehold improvements, information technology, midstream assets, and aircraft.

Additions to development and production assets include internal costs directly related to the development and construction of oil and gas properties of $121 million for the nine months ended September 30, 2012 (December 31, 2011 – $125 million). All of the Company's development and production assets are located within Canada. Costs classified as general and administrative expenses have not been capitalized as part of capital expenditures. No borrowing costs have been capitalized during the nine months ended September 30, 2012 or for the year ended December 31, 2011.

Property, plant and equipment include the following amounts in respect of assets not available for use which are not subject to depreciation until put into use:

As at	**September 30, 2012**	December 31, 2011
Development and production	**41**	52
Refining equipment	**87**	125
Other	**201**	112
	329	289

All amounts in $ millions, unless otherwise indicated

Impairment

The impairment of property, plant and equipment and any subsequent reversal of such impairment losses are recognized in depreciation, depletion and amortization in the Consolidated Statement of Earnings and Comprehensive Income. There were no impairment losses recorded for the nine months ended September 30, 2012 or 2011.

12. LONG-TERM DEBT

As at	**September 30, 2012**	December 31, 2011
Canadian Dollar Denominated Debt		
Revolving term debt [1]	**-**	-
U.S. Dollar Denominated Debt		
Revolving term debt [1]	**-**	-
Unsecured notes	**4,673**	3,559
	4,673	3,559
Total Debt Principal	**4,673**	3,559
Debt Discounts and Transaction Costs	**(47)**	(32)
Current Portion of Long-Term Debt	**-**	-
	4,626	3,527

1. Revolving term debt may include bankers' acceptances, LIBOR loans, prime rate loans and U.S. base rate loans.

As at September 30, 2012, the Company is in compliance with all of the terms of its debt agreements.

On May 24, 2012, Cenovus filed a Canadian base shelf prospectus for unsecured medium term notes in the amount of $1.5 billion. The Canadian shelf prospectus allows for the issuance of medium term notes in Canadian dollars or other foreign currencies from time to time in one or more offerings. Terms of the notes, including, but not limited to, interest at either fixed or floating rates and expiry dates will be determined at the date of issue. As at September 30, 2012, no medium term notes have been issued under this Canadian shelf prospectus. The Canadian shelf prospectus expires in June 2014.

On June 6, 2012, Cenovus filed a U.S. base shelf prospectus for unsecured notes in the amount of US$2.0 billion. The U.S. shelf prospectus allows for the issuance of debt securities in U.S. dollars or other foreign currencies from time to time in one or more offerings. Terms of the notes, including, but not limited to, interest at either fixed or floating rates and expiry dates will be determined at the date of issue. As at September 30, 2012, US$750 million remains under this U.S. shelf prospectus. The U.S. shelf prospectus expires in July 2014.

On August 17, 2012 Cenovus completed a public offering in the U.S. of senior unsecured notes in the aggregate principal amount of US$1.25 billion under the Company's U.S. base shelf prospectus. The net proceeds will be used for general corporate purposes, including repayment of commercial paper indebtedness. The unsecured notes issued are as follows:

	US$ Principal Amount	**September 30, 2012**
3.00% due August 15, 2022	**500**	**492**
4.45% due September 15, 2042	**750**	**738**
	1,250	**1,230**

In September 2012, Cenovus renegotiated its existing $3.0 billion committed credit facility, extending the maturity date to November 30, 2016 and slightly reducing both the standby fees required to maintain the facility as well as the cost of future borrowings.

13. DECOMMISSIONING LIABILITIES

The decommissioning provision represents the present value of the future costs associated with the retirement of upstream oil and gas assets and refining facilities. The aggregate carrying amount of the obligation is as follows:

As at	**September 30, 2012**	December 31, 2011
Decommissioning Liabilities, Beginning of Year	**1,777**	1,399
Liabilities incurred	**51**	49
Liabilities settled	**(48)**	(56)
Liabilities divested	**-**	-
Transfers and reclassifications	**3**	(55)
Change in estimated future cash flows	**7**	146
Change in discount rate	**273**	218
Unwinding of discount on decommissioning liabilities	**64**	75
Foreign currency translation	**(1)**	1
Decommissioning Liabilities, End of Period	**2,126**	1,777

The undiscounted amount of estimated cash flows required to settle the obligation has been discounted using a credit-adjusted risk-free rate of 4.2 percent as at September 30, 2012 (December 31, 2011 – 4.8 percent).

14. SHARE CAPITAL

A) Authorized

Cenovus is authorized to issue an unlimited number of common shares, an unlimited number of First Preferred Shares and an unlimited number of Second Preferred Shares. The First and Second Preferred Shares may be issued in one or more series with rights and conditions to be determined by the Company's Board of Directors prior to issuance and subject to the Company's articles.

B) Issued and Outstanding

	September 30, 2012		December 31, 2011	
As at	**Number of Common Shares (thousands)**	**Amount**	Number of Common Shares (thousands)	Amount
Outstanding, Beginning of Year	**754,499**	**3,780**	752,675	3,716
Common Shares Issued under Stock Option Plans	**1,271**	**47**	1,824	64
Outstanding, End of Period	**755,770**	**3,827**	754,499	3,780

There were no Preferred Shares outstanding as at September 30, 2012 (December 31, 2011 – nil).

As at September 30, 2012, there were 28 million (December 31, 2011 – 30 million) common shares available for future issuance under stock option plans.

15. STOCK-BASED COMPENSATION PLANS

A) Employee Stock Option Plan

Cenovus has an Employee Stock Option Plan that provides employees with the opportunity to exercise an option to purchase common shares of the Company. Option exercise prices approximate the market price for the common shares on the date the options were issued. Options granted are exercisable at 30 percent of the number granted after one year, an additional 30 percent of the number granted after two years, and are fully exercisable after three years. Options granted prior to February 17, 2010 expire after five years while options granted on or after February 17, 2010 expire after seven years.

Options issued by the Company under the Employee Stock Option Plan prior to February 24, 2011 have associated tandem stock appreciation rights. In lieu of exercising the options, the tandem stock appreciation rights give the option holder the right to receive a cash payment equal to the excess of the market price of Cenovus's common shares at the time of exercise over the exercise price of the option.

Options issued by the Company on or after February 24, 2011 have associated net settlement rights. The net settlement rights, in lieu of exercising the option, give the option holder the right to receive the number of common shares that could be acquired with the excess value of the market price of Cenovus's common shares at the time of exercise over the exercise price of the option.

The tandem stock appreciation rights and net settlement rights vest and expire under the same terms and conditions as the underlying options. For the purpose of this financial statement note, options with associated tandem stock appreciation rights are referred to as "TSARs" and options with associated net settlement rights are referred to as "NSRs".

In addition, certain of the TSARs are performance based ("Performance TSARs"). The Performance TSARs vest and expire under the same terms and service conditions as the underlying option, and have an additional vesting requirement whereby vesting is subject to achievement of prescribed performance relative to pre-determined key measures. Performance TSARs that do not vest when eligible are forfeited.

In accordance with the Arrangement described in Note 1, each Cenovus and Encana employee exchanged their original Encana TSAR for one Cenovus Replacement TSAR and one Encana Replacement TSAR. The terms and conditions of the Cenovus and Encana Replacement TSARs are similar to the terms and conditions of the original Encana TSAR. The original exercise price of the Encana TSAR was apportioned to the Cenovus and Encana Replacement TSARs based on the one day volume weighted average trading price of Cenovus's common share price relative to that of Encana's common share price on the TSX on December 2, 2009. Cenovus TSARs and Cenovus Replacement TSARs are measured against the Cenovus common share price while Encana Replacement TSARs are measured against the Encana common share price. The Cenovus Replacement TSARs have similar vesting provisions as outlined above for the Employee Stock Option Plan. The original Encana Performance TSARs were also exchanged under the same terms as the original Encana TSARs.

As at September 30, 2012	Issued	Term (years)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($)	Closing Share Price ($)	Units Outstanding (thousands)
Encana Replacement TSARs held by Cenovus Employees	Prior to Arrangement	**5**	**0.91**	**32.66**	**21.53**	**7,812**
Cenovus Replacement TSARs held by Encana Employees	Prior to Arrangement	**5**	**0.94**	**29.34**	**34.31**	**5,446**
TSARs	Prior to February 17, 2010	**5**	**0.96**	**29.33**	**34.31**	**6,409**
TSARs	On or After February 17, 2010	**7**	**4.45**	**26.72**	**34.31**	**5,095**
NSRs	On or After February 24, 2011	**7**	**6.07**	**37.63**	**34.31**	**14,794**

Unless otherwise indicated, all references to TSARs collectively refer to both the Cenovus issued TSARs and Cenovus Replacement TSARs.

NSRs

The weighted average unit fair value of NSRs granted during the nine months ended September 30, 2012 was $7.68 before considering forfeitures. The fair value of each NSR was estimated on their grant date using the Black-Scholes-Merton valuation model with weighted average assumptions as follows:

Risk Free Interest Rate	**1.37%**
Expected Dividend Yield	**2.31%**
Expected Volatility [1]	**28.64%**
Expected Life (Years)	**4.55**

1. Expected volatility has been based on historical share volatility of the Company and comparable industry peers.

The following tables summarize the information related to the NSRs as at September 30, 2012:

As at September 30, 2012 (thousands of units)	NSRs	Weighted Average Exercise Price ($)
Outstanding, Beginning of Year	5,809	36.95
Granted	9,245	38.06
Exercised for common shares	(3)	35.67
Forfeited	(257)	37.60
Outstanding, End of Period	14,794	37.63
Exercisable, End of Period	1,603	37.24

The weighted average market price of Cenovus's common shares at the date of exercise during the nine months ended September 30, 2012 was $36.91.

	Outstanding NSRs (thousands of units)		
As at September 30, 2012 Range of Exercise Price ($)	NSRs	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($)
30.00 to 39.99	14,794	6.07	37.63
	14,794	6.07	37.63

	Exercisable NSRs (thousands of units)	
As at September 30, 2012 Range of Exercise Price ($)	NSRs	Weighted Average Exercise Price ($)
30.00 to 39.99	1,603	37.24
	1,603	37.24

TSARs Held by Cenovus Employees

The Company has recorded a liability of $74 million as at September 30, 2012 (December 31, 2011 – $90 million) in the Consolidated Balance Sheets based on the fair value of each TSAR held by Cenovus employees. Fair value was estimated as at September 30, 2012 using the Black-Scholes-Merton valuation model with weighted average assumptions as follows:

Risk Free Interest Rate	**1.27%**
Expected Dividend Yield	**2.53%**
Expected Volatility [1]	**28.41%**
Cenovus's Common Share Price	**$34.31**

1. Expected volatility has been based on historical share volatility of the Company and comparable industry peers.

The intrinsic value of vested TSARs held by Cenovus employees as at September 30, 2012 was $54 million (December 31, 2011 – $43 million).

The following tables summarize the information related to the TSARs held by Cenovus employees as at September 30, 2012:

As at September 30, 2012 (thousands of units)	TSARs	Performance TSARs	Total	Weighted Average Exercise Price ($)
Outstanding, Beginning of Year	9,391	5,530	**14,921**	**28.12**
Granted	-	-	**-**	**-**
Exercised for cash payment	(853)	(994)	**(1,847)**	**28.39**
Exercised as options for common shares	(643)	(608)	**(1,251)**	**27.64**
Forfeited	(115)	(204)	**(319)**	**26.77**
Outstanding, End of Period	**7,780**	**3,724**	**11,504**	**28.17**
Exercisable, End of Period	**5,415**	**3,724**	**9,139**	**28.51**

The weighted average market price of Cenovus's common shares at the date of exercise during the nine months ended September 30, 2012 was $36.89.

	Outstanding TSARs (thousands of units)				
As at September 30, 2012 Range of Exercise Price ($)	TSARs	Performance TSARs	Total	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($)
20.00 to 29.99	6,360	2,173	**8,533**	**3.13**	**26.38**
30.00 to 39.99	1,357	1,551	**2,908**	**0.72**	**33.08**
40.00 to 49.99	63	-	**63**	**0.70**	**43.29**
	7,780	**3,724**	**11,504**	**2.51**	**28.17**

As at September 30, 2012 Range of Exercise Price ($)	Exercisable TSARs (thousands of units) TSARs	Performance TSARs	Total	Weighted Average Exercise Price ($)
20.00 to 29.99	4,130	2,173	**6,303**	**26.34**
30.00 to 39.99	1,222	1,551	**2,773**	**33.10**
40.00 to 49.99	63	-	**63**	**43.29**
	5,415	**3,724**	**9,139**	**28.51**

The market price of Cenovus common shares as at September 30, 2012 was $34.31.

Encana Replacement TSARs Held by Cenovus Employees

Cenovus is required to reimburse Encana in respect of cash payments made by Encana to Cenovus employees when a Cenovus employee exercises an Encana Replacement TSAR for cash. No further Encana Replacement TSARs will be granted to Cenovus employees.

The Company has recorded a liability of $2 million as at September 30, 2012 (December 31, 2011 – $1 million) in the Consolidated Balance Sheets based on the fair value of each Encana Replacement TSAR held by Cenovus employees. Fair value was estimated as at September 30, 2012 using the Black-Scholes-Merton valuation model with weighted average assumptions as follows:

Risk Free Interest Rate	**1.21%**
Expected Dividend Yield	**3.86%**
Expected Volatility [1]	**30.62%**
Encana's Common Share Price	**$21.53**

1. Expected volatility has been based on the historical volatility of Encana's publicly traded shares.

The intrinsic value of vested Encana Replacement TSARs held by Cenovus employees as at September 30, 2012 was $nil (December 31, 2011 – $nil).

The following tables summarize the information related to the Encana Replacement TSARs held by Cenovus employees as at September 30, 2012:

As at September 30, 2012 (thousands of units)	TSARs	Performance TSARs	Total	Weighted Average Exercise Price ($)
Outstanding, Beginning of Year	4,281	6,130	**10,411**	**31.97**
Exercised for cash payment	-	-	**-**	**-**
Exercised as options for Encana common shares	-	-	**-**	**-**
Forfeited	(97)	(309)	**(406)**	**30.91**
Expired	(957)	(1,236)	**(2,193)**	**29.70**
Outstanding, End of Period	**3,227**	**4,585**	**7,812**	**32.66**
Exercisable, End of Period	**3,214**	**4,585**	**7,799**	**32.67**

	Outstanding TSARs (thousands of units)				
As at September 30, 2012 Range of Exercise Price ($)	**TSARs**	**Performance TSARs**	**Total**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price ($)**
20.00 to 29.99	1,572	2,524	**4,096**	**1.37**	**29.02**
30.00 to 39.99	1,522	2,061	**3,583**	**0.40**	**36.38**
40.00 to 49.99	131	-	**131**	**0.73**	**44.84**
50.00 to 59.99	2	-	**2**	**0.64**	**50.39**
	3,227	**4,585**	**7,812**	**0.91**	**32.66**

	Exercisable TSARs (thousands of units)			
As at September 30, 2012 Range of Exercise Price ($)	**TSARs**	**Performance TSARs**	**Total**	**Weighted Average Exercise Price ($)**
20.00 to 29.99	1,567	2,524	**4,091**	**29.02**
30.00 to 39.99	1,514	2,061	**3,575**	**36.39**
40.00 to 49.99	131	-	**131**	**44.84**
50.00 to 59.99	2	-	**2**	**50.39**
	3,214	**4,585**	**7,799**	**32.67**

The market price of Encana common shares as at September 30, 2012 was $21.53.

Cenovus Replacement TSARs Held by Encana Employees

Encana is required to reimburse Cenovus in respect of cash payments made by Cenovus to Encana's employees when these employees exercise a Cenovus Replacement TSAR for cash. No compensation expense is recognized and no further Cenovus Replacement TSARs will be granted to Encana employees.

The Company has recorded a liability of $46 million as at September 30, 2012 (December 31, 2011 – $83 million) in the Consolidated Balance Sheets based on the fair value of each Cenovus Replacement TSAR held by Encana employees, with an offsetting account receivable from Encana. Fair value was estimated as at September 30, 2012 using the Black-Scholes-Merton valuation model with weighted average assumptions as follows:

Risk Free Interest Rate	**1.21%**
Expected Dividend Yield	**2.53%**
Expected Volatility [1]	**28.41%**
Cenovus's Common Share Price	**$34.31**

1. Expected volatility has been based on historical share volatility of the Company and comparable industry peers.

The intrinsic value of vested Cenovus Replacement TSARs held by Encana employees as at September 30, 2012 was $28 million (December 31, 2011 – $32 million).

The following tables summarize the information related to the Cenovus Replacement TSARs held by Encana employees as at September 30, 2012:

As at September 30, 2012 (thousands of units)	TSARs	Performance TSARs	Total	Weighted Average Exercise Price ($)
Outstanding, Beginning of Year	3,935	5,751	**9,686**	**28.96**
Exercised for cash payment	(1,680)	(2,099)	**(3,779)**	**28.60**
Exercised as options for common shares	(8)	(12)	**(20)**	**26.65**
Forfeited	(104)	(337)	**(441)**	**27.45**
Outstanding, End of Period	**2,143**	**3,303**	**5,446**	**29.34**
Exercisable, End of Period	**2,135**	**3,303**	**5,438**	**29.35**

The weighted average market price of Cenovus's common shares at the date of exercise during the nine months ended September 30, 2012 was $36.84.

	Outstanding TSARs (thousands of units)				
As at September 30, 2012 Range of Exercise Price ($)	TSARs	Performance TSARs	Total	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($)
20.00 to 29.99	1,114	1,943	**3,057**	**1.37**	**26.28**
30.00 to 39.99	975	1,360	**2,335**	**0.38**	**33.05**
40.00 to 49.99	54	-	**54**	**0.69**	**42.68**
	2,143	**3,303**	**5,446**	**0.94**	**29.34**

	Exercisable TSARs (thousands of units)			
As at September 30, 2012 Range of Exercise Price ($)	TSARs	Performance TSARs	Total	Weighted Average Exercise Price ($)
20.00 to 29.99	1,106	1,943	**3,049**	**26.27**
30.00 to 39.99	975	1,360	**2,335**	**33.05**
40.00 to 49.99	54	-	**54**	**42.68**
	2,135	**3,303**	**5,438**	**29.35**

The market price of Cenovus common shares as at September 30, 2012 was $34.31.

B) Performance Share Units

Cenovus has granted Performance Share Units ("PSUs") to certain employees under its Performance Share Unit Plan for Employees. PSUs are whole share units and entitle employees to receive, upon vesting, either a common share of Cenovus or a cash payment equal to the value of a Cenovus common share. For a portion of PSUs, the number of PSUs eligible for payment is determined over three years based on the units granted multiplied by 30 percent after year one, 30 percent after year two and 40 percent after year three. All PSUs are eligible to vest based on the Company achieving key pre-determined performance measures. PSUs vest after three years.

The Company has recorded a liability of $109 million as at September 30, 2012 (December 31, 2011 – $55 million) in the Consolidated Balance Sheets for PSUs based on the market value of the Cenovus common shares as at September 30, 2012. The intrinsic value of vested PSUs was $nil as at September 30, 2012 and December 31, 2011 as PSUs are paid out upon vesting.

The following table summarizes the information related to the PSUs held by Cenovus employees as at September 30, 2012:

As at September 30, 2012 (thousands of units)	PSUs
Outstanding, Beginning of Year	**2,623**
Granted	**2,699**
Cancelled	**(132)**
Units in Lieu of Dividends	**81**
Outstanding, End of Period	**5,271**

C) Deferred Share Units

Under two Deferred Share Unit Plans, Cenovus directors, officers and employees may receive Deferred Share Units ("DSUs"), which are equivalent in value to a common share of the Company. Employees have the option to convert either zero, 25 or 50 percent of their annual bonus award into DSUs. DSUs vest immediately, are redeemed in accordance with the terms of the agreement and expire on December 15 of the calendar year following the year of cessation of directorship or employment.

The Company has recorded a liability of $37 million as at September 30, 2012 (December 31, 2011 – $35 million) in the Consolidated Balance Sheets for DSUs based on the market value of the Cenovus common shares as at September 30, 2012. The intrinsic value of vested DSUs equals the carrying value as DSUs vest at the time of grant.

The following table summarizes the information related to the DSUs held by Cenovus directors, officers and employees as at September 30, 2012:

As at September 30, 2012 (thousands of units)	DSUs
Outstanding, Beginning of Year	**1,042**
Granted to Directors	**63**
Granted from Annual Bonus Awards	**22**
Units in Lieu of Dividends	**22**
Exercised	**(73)**
Outstanding, End of Period	**1,076**

D) Total Stock-Based Compensation Expense (Recovery)

The following table summarizes the stock-based compensation expense (recovery) recorded for all plans within operating and general and administrative expenses on the Consolidated Statements of Earnings and Comprehensive Income:

	Three Months Ended		**Nine Months Ended**	
For the period ended September 30,	**2012**	2011	**2012**	2011
NSRs	**9**	3	**22**	11
TSARs held by Cenovus employees	**4**	(25)	**-**	11
Encana Replacement TSARs held by Cenovus employees	**-**	(11)	**1**	(7)
PSUs	**18**	3	**39**	19
DSUs	**2**	(4)	**4**	2
	33	(34)	**66**	36

All amounts in $ millions, unless otherwise indicated

16. INTEREST IN JOINT OPERATIONS

Cenovus has a 50 percent interest in FCCL Partnership, a jointly controlled entity which is involved in the development and production of crude oil. In addition, through its interest in the general partner and a limited partner, Cenovus has a 50 percent interest in WRB Refining LP, a jointly controlled entity, which owns two refineries in the U.S. and focuses on the refining of crude oil into petroleum and chemical products.

These entities have been accounted for using the proportionate consolidation method with the results of operations included in the Oil Sands and Refining and Marketing segments, respectively. Summarized financial statement information for these jointly controlled entities is as follows:

Consolidated Statements of Earnings	FCCL Partnership [1]		WRB Refining LP [1]	
For the three months ended September 30,	**2012**	2011	**2012**	2011
Revenues	**748**	515	**2,456**	2,221
Expenses				
Purchased product	**-**	-	**1,801**	1,896
Operating, transportation and blending and realized (gain)/loss on risk management	**458**	304	**121**	92
Operating Cash Flow	**290**	211	**534**	233
Depreciation, depletion and amortization	**79**	55	**33**	20
Other expenses (income)	**57**	(210)	**11**	(13)
Net Earnings (Loss)	**154**	366	**490**	226

1. FCCL Partnership and WRB Refining LP are not separate tax paying entities. Income taxes related to the Partnerships' income are the responsibility of their respective Partners.

Consolidated Statements of Earnings	FCCL Partnership [1]		WRB Refining LP [1]	
For the nine months ended September 30,	**2012**	2011	**2012**	2011
Revenues	**2,285**	1,662	**7,368**	6,293
Expenses				
Purchased product	**-**	-	**5,869**	5,229
Operating, transportation and blending and realized (gain)/loss on risk management	**1,425**	991	**350**	329
Operating Cash Flow	**860**	671	**1,149**	735
Depreciation, depletion and amortization	**217**	145	**100**	54
Other expenses (income)	**33**	(179)	**7**	(14)
Net Earnings (Loss)	**610**	705	**1,042**	695

1. FCCL Partnership and WRB Refining LP are not separate tax paying entities. Income taxes related to the Partnerships' income are the responsibility of their respective Partners.

Consolidated Balance Sheets	FCCL Partnership		WRB Refining LP	
As at	**September 30, 2012**	December 31, 2011	**September 30, 2012**	December 31, 2011
Cash and Cash Equivalents	**352**	145	**200**	166
Other Current Assets	**782**	792	**1,266**	1,236
Long-term Assets	**7,321**	6,864	**3,043**	3,188
Current Liabilities	**420**	317	**584**	759
Long-term Liabilities	**105**	83	**70**	73

All amounts in $ millions, unless otherwise indicated

17. CAPITAL STRUCTURE

Cenovus's capital structure objectives and targets have remained unchanged from previous periods. Cenovus's capital structure consists of Shareholders' Equity plus Debt. Debt includes the Company's short-term borrowings plus long-term debt, including the current portion. Cenovus's objectives when managing its capital structure are to maintain financial flexibility, preserve access to capital markets, ensure its ability to finance internally generated growth and to fund potential acquisitions while maintaining the ability to meet the Company's financial obligations as they come due.

Cenovus monitors its capital structure financing requirements using, among other things, 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 Cenovus's overall debt position as measures of Cenovus's overall financial strength. Debt is defined as short-term borrowings and the current and long-term portions of long-term debt excluding any amounts with respect to the Partnership Contribution Payable or Receivable.

Cenovus continues to target a Debt to Capitalization ratio of between 30 and 40 percent over the long-term.

As at	**September 30, 2012**	December 31, 2011
Long-Term Debt	**4,626**	3,527
Debt	**4,626**	3,527
Shareholders' Equity	**10,064**	9,406
Total Capitalization	**14,690**	12,933
Debt to Capitalization	**31%**	27%

Cenovus continues to target a Debt to Adjusted EBITDA of between 1.0 and 2.0 times over the long-term.

As at	**September 30, 2012**	December 31, 2011
Debt	**4,626**	3,527
Net Earnings	**1,377**	1,478
Add (deduct):		
Finance costs	**456**	447
Interest income	**(114)**	(124)
Income tax expense	**680**	729
Depreciation, depletion and amortization	**1,559**	1,295
Exploration expense	**68**	-
Unrealized (gain) loss on risk management	**302**	(180)
Foreign exchange (gain) loss, net	**(72)**	26
(Gain) loss on divestiture of assets	**(104)**	(107)
Other (income) loss, net	**(1)**	4
Adjusted EBITDA [1]	**4,151**	3,568
Debt to Adjusted EBITDA	**1.1x**	1.0x

1. Calculated on a trailing twelve-month basis.

It is Cenovus's intention to maintain investment grade credit ratings to help ensure it has continuous access to capital and the financial flexibility to fund its capital programs, meet its financial obligations and finance potential acquisitions. Cenovus will maintain a high level of capital discipline and manage its capital structure to ensure sufficient liquidity through all stages of the economic cycle. To manage the capital structure, Cenovus may adjust capital and operating spending, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, draw down on its credit facilities or repay existing debt.

As at September 30, 2012, Cenovus is in compliance with all of the terms of its debt agreements.

All amounts in $ millions, unless otherwise indicated

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Cenovus's consolidated financial assets and financial liabilities consist of cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities, Partnership Contribution Receivable and Payable, partner loans, risk management assets and liabilities, long-term receivables, short-term borrowings, long-term debt and obligations for stock-based compensation carried at fair value. 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, accounts payable and accrued liabilities, and short-term borrowings approximate their carrying amount due to the short-term maturity of those instruments.

The fair values of the Partnership Contribution Receivable and Partnership Contribution Payable, partner loans and long-term receivables approximate their carrying amount due to the specific non-tradeable nature of these instruments.

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

Long-term debt is carried at amortized cost. The estimated fair values of long-term borrowings have been determined based on prices sourced from market data. As at September 30, 2012, the carrying value of Cenovus's long-term debt accounted for using amortized cost was $4,626 million and the fair value was $5,537 million (December 31, 2011 carrying value – $3,527, fair value – $4,316).

B) Risk Management Assets and Liabilities

Net Risk Management Position

As at	**September 30, 2012**	December 31, 2011
Risk Management Assets		
Current asset	**163**	232
Long-term asset	**31**	52
	194	284
Risk Management Liabilities		
Current liability	**39**	54
Long-term liability	**4**	14
	43	68
Net Risk Management Asset (Liability)	**151**	216

Summary of Unrealized Risk Management Positions

	September 30, 2012			December 31, 2011		
	Risk Management			Risk Management		
As at	**Asset**	**Liability**	**Net**	Asset	Liability	Net
Commodity Prices						
Crude Oil	**97**	**41**	**56**	22	65	(43)
Natural Gas	**96**	**1**	**95**	247	3	244
Power	**1**	**1**	**-**	15	-	15
Total Fair Value	**194**	**43**	**151**	284	68	216

All amounts in $ millions, unless otherwise indicated

Net Fair Value Methodologies Used to Calculate Unrealized Risk Management Positions

As at	**September 30, 2012**	December 31, 2011
Prices actively quoted	**178**	226
Prices sourced from observable data or market corroboration	**(27)**	(10)
Total Fair Value	**151**	216

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.

Net Fair Value of Commodity Price Positions

As at September 30, 2012	Notional Volumes	Term	Average Price	Fair Value
Crude Oil Contracts				
Fixed Price Contracts				
WTI NYMEX Fixed Price	24,800 bbls/d	2012	US$98.72/bbl	**14**
WTI NYMEX Fixed Price	24,500 bbls/d	2012	$99.47/bbl	**18**
Brent Fixed Price [1]	18,500 bbls/d	2013	US$110.36/bbl	**22**
Brent Fixed Price [1]	18,500 bbls/d	2013	$111.72/bbl	**38**
Other Fixed Price Contracts [2]		2012-2014		**(27)**
Other Financial Positions [3]				**(9)**
Crude Oil Fair Value Position				**56**
Natural Gas Contracts				
Fixed Price Contracts				
NYMEX Fixed Price	130 MMcf/d	2012	US$5.96/Mcf	**31**
AECO Fixed Price [2]	127 MMcf/d	2012	$4.50/Mcf	**18**
NYMEX Fixed Price	166 MMcf/d	2013	US$4.64/Mcf	**48**
Other Fixed Price Contracts [2]		2012-2013		**(2)**
Natural Gas Fair Value Position				**95**
Power Purchase Contracts				
Power Fair Value Position				**-**

1. Brent fixed price positions consist of both Brent fixed price swaps and WTI swaps converted to Brent.
2. Cenovus has entered into fixed price swaps to protect against widening price differentials between production areas in Canada, various sales points and quality differentials.
3. Other financial positions are part of ongoing operations to market the Company's production.

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

	Three Months Ended		**Nine Months Ended**	
For the period ended September 30,	**2012**	2011	**2012**	2011
REALIZED GAIN (LOSS) [1]				
Crude Oil	**26**	8	**26**	(96)
Natural Gas	**65**	46	**200**	143
Refining	**6**	16	**18**	3
Power	**2**	9	**-**	6
	99	79	**244**	56
UNREALIZED GAIN (LOSS) [2]				
Crude Oil	**(189)**	353	**102**	418
Natural Gas	**(83)**	11	**(144)**	(38)
Refining	**(11)**	15	**(3)**	16
Power	**(10)**	2	**(15)**	26
	(293)	381	**(60)**	422
Gain (Loss) on Risk Management	**(194)**	460	**184**	478

1. Realized gains and losses on risk management are recorded in the operating segment to which the derivative instrument relates.
2. Unrealized gains and losses on risk management are recorded in the Corporate and Eliminations segment.

All amounts in $ millions, unless otherwise indicated

Reconciliation of Unrealized Risk Management Positions

	2012		2011
For the period ended September 30,	**Fair Value**	**Total Unrealized Gain (Loss)**	**Total Unrealized Gain (Loss)**
Fair Value of Contracts, Beginning of Year	**216**		
Change in fair value of contracts in place at beginning of year and contracts entered into during the period	**184**	**184**	478
Unrealized foreign exchange gain (loss) on U.S. dollar contracts	**(5)**	**-**	-
Fair value of contracts realized during the period	**(244)**	**(244)**	(56)
Fair Value of Contracts, End of Period	**151**	**(60)**	422

Commodity Price Sensitivities – Risk Management Positions

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. Management believes the price fluctuations identified in the table below are a reasonable measure of volatility. Fluctuations in commodity prices could have resulted in unrealized gains (losses) impacting earnings before income tax on open risk management positions as at September 30, 2012 as follows:

Commodity	Sensitivity Range	Increase	Decrease
Crude oil commodity price	± US$10 per bbl applied to Brent & WTI hedges	**(205)**	**205**
Crude oil differential price	± US$5 per bbl applied to differential hedges tied to production	**112**	**(112)**
Natural gas commodity price	± $1 per mcf applied to NYMEX and AECO natural gas hedges	**(84)**	**84**
Natural gas basis price	± $0.10 per mcf natural gas basis hedges	**1**	**(1)**
Power commodity price	± $25 per MWHr applied to power hedge	**19**	**(19)**

C) Risks Associated with Financial Assets and Liabilities

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, the Company has entered into various financial derivative instruments. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors. The Company's policy is not to use derivative instruments for speculative purposes.

Crude Oil – The Company has used fixed price swaps to partially mitigate its exposure to the commodity price risk on its crude oil sales and condensate supply used for blending. To help protect against widening crude oil price differentials, Cenovus has entered into a limited number of swaps and futures to manage the price differentials.

Natural Gas – To partially mitigate the natural gas commodity price risk, the Company has entered into swaps, which fix the NYMEX and AECO prices. To help protect against widening natural gas price differentials in various production areas, Cenovus has entered into a limited number of swaps to manage the price differentials between these production areas and various sales points.

Power – The Company has in place a Canadian dollar denominated derivative contract, which commenced January 1, 2007 for a period of 11 years, to manage a portion of its electricity consumption costs.

All amounts in $ millions, unless otherwise indicated

Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. This credit risk exposure is mitigated through the use of Board-approved credit policies governing the Company's credit portfolio and with credit practices that limit transactions according to counterparties' credit quality. Agreements are entered into with major financial institutions with investment grade credit ratings and with counterparties, most of which have 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. As at September 30, 2012, 92 percent (December 31, 2011 – over 92 percent) of Cenovus's accounts receivable and financial derivative credit exposures are with investment grade counterparties.

As at September 30, 2012, Cenovus had two counterparties whose net settlement position individually account for more than 10 percent (December 31, 2011 – two counterparties) of the fair value of the outstanding in-the-money net financial and physical contracts by counterparty. The maximum credit risk exposure associated with accounts receivable and accrued revenues, risk management assets, Partnership Contribution Receivable, partner loans receivable, and long-term receivables is the total carrying value. The current concentration of this credit risk resides with A rated or higher counterparties. Cenovus's exposure to its counterparties is acceptable and within credit policy tolerances.

Liquidity Risk

Liquidity risk is the risk that Cenovus will not be able to meet all of its financial obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. Cenovus manages its liquidity risk through the active management of cash and debt and by maintaining appropriate access to credit. As disclosed in Note 17, over the long term, Cenovus targets a Debt to Capitalization ratio between 30 and 40 percent and a Debt to Adjusted EBITDA of between 1.0 to 2.0 times to manage the Company's overall debt position. It is Cenovus's intention to maintain investment grade credit ratings on its senior unsecured debt.

Cenovus manages its liquidity risk by ensuring that it has access to multiple sources of capital including: cash and cash equivalents, cash from operating activities, undrawn credit facilities, commercial paper and availability under its shelf prospectuses. As at September 30, 2012, Cenovus had $3.0 billion available on its committed credit facility. In addition, Cenovus had in place a Canadian debt shelf prospectus for $1.5 billion and unused capacity of US$750 million under a U.S. debt shelf prospectus, the availability of which are dependent on market conditions.

Undiscounted 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	2,760	-	-	-	**2,760**
Risk Management Liabilities	39	4	-	-	**43**
Long-Term Debt [1]	251	1,249	427	7,054	**8,981**
Partnership Contribution Payable [1]	481	962	721	-	**2,164**
Other [1]	-	9	4	4	**17**

1. Principal and interest, including current portion, if any.

Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value of 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 dollars can have a significant effect on reported results.

As disclosed in Note 5, Cenovus's foreign exchange (gain) loss primarily includes unrealized foreign exchange gains and losses on the translation of the U.S. dollar debt issued from Canada and the translation of the U.S. dollar Partnership Contribution Receivable issued from Canada. As at September 30, 2012, Cenovus had US$4,750 million in U.S. dollar debt issued from Canada (US$3,500 million as at December 31, 2011) and US$1,884 million related to the U.S. dollar Partnership Contribution Receivable (US$2,157 million as at December 31, 2011). A $0.01 change in the U.S. to Canadian dollar exchange rate would have resulted in a $29 million change in foreign exchange (gain) loss as at September 30, 2012 (September 30, 2011 – $13 million).

Interest Rate Risk

Interest rate risk arises from changes in market interest rates that may affect earnings, cash flows and valuations. Cenovus has the flexibility to partially mitigate its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt.

As at September 30, 2012, the increase or decrease in net earnings for a one percentage point change in interest rates on floating rate debt amounts to $nil (September 30, 2011 – $nil). This assumes the amount of fixed and floating debt remains unchanged from the respective balance sheet dates.

19. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

Cenovus is involved in a limited number of legal claims associated with the normal course of operations. Cenovus believes it has made adequate provisions for such legal claims. There are no individually or collectively significant claims.