

# Annual Information Form



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For the year ended December 31, 2014

February 12, 2015

**cenovus**  
ENERGY

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## FORWARD-LOOKING INFORMATION

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In this Annual Information Form ("AIF"), unless otherwise specified or the context otherwise requires, references to "we", "us", "our", "its", "the Company" or "Cenovus" mean Cenovus Energy Inc., the subsidiaries of, and partnership interests held by, Cenovus Energy Inc. and its subsidiaries.

This AIF contains forward-looking statements and other information (collectively "forward-looking information") about Cenovus's current expectations, estimates and projections, made in light of the Company's experience and perception of historical trends. This forward-looking information is identified by words such as "anticipate", "believe", "expect", "plan", "forecast", "future", "target", "project", "capacity", "could", "should", "focus", "proposed", "scheduled", "outlook", "potential", "may" or similar expressions and includes suggestions of future outcomes, including statements about Cenovus's strategy and related milestones and schedules, projected future value or net asset value, projections for 2015 and future years, forecast operating and financial results, planned capital expenditures, including the timing and financing thereof, expected future production, including the timing, stability or growth thereof, expected reserves and contingent and prospective resources estimates, broadening market access, improving cost structures, dividend plans and strategy, including with respect to the dividend reinvestment plan, anticipated timelines for future regulatory, partner or internal approvals, future impact of regulatory measures, forecasted commodity prices, future use and development of technology and projected shareholder return. Readers are cautioned not to place undue reliance on forward-looking information as the Company's actual results may differ materially from those expressed or implied.

Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to Cenovus and others that apply to the industry in general. The factors or assumptions on which the forward-looking information is based include: assumptions inherent in the Company's current guidance, available at [cenovus.com](http://cenovus.com); projected capital investment levels, the flexibility of capital spending plans and the associated source of funding; estimates of quantities of oil, bitumen, natural gas and natural gas liquids ("NGLs") from properties and other sources not currently classified as proved; Cenovus's ability to obtain necessary regulatory and partner approvals; the successful and timely implementation of capital projects or stages thereof; Cenovus's ability to generate sufficient cash flow from operations to meet its current and future obligations; and other risks and uncertainties described from time to time in the filings the Company makes with securities regulatory authorities.

The risk factors and uncertainties that could cause Cenovus's actual results to differ materially, include: volatility of and assumptions regarding oil and gas prices; the effectiveness of the Company's risk management program, including the impact of derivative financial instruments, the success of Cenovus's hedging strategies and the sufficiency of the Company's liquidity position; the accuracy of cost estimates; fluctuations in commodity prices, currency and interest rates; fluctuations in product supply and demand; market competition, including from alternative energy sources; risks inherent in Cenovus's marketing operations, including credit risks; maintaining desirable ratios of debt to adjusted earnings before interest, taxes, depreciation and amortization as well as debt to capitalization; the Company's ability to access various sources of debt and equity capital, generally, and on terms acceptable to the Company; changes in credit ratings applicable to Cenovus or any of Cenovus's securities; changes to Cenovus's dividend plans or strategy, including the dividend reinvestment plan; accuracy of Cenovus's reserves, resources and future production estimates; the Company's ability to replace and expand oil and gas reserves; Cenovus's ability to maintain its relationship with its partners and to successfully manage and operate its integrated heavy oil business; reliability of the Company's assets; potential disruption or unexpected technical difficulties in developing new products and manufacturing processes; refining and marketing margins; potential failure of new products to achieve acceptance in the market; unexpected cost increases or technical difficulties in constructing or modifying manufacturing or refining facilities; unexpected difficulties in producing, transporting or refining of crude oil into petroleum and chemical products; risks associated with technology and its application to Cenovus's business; the timing and the costs of well and pipeline construction; the Company's ability to secure adequate product transportation including sufficient crude-by-rail or alternate transportation to address any gaps caused by operational constraints in the pipeline system; changes in the regulatory framework in any of the locations in which Cenovus operates, including changes to the regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas ("GHG"), carbon and other laws or regulations, or changes to the interpretation of such laws and regulations, as adopted or proposed, the impact thereof and the costs associated with compliance; the expected impact and timing of various accounting pronouncements, rule changes and standards on Cenovus's business, its financial results and its consolidated financial statements; changes in the general economic, market and business conditions; the political and economic conditions in the countries in which the Company operates; the occurrence of unexpected events such as war, terrorist threats and the instability resulting therefrom; and risks associated with existing and potential future lawsuits and regulatory actions against Cenovus.

Readers are cautioned that the foregoing lists are not exhaustive and are made as at the date hereof. For a full discussion of Cenovus's material risk factors, see "Risk Factors" in this AIF. Readers should also refer to "Risk Management" in the Company's current Management's Discussion and Analysis ("MD&A") and to the risk factors described in other documents Cenovus files from time to time with securities regulatory authorities, available at [www.sedar.com](http://www.sedar.com), [www.sec.gov](http://www.sec.gov) and on the Company's website at [cenovus.com](http://cenovus.com).

## CORPORATE STRUCTURE

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Cenovus Energy Inc. was formed under the *Canada Business Corporations Act* ("CBCA") by amalgamation of 7050372 Canada Inc. ("7050372") and Cenovus Energy Inc. (formerly Encana Finance Ltd. and referred to as "Subco") on November 30, 2009 pursuant to an arrangement under the CBCA (the "Arrangement") involving, among others, 7050372, Subco and Encana Corporation ("Encana"). On January 1, 2011, Cenovus amalgamated with its wholly owned subsidiary, Cenovus Marketing Holdings Ltd., through a plan of arrangement approved by the Alberta Court of Queen's Bench.

The Company's head and registered office is located at 2600, 500 Centre Street S.E., Calgary, Alberta, Canada T2G 1A6.

## INTERCORPORATE RELATIONSHIPS

Cenovus's material subsidiaries and partnerships as at December 31, 2014 are as follows:

Subsidiaries & Partnerships	Percentage Owned <sup>(1)</sup>	Jurisdiction of Incorporation, Continuance, Formation or Organization
Cenovus FCCL Ltd.	100	Alberta
Cenovus Energy Marketing Services Ltd.	100	Alberta
Cenovus US Holdings Inc.	100	Delaware
FCCL Partnership ("FCCL") <sup>(2)</sup>	50	Alberta
WRB Refining LP ("WRB") <sup>(3)</sup>	50	Delaware

<sup>(1)</sup> Reflects all voting securities of all subsidiaries and partnerships beneficially owned, or controlled, or directed, directly or indirectly by Cenovus.

<sup>(2)</sup> Cenovus interest held through Cenovus FCCL Ltd., the operator and managing partner of FCCL.

<sup>(3)</sup> Cenovus interest held through Cenovus American Holdings Ltd. and Cenovus US Holdings Inc.

The Company's remaining subsidiaries and partnerships each account for (i) less than 10 percent of the Company's consolidated assets as at December 31, 2014 and (ii) less than 10 percent of the Company's consolidated revenues for the year ended December 31, 2014. In aggregate, Cenovus's unidentified subsidiaries and partnerships did not exceed 20 percent of the Company's total consolidated assets or total consolidated revenues as at and for the year ended December 31, 2014.

## GENERAL DEVELOPMENT OF CENOVUS'S BUSINESS

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Cenovus is a Canadian integrated oil company headquartered in Calgary, Alberta. The Company began independent operations on December 1, 2009 following the split of Encana into two independent publicly traded energy companies. Cenovus is in the business of developing, producing and marketing crude oil, NGLs and natural gas in Canada with refining operations in the United States.

### Cenovus's Strategy

Cenovus's strategy is to create long-term value through the development of its vast oil sands resources, execution excellence, ability to innovate and financial strength. The Company is focused on continually building net asset value and paying a sustainable dividend. Inherent to this strategy is a focus on protecting the Company's financial resilience by evaluating on a regular basis its capital investment plans, dividend plans and other relevant factors.

Cenovus's integrated approach, which enables the Company to capture the full value chain from production to high-quality end products like transportation fuels, relies on its entire asset mix:

- Oil sands for growth;
- Conventional crude oil for near-term cash flow and diversification of revenue streams;
- Natural gas for the fuel used at the Company's oil sands and refining facilities and for the cash flow it provides to help fund capital spending programs; and
- Refining to help reduce the impact of commodity price fluctuations.

### Substantial Oil Sands Portfolio

Cenovus is focused on development of its two producing steam assisted gravity drainage (“SAGD”) projects, Foster Creek and Christina Lake. Foster Creek and Christina Lake have a combined production capacity of 288,000 gross barrels per day with future plans to increase combined production capacity to 620,000 gross barrels per day.

Cenovus’s future opportunities are currently based on the development of the land positions held in the oil sands in northern Alberta, including Narrows Lake, Grand Rapids and Telephone Lake. Cenovus is a 50 percent partner in the Narrows Lake oil sands project and owns 100 percent of the Grand Rapids and Telephone Lake oil sands projects. Cenovus’s normal development planning is to evaluate these resources through stratigraphic test well drilling programs.

In total, Cenovus has regulatory approval for production capacity of 955,000 gross barrels per day from its oil sands assets, including current production, with an additional 50,000 gross barrels per day in the approval process.

### Established Conventional Assets

Cenovus’s conventional operations consist of crude oil and natural gas assets in Alberta and Saskatchewan, including a carbon dioxide (“CO<sub>2</sub>”) enhanced oil recovery project in Weyburn, heavy oil development at Pelican Lake and tight oil assets in Alberta. Cenovus’s conventional oil and natural gas production provides predictable cash flows that help fund future growth opportunities in the oil sands. In addition, the Company’s natural gas production acts as an economic hedge for its natural gas fuel consumption at both its upstream and refining operations.

Cenovus owns mineral rights on approximately 70 percent or 4.5 million acres of its conventional lands (fee lands). Production from fee lands accounts for approximately 50 percent of Cenovus’s total conventional production. Fee land production, where Cenovus maintains a working interest, is subject to mineral tax, which is generally lower than the royalties paid to governments or other mineral interest owners. In addition, a portion of the fee lands are leased to third parties which may give rise to royalty income.

### Strong Project Execution & Innovation

Cenovus applies a manufacturing-like phased approach in developing its oil sands projects. This approach incorporates learnings from previous phases into future growth plans allowing the Company to minimize costs. In addition, by focusing on innovation, Cenovus continually looks for opportunities to improve both its economic and environmental performance.

### Market Access

Accessing higher value markets and ensuring future market access for products is a key focus area for Cenovus. The Company’s continued support for proposed new pipeline projects will allow Cenovus to access new markets in the U.S. and globally. In addition, expanding rail capacity will offer an important near and mid-term transportation alternative. Shipping by rail will ease pipeline congestion and pricing pressure, while providing access to niche markets that have the potential to offer premium pricing.

Cenovus is also assessing options to maximize the value of its oil by offering a wider range of products, including existing dilbit blends, under blended bitumen or dry bitumen.

### Financial Strength

Cenovus has strong producing assets, an integrated portfolio and a solid balance sheet all of which have positioned it well to face the challenges of a lower commodity price environment. The Company’s disciplined approach to capital allocation and focus on cost reduction will help support capital investment and a sustainable dividend. Cenovus’s capital planning process is flexible and spending can be reduced in response to commodity prices and other economic factors, which will allow the Company to maintain its financial strength while continuing to advance its strategy.

In response to the current low crude oil price environment, Cenovus’s total annual 2015 capital investment has been significantly reduced from 2014 levels. The Company will continue to assess its spending plans on a regular basis while closely monitoring crude oil prices. Cenovus expects that existing cash balances, internally generated cash flows, existing credit facilities, management of its asset portfolio, and access to capital markets will be sufficient to satisfy the Company’s cash requirements.

### Environmental Stewardship

Cenovus lives up to its responsibility as a developer of one of Canada’s most valuable resources. Like any company, Cenovus has environmental challenges including minimizing the physical impacts to the lands, lakes and streams surrounding its operations, reducing the greenhouse gas (“GHG”), intensity from production, minimizing the amount of land needed to build each oil sands project and preventing impacts on wildlife in the areas Cenovus operates. Cenovus strives to integrate environmental considerations into its business model.

## Safety

Safety is a key part of Cenovus's culture and the Company is committed to developing its resources safely and responsibly. In addition to the Company's responsibility to create a safe workplace, Cenovus provides employees, suppliers, contractors and consultants the information, training and tools required to take responsibility for their own safety and that of their co-workers.

## CENOVUS'S BUSINESS

The Company's reportable segments are as follows:

- **Oil Sands**, which includes the development and production of Cenovus's bitumen assets at Foster Creek, Christina Lake and Narrows Lake as well as projects in the early stages of development, such as Grand Rapids and Telephone Lake. The Athabasca natural gas assets also form part of this segment. 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, NGLs and natural gas in Alberta and Saskatchewan, including the heavy oil assets at Pelican Lake. This segment also includes the CO<sub>2</sub> enhanced oil recovery ("EOR") project at Weyburn and emerging tight oil opportunities.
- **Refining and Marketing**, which is responsible for transporting, selling and refining crude oil into petroleum and chemical products. Cenovus jointly owns two refineries in the U.S. with the operator Phillips 66, an unrelated U.S. public company. This segment coordinates Cenovus's marketing and transportation initiatives to optimize product mix, delivery points, transportation commitments 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, financing activities and research costs. 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.

## THREE YEAR HISTORY

The following describes significant events of the last three fiscal years:

### 2012

- **Christina Lake phase H update.** In the second quarter, the expected gross production capacity for Christina Lake phase H was increased from 40,000 barrels per day to 50,000 barrels per day due to the addition of a fifth steam generator that incorporates blowdown boiler technology. This is expected to enhance efficiency by increasing steam capacity and the water recycle rate, leading to fuel savings and a reduction in water use. Cenovus commercialized blowdown boiler technology in 2011 after testing it at Foster Creek.
- **Regulatory and partner approval at Narrows Lake.** In the second quarter, Cenovus received regulatory approval for the Narrows Lake project, which includes the use of both traditional SAGD and SAGD with the SAP enhancement. In the fourth quarter, phase A, which has planned gross production capacity of 45,000 barrels per day, received partner approval. The Narrows Lake project is currently expected to have gross production capacity of 130,000 barrels per day when all three phases are complete.
- **First production at Christina Lake phase D.** In the third quarter, phase D of Christina Lake achieved first production, approximately three months ahead of schedule. Total gross production for phases A through D at Christina Lake averaged almost 64,000 barrels per day in 2012.
- **Grand Rapids pilot update.** In the third quarter, steam injection commenced on the second pilot well pair at Grand Rapids, with initial production achieved in the first quarter of 2013.
- **Senior unsecured notes issued.** In the third quarter, Cenovus completed a public offering in the U.S. of senior unsecured notes of US\$500 million, with a coupon rate of 3.00 percent, due August 15, 2022 and US\$750 million of senior unsecured notes with a coupon rate of 4.45 percent due September 15, 2042, for an aggregate amount of US\$1.25 billion.
- **Christina Lake regulatory approval.** In the fourth quarter, Cenovus received regulatory approval to add cogeneration facilities at Christina Lake and increase expected total gross production capacity by 10,000 barrels per day at each of phase F and G.
- **Telephone Lake dewatering pilot.** In the fourth quarter, with the drilling and facility construction completed, operation of the Telephone Lake dewatering pilot commenced.

## 2013

- **Christina Lake regulatory applications.** In the first quarter, Cenovus submitted regulatory applications and environmental impact assessments (“EIAs”) for Christina Lake phase H and Foster Creek phase J, with expected gross production capacity of 50,000 barrels per day from each phase.
- **Production from Grand Rapids pilot.** In the first quarter, Cenovus achieved first production from the second pilot well pair at Grand Rapids. The Company operated the pilot project at Grand Rapids throughout the year. The purpose of the pilot was to test reservoir performance.
- **First production at Christina Lake phase E.** In the third quarter, phase E of Christina Lake achieved first production, with gross production capacity of 40,000 barrels per day.
- **Regulatory approval for Christina Lake optimization.** In the third quarter, Cenovus received regulatory approval for the optimization program at Christina Lake phases C, D and E. This program is expected to add up to 22,000 barrels per day of gross production capacity to the Christina Lake facility.
- **Construction at Narrows Lake phase A initiated.** In the third quarter, construction of the Narrows Lake phase A plant was initiated. Site construction, engineering and procurement at Narrows Lake are progressing as expected. Phase A has expected gross production capacity of 45,000 barrels per day.
- **Public debt offering completed.** In the third quarter, Cenovus completed a public offering in the U.S. of senior unsecured notes of US\$450 million with a coupon rate of 3.8 percent due September 15, 2023 and US\$350 million senior unsecured notes with a coupon rate of 5.2 percent due September 15, 2043, for an aggregate amount of US\$800 million. The net proceeds of the offering were used to partially fund the early redemption of the Company’s US\$800 million senior unsecured notes due September 2014.
- **Divestiture of non-core asset.** In the third quarter, Cenovus sold its Lower Shaunavon asset to an unrelated third party for net proceeds of approximately \$241 million.
- **Increased rail takeaway capacity.** In the fourth quarter, Cenovus increased its rail takeaway capacity to 10,000 barrels per day.
- **Telephone Lake dewatering pilot completed.** In the fourth quarter, the Telephone Lake dewatering pilot was successfully completed. Cenovus effectively displaced water with compressed air, removing approximately 70 percent of below-ground top water.
- **Receipt of Partnership contribution receivable.** In the fourth quarter, Cenovus received US\$1.4 billion from ConocoPhillips, the Company’s partner in FCCL, representing the remaining principal and interest due under the Partnership Contribution Receivable through the Company’s interest in FCCL, net to Cenovus.
- **Foster Creek optimization update.** Timing of optimization work for Foster Creek phases F, G and H was reassessed as part of Cenovus’s long-term reservoir management plan. Phases F, G and H are each expected to ramp-up to 30,000 barrels per day. Once these phases are complete, optimization work to lower steam to oil ratios, increase production and improve plant efficiency is expected to commence. Total projected gross production capacity from these three phases, including optimization, remains unchanged at up to 125,000 barrels per day.

## 2014

- **Regulatory approval received for Grand Rapids.** In the first quarter, Cenovus received regulatory approval for its 100 percent owned Grand Rapids project. The project, which is located within the Greater Pelican Region, is expected to have production capacity up to 180,000 barrels per day.
- **Prepayment of Partnership contribution payable.** In the first quarter, Cenovus prepaid its US\$2.7 billion partnership contribution payable to WRB Refining LP, of which Cenovus is a 50 percent owner. This resulted in a net cash payment of approximately US\$1.35 billion from Cenovus.
- **Divestiture of non-core assets.** In the second quarter, Cenovus completed the sale of certain of its Bakken assets to an unrelated third party for net proceeds of \$35 million. In the third quarter, Cenovus completed the sale of certain Wainwright properties to an unrelated third party for net proceeds of \$234 million.
- **First production from Foster Creek phase F.** In the third quarter, Foster Creek phase F achieved first oil production. Phase F is expected to add 30,000 barrels per day of gross production capacity.
- **Increased rail takeaway capacity.** In the fourth quarter, Cenovus increased its rail takeaway capacity to 30,000 barrels per day.
- **Regulatory approval received for Foster Creek phase J.** In the fourth quarter, Cenovus received regulatory approval for Foster Creek phase J with expected gross production capacity of 50,000 barrels per day.
- **Regulatory approval received for Telephone Lake.** In the fourth quarter, Cenovus received regulatory approval for its 100 percent owned Telephone Lake thermal oil sands project with initial production capacity of 90,000 barrels per day. The project, which is located within the Company's Borealis Region of northern Alberta, is expected to have production capacity in excess of 300,000 barrels per day.

## NARRATIVE DESCRIPTION OF CENOVUS'S BUSINESS

The following map outlines the location of Cenovus's upstream and refining assets as at December 31, 2014:



## OVERVIEW

All of Cenovus's reserves and production are located in Canada, primarily within the provinces of Alberta and Saskatchewan. As at December 31, 2014, Cenovus had a land base of approximately 6.7 million net acres. The estimated proved reserves life index based on working interest production as at December 31, 2014 was approximately 23 years.

## OIL SANDS

Oil Sands includes Cenovus's bitumen assets at Foster Creek, Christina Lake and Narrows Lake as well as projects in the early stages of development such as Grand Rapids and Telephone Lake. The Company's Athabasca natural gas assets also form part of this segment. Foster Creek, Christina Lake and Narrows Lake are jointly owned through FCCL with ConocoPhillips, an unrelated U.S. public company.

Cenovus FCCL Ltd., Cenovus's wholly owned subsidiary, is the operator and managing partner of FCCL, and owns 50 percent of FCCL. FCCL has a management committee, which is composed of three Cenovus representatives and three ConocoPhillips representatives, with each company holding equal voting rights.

As at December 31, 2014, Cenovus held bitumen rights of approximately 1.5 million gross acres (1.1 million net acres) within the Athabasca and Cold Lake areas, as well as the exclusive rights to lease an additional 478,000 net acres on Cenovus's behalf and/or its assignee's behalf on the Cold Lake Air Weapons Range.

### Landholdings

The following table summarizes Cenovus's landholdings as at December 31, 2014:

(thousands of acres)	Developed Acreage		Undeveloped Acreage		Total Acreage		Average Working Interest
	Gross	Net	Gross	Net	Gross	Net	
Foster Creek	16	8	135	67	151	75	50%
Christina Lake	8	4	49	25	57	29	50%
Narrows Lake	-	-	27	13	27	13	50%
Grand Rapids <sup>(1)</sup>	-	-	61	61	61	61	100%
Telephone Lake	16	16	142	142	158	158	100%
Athabasca	417	345	454	380	871	725	83%
Other	28	10	1,052	773	1,080	783	72%
<b>Total</b>	<b>485</b>	<b>383</b>	<b>1,920</b>	<b>1,461</b>	<b>2,405</b>	<b>1,844</b>	<b>77%</b>

(1) Overlapping landholdings between Grand Rapids and Pelican Lake have been allocated to Grand Rapids based on the project's approved development area.

### Production

The following table summarizes Cenovus's share of daily average production for the periods indicated:

(annual average)	Crude Oil and NGLs (bbls/d)		Natural Gas (MMcf/d)		Total Production (BOE/d)	
	2014	2013	2014	2013	2014	2013
Foster Creek	59,172	53,190	-	-	59,172	53,190
Christina Lake	69,023	49,310	-	-	69,023	49,310
Athabasca <sup>(1)</sup>	-	-	22	21	3,667	3,500
<b>Total</b>	<b>128,195</b>	<b>102,500</b>	<b>22</b>	<b>21</b>	<b>131,862</b>	<b>106,000</b>

(1) Net of internal usage of natural gas used at Foster Creek to produce steam.

### Producing Wells

The following table summarizes Cenovus's interests in producing wells as at December 31, 2014. These figures exclude wells which were capable of producing, but that were not producing as at December 31, 2014:

(number of wells)	Producing Oil Wells		Producing Gas Wells		Total Producing Wells	
	Gross	Net	Gross	Net	Gross	Net
Foster Creek	283	142	-	-	283	142
Christina Lake	119	60	-	-	119	60
Grand Rapids	2	2	-	-	2	2
Athabasca	-	-	286	274	286	274
Other	3	3	-	-	3	3
<b>Total</b>	<b>407</b>	<b>207</b>	<b>286</b>	<b>274</b>	<b>693</b>	<b>481</b>

### *Foster Creek*

Cenovus has a 50 percent working interest in Foster Creek, Cenovus's first commercial SAGD operation. It is located on the Cold Lake Air Weapons Range, an active military base, and has a reservoir depth up to 500 meters below the surface. Foster Creek produces from the McMurray formation using SAGD technology.

The Company holds surface access rights from the Governments of Canada and Alberta and bitumen rights from the Government of Alberta for exploration, development and transportation from areas within the Cold Lake Air Weapons Range. In addition, Cenovus holds exclusive rights to lease several hundred thousand acres of bitumen rights in other areas on the Cold Lake Air Weapons Range on the Company's behalf and/or its assignee's behalf.

Production from phases A through F at Foster Creek averaged 59,172 barrels per day in 2014. Phase F achieved first production in September 2014 with full ramp up expected to take approximately 18 months. Expansion work is underway at phase G, and is expected to add additional production capacity of 30,000 gross barrels per day. Expansion work on phase H, with initial design capacity of 30,000 gross barrels per day, has been deferred in response to the current economic environment. Spending will be deferred until crude oil prices recover.

In December 2014, Cenovus received regulatory approval from the Alberta Energy Regulator ("AER") for Foster Creek phase J with expected gross production capacity of 50,000 barrels per day. Total gross production capacity for phases A through J, including optimization work, is expected to reach 310,000 barrels per day.

Cenovus has successfully piloted and implemented its Wedge Well™ technology at Foster Creek whereby an additional well is drilled between two producing well pairs to produce bitumen that is heated by proximity to a steam chamber, but is not recoverable by the adjacent production wells. This technology requires minimal additional steam, thus it helps reduce the overall steam to oil ratio. In 2014, 22 wells using the Company's Wedge Well™ technology were drilled (2013 – 30 wells) at Foster Creek. As at December 31, 2014 there were 89 gross producing wells of this type.

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

### *Christina Lake*

Cenovus has a 50 percent working interest in Christina Lake. Christina Lake is located approximately 120 kilometers south of Fort McMurray and has a reservoir depth up to 350 meters below the surface. Christina Lake uses SAGD technology and produces from the McMurray formation.

Production from phases A through E at Christina Lake averaged 69,023 barrels per day in 2014. An optimization program for phases C, D and E is expected to add up to 22,000 gross barrels per day of production capacity in late 2015. Expansion work is underway at phase F (including cogeneration), with production capacity of 50,000 gross barrels per day expected in the second half of 2016. Expansion work on phase G, with initial design capacity of 50,000 gross barrels per day, has been deferred in response to the current economic environment. Spending on phase G will be deferred until crude oil prices recover.

Cenovus expects to receive regulatory approval for phase H in the first half of 2015, a 50,000 gross barrel per day phase. With the addition of phases F, G and H, Cenovus believes Christina Lake has potential gross production capacity of 288,000 gross barrels per day, increasing to as much as 310,000 gross barrels per day with optimization.

In 2014, Cenovus drilled 24 gross wells (2013 – 11 wells) at Christina Lake using the Company's Wedge Well™ technology and as at December 31, 2014 there were 19 gross wells of this type producing.

Several innovations to SAGD technology have been undertaken at Christina Lake over the past several years. One major innovation is SAP technology that is currently being piloted at Christina Lake. SAP is a new enhancement to SAGD expected to reduce environmental impact. SAP involves injecting a solvent together with the steam. SAP is expected to require less steam, which will reduce greenhouse gas emissions and water usage per barrel of oil and increase oil production and oil recovery rates. Based on results from the SAP pilot, Cenovus plans to commercialize the SAP technology with phase A of its Narrows Lake project.

### *Narrows Lake*

Cenovus has a 50 percent working interest in Narrows Lake. Narrows Lake is located adjacent to Christina Lake and has a reservoir depth up to 375 meters below the surface. Narrows Lake will be Cenovus's first commercial application of SAP in conjunction with SAGD. The solvent to be used at Narrows Lake is expected to be butane, which is already present in the reservoir in small amounts.

In 2012, Cenovus received regulatory approval for phases A, B and C for 130,000 gross barrels per day of production capacity and partner approval for phase A, a 45,000 gross barrel a day phase. Initial work on phase A commenced in the third quarter of 2013. Due to the current low commodity price environment, Cenovus has suspended new construction spending on phase A until crude oil prices recover. Cenovus has recently integrated Narrows Lake under the same management team as its nearby Christina Lake project. The future development of Narrows Lake will benefit from the existing infrastructure and resources at Christina Lake, which is expected to lower overall costs.

### *Telephone Lake*

Cenovus's 100 percent-owned Telephone Lake property is located in the Borealis Region in northeastern Alberta, approximately 90 kilometers northeast of Fort McMurray.

In November 2014, Cenovus received regulatory approval from the AER for a SAGD project at Telephone Lake with initial production capacity of 90,000 barrels per day. Telephone Lake is estimated to have a 40-year reserve life with total production capacity in excess of 300,000 barrels per day and is expected to be developed in multiple phases.

Telephone Lake is a unique oil sands project because there is a layer of groundwater directly above the oil that's not suitable for human consumption without treatment (referred to as top water). The top water layer is between 150 and 175 meters below the surface. In 2013, Cenovus completed a dewatering pilot project at Telephone Lake displacing approximately 70 percent of the top water. Although dewatering is not essential to the development of Telephone Lake, Cenovus believes this method will make oil recovery more efficient and help reduce its impact on the environment.

### *Grand Rapids*

Cenovus's 100 percent owned Grand Rapids property is located in the Greater Pelican Region, about 300 kilometers north of Edmonton, Alberta. The project is adjacent to the Company's Pelican Lake heavy oil operations and existing facilities.

In December 2010, the Company drilled its first pilot SAGD well pair in the Cretaceous Grand Rapids formation. A second well pair was drilled in early 2012 and a third well pair is planned for the first quarter of 2015. Data from these well pairs will help determine the future pace of development at Grand Rapids.

In March 2014, Cenovus received regulatory approval from the AER for its Grand Rapids SAGD project with total production capacity of 180,000 barrels per day. Grand Rapids is estimated to have a 40-year reserve life and is expected to be developed in multiple phases.

### *Other Emerging Assets*

Cenovus has a number of other emerging assets, including the Steepbank and East McMurray properties which are located in the Borealis Region, southwest of Telephone Lake. In 2014, 21 gross stratigraphic wells were drilled. Data from the stratigraphic wells will determine future development timing.

Cenovus completed a pilot program using a helicopter and an experimental lightweight drilling rig, referred to as SkyStrat™, to drill stratigraphic test wells. The SkyStrat™ drilling rig is a new rig that was developed to improve stratigraphic drilling programs in the oil sands. Transporting the rig by helicopter allows Cenovus to access remote exploratory drilling locations year-round and eliminates the need for temporary roads, significantly reducing the surface footprint and potentially reducing water use for the drilling operations by over 50 percent. In the second and third quarters of 2014, this rig was used to drill 14 stratigraphic wells. The Company completed construction on a second SkyStrat™ drilling rig in the fourth quarter of 2014.

### *Athabasca Gas*

Cenovus produces natural gas from the Cold Lake Air Weapons Range and several surrounding landholdings located in northeastern Alberta. Cenovus holds surface access and natural gas rights for exploration, development and transportation from areas within the Cold Lake Air Weapons Range that were granted by the Governments of Canada and Alberta. The majority of the Company's natural gas production in the area is processed through compression facilities, wholly-owned and operated by Cenovus.

Natural gas production continues to be impacted by the AER's decisions made between 2003 and 2009 to shut-in natural gas production from the McMurray, Wabiskaw and Clearwater formations that may put the recovery of bitumen resources in the area at risk. This resulted in a decrease in the Company's annualized natural gas production of approximately 15 million cubic feet per day in 2014 (2013 – 16 million cubic feet per day). The Alberta Department of Energy has provided a ten year royalty credit which can equal up to 50 percent of lost cash flow to help offset the impact of the shut-in wells. This royalty credit fluctuates with the price of natural gas.

### **Capital Investment**

In 2014, the Company's Oil Sands capital investment was \$2.0 billion, primarily related to the expansion at Foster Creek and Christina Lake. The production capacity for these projects is expected to increase to approximately 288,000 gross barrels per day with completion of Foster Creek phase F. Ramp up to total production for phase F is expected to take approximately 18 months from September 2014.

- Capital at Foster Creek was focused on expansion of phases F, G and H, offsite facility work related to phases G and H, drilling of sustaining wells, and operational improvement projects.
- Capital at Christina Lake was focused on expansion of phases F and G, optimization of phases C, D, and E, phase E well pad and offsite facility construction, and sustaining well programs including the use of the Company's Wedge Well™ technology.

- Capital at Narrows Lake was focused on phase A engineering, procurement, and plant construction.
- Capital at Telephone Lake was focused on the preliminary engineering work on the central processing facility, costs related to the dewatering pilot project and the drilling of stratigraphic test wells.
- Capital at Grand Rapids was focused on costs related to the pilot project, the drilling of stratigraphic test wells and the dismantling and relocation of an existing SAGD facility to Grand Rapids.

Due to the lower crude oil price environment, 2015 capital spending will be focused on the continued expansion of Foster Creek phase G and Christina Lake phase F (including cogeneration) as well as optimization of phases C, D and E at Christina Lake. Funding will also be allocated to maintain current production levels from existing oil sands phases as well as meeting all maintenance, safety, regulatory and contractual obligations.

## CONVENTIONAL

Conventional operations include the development and production from conventional crude oil, NGLs and natural gas assets in Alberta and Saskatchewan, including the heavy oil assets at Pelican Lake. This segment also includes the CO<sub>2</sub> enhanced oil recovery project at Weyburn, and emerging tight oil assets in Alberta. The established assets in this segment are strategically important due to their long life reserves, stable operations, diversity of crude oil produced and free cash flow generation.

At December 31, 2014, Cenovus had an established land position of approximately 5.1 million gross acres (4.9 million net acres), of which approximately 3.3 million gross acres (3.2 million net acres) are developed. Cenovus owns the mineral rights on approximately 70 percent or 4.5 million net acres of the Company's conventional lands (fee lands), of which 2.5 million acres are developed. Production from fee lands comprises approximately 50 percent of the Company's total conventional production. Fee lands where Cenovus has maintained a working interest are subject to mineral tax, which is generally lower than the royalties paid to the government or other mineral interest owners. Of the 4.5 million net acres of fee land, Cenovus leases over 2.0 million acres to third parties, which may result in royalty income. In 2014, Cenovus had approximately 7,600 barrels of oil equivalent per day of royalty interest production from fee lands. Cenovus leases crown lands in Alberta, mainly in the Early Cretaceous geological formations, primarily in the Suffield area and in Saskatchewan.

### Landholdings

(thousands of acres)	Developed Acreage <sup>(2)</sup>		Undeveloped Acreage <sup>(2)</sup>		Total Acreage <sup>(1)</sup>		Average Working Interest
	Gross	Net	Gross	Net	Gross	Net	
<b>Alberta</b>							
Grassland <sup>(3)</sup>	976	961	49	47	1,025	1,008	98%
Suffield	935	924	125	121	1,060	1,045	99%
Langevin <sup>(4)</sup>	742	702	235	217	977	919	94%
Pelican Lake <sup>(5)</sup>	126	125	224	210	350	335	96%
Wainwright	343	322	190	186	533	508	95%
Other	38	13	164	138	202	151	75%
<b>Saskatchewan</b>							
Weyburn	116	103	327	314	443	417	94%
Bakken	14	13	183	182	197	195	99%
Other	7	3	19	19	26	22	86%
<b>Manitoba</b>	5	5	252	252	257	257	100%
<b>Total</b>	<b>3,302</b>	<b>3,171</b>	<b>1,768</b>	<b>1,686</b>	<b>5,070</b>	<b>4,857</b>	<b>96%</b>

(1) Includes 2.1 million gross acres of fee land where Cenovus has a working interest, and 1.1 million gross acres of fee land partially leased to third parties. Excludes 1.3 million gross acres of fee land fully leased to third parties.

(2) Developed acreage includes 2.1 million gross acres of fee land and undeveloped acreage includes 1.1 million gross acres of fee land.

(3) Grassland is located in the Drumheller and Brooks areas.

(4) Langevin is located north west of Medicine Hat.

(5) Overlapping landholdings between Grand Rapids and Pelican Lake have been allocated to Grand Rapids based on the project's approved development area.

## Production

The following table summarizes Cenovus's Conventional share of daily average production for the periods indicated:

(annual average)	Crude Oil and NGLs (bbls/d)		Natural Gas (MMcf/d)		Total Production <sup>(1)</sup> (BOE/d)	
	2014	2013	2014	2013	2014	2013
<b>Alberta</b>						
Grassland <sup>(2)</sup>	8,923	7,720	232	252	47,590	49,720
Suffield	10,010	11,391	135	149	32,510	36,224
Langevin <sup>(3)</sup>	9,368	8,754	96	101	25,368	25,587
Pelican Lake	24,924	24,254	-	-	24,924	24,254
Wainwright <sup>(4)</sup>	4,687	4,668	2	3	5,020	5,168
Other	8	9	-	2	8	342
<b>Saskatchewan</b>						
Weyburn	16,196	16,361	-	-	16,196	16,361
Shaunavon <sup>(5)</sup>	-	2,101	-	-	-	2,101
Bakken <sup>(4)</sup>	1,182	1,508	1	1	1,349	1,676
Other	-	9	-	-	-	9
<b>Total</b>	<b>75,298</b>	<b>76,775</b>	<b>466</b>	<b>508</b>	<b>152,965</b>	<b>161,442</b>

(1) Includes production from fee lands in which Cenovus has a working interest and fee lands in which Cenovus has retained a royalty interest.

(2) Grassland is located in the Drumheller and Brooks areas.

(3) Langevin is located north west of Medicine Hat.

(4) Cenovus sold certain interests in its Bakken and Wainwright crude oil assets in the second and third quarter of 2014, respectively. Cenovus retained royalty interests on fee lands in these areas.

(5) In the third quarter of 2013, Cenovus sold its Lower Shaunavon tight oil asset in southern Saskatchewan.

## Producing Wells

The following table summarizes Cenovus's Conventional interests in producing wells as at December 31, 2014. These figures exclude wells which were capable of producing, but that were not producing, as at December 31, 2014:

	Producing Oil Wells		Producing Gas Wells		Total Producing Wells <sup>(1)</sup>	
	Gross	Net	Gross	Net	Gross	Net
<b>Alberta</b>						
Grassland <sup>(2)</sup>	410	403	8,832	8,683	9,242	9,086
Suffield	780	780	10,686	10,668	11,466	11,448
Langevin <sup>(3)</sup>	276	273	4,792	4,780	5,068	5,053
Pelican Lake	612	612	4	4	616	616
Wainwright	80	71	12	3	92	74
Other	11	5	2	1	13	6
<b>Saskatchewan</b>						
Weyburn	656	414	-	-	656	414
Bakken	10	3	-	-	10	3
Other	1	1	-	-	1	1
<b>Total</b>	<b>2,836</b>	<b>2,562</b>	<b>24,328</b>	<b>24,139</b>	<b>27,164</b>	<b>26,701</b>

(1) Includes wells on fee lands where Cenovus has a working interest. Excludes wells on fee lands where Cenovus only has a royalty interest.

(2) Grassland is located in the Drumheller and Brooks areas.

(3) Langevin is located north west of Medicine Hat.

## Conventional Crude Oil Assets

Cenovus's extensive conventional crude oil assets are located in Alberta and Saskatchewan. Cenovus holds interests in multiple zones in the Suffield, Grassland and Langevin areas in Alberta with a mix of medium and heavy crude oil production. Cenovus uses a number of EOR techniques to increase production of the Company's oil assets including water flooding, CO<sub>2</sub> miscible flooding and alkali surfactant polymer flooding.

Cenovus operates the world's largest CO<sub>2</sub> miscible flood project. The Weyburn unit produces light to medium sour crude oil from the Mississippian Midale formation and covers 78 sections of land in southeastern Saskatchewan. As at December 31, 2014, approximately 64 percent of the approved CO<sub>2</sub> flood pattern development at the Weyburn unit was complete. Since the inception of the project, approximately 24 million tonnes of CO<sub>2</sub> have been injected under the program. The CO<sub>2</sub> is delivered by pipeline directly to the Weyburn facility from a coal gasification project in North Dakota, U.S. and from the Boundary Dam Power Station in Saskatchewan. In the unitized portion of the Weyburn field in southwestern Saskatchewan, Cenovus has a 62 percent working interest. However, after taking into consideration a net royalty interest obligation to a third party, Cenovus's economic interest is 50 percent. Cenovus operates on behalf of the unit and owns 62 percent of the CO<sub>2</sub> pipeline from the Boundary Dam to Weyburn.

Using a patterned, horizontal well polymer flood, Cenovus produces heavy crude oil from the Cretaceous Wabiskaw formation at its Pelican Lake property, within the Greater Pelican Region in northeastern Alberta. Cenovus holds a 38 percent non operated interest in a 110 kilometre, 20 inch diameter crude oil pipeline which connects the Pelican Lake area to major pipelines that transport crude oil from northern Alberta to crude oil markets.

### Net Wells Drilled and Production

The following table summarizes net oil wells drilled and daily average oil production figures for the periods indicated:

	Net Wells Drilled <sup>(1)</sup>		Average Production <sup>(2)</sup> (bbls/d)			
			Light/Medium		Heavy	
	2014	2013	2014	2013	2014	2013
<b>Alberta</b>						
Grassland <sup>(3)</sup>	42	44	8,224	7,004	-	-
Suffield	18	24	-	-	9,991	11,375
Langevin <sup>(4)</sup>	29	36	9,221	8,625	-	-
Wainwright <sup>(5)</sup>	4	39	42	40	4,631	4,616
Pelican Lake	25	49	-	-	24,924	24,254
Other	1	6	8	8	-	-
<b>Saskatchewan</b>						
Weyburn	7	14	15,921	16,229	-	-
Shaunavon <sup>(6)</sup>	-	-	-	2,101	-	-
Bakken <sup>(5)</sup>	-	-	1,115	1,451	-	-
Other	-	-	-	9	-	-
<b>Total</b>	<b>126</b>	<b>212</b>	<b>34,531</b>	<b>35,467</b>	<b>39,546</b>	<b>40,245</b>

(1) Excludes wells drilled by third parties on fee land.

(2) Includes production from fee lands in which Cenovus has a working interest and fee lands in which Cenovus has retained a royalty interest.

(3) Grassland landholdings are located in the Drumheller and Brooks areas.

(4) Langevin landholdings are located north west of Medicine Hat.

(5) Cenovus sold certain interests in its Bakken and Wainwright crude oil assets in the second and third quarter of 2014, respectively. Cenovus retained royalty interests on fee lands in these areas.

(6) In the third quarter of 2013, Cenovus sold its Lower Shaunavon tight oil asset in southern Saskatchewan.

### Conventional Gas Assets

Cenovus holds natural gas interests in multiple zones in the Suffield, Grassland and Langevin areas in Alberta. Development in these areas focuses on recompletions and optimization of existing wells.

Suffield is one of the core areas of the Company's crude oil and natural gas production in Alberta. The Suffield area is largely made up of the Suffield Block, where operations are carried out pursuant to an agreement among Cenovus, the Government of Canada and the Province of Alberta governing surface access to Canadian Forces Base ("CFB") Suffield. In 1999, the parties agreed to permit access to the Suffield military training area to additional operators. Cenovus's predecessor companies, Alberta Energy Company Ltd. and Encana, have operated at CFB Suffield for over 30 years.

The Company's natural gas production acts as an economic hedge for the natural gas required as a fuel source at both its oil sands and refining operations.

In 2014, Conventional gas production averaged 466 MMcf per day (2013 – 508 MMcf per day). Cenovus did not drill any gas wells in 2014 or 2013.

### Capital Investment

In 2014, the Company's Conventional capital investment was \$840 million, primarily related to tight oil development, facilities work and expansion of the polymer flood at Pelican Lake. Spending on natural gas activities was allocated to a small number of higher return opportunities.

## REFINING AND MARKETING

The Refining and Marketing segment is responsible for refining crude oil into petroleum and chemical products. This segment coordinates Cenovus's marketing and transportation initiatives to optimize the value of its products.

### Refining

Through WRB, Cenovus has a 50 percent ownership interest in both the Wood River and Borger Refineries located in Roxana, Illinois and Borger, Texas respectively. Phillips 66 is the operator and managing partner of WRB. WRB has a management committee, which is composed of three Cenovus representatives and three Phillips 66 representatives, with each company holding equal voting rights. In 2015, the Company's refineries have a combined stated processing capacity of approximately 460,000 gross barrels per day of crude oil (2014 – 460,000 gross bbls/d), including heavy crude oil processing capability of up to 255,000 gross barrels per day.

The following table summarizes the key operational results for the refineries in the periods indicated:

<b>Refinery Operations</b> <sup>(1)</sup>	<b>2014</b>	<b>2013</b>
<b>Crude Oil Capacity (Mbbbls/d)</b>	<b>460</b>	<b>457</b>
<b>Crude Oil Runs (Mbbbls/d)</b>	<b>423</b>	<b>442</b>
Heavy Oil	<b>199</b>	<b>222</b>
Light/Medium	<b>224</b>	<b>220</b>
<b>Crude Utilization (%)</b>	<b>92</b>	<b>97</b>
<b>Refined Products (Mbbbls/d)</b>		
Gasoline	<b>231</b>	<b>232</b>
Distillates	<b>137</b>	<b>144</b>
Other	<b>77</b>	<b>87</b>
<b>Total</b>	<b>445</b>	<b>463</b>

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

### **Wood River Refinery**

The Wood River Refinery ranks in the top 10 percent of 150 U.S. refineries based on total crude oil capacity. It is located in Roxana, Illinois, approximately 25 kilometers northeast of St. Louis, Missouri. The Wood River Refinery processes light low-sulphur and heavy high-sulphur crude oil that it receives from North American crude oil pipelines to produce gasoline, diesel and jet fuel, petrochemical feedstock as well as coke and asphalt. The gasoline and diesel are transported via pipelines to markets in the upper U.S. Midwest. Other products are transported via pipeline, truck, barge and railcar to markets in the U.S. Midwest. The Wood River Refinery is a major supplier of jet fuel to Lambert International Airport in St. Louis and O'Hare International Airport in Chicago.

Throughout 2014, the Wood River Refinery's stated crude oil processing capacity was 314,000 gross barrels per day, and is unchanged for 2015. Since the completed coker construction and start-up of the coker and refinery expansion ("CORE") project, the Wood River Refinery increased its total Canadian heavy crude oil processing capacity up to 220,000 gross barrels per day. In 2014, almost two thirds of the crude oil processed at the Wood River Refinery consisted of Canadian heavy crude oil, including a significant proportion of high total acid number ("TAN") crudes.

### **Borger Refinery**

The Borger Refinery is located in Borger, Texas, approximately 80 kilometers north of Amarillo, Texas. The Borger Refinery processes mainly medium and heavy high-sulphur crude oil, and NGLs that it receives from North American pipeline systems to produce gasoline, diesel and jet fuel along with NGLs and solvents. The refined products are transported via pipelines to markets in Texas, New Mexico, Colorado and the U.S. Mid-Continent.

The Borger Refinery's stated crude oil processing capacity for 2014 was 146,000 gross barrels per day, including 35,000 gross barrels per day of heavy crude oil. The Borger Refinery also has an NGL fractionation facility with a capacity of 45,000 gross barrels per day. The stated processing capacity is unchanged for 2015.

### **Marketing**

Cenovus's Marketing group is focused on enhancing the netback price of the Company's production. As part of these activities, the group carries out third-party purchases and sales of crude oil and natural gas to provide operational flexibility for transportation commitments, product quality, delivery points and customer diversification. Cenovus also seeks to mitigate the market risk associated with future cash flows by entering into various risk management contracts relating to produced products. Details of these transactions are found in the notes to the Company's audited Consolidated Financial Statements for the year ended December 31, 2014.

### **Crude Oil Marketing**

Cenovus's Crude Oil Marketing group manages the marketing of crude oil for the Company's upstream operations. Their objective is to sell production to achieve the best price within the constraints of a diverse sales portfolio, as well as to obtain and manage condensate supply, inventory and storage to meet diluent requirements.

### **Natural Gas Marketing**

Cenovus also manages the marketing of its natural gas, which is primarily sold to industrials, other producers and energy marketing companies. Prices Cenovus receives are based primarily on prevailing index prices for natural gas. Prices are impacted by competing fuels and by North American regional supply and demand for natural gas.

### **Transportation**

Cenovus's Transportation group is committed to accessing higher value markets and ensuring future market access. Cenovus actively supports a variety of new pipeline projects that will facilitate access to new markets in the U.S. and overseas. As at December 31, 2014, Cenovus has entered into various firm transportation commitments totaling \$28 billion, most of which relate to pipelines that are subject to regulatory approval. The Company's portfolio of transportation commitments includes feeder pipelines from its production areas to the Edmonton and Hardisty trade centres and major pipeline alternatives to markets downstream of these hubs. Other transportation commitments are primarily related to the reliable supply of diluent, railcar transportation as well as tankage and terminalling of both crude oil blend and condensate volumes.

In the fourth quarter of 2014, Cenovus increased its takeaway rail capacity to 30,000 barrels per day. The Company's longer term target is to commit to transportation solutions for up to 50 percent of marketable production, including growing rail capacity to between 10 and 20 percent of marketable production.

## **RESERVES DATA AND OTHER OIL AND GAS INFORMATION**

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As a Canadian issuer, Cenovus is subject to the reporting requirements of Canadian securities regulatory authorities, including the reporting of the Company's reserves in accordance with National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

The Company's reserves are primarily located in Alberta and Saskatchewan, Canada. Cenovus retained two independent qualified reserves evaluators ("IQREs"), McDaniel and Associates Consultants Ltd. ("McDaniel") and GLJ Petroleum Consultants Ltd. ("GLJ"), to evaluate and prepare reports on 100 percent of its bitumen, heavy oil, light and medium oil, NGLs, natural gas, and coal bed methane ("CBM") reserves. McDaniel evaluated approximately 96 percent of Cenovus's total proved reserves, located throughout Alberta, and GLJ evaluated approximately four percent of the Company's total proved reserves, located throughout Saskatchewan and Manitoba. Cenovus also engaged McDaniel to evaluate 100 percent of the Company's bitumen contingent and prospective resources.

The Reserves Committee of Cenovus's Board of Directors ("Board"), composed of independent directors, reviews the qualifications and appointment of the IQREs, the procedures relating to the disclosure of information with respect to oil and gas activities and the procedures for providing information to the IQREs. The Reserves Committee meets independently with Management and each IQRE to determine whether any restrictions affect the ability of the IQREs to report on the reserves data without reservation. In addition, the Reserves Committee reviews the reserves and resources data and the report of the IQREs and provides a recommendation regarding approval of the reserves and resources disclosure to the Board.

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

Classifications of reserves as proved or probable are only attempts to define the degree of certainty associated with the estimates. There are numerous uncertainties inherent in estimating quantities of bitumen, oil and natural gas reserves. It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. Readers should review the definitions and information contained in "Additional Notes to Reserves Data Tables", "Definitions" and "Pricing Assumptions" in conjunction with the disclosure. The reserves estimates provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates disclosed. See "Risk Factors - Operational Risks - Uncertainty of Reserves and Future Net Revenue Estimates" in this AIF for additional information.

The reserves data and other oil and gas information contained in this AIF is dated February 11, 2015, with an effective date of December 31, 2014. McDaniel's preparation date of the information is January 12, 2015, and GLJ's preparation date is January 9, 2015.

## DISCLOSURE OF RESERVES DATA

The reserves data presented summarizes the Company's bitumen, heavy oil, light and medium oil plus NGLs, and natural gas plus CBM reserves and the net present values of future net revenue for these reserves. The reserves data uses forecast prices and costs prior to provision for interest, general and administrative expenses, costs associated with environmental regulations, the impact of any hedging activities or the liability associated with certain abandonment and all well, pipeline and facilities reclamation costs. Future net revenues have been presented on a before and after income tax basis.

Cenovus holds significant fee title rights which generate production for the Company's account from third parties leasing those lands ("Royalty Interest Production"). As at December 31, 2014, approximately 2.4 million acres throughout southeastern Alberta and southern Saskatchewan and Manitoba were leased out to third parties. In accordance with NI 51-101, only the After Royalties volumes presented herein include reserves associated with this Royalty Interest Production ("Royalty Interest Reserves").

### Summary of Company Interest Oil and Gas Reserves as at December 31, 2014 (Forecast Prices and Costs)

	Bitumen (MMbbls)	Heavy Oil (MMbbls)	Light & Medium Oil & NGLs (MMbbls)	Natural Gas & CBM (Bcf)
<b>Before Royalties <sup>(1)</sup></b>				
<b>Proved Reserves</b>				
Developed Producing	197	114	94	778
Developed Non-Producing	41	2	4	14
Undeveloped	1,732	40	22	4
<b>Total Proved Reserves</b>	<b>1,970</b>	<b>156</b>	<b>120</b>	<b>796</b>
Probable Reserves	1,330	123	46	260
<b>Total Proved plus Probable Reserves</b>	<b>3,300</b>	<b>279</b>	<b>166</b>	<b>1,056</b>

	Bitumen (MMbbls)	Heavy Oil (MMbbls)	Light & Medium Oil & NGLs (MMbbls)	Natural Gas & CBM (Bcf)
<b>After Royalties <sup>(2)</sup></b>				
<b>Proved Reserves</b>				
Developed Producing	159	97	84	793
Developed Non-Producing	31	1	3	14
Undeveloped	1,306	36	18	4
<b>Total Proved Reserves</b>	<b>1,496</b>	<b>134</b>	<b>105</b>	<b>811</b>
Probable Reserves	1,005	97	40	252
<b>Total Proved plus Probable Reserves</b>	<b>2,501</b>	<b>231</b>	<b>145</b>	<b>1,063</b>

	Bitumen (MMbbls)	Heavy Oil (MMbbls)	Light & Medium Oil & NGLs (MMbbls)	Natural Gas & CBM (Bcf)
<b>Royalty Interest</b>				
<b>Proved Reserves</b>				
Developed Producing	-	1	6	40
Developed Non-Producing	-	-	-	-
Undeveloped	-	-	-	-
<b>Total Proved Reserves</b>	<b>-</b>	<b>1</b>	<b>6</b>	<b>40</b>
Probable Reserves	-	1	2	12
<b>Total Proved plus Probable Reserves</b>	<b>-</b>	<b>2</b>	<b>8</b>	<b>52</b>

(1) Does not include Royalty Interest Reserves.

(2) Includes Royalty Interest Reserves.

**Summary of Net Present Value of Future Net Revenue as at December 31, 2014**  
(Forecast Prices and Costs)

Before Income Taxes	Discounted at %/year (\$ millions)					Unit Value Discounted at 10% <sup>(1)</sup> \$/BOE
	0%	5%	10%	15%	20%	
<b>Proved Reserves</b>						
Developed Producing	13,715	10,972	9,135	7,845	6,894	19.31
Developed Non-Producing	1,471	1,096	848	678	556	22.33
Undeveloped	58,310	25,769	13,177	7,456	4,504	9.69
<b>Total Proved Reserves</b>	<b>73,496</b>	<b>37,837</b>	<b>23,160</b>	<b>15,979</b>	<b>11,954</b>	<b>12.38</b>
Probable Reserves	58,033	19,036	8,364	4,571	2,854	7.07
<b>Total Proved plus Probable Reserves</b>	<b>131,529</b>	<b>56,873</b>	<b>31,524</b>	<b>20,550</b>	<b>14,808</b>	<b>10.32</b>

(1) Unit values have been calculated using Company Interest After Royalties reserves.

After Income Taxes <sup>(1)</sup>	Discounted at %/year (\$ millions)				
	0%	5%	10%	15%	20%
<b>Proved Reserves</b>					
Developed Producing	10,984	8,815	7,347	6,313	5,549
Developed Non-Producing	1,088	822	642	518	428
Undeveloped	44,659	19,422	9,819	5,501	3,290
<b>Total Proved Reserves</b>	<b>56,731</b>	<b>29,059</b>	<b>17,808</b>	<b>12,332</b>	<b>9,267</b>
Probable Reserves	43,148	14,157	6,185	3,349	2,071
<b>Total Proved plus Probable Reserves</b>	<b>99,879</b>	<b>43,216</b>	<b>23,993</b>	<b>15,681</b>	<b>11,338</b>

(1) Values are calculated by considering existing tax pools and tax circumstances for Cenovus and its subsidiaries in the consolidated evaluation of Cenovus's oil and gas properties, and take into account current federal tax regulations. Values do not represent an estimate of the value at the business entity level, which may be significantly different. For information at the business entity level, please see the Company's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2014.

**Total Future Net Revenue (undiscounted) as at December 31, 2014**  
(Forecast Prices and Costs) (\$ millions)

Reserves Category	Revenue	Royalties	Operating Costs	Development Costs	Abandonment Costs <sup>(1)</sup>	Future Net Revenue Before Future Income Taxes	Future Income Taxes	Future Net Revenue After Future Income Taxes
<b>Proved Reserves</b>	193,934	44,022	54,957	20,084	1,376	73,496	16,765	56,731
<b>Proved plus Probable Reserves</b>	<b>349,344</b>	<b>81,047</b>	<b>96,545</b>	<b>38,476</b>	<b>1,747</b>	<b>131,529</b>	<b>31,650</b>	<b>99,879</b>

(1) The abandonment costs only include downhole abandonment costs for the wells considered in the IQRES' evaluation of reserves. Abandonment of other wells, surface reclamation, asset recovery and facility site reclamation costs are not included.

**Future Net Revenue by Production Group as at December 31, 2014**  
(Forecast Prices and Costs)

Reserves Category	Production Group	Future Net Revenue Before Income Taxes (discounted at 10%/year) (\$ millions)	Unit Value (Company Interest After Royalties Reserves) (\$/BOE)
<b>Proved Reserves</b>	Bitumen	17,745	11.86
	Heavy Oil	1,789	13.30
	Light & Medium Oil and NGLs	2,486	23.63
	Natural Gas	1,140	8.43
	<b>Total</b>	<b>23,160</b>	<b>12.38</b>
<b>Proved plus Probable Reserves</b>	Bitumen	23,560	9.42
	Heavy Oil	3,044	13.15
	Light & Medium Oil and NGLs	3,356	23.11
	Natural Gas	1,564	8.83
	<b>Total</b>	<b>31,524</b>	<b>10.32</b>

### Additional Notes to Reserves Data Tables

- The estimates of future net revenue presented do not represent fair market value.
- Future net revenue from reserves excludes cash flows related to Cenovus's risk management activities.
- For disclosure purposes, Cenovus has included NGLs with light and medium oil, and CBM gas with natural gas, as the reserves of each are not material relative to the other reported product types.
- Numbers presented may be rounded and tables may not add due to rounding.

### Definitions

1. **After Royalties** means volumes after deduction of royalties and includes Royalty Interest Reserves.
2. **Before Royalties** means volumes before deduction of royalties and excludes Royalty Interest Reserves.
3. **Company Interest** means, in relation to production, reserves, resources and property, the interest (operating or non-operating) held by Cenovus.
4. **Gross** means: (a) in relation to wells, the total number of wells in which Cenovus has an interest; and (b) in relation to properties, the total area of properties in which the Company has an interest.
5. **Net** means: (a) in relation to wells, the number of wells obtained by aggregating Cenovus's working interest in each of its gross wells; and (b) in relation to the Company's interest in a property, the total area in which it has an interest multiplied by its working interest.
6. **Reserves** are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on analysis of drilling, geological, geophysical and engineering data, the use of established technology and specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates:

- **Proved reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- **Probable reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Each of the reserves categories may be divided into developed and undeveloped categories:

- **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided as follows:
    - **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
    - **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
  - **Undeveloped reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.
7. **Royalty Interest Reserves** means those reserves related to Cenovus's royalty entitlement on lands to which the Company holds fee title and which have been leased to third parties, plus any reserves related to other royalty interests, such as overriding royalties, to which Cenovus is entitled.
  8. **Royalty Interest Production** means the production related to Cenovus's royalty entitlement on lands to which the Company holds fee title and which have been leased to third parties, plus any production related to other royalty interests, such as overriding royalties, to which Cenovus is entitled.

## Pricing Assumptions

The forecast price and cost assumptions assume the continuance of current laws and take into account inflation with respect to future operating and capital costs. The forecast prices are provided in the table below and reflect McDaniel's January 1, 2015 price forecast as referred to in the McDaniel & Associates Consultants Ltd. Summary of Price Forecasts dated January 1, 2015. For historical prices realized during 2014, see "Production History" in this AIF.

Year	Oil					Natural Gas		
	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40 API (\$C/bbl)	Cromer Medium 29.3 API (\$C/bbl)	Hardisty Heavy 12 API (\$C/bbl)	Western Canadian Select (\$C/bbl)	AECO Gas Price (\$C/MMBtu)	Inflation Rate (%/year)	Exchange Rate (\$US/\$C)
2015	65.00	68.60	64.50	51.10	57.60	3.50	2	0.860
2016	75.00	83.20	78.20	62.00	69.90	4.00	2	0.860
2017	80.00	88.90	83.60	66.20	74.70	4.25	2	0.860
2018	84.90	94.60	88.90	70.50	79.50	4.50	2	0.860
2019	89.30	99.60	93.60	74.20	83.70	4.70	2	0.860
2020	93.80	104.70	98.40	78.00	87.90	5.00	2	0.860
2021	95.70	106.90	100.50	79.60	89.80	5.30	2	0.860
2022	97.60	109.00	102.50	81.20	91.60	5.50	2	0.860
2023	99.60	111.20	104.50	82.80	93.40	5.70	2	0.860
2024	101.60	113.50	106.70	84.60	95.30	5.90	2	0.860
2025	103.60	115.70	108.80	86.20	97.20	6.00	2	0.860
There-after	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	2	0.860

## Future Development Costs

The following table outlines undiscounted development costs deducted in the estimation of future net revenue calculated utilizing forecast prices and costs for the years indicated:

### Reserves Category

(\$ millions)	2015	2016	2017	2018	2019	Remainder	Total
Proved Reserves	1,231	834	949	1,004	1,044	15,022	20,084
Proved plus Probable Reserves	1,437	1,531	1,390	1,341	1,305	31,472	38,476

Cenovus believes that existing cash balances, internally generated cash flows, existing credit facilities, management of its asset portfolio and access to capital markets will be sufficient to fund the Company's future development costs. However, there can be no guarantee that the necessary funds will be available or that Cenovus will allocate funding to develop all of its reserves. Failure to develop those reserves would have a negative impact on the Company's future net revenue.

The interest or other costs of external funding are not included in the reserves and future net revenue estimates and would reduce future net revenue depending upon the funding sources utilized. Cenovus does not believe that interest or other funding costs would make development of any property uneconomic.

## Reserves Reconciliation

The following tables provide a reconciliation of Cenovus's Company Interest Before Royalties reserves for bitumen, heavy oil, light and medium oil and NGLs, and natural gas for the year ended December 31, 2014, presented using forecast prices and costs. All reserves are located in Canada.

### Company Interest Before Royalties Reserves Reconciliation by Principal Product Type and Reserves Category (Forecast Prices and Costs)

	Bitumen (MMbbls)	Heavy Oil (MMbbls)	Light & Medium Oil & NGLs (MMbbls)	Natural Gas & CBM (Bcf)
<b>Proved</b>				
<b>As at December 31, 2013</b>	1,846	179	115	865
Extensions and Improved Recovery	108	14	17	23
Discoveries	-	-	-	-
Technical Revisions	63	(13)	1	98
Economic Factors	-	-	-	(12)
Acquisitions	-	-	-	2
Dispositions	-	(10)	(1)	(5)
Production <sup>(1)</sup>	(47)	(14)	(12)	(175)
<b>As at December 31, 2014</b>	1,970	156	120	796

	Bitumen (MMbbls)	Heavy Oil (MMbbls)	Light & Medium Oil & NGLs (MMbbls)	Natural Gas & CBM (Bcf)
<b>Probable</b>				
<b>As at December 31, 2013</b>	683	140	50	300
Extensions and Improved Recovery	648	7	-	13
Discoveries	-	-	-	-
Technical Revisions	(1)	(21)	(3)	(47)
Economic Factors	-	-	-	(5)
Acquisitions	-	-	-	-
Dispositions	-	(3)	(1)	(1)
Production <sup>(1)</sup>	-	-	-	-
<b>As at December 31, 2014</b>	1,330	123	46	260

	Bitumen (MMbbls)	Heavy Oil (MMbbls)	Light & Medium Oil & NGLs (MMbbls)	Natural Gas & CBM (Bcf)
<b>Proved plus Probable</b>				
<b>As at December 31, 2013</b>	2,529	319	165	1,165
Extensions and Improved Recovery	756	21	17	36
Discoveries	-	-	-	-
Technical Revisions	62	(34)	(2)	51
Economic Factors	-	-	-	(17)
Acquisitions	-	-	-	2
Dispositions	-	(13)	(2)	(6)
Production <sup>(1)</sup>	(47)	(14)	(12)	(175)
<b>As at December 31, 2014</b>	3,300	279	166	1,056

<sup>(1)</sup> Production used for the reserves reconciliation differs from publicly reported production. In accordance with NI 51-101, Company Interest Before Royalties production used for the reserves reconciliation above includes Cenovus's share of gas volumes provided to FCCL for steam generation, but does not include Royalty Interest Production.

Proved and proved plus probable bitumen reserves increased by approximately seven and 30 percent, respectively. Increases at Christina Lake were primarily a result of a large area expansion and improved reservoir performance. Increases at Foster Creek were primarily a result of receiving regulatory approval for expansion of the development area.

Heavy oil proved reserves decreased by approximately 13 percent primarily as a result of production and drilling deferrals, the disposition of Wainwright assets partially offset by expanded polymer flooding and infill drilling at Pelican Lake, and the recognition of horizontal well development at Elk Point. Heavy oil probable reserves decreased by approximately 12 percent due to drilling deferrals at Pelican Lake. Overall, heavy oil proved plus probable reserves decreased by approximately 13 percent.

Light and medium oil and NGLs proved reserves increased by four percent. The increases were due to waterflood and CO<sub>2</sub> flood areas at Weyburn and development at Grassland. Light and medium oil and NGLs probable reserves decreased by approximately eight percent primarily as a result of the conversion of probable reserves to proved reserves. Overall, light and medium oil and NGLs proved plus probable reserves increased slightly, primarily as a result of the Weyburn CO<sub>2</sub> flood expansion, partially offset by production and the Bakken disposition.

Natural gas proved reserves declined by approximately eight percent as extensions and technical revisions did not offset production. Probable natural gas reserves and proved plus probable natural gas reserves declined by approximately 13 percent and nine percent, respectively.

### Undeveloped Reserves

Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production.

Proved and probable undeveloped reserves have been estimated by the IQREs in accordance with procedures and standards contained in the Canadian Oil and Gas Evaluation ("COGE") Handbook. In general, undeveloped reserves are scheduled to be developed within the next one to 40 years.

#### Company Interest Proved Undeveloped – Before Royalties

	Bitumen (MMbbls)		Heavy Oil (MMbbls)		Light and Medium Oil and NGLs (MMbbls)		Natural Gas & CBM (Bcf)	
	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End
Prior	1,433	1,287	73	55	53	25	300	24
2012	284	1,532	20	61	3	22	-	6
2013	158	1,629	1	47	3	15	-	4
2014	161	1,732	7	40	11	21	4	4

#### Company Interest Probable Undeveloped – Before Royalties

	Bitumen (MMbbls)		Heavy Oil (MMbbls)		Light and Medium Oil and NGLs (MMbbls)		Natural Gas & CBM (Bcf)	
	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End	First Attributed	Total at Year-End
Prior	917	467	57	47	29	22	54	35
2012	182	646	9	42	5	24	-	16
2013	145	649	56	86	1	17	-	16
2014	649	1,293	5	76	8	15	7	11

## DEVELOPMENT OF PROVED AND PROBABLE UNDEVELOPED RESERVES

### Bitumen

At the end of 2014, Cenovus had proved undeveloped bitumen reserves of 1,732 million barrels Before Royalties, or approximately 88 percent of the Company's total proved bitumen reserves. Of Cenovus's 1,330 million barrels of probable bitumen reserves, 1,293 million barrels, or approximately 97 percent are undeveloped. The evaluation of these reserves anticipates they will be recovered using SAGD technology.

Typical SAGD project development involves the initial installation of a steam generation facility, at a cost much greater than drilling a production/injection well pair, and then progressively drilling sufficient SAGD well pairs to fully utilize the available steam.

Bitumen reserves can be classified as proved when there is sufficient stratigraphic drilling to have demonstrated to a high degree of certainty the presence of the bitumen in commercially recoverable volumes. The IQRE's standard for sufficient drilling in the McMurray formation is a minimum of eight wells per section with 3D seismic, or 16 wells per section with no seismic. In other formations, such as the Grand Rapids or the Grosmont carbonates, there may be some variation in the standard. Additionally, all requisite legal and regulatory approvals must have been obtained, operator and partner funding approvals must be in place, and a reasonable development timetable must be established. Proved developed bitumen reserves are differentiated from proved undeveloped bitumen reserves by the presence of drilled production/injection well pairs at the reserves estimation effective date. Because a steam plant has a long life relative to well pairs, in the early stages of a SAGD project, only a small portion of proved reserves will be developed as the number of well pairs drilled will be limited by the available steam capacity.

Recognition of probable reserves requires sufficient drilling of stratigraphic wells to establish reservoir suitability for SAGD. Reserves will be classified as probable if the number of wells drilled falls between the stratigraphic well requirements for proved reserves and for probable reserves, or if the reserves are not located within an approved development plan area. The IQRE's standard for probable reserves is a minimum of four stratigraphic wells per section. If reserves lie outside the approved development area, approval to include those reserves in the development plan area must be obtained before development drilling of SAGD well pairs can commence.

Development of the proved undeveloped reserves will take place in an orderly manner as additional well pairs are drilled to utilize the available steam when existing well pairs reach the end of their steam injection phase. The forecast production of Cenovus's proved bitumen reserves extends approximately 45 years, based on existing facilities. Production of the current proved developed portion is estimated to take about 14 years.

### Crude Oil

Cenovus has a significant medium oil CO<sub>2</sub> enhanced oil recovery ("EOR") project at Weyburn and a significant heavy oil waterflood/polymer flood EOR project at Pelican Lake. These projects occur in large, well-developed reservoirs, where undeveloped reserves are not necessarily defined by the absence of drilling, but by anticipated improved recovery associated with development of the EOR schemes. Extending both EOR schemes within the projects requires intensive capital investment in infrastructure development and will occur over many years.

At Weyburn, investment in proved undeveloped reserves is projected to continue for over 35 years, with drilling of supplementary wells taking place over the next five years, and CO<sub>2</sub> flood advancement continuing many years beyond that. At Pelican Lake, investment in proved undeveloped reserves is projected to continue for five years, with a combination of infrastructure development, infill drilling and polymer flood advancement.

## SIGNIFICANT FACTORS OR UNCERTAINTIES AFFECTING RESERVES DATA

The evaluation of reserves is a continuous process, one that can be significantly impacted by a variety of internal and external influences. Revisions are often required resulting from changes in pricing, economic conditions, regulatory changes, and historical performance. While these factors can be considered and potentially anticipated, certain judgments and assumptions are always required. As new information becomes available, these areas are reviewed and revised accordingly. For a discussion of the risk factors and uncertainties affecting reserves data, see "Risk Factors – Operational Risks – Uncertainty of Reserves and Future Net Revenue Estimates".

## CONTINGENT AND PROSPECTIVE RESOURCES

Cenovus retains McDaniel to evaluate and prepare reports on all of the Company's contingent and prospective bitumen resources. The evaluations by McDaniel are conducted from the fundamental petrophysical, geological, engineering, financial and accounting data. Processes and procedures are in place to ensure that McDaniel is in receipt of all relevant information. Contingent and prospective resources are estimated using volumetric calculations of the in-place quantities, combined with performance from analog reservoirs. The assets currently producing from the McMurray-Wabiskaw formation at Foster Creek and Christina Lake are used as performance analogs for contingent and prospective resources estimation within these areas. Other regional analogs are used to estimate Cenovus's contingent and prospective resources in the Grand Rapids formation at the Greater Pelican Region, in the McMurray formation at the Telephone Lake property, and in the Clearwater formation at the Foster Creek Region. McDaniel also tests contingent resources for economic viability using the same forecast prices and costs used for Cenovus's reserves (refer to "Pricing Assumptions" in this AIF).

This evaluation assumes that the vast majority of Cenovus's bitumen resources will be recovered and produced using SAGD, with only a minor portion of the Company's resources likely to be developed using cyclic steam stimulation ("CSS") established technologies. SAGD involves injecting steam into horizontal wells drilled into the bitumen formation and recovering heated bitumen and water from producing wells located below the injection wells. CSS involves injecting steam into a well and then producing water and heated bitumen from the same wellbore. Such alternating injection and production cycles are repeated a number of times for a given wellbore. Both of these techniques have a surface footprint comparable to conventional oil production. Cenovus has no bitumen resources that require mining techniques for recovery.

All of Cenovus's current contingent and prospective resources are associated with clastic or sandstone formations. Cenovus has also identified significant amounts of bitumen in the Grosmont carbonate formation for which the Company has extensive mineral rights. Pilot testing of the SAGD recovery process in carbonates is currently underway in the Grosmont carbonate formation several miles away from Cenovus's lands but commercial viability has yet to be established. Cenovus has commenced work on its own pilot for bitumen production from the Grosmont carbonate formation.

In addition to the reserve definitions provided in the preceding sections, the following terminology, consistent with the COGE Handbook and guidance from Canadian securities regulatory authorities, was used to prepare the disclosure that follows:

**Contingent resources** are those quantities of bitumen estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include such factors as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

The McDaniel estimates of contingent resources have not been adjusted for risk based on the chance of development. Cenovus has chosen to not disclose contingent resource volumes which are subject to technology under development, as there is still considerable uncertainty around the development of these volumes.

**Economic contingent resources** are those contingent resources that are currently economically recoverable based on specific forecasts of commodity prices and costs. Only those bitumen contingent resources based on established technology and determined to be economic using the same commodity price assumptions that were used for the 2014 reserves evaluation are disclosed in this AIF.

**Contingencies**, which must be overcome to enable the reclassification of contingent resources as reserves, can be categorized as economic, non-technical and technical. The COGE Handbook identifies non-technical contingencies as legal, environmental, political and regulatory matters or a lack of markets. Technical contingencies include available infrastructure and project justification. The outstanding contingencies applicable to Cenovus's disclosed economic contingent resources do not include economic contingencies.

Cenovus's bitumen contingent resources are located in four general regions: Foster Creek, Christina Lake, Borealis, and the Greater Pelican Region. At Foster Creek and Christina Lake, Cenovus has economic contingent resources located outside the currently approved development project areas. Regulatory approval to expand the development project area is necessary to enable the reclassification of these economic contingent resources as reserves. The timing of applications for such approvals is dependent on the rate of development drilling, which ties to an orderly development plan that maximizes utilization of steam generation facilities and ultimately optimizes production, capital utilization and value.

In the Borealis Region, Cenovus received regulatory approval for a development project at the Telephone Lake property which will help facilitate the reclassification of certain economic contingent resources to reserves. Other areas in the Borealis Region require additional results from delineation drilling and seismic activity to submit regulatory applications for development projects. Stratigraphic test well drilling and seismic activity are continuing in these areas to bring them to project readiness. Currently, sufficient pipeline capacity is also considered a contingency.

In the Greater Pelican Region, Cenovus received regulatory approval for an initial development project at the Grand Rapids property. Pilot project work continues to validate technical assumptions and examine optimal development strategies. Reclassification of contingent resources to reserves in the Greater Pelican Region is contingent upon justification of a large scale project development, further regulatory approval for development, and project sanctioning.

**Prospective resources** are those quantities of bitumen estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates, assuming their discovery and development, and may be sub-classified based on project maturity. The estimate of prospective resources has not been adjusted for risk based on the chance of discovery or the chance of development.

**Best estimate** is considered to be the best estimate of the quantity of resources that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. Those resources that fall within the best estimate have a 50 percent probability that the actual quantities recovered will equal or exceed the estimate.

**Low estimate** is considered to be a conservative estimate of the quantity of resources that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. Those resources included in the low estimate have the highest degree of certainty, a 90 percent probability, that the actual quantities recovered will equal or exceed the estimate.

**High estimate** is considered to be an optimistic estimate of the quantity of resources that will actually be recovered. It is unlikely that the actual remaining quantities of resources recovered will meet or exceed the high estimate. Those resources included in the high estimate have a lower degree of certainty, a 10 percent probability, that the actual quantities recovered will equal or exceed the estimate.

The economic contingent resources were estimated for individual projects and then aggregated for disclosure purposes. The high and low estimate volumes are arithmetic sums of multiple estimates, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Because the results are aggregated for disclosure, the low estimate results disclosed may have a higher probability than the estimates for the individual projects, and the high estimate results disclosed may have a lower probability than the estimates for individual projects.

#### Bitumen Economic Contingent and Prospective Resources

Company Interest Before Royalties (Billions of Barrels)	December 31, 2014	December 31, 2013
<b>Economic Contingent Resources <sup>(1)</sup></b>		
Low Estimate	6.6	7.0
Best Estimate	9.3	9.8
High Estimate	12.9	13.6
<b>Prospective Resources <sup>(2)</sup></b>		
Low Estimate	4.4	4.5
Best Estimate	7.5	7.5
High Estimate	12.7	12.6

(1) There is no certainty that it will be commercially viable to produce any portion of the contingent resources.

(2) There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources. Prospective resources are not screened for economic viability.

Bitumen best estimate economic contingent resources decreased by 0.5 billion barrels or five percent compared to 2013. This decrease is primarily a result of a substantial conversion of contingent resources to proved and probable reserves at Christina Lake and Foster Creek.

Bitumen best estimate prospective resources stayed consistent with 2013, primarily due to conversions to contingent resources at Borealis attributed to stratigraphic drilling being offset by mapping increases at Grand Rapids.

A more detailed annual reconciliation is shown in the following table:

#### Bitumen Proved plus Probable Reserves, Contingent Resources and Prospective Resources Reconciliation and Category Movements

Company Interest Before Royalties (Billions of Barrels)	Proved plus Probable Reserves	Best Estimate Contingent Resources <sup>(1)</sup>	Best Estimate Prospective Resources <sup>(2)</sup>
<b>As at December 31, 2013</b>	2.529	9.8	7.5
Transfers Between Categories			
Additions From Other Resource Categories	0.756	-	-
Reductions to Other Resource Categories	-	(0.8)	-
Additions and Revisions net of Transfers	0.060	0.3	-
Net Acquisitions and Dispositions	-	-	-
Production	(0.045)	-	-
<b>As at December 31, 2014</b>	3.300	9.3	7.5

(1) There is no certainty that it will be commercially viable to produce any portion of the contingent resources.

(2) There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources. Prospective resources are not screened for economic viability.

Cenovus is systematically progressing the classification of its bitumen prospective resources to contingent resources and then to reserves, and ultimately to production. For example, the stratigraphic well drilling program in the Borealis area moved some prospective resources to contingent resources. The overall reduction of prospective resources is the expected outcome of a successful stratigraphic well drilling program, which converts undiscovered resources to discovered resources.

## OTHER OIL AND GAS INFORMATION

### Oil and Gas Properties and Wells

The following tables summarize Cenovus's interests in producing and non-producing wells, as at December 31, 2014:

Producing Wells <sup>(1) (2)</sup>	Oil		Gas		Total	
	Gross	Net	Gross	Net	Gross	Net
<b>Alberta</b>						
Oil Sands	407	207	286	274	693	481
Conventional	2,169	2,144	24,328	24,139	26,497	26,283
<b>Total Alberta</b>	<b>2,576</b>	<b>2,351</b>	<b>24,614</b>	<b>24,413</b>	<b>27,190</b>	<b>26,764</b>
<b>Saskatchewan</b>	<b>667</b>	<b>418</b>	<b>-</b>	<b>-</b>	<b>667</b>	<b>418</b>
<b>Total</b>	<b>3,243</b>	<b>2,769</b>	<b>24,614</b>	<b>24,413</b>	<b>27,857</b>	<b>27,182</b>

(1) Excludes varying royalty interests in 9,023 natural gas wells and 3,852 crude oil wells which are producing.

(2) Includes wells containing multiple completions as follows: 22,199 gross natural gas wells (22,036 net wells) and 1,240 gross crude oil wells (1,117 net wells).

Non-Producing Wells <sup>(1)</sup>	Oil		Gas		Total	
	Gross	Net	Gross	Net	Gross	Net
<b>Alberta</b>						
Oil Sands	21	13	446	335	467	348
Conventional	767	747	981	952	1,748	1,699
<b>Total Alberta</b>	<b>788</b>	<b>760</b>	<b>1,427</b>	<b>1,287</b>	<b>2,215</b>	<b>2,047</b>
<b>Saskatchewan</b>	<b>138</b>	<b>91</b>	<b>7</b>	<b>7</b>	<b>145</b>	<b>98</b>
<b>Total</b>	<b>926</b>	<b>851</b>	<b>1,434</b>	<b>1,294</b>	<b>2,360</b>	<b>2,145</b>

(1) Non-producing wells include wells which are capable of producing, but which are currently not producing. Non-producing wells do not include other types of wells such as stratigraphic test wells, service wells, or wells that have been abandoned.

Cenovus has no properties with attributed reserves which are capable of producing but which are not on production.

### Exploration and Development Activity

The following tables summarize Cenovus's gross participation and net interest in wells drilled for the periods indicated:

Exploration Wells Drilled	Oil Sands		Conventional		Total	
	Gross	Net	Gross	Net	Gross	Net
<b>2014:</b>						
Oil	-	-	1	1	1	1
Gas	-	-	-	-	-	-
Dry & Abandoned	-	-	-	-	-	-
<b>Total Working Interest</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Royalty	-	-	10	-	10	-
<b>Total Canada</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>1</b>	<b>11</b>	<b>1</b>
<b>2013:</b>						
Oil	-	-	6	6	6	6
Gas	-	-	-	-	-	-
Dry & Abandoned	-	-	-	-	-	-
<b>Total Working Interest</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
Royalty	-	-	9	-	9	-
<b>Total Canada</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>6</b>	<b>15</b>	<b>6</b>
<b>2012:</b>						
Oil	-	-	8	7	8	7
Gas	-	-	-	-	-	-
Dry & Abandoned	-	-	-	-	-	-
<b>Total Working Interest</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>7</b>
Royalty	-	-	20	-	20	-
<b>Total Canada</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>7</b>	<b>28</b>	<b>7</b>

Development Wells Drilled	Oil Sands		Conventional		Total	
	Gross	Net	Gross	Net	Gross	Net
<b>2014:</b>						
Oil	130	65	129	125	259	190
Gas	-	-	-	-	-	-
Dry & Abandoned	-	-	7	7	7	7
Total Working Interest	130	65	136	132	266	197
Royalty	1	-	126	-	127	-
Total Canada	131	65	262	132	393	197
<b>2013:</b>						
Oil	91	46	215	206	306	252
Gas	-	-	-	-	-	-
Dry & Abandoned	-	-	2	2	2	2
Total Working Interest	91	46	217	208	308	254
Royalty	3	-	117	-	120	-
Total Canada	94	46	334	208	428	254
<b>2012:</b>						
Oil	61	31	349	345	410	376
Gas	-	-	-	-	-	-
Dry & Abandoned	-	-	1	1	1	1
Total Working Interest	61	31	350	346	411	377
Royalty	57	-	129	-	186	-
Total Canada	118	31	479	346	597	377

During the year ended December 31, 2014, Oil Sands drilled 320 gross stratigraphic test wells (196 net wells) and Conventional drilled 30 gross stratigraphic test wells (30 net wells).

During the year ended December 31, 2014, Oil Sands drilled three gross service wells (two net wells) and Conventional drilled 38 gross service wells (33 net wells). SAGD well pairs are counted as a single producing well in the table above.

For all types of wells except stratigraphic test wells, the calculation of the number of wells is based on the number of surface locations. For stratigraphic test wells, the calculation is based on the number of bottomhole locations.

### Interest in Material Properties

The following table summarizes Cenovus's landholdings as at December 31, 2014:

Landholdings (thousands of acres)	Developed		Undeveloped <sup>(1)</sup>		Total <sup>(2)</sup>	
	Gross	Net	Gross	Net	Gross	Net
<b>Alberta:</b>						
Oil Sands						
- Crown <sup>(3)</sup>	485	383	1,857	1,398	2,342	1,781
Conventional						
- Fee <sup>(4)</sup>	1,935	1,935	433	433	2,368	2,368
- Crown <sup>(3)</sup>	1,157	1,054	542	476	1,699	1,530
- Freehold <sup>(5)</sup>	68	58	12	10	80	68
Total Alberta	3,645	3,430	2,844	2,317	6,489	5,747
<b>Saskatchewan:</b>						
Oil Sands						
- Crown <sup>(3)</sup>	-	-	63	63	63	63
Conventional						
- Fee <sup>(4)</sup>	81	81	424	424	505	505
- Crown <sup>(3)</sup>	42	28	99	88	141	116
- Freehold <sup>(5)</sup>	14	10	6	3	20	13
Total Saskatchewan	137	119	592	578	729	697
<b>Manitoba:</b>						
Conventional						
- Fee <sup>(4)</sup>	5	5	252	252	257	257
Total Manitoba	5	5	252	252	257	257
<b>Total</b>	<b>3,787</b>	<b>3,554</b>	<b>3,688</b>	<b>3,147</b>	<b>7,475</b>	<b>6,701</b>

(1) Undeveloped includes land that has not yet been drilled, as well as land with wells that have never produced hydrocarbons or that do not currently allow for the production of hydrocarbons.

(2) Includes approximately 1.1 million gross acres partially leased to third parties and excludes approximately 1.3 million gross acres fully leased to third parties.

(3) Crown/Federal lands are those lands owned by the federal or provincial government or the First Nations, in which Cenovus has purchased a working interest lease.

(4) Fee lands are those lands in which Cenovus has a fee simple interest in the mineral rights and have either: (i) not leased out all of the mineral zones; or (ii) retained a working interest. The current fee lands summary includes all freehold titles owned by Cenovus that have one or more zones that remain unleased or available for development.

(5) Freehold lands are those lands owned by individuals (other than a government or Cenovus) in which Cenovus holds a working interest lease.

### Properties With No Attributed Reserves

Cenovus has approximately 5.0 million gross acres (4.4 million net acres) of properties to which no reserves have been specifically attributed. These properties are planned for current and future development in both the Company's oil sands and conventional oil and gas operations. There are currently no work commitments on these properties.

Cenovus has rights to explore, develop, and exploit approximately 79,000 net acres that could potentially expire by December 31, 2015, which relate entirely to Crown and freehold land.

For areas where Cenovus holds interests in different formations under the same surface area through separate leases, the Company has calculated its gross and net acreage on the basis of each individual lease.

Properties with no attributed reserves include crown lands where bitumen contingent and prospective resources have been identified, fee title holdings and crown lands where exploration activities to date have not identified potential reserves in commercial quantities. See "Risk Factors – Financial Risks – Commodity Price Volatility and Development and Operating Costs" and "Risk Factors – Operational Risks – Uncertainty of Reserves and Future Net Revenue Estimates and Uncertainty of Contingent and Prospective Resource Estimates" in this AIF for further discussion of economic and risk factors relevant to Cenovus's properties with no attributed reserves.

### Additional Information Concerning Abandonment & Reclamation Costs

The estimated total future abandonment and reclamation costs is based on Management's estimate of costs to remediate, reclaim and abandon wells and facilities having regard to Cenovus's working interest and the estimated timing of the costs to be incurred in future periods. Cenovus has developed a process to calculate these estimates, which considers applicable regulations, actual and anticipated costs, type and size of the well or facility and the geographic location.

Cenovus has estimated the undiscounted future cost of abandonment and reclamation costs at approximately \$8.3 billion (approximately \$1.3 billion, discounted at 10 percent) at December 31, 2014, of which the Company expects to pay between \$250 million and \$350 million in the next three financial years. Cenovus expects to incur these costs on approximately 34,945 net wells.

Of the undiscounted future abandonment and reclamation costs to be incurred over the life of Cenovus's proved reserves, approximately \$1.4 billion has been deducted in estimating the future net revenue, which only represents the Company's downhole abandonment obligations for wells within reserves.

### Tax Horizon

Cenovus expects to pay income tax in 2015.

### Costs Incurred

(\$ millions)	2014
<b>Acquisitions</b>	
– Unproved	16
– Proved	2
<b>Total Acquisitions</b>	<b>18</b>
<b>Exploration Costs</b>	<b>159</b>
<b>Development Costs</b>	<b>2,623</b>
<b>Total Costs Incurred</b>	<b>2,800</b>

### Forward Contracts

Cenovus may use financial derivatives to manage its exposure to fluctuations in commodity prices, foreign exchange and interest rates. A description of such instruments is provided in the notes to the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2014.

## Production Estimates

The following table summarizes the estimated 2015 average daily volume of Company Interest Before Royalties and Royalty Interest Production reflected in the reserves reports for all properties held on December 31, 2014 using forecast prices and costs, all of which will be produced in Canada. These estimates assume certain activities take place, such as the development of undeveloped reserves, and that there are no divestitures.

2015 Estimated Production Forecast Prices and Costs	Proved	Proved plus Probable
Bitumen (bbls/d) <sup>(1)</sup>	127,463	134,766
Light and Medium Oil (bbls/d)	31,997	35,228
Heavy Oil (bbls/d)	37,241	39,194
Natural Gas (MMcf/d)	392	424
Natural Gas Liquids (bbls/d)	715	789
Company Interest Before Royalties Production (BOE/d)	262,776	280,562
Royalty Interest Production (BOE/d)	6,491	6,766
<b>Total Company Interest Before Royalties Plus Royalty Interest Production (BOE/d)</b>	<b>269,267</b>	<b>287,328</b>

<sup>(1)</sup> Includes Foster Creek production of 61,438 barrels per day for Proved and 63,312 barrels per day for Proved plus Probable, and Christina Lake production of 66,025 barrels per day for Proved and 71,454 barrels per day for Proved plus Probable.

## Production History

### Average Before Royalties Daily Production Volumes – 2014

	Year	Q4	Q3	Q2	Q1
<b>Crude Oil and Natural Gas Liquids (bbls/d)</b>					
Oil Sands					
Foster Creek (Bitumen)	59,172	68,377	56,631	56,852	54,706
Christina Lake (Bitumen)	69,023	73,836	68,458	67,975	65,738
	128,195	142,213	125,089	124,827	120,444
Conventional Liquids					
Heavy Oil – Pelican Lake	24,924	25,906	24,196	24,806	24,782
Heavy Oil – Other <sup>(2)</sup>	13,630	11,144	13,996	14,404	15,018
Light and Medium Oil	31,296	31,505	30,416	32,042	31,228
Natural Gas Liquids <sup>(1)</sup>	1,060	1,116	1,165	1,091	866
<b>Total Crude Oil and Natural Gas Liquids</b>	<b>199,105</b>	<b>211,884</b>	<b>194,862</b>	<b>197,170</b>	<b>192,338</b>
<b>Natural Gas (MMcf/d)</b>					
Oil Sands	22	22	23	23	19
Conventional	446	438	446	465	435
<b>Total Natural Gas</b>	<b>468</b>	<b>460</b>	<b>469</b>	<b>488</b>	<b>454</b>
<b>Total (BOE/d)</b>	<b>277,105</b>	<b>288,551</b>	<b>273,029</b>	<b>278,503</b>	<b>268,005</b>

<sup>(1)</sup> Natural gas liquids include condensate volumes.

<sup>(2)</sup> Cenovus sold certain interest in its Wainwright crude oil assets late in the third quarter of 2014.

### Average Royalty Interest Daily Production Volumes – 2014

	Year	Q4	Q3	Q2	Q1
<b>Crude Oil and Natural Gas Liquids (bbls/d)</b>					
Conventional Liquids					
Heavy Oil – Other <sup>(2)</sup>	992	971	904	1,094	999
Light and Medium Oil	3,235	3,156	3,132	3,287	3,370
Natural Gas Liquids <sup>(1)</sup>	161	166	191	137	147
<b>Total Crude Oil and Natural Gas Liquids</b>	<b>4,388</b>	<b>4,293</b>	<b>4,227</b>	<b>4,518</b>	<b>4,516</b>
<b>Natural Gas (MMcf/d)</b>					
Conventional	20	19	20	19	22
<b>Total (BOE/d)</b>	<b>7,721</b>	<b>7,460</b>	<b>7,560</b>	<b>7,685</b>	<b>8,183</b>

<sup>(1)</sup> Natural gas liquids include condensate volumes.

<sup>(2)</sup> Cenovus sold certain interest in its Wainwright crude oil assets late in the third quarter of 2014.

### Average Before Royalties Daily Production Volumes – 2013

	Year	Q4	Q3	Q2	Q1
<b>Crude Oil and Natural Gas Liquids (bbls/d)</b>					
Oil Sands					
Foster Creek (Bitumen)	53,190	52,419	49,092	55,338	55,996
Christina Lake (Bitumen)	49,310	61,471	52,732	38,459	44,351
	102,500	113,890	101,824	93,797	100,347
Conventional Liquids					
Heavy Oil – Pelican Lake	24,254	24,528	24,826	23,959	23,687
Heavy Oil – Other	14,901	14,487	14,451	15,182	15,500
Light and Medium Oil	31,926	30,030	30,509	32,195	35,041
Natural Gas Liquids <sup>(1)</sup>	901	1,033	1,039	735	794
<b>Total Crude Oil and Natural Gas Liquids</b>	<b>174,482</b>	<b>183,968</b>	<b>172,649</b>	<b>165,868</b>	<b>175,369</b>
<b>Natural Gas (MMcf/d)</b>					
Oil Sands	21	21	23	22	18
Conventional	485	471	479	489	503
<b>Total Natural Gas</b>	<b>506</b>	<b>492</b>	<b>502</b>	<b>511</b>	<b>521</b>
<b>Total (BOE/d)</b>	<b>258,815</b>	<b>265,968</b>	<b>256,316</b>	<b>251,035</b>	<b>262,202</b>

(1) Natural gas liquids include condensate volumes.

### Average Royalty Interest Daily Production Volumes – 2013

	Year	Q4	Q3	Q2	Q1
<b>Crude Oil and Natural Gas Liquids (bbls/d)</b>					
Conventional Liquids					
Heavy Oil - Other	1,090	993	1,056	1,102	1,212
Light and Medium Oil	3,541	3,616	3,142	3,942	3,467
Natural Gas Liquids <sup>(1)</sup>	162	166	91	215	177
<b>Total Crude Oil and Natural Gas Liquids</b>	<b>4,793</b>	<b>4,775</b>	<b>4,289</b>	<b>5,259</b>	<b>4,856</b>
<b>Natural Gas (MMcf/d)</b>					
Conventional	23	22	21	25	24
<b>Total (BOE/d)</b>	<b>8,626</b>	<b>8,442</b>	<b>7,789</b>	<b>9,426</b>	<b>8,856</b>

(1) Natural gas liquids include condensate volumes.

### Average Before Royalties Daily Production Volumes – 2012

	Year	Q4	Q3	Q2	Q1
<b>Crude Oil and Natural Gas Liquids (bbls/d)</b>					
Oil Sands					
Foster Creek (Bitumen)	57,833	59,059	63,245	51,740	57,214
Christina Lake (Bitumen)	31,903	41,808	32,380	28,577	24,733
	89,736	100,867	95,625	80,317	81,947
Conventional Liquids					
Heavy Oil – Pelican Lake	22,552	23,507	23,539	22,410	20,730
Heavy Oil – Other	14,862	15,073	14,398	14,559	15,418
Light and Medium Oil	32,115	32,482	32,121	32,213	31,641
Natural Gas Liquids <sup>(1)</sup>	835	805	827	799	912
<b>Total Crude Oil and Natural Gas Liquids</b>	<b>160,100</b>	<b>172,734</b>	<b>166,510</b>	<b>150,298</b>	<b>150,648</b>
<b>Natural Gas (MMcf/d)</b>					
Oil Sands	30	27	24	31	39
Conventional	538	514	532	538	566
<b>Total Natural Gas</b>	<b>568</b>	<b>541</b>	<b>556</b>	<b>569</b>	<b>605</b>
<b>Total (BOE/d)</b>	<b>254,767</b>	<b>262,901</b>	<b>259,177</b>	<b>245,131</b>	<b>251,481</b>

(1) Natural gas liquids include condensate volumes.

### Average Royalty Interest Daily Production Volumes - 2012

	Year	Q4	Q3	Q2	Q1
<b>Crude Oil and Natural Gas Liquids (bbls/d)</b>					
Conventional Liquids					
Heavy Oil – Other	1,153	1,170	1,094	1,144	1,206
Light and Medium Oil	3,956	3,552	3,574	3,936	4,770
Natural Gas Liquids <sup>(1)</sup>	194	190	172	188	226
<b>Total Crude Oil and Natural Gas Liquids</b>	<b>5,303</b>	<b>4,912</b>	<b>4,840</b>	<b>5,268</b>	<b>6,202</b>
<b>Natural Gas (MMcf/d)</b>					
Conventional	26	25	21	27	31
<b>Total (BOE/d)</b>	<b>9,636</b>	<b>9,079</b>	<b>8,340</b>	<b>9,768</b>	<b>11,369</b>

(1) Natural gas liquids include condensate volumes.

## Per-Unit Results

The following tables summarize Cenovus's per-unit results, as well as the impact of realized financial hedging, on a quarterly basis, before deduction of royalties, for the periods indicated:

### Per-Unit Results – 2014

(excluding impact of Realized Gain (Loss) on Risk Management)

	Year	Q4	Q3	Q2	Q1
<b>Heavy Oil – Foster Creek (\$/bbl)</b> <sup>(1) (2) (3)</sup>					
Price	69.43	51.95	76.82	79.77	71.44
Royalties	5.95	5.67	5.40	7.14	5.71
Transportation and blending	1.98	1.85	2.17	3.10	0.78
Operating	16.55	13.65	14.79	19.38	19.09
Netback	44.95	30.78	54.46	50.15	45.86
<b>Heavy Oil – Christina Lake (\$/bbl)</b> <sup>(1) (2) (3)</sup>					
Price	61.57	47.21	67.62	72.25	59.89
Royalties	4.40	3.14	5.07	5.37	4.04
Transportation and blending	3.53	4.14	3.75	3.14	3.02
Operating	11.20	9.31	10.40	12.08	13.30
Netback	42.44	30.62	48.40	51.66	39.53
<b>Total Heavy Oil – Oil Sands (\$/bbl)</b> <sup>(2) (3)</sup>					
Price	65.18	49.44	71.82	75.65	65.19
Royalties	5.11	4.33	5.22	6.17	4.80
Transportation and blending	2.82	3.06	3.03	3.12	1.99
Operating	13.66	11.35	12.41	15.38	15.96
Netback	43.59	30.70	51.16	50.98	42.44
<b>Heavy Oil – Pelican Lake (\$/bbl)</b> <sup>(2) (3)</sup>					
Price	76.07	61.24	81.66	84.66	76.20
Royalties	5.50	4.86	5.56	6.50	5.04
Transportation and blending	3.18	3.29	3.24	3.13	3.07
Operating	21.41	18.84	20.49	21.23	24.96
Netback	45.98	34.25	52.37	53.80	43.13
<b>Heavy Oil – Other Conventional (\$/bbl)</b> <sup>(2) (3)</sup>					
Price	76.55	58.31	80.74	81.09	82.14
Royalties	9.70	10.71	11.10	9.77	7.52
Transportation and blending	3.47	3.07	3.64	3.94	3.13
Operating	19.63	17.09	19.29	19.74	21.81
Production and mineral taxes	0.48	0.08	0.61	0.84	0.32
Netback	43.27	27.36	46.10	46.80	49.36
<b>Total Heavy Oil – Conventional (\$/bbl)</b> <sup>(2) (3)</sup>					
Price	76.25	60.25	81.30	83.29	78.52
Royalties	7.09	6.85	7.72	7.76	6.01
Transportation and blending	3.29	3.22	3.40	3.44	3.09
Operating	20.74	18.24	20.02	20.66	23.73
Production and mineral taxes	0.18	0.03	0.24	0.32	0.13
Netback	44.95	31.91	49.92	51.11	45.56
<b>Total Heavy Oil (\$/bbl)</b> <sup>(2) (3)</sup>					
Price	67.83	51.74	73.99	77.63	68.64
Royalties	5.59	4.87	5.79	6.58	5.12
Transportation and blending	2.93	3.09	3.11	3.20	2.28
Operating	15.35	12.82	14.15	16.75	17.97
Production and mineral taxes	0.04	0.01	0.05	0.08	0.03
Netback	43.92	30.95	50.89	51.02	43.24

(1) Foster Creek and Christina Lake are bitumen properties.

(2) Netbacks do not reflect non-cash write-downs of product inventory.

(3) Cost of condensate per barrel of unblended crude oil (\$/bbl).

Heavy oil price and transportation and blending costs exclude the costs of purchased condensate, which is blended with the heavy oil. On a per-barrel of unblended crude oil basis, the cost of condensate is as follows:

Foster Creek	42.01	35.45	38.50	47.28	48.35
Christina Lake	45.45	38.23	42.57	49.30	52.81
Heavy Oil – Oil Sands	43.87	36.92	40.71	48.39	50.77
Pelican Lake	15.86	14.70	12.64	17.55	18.30
Other Conventional Heavy Oil	15.46	12.58	14.20	17.94	16.40
Heavy Oil – Conventional	15.71	13.98	13.25	17.70	17.56
Total Heavy Oil	37.13	32.04	34.42	40.44	42.17

**Per-Unit Results – 2014**

(excluding impact of Realized Gain (Loss) on Risk Management)

	Year	Q4	Q3	Q2	Q1
<b>Light and Medium Oil (\$/bbl)</b>					
Price	88.30	71.10	89.85	98.27	94.18
Royalties	9.15	6.12	10.36	11.37	8.78
Transportation and blending	3.34	2.89	3.06	3.31	4.11
Operating	17.28	15.84	17.40	17.45	18.47
Production and mineral taxes	2.70	2.59	2.99	2.97	2.23
<b>Netback</b>	<b>55.83</b>	<b>43.66</b>	<b>56.04</b>	<b>63.17</b>	<b>60.59</b>
<b>Total Crude Oil (\$/bbl) <sup>(1)</sup></b>					
Price	71.39	55.05	76.64	81.35	73.15
Royalties	6.21	5.08	6.56	7.45	5.76
Transportation and blending	3.00	3.06	3.10	3.22	2.60
Operating	15.69	13.34	14.70	16.87	18.06
Production and mineral taxes	0.50	0.45	0.54	0.60	0.42
<b>Netback</b>	<b>45.99</b>	<b>33.12</b>	<b>51.74</b>	<b>53.21</b>	<b>46.31</b>
<b>Natural Gas Liquids (\$/bbl)</b>					
Price	65.55	50.82	66.70	78.38	67.31
Royalties	1.38	1.34	1.07	1.70	1.48
<b>Netback</b>	<b>64.17</b>	<b>49.48</b>	<b>65.63</b>	<b>76.68</b>	<b>65.83</b>
<b>Total Liquids (\$/bbl) <sup>(1)</sup></b>					
Price	71.35	55.02	76.57	81.33	73.12
Royalties	6.18	5.06	6.52	7.41	5.74
Transportation and blending	2.98	3.04	3.08	3.20	2.59
Operating	15.59	13.25	14.60	16.77	17.96
Production and mineral taxes	0.50	0.44	0.54	0.60	0.42
<b>Netback</b>	<b>46.10</b>	<b>33.23</b>	<b>51.83</b>	<b>53.35</b>	<b>46.41</b>
<b>Total Natural Gas (\$/Mcf)</b>					
Price	4.37	3.89	4.22	4.87	4.47
Royalties	0.08	0.09	0.08	0.09	0.06
Transportation and blending	0.12	0.13	0.11	0.11	0.11
Operating	1.23	1.21	1.24	1.23	1.26
Production and mineral taxes	0.05	0.03	0.05	0.13	(0.01)
<b>Netback</b>	<b>2.89</b>	<b>2.43</b>	<b>2.74</b>	<b>3.31</b>	<b>3.05</b>
<b>Total (\$/BOE) <sup>(1)</sup></b>					
Price	58.29	46.14	61.85	65.71	59.68
Royalties	4.53	3.80	4.79	5.36	4.19
Transportation and blending	2.32	2.40	2.39	2.45	2.03
Operating	13.22	11.57	12.53	13.95	14.94
Production and mineral taxes	0.44	0.36	0.48	0.65	0.28
<b>Netback</b>	<b>37.78</b>	<b>28.01</b>	<b>41.66</b>	<b>43.30</b>	<b>38.24</b>

(1) Netbacks do not reflect non-cash write-downs of product inventory.

Impact of Long-term Incentive Costs (Recovery) on Total Operating Costs – 2014	Year	Q4	Q3	Q2	Q1
Total (\$/BOE)	0.16	(0.09)	0.08	0.36	0.29
<b>Impact of Realized Gain (Loss) on Risk Management – 2014</b>					
Liquids (\$/bbl)	0.50	7.06	(0.45)	(2.94)	(2.00)
Natural Gas (\$/Mcf)	0.04	0.05	0.11	(0.02)	-
<b>Total (\$/BOE)</b>	<b>0.42</b>	<b>5.17</b>	<b>(0.13)</b>	<b>(2.09)</b>	<b>(1.42)</b>

### Per-Unit Results – 2013

(excluding impact of Realized Gain (Loss) on Risk Management)

	Year	Q4	Q3	Q2	Q1
<b>Heavy Oil – Foster Creek (\$/bbl) <sup>(1) (2)</sup></b>					
Price	66.30	59.39	87.49	68.17	52.60
Royalties	3.73	3.56	6.31	3.87	1.47
Transportation and blending	2.36	3.21	4.37	0.04	1.89
Operating	15.77	15.90	17.12	16.19	14.03
Netback	44.44	36.72	59.69	48.07	35.21
<b>Heavy Oil – Christina Lake (\$/bbl) <sup>(1) (2)</sup></b>					
Price	51.26	44.36	74.98	52.61	33.41
Royalties	3.25	3.22	5.06	2.71	1.69
Transportation and blending	3.55	3.29	3.16	4.45	3.67
Operating	12.47	10.57	11.46	16.83	12.93
Netback	31.99	27.28	55.30	28.62	15.12
<b>Total Heavy Oil – Oil Sands (\$/bbl) <sup>(2)</sup></b>					
Price	59.10	51.34	81.16	61.88	44.01
Royalties	3.50	3.37	5.68	3.40	1.57
Transportation and blending	2.93	3.25	3.76	1.82	2.69
Operating	14.19	13.04	14.26	16.45	13.53
Netback	38.48	31.68	57.46	40.21	26.22
<b>Heavy Oil – Pelican Lake (\$/bbl) <sup>(2)</sup></b>					
Price	70.09	64.52	88.08	72.32	54.30
Royalties	4.00	1.97	6.64	4.08	3.22
Transportation and blending	2.41	2.79	2.18	2.58	2.07
Operating	20.65	21.22	19.90	22.21	19.23
Netback	43.03	38.54	59.36	43.45	29.78
<b>Heavy Oil – Other Conventional (\$/bbl) <sup>(2)</sup></b>					
Price	70.65	64.58	86.58	70.81	61.62
Royalties	9.18	10.40	12.27	7.67	6.57
Transportation and blending	2.90	2.54	3.04	2.59	3.39
Operating	17.34	17.54	16.32	17.38	18.04
Production and mineral taxes	0.31	0.12	0.55	0.30	0.30
Netback	40.92	33.98	54.40	42.87	33.32
<b>Total Heavy Oil – Conventional (\$/bbl) <sup>(2)</sup></b>					
Price	70.31	64.55	87.50	71.73	57.42
Royalties	6.08	5.31	8.83	5.50	4.65
Transportation and blending	2.60	2.69	2.51	2.58	2.63
Operating	19.32	19.76	18.51	20.30	18.72
Production and mineral taxes	0.13	0.05	0.21	0.12	0.13
Netback	42.18	36.74	57.44	43.23	31.29
<b>Total Heavy Oil (\$/bbl) <sup>(2)</sup></b>					
Price	62.23	54.61	82.97	64.91	47.82
Royalties	4.22	3.85	6.58	4.05	2.45
Transportation and blending	2.84	3.11	3.40	2.06	2.67
Operating	15.62	14.70	15.47	17.63	15.01
Production and mineral taxes	0.04	0.01	0.06	0.04	0.04
Netback	39.51	32.94	57.46	41.13	27.65

(1) Foster Creek and Christina Lake are bitumen properties.

(2) Cost of condensate per barrel of unblended crude oil (\$/bbl).

Heavy oil price and transportation and blending costs exclude the costs of purchased condensate, which is blended with the heavy oil. On a per-barrel of unblended crude oil basis, the cost of condensate is as follows:

Foster Creek	42.41	41.85	38.85	42.60	46.00
Christina Lake	45.25	44.16	39.86	47.13	51.46
Heavy Oil – Oil Sands	43.77	43.09	39.39	44.43	48.44
Pelican Lake	15.59	13.58	12.09	16.74	20.31
Other Conventional Heavy Oil	13.12	10.05	10.96	16.68	14.73
Heavy Oil – Conventional	14.60	12.18	11.65	16.72	17.93
Total Heavy Oil	35.63	35.44	31.46	35.91	39.78

**Per-Unit Results – 2013**

(excluding impact of Realized Gain (Loss) on Risk Management)

	Year	Q4	Q3	Q2	Q1
<b>Light and Medium Oil (\$/bbl)</b>					
Price	86.30	82.12	100.64	86.84	76.77
Royalties	8.28	6.58	11.01	8.61	7.05
Transportation and blending	4.35	5.15	4.58	4.37	3.39
Operating	16.23	17.26	15.06	16.32	16.26
Production and mineral taxes	2.30	1.26	2.80	2.64	2.46
Netback	55.14	51.87	67.19	54.90	47.61
<b>Total Crude Oil (\$/bbl)</b>					
Price	67.05	59.41	86.41	69.75	54.02
Royalties	5.03	4.33	7.44	5.05	3.43
Transportation and blending	3.14	3.47	3.63	2.57	2.82
Operating	15.74	15.15	15.39	17.34	15.27
Production and mineral taxes	0.49	0.23	0.59	0.61	0.56
Netback	42.65	36.23	59.36	44.18	31.94
<b>Natural Gas Liquids (\$/bbl)</b>					
Price	60.34	59.39	65.71	46.44	68.88
Royalties	1.13	1.14	1.92	1.17	0.12
Netback	59.21	58.25	63.79	45.27	68.76
<b>Total Liquids (\$/bbl)</b>					
Price	67.01	59.41	86.28	69.61	54.10
Royalties	5.01	4.31	7.40	5.03	3.42
Transportation and blending	3.12	3.45	3.61	2.55	2.81
Operating	15.65	15.06	15.29	17.24	15.19
Production and mineral taxes	0.48	0.23	0.59	0.61	0.55
Netback	42.75	36.36	59.39	44.18	32.13
<b>Total Natural Gas (\$/Mcf)</b>					
Price	3.20	3.21	2.83	3.50	3.25
Royalties	0.04	0.04	0.05	0.04	0.05
Transportation and blending	0.11	0.11	0.10	0.08	0.15
Operating	1.16	1.23	1.13	1.16	1.14
Production and mineral taxes	0.02	0.02	0.03	(0.01)	0.03
Netback	1.87	1.81	1.52	2.23	1.88
<b>Total (\$/BOE)</b>					
Price	51.23	47.23	63.12	52.55	42.52
Royalties	3.44	3.07	5.02	3.35	2.38
Transportation and blending	2.31	2.60	2.60	1.82	2.17
Operating	12.79	12.73	12.44	13.64	12.39
Production and mineral taxes	0.36	0.19	0.45	0.38	0.42
Netback	32.33	28.64	42.61	33.36	25.16
<b>Impact of Long-term Incentive Costs (Recovery) on Total Operating Costs – 2013</b>					
Total (\$/BOE)	0.12	0.06	0.23	0.07	0.10
<b>Impact of Realized Gain (Loss) on Risk Management – 2013</b>					
Liquids (\$/bbl)	1.09	2.77	(2.02)	0.72	2.62
Natural Gas (\$/Mcf)	0.32	0.36	0.38	0.18	0.39
Total (\$/BOE)	1.37	2.58	(0.58)	0.84	2.52

### Per-Unit Results – 2012

(excluding impact of Realized Gain (Loss) on Risk Management)

	Year	Q4	Q3	Q2	Q1
<b>Heavy Oil – Foster Creek (\$/bbl) <sup>(1) (2)</sup></b>					
Price	64.55	59.93	63.95	63.83	70.71
Royalties	7.36	4.55	11.79	2.85	9.54
Transportation and blending	2.41	2.91	2.38	1.91	2.38
Operating	11.99	11.26	11.50	12.49	12.85
Netback	42.79	41.21	38.28	46.58	45.94
<b>Heavy Oil – Christina Lake (\$/bbl) <sup>(1) (2)</sup></b>					
Price	47.73	43.37	52.91	44.57	52.58
Royalties	2.72	2.32	2.61	2.90	3.37
Transportation and blending	3.79	3.00	4.00	4.12	4.51
Operating	12.95	11.42	13.59	12.52	15.33
Netback	28.27	26.63	32.71	25.03	29.37
<b>Total Heavy Oil – Oil Sands (\$/bbl) <sup>(2)</sup></b>					
Price	58.61	53.02	60.35	57.02	65.23
Royalties	5.72	3.62	8.80	2.87	7.68
Transportation and blending	2.90	2.95	2.91	2.69	3.02
Operating	12.33	11.33	12.17	12.52	13.60
Netback	37.66	35.12	36.47	38.94	40.93
<b>Heavy Oil – Pelican Lake (\$/bbl) <sup>(2)</sup></b>					
Price	69.23	64.37	66.75	66.42	78.50
Royalties	3.34	2.82	4.34	2.68	3.37
Transportation and blending	2.15	1.23	1.09	3.54	2.88
Operating	17.08	17.20	17.47	17.71	16.05
Netback	46.66	43.12	43.85	42.49	56.20
<b>Heavy Oil – Other Conventional (\$/bbl) <sup>(2)</sup></b>					
Price	70.53	64.73	68.04	67.70	80.64
Royalties	10.06	8.68	8.81	9.36	13.06
Transportation and blending	2.17	2.34	2.31	2.26	1.81
Operating	15.21	11.68	16.48	15.07	17.57
Production and mineral taxes	0.24	0.31	0.27	0.25	0.14
Netback	42.85	41.72	40.17	40.76	48.06
<b>Total Heavy Oil – Conventional (\$/bbl) <sup>(2)</sup></b>					
Price	69.76	64.52	67.25	66.95	79.37
Royalties	6.06	5.26	6.05	5.46	7.33
Transportation and blending	2.16	1.69	1.55	3.01	2.44
Operating	16.32	14.91	17.09	16.61	16.67
Production and mineral taxes	0.10	0.13	0.10	0.10	0.06
Netback	45.12	42.53	42.46	41.77	52.87
<b>Total Heavy Oil (\$/bbl) <sup>(2)</sup></b>					
Price	62.05	56.22	62.45	60.13	70.08
Royalties	5.83	4.07	7.96	3.68	7.56
Transportation and blending	2.67	2.60	2.50	2.79	2.82
Operating	13.56	12.33	13.66	13.80	14.65
Production and mineral taxes	0.03	0.04	0.03	0.03	0.02
Netback	39.96	37.18	38.30	39.83	45.03

(1) Foster Creek and Christina Lake are bitumen properties.

(2) Cost of condensate per barrel of unblended crude oil (\$/bbl).

Heavy oil price and transportation and blending costs exclude the costs of purchased condensate, which is blended with the heavy oil. On a per-barrel of unblended crude oil basis, the cost of condensate is as follows:

Foster Creek	41.85	38.31	36.33	45.06	48.70
Christina Lake	45.83	43.39	39.88	48.80	53.90
Heavy Oil – Oil Sands	43.26	40.43	37.49	46.38	50.27
Pelican Lake	15.55	14.28	11.34	17.32	19.39
Other Conventional Heavy Oil	13.35	12.36	11.49	13.48	15.82
Heavy Oil – Conventional	14.66	13.48	11.40	15.72	17.93
<b>Total Heavy Oil</b>	<b>34.44</b>	<b>32.92</b>	<b>29.56</b>	<b>36.78</b>	<b>39.19</b>

### Per-Unit Results – 2012

(excluding impact of Realized Gain (Loss) on Risk Management)

	Year	Q4	Q3	Q2	Q1
<b>Light and Medium Oil (\$/bbl)</b>					
Price	78.99	75.27	76.06	76.16	88.45
Royalties	8.09	6.92	7.53	7.98	9.94
Transportation and blending	2.65	2.39	2.36	3.02	2.83
Operating	15.51	15.63	16.27	14.76	15.36
Production and mineral taxes	2.44	2.51	2.35	2.34	2.57
Netback	50.30	47.82	47.55	48.06	57.75
<b>Total Crude Oil (\$/bbl)</b>					
Price	65.76	60.10	65.37	63.91	74.22
Royalties	6.32	4.65	7.87	4.69	8.10
Transportation and blending	2.66	2.55	2.47	2.84	2.83
Operating	13.99	13.00	14.22	14.03	14.81
Production and mineral taxes	0.56	0.54	0.53	0.58	0.59
Netback	42.23	39.36	40.28	41.77	47.89
<b>Natural Gas Liquids (\$/bbl)</b>					
Price	69.54	65.89	61.53	65.52	83.36
Royalties	1.42	1.52	1.55	1.13	1.45
Netback	68.12	64.37	59.98	64.39	81.91
<b>Total Liquids (\$/bbl)</b>					
Price	65.79	60.13	65.35	63.92	74.28
Royalties	6.29	4.64	7.83	4.67	8.05
Transportation and blending	2.65	2.54	2.45	2.82	2.81
Operating	13.90	12.93	14.14	13.93	14.71
Production and mineral taxes	0.56	0.54	0.53	0.57	0.59
Netback	42.39	39.48	40.40	41.93	48.12
<b>Total Natural Gas (\$/Mcf)</b>					
Price	2.42	2.97	2.30	1.92	2.50
Royalties	0.03	0.02	0.02	0.01	0.06
Transportation and blending	0.10	0.10	0.08	0.08	0.13
Operating	1.10	1.29	1.08	0.98	1.08
Production and mineral taxes	0.01	(0.01)	0.02	0.02	0.02
Netback	1.18	1.57	1.10	0.83	1.21
<b>Total (\$/BOE)</b>					
Price	46.60	45.50	46.61	43.25	50.84
Royalties	4.00	3.08	5.02	2.84	5.00
Transportation and blending	1.88	1.86	1.74	1.90	2.00
Operating	11.18	11.12	11.35	10.75	11.46
Production and mineral taxes	0.38	0.33	0.38	0.40	0.40
Netback	29.16	29.11	28.12	27.36	31.98
<b>Impact of Long-term Incentive Costs (Recovery) on Total Operating Costs – 2012</b>					
	Year	Q4	Q3	Q2	Q1
Total (\$/BOE)	0.16	0.05	0.32	(0.17)	0.42
<b>Impact of Realized Gain (Loss) on Risk Management – 2012</b>					
	Year	Q4	Q3	Q2	Q1
Liquids (\$/bbl)	1.39	3.35	2.02	1.64	(1.67)
Natural Gas (\$/Mcf)	1.14	0.89	1.24	1.39	1.03
Total (\$/BOE)	3.42	4.05	3.98	4.27	1.44

### Capital Expenditures, Acquisitions and Divestitures

Cenovus has a large inventory of internal growth opportunities and continues to examine select acquisition opportunities to develop and expand its oil and gas properties. Acquisition opportunities may include corporate or asset acquisitions. Cenovus may finance any such acquisitions with debt, equity, cash generated from operations, proceeds from asset divestitures or a combination of these sources.

Cenovus also has an active program to divest its non-core assets in order to increase its focus on key assets within the long range business plan, as well as generate proceeds to partially fund its capital investment. Early in the second quarter, Cenovus completed the sale of certain of its Bakken assets for net proceeds of \$35 million. Immediately prior to the disposition, the properties were producing an average of 396 barrels per day during the first quarter of 2014. Late in the third quarter, Cenovus also completed the sale of certain Wainwright properties for net proceeds of \$234 million. The properties were producing an average of 2,775 barrels per day during the first nine months of 2014.

The following table summarizes Cenovus's net capital investment for 2014 and 2013:

<b>Net Capital Investment</b> (\$ millions)	2014	2013
Capital Investment		
Oil Sands		
Foster Creek	796	797
Christina Lake	794	688
Total	1,590	1,485
Other Oil Sands	396	400
	<b>1,986</b>	<b>1,885</b>
Conventional		
Pelican Lake	246	463
Other Conventional	594	726
	<b>840</b>	<b>1,189</b>
Refining and Marketing	163	107
Corporate	62	81
Capital Investment	<b>3,051</b>	<b>3,262</b>
Acquisitions <sup>(1)</sup>	18	32
Divestitures	(277)	(283)
Net Acquisition and Divestiture Activity	(259)	(251)
Net Capital Investment <sup>(2)</sup>	<b>2,792</b>	<b>3,011</b>

(1) The 2014 acquisition capital includes the assumption of a decommissioning liability of \$10 million.

(2) Includes expenditures on PP&E and E&E.

## OTHER INFORMATION

### COMPETITIVE CONDITIONS

All aspects of the oil and gas industry are highly competitive. Refer to "Risk Factors – Operational Risks – Competition" for further information on the competitive conditions affecting Cenovus.

### ENVIRONMENTAL CONSIDERATIONS

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

Cenovus recognizes that there is a cost associated with carbon emissions and it believes that greenhouse gas ("GHG") regulations and the cost of carbon at various price levels can be adequately accounted for as part of business planning. As part of the Company's future planning, Management and the Board review the impact of a variety of carbon constrained scenarios on Cenovus's strategy, with a current price range from \$15 to \$65 per tonne of emissions applied across a range of regulatory policy options. A major benefit of applying a range of carbon prices at the strategic level is that it can provide direct guidance to the capital allocation process. Although uncertainty remains regarding potential future emissions regulation, the Company will continue to assess and evaluate the cost of carbon relative to its investments across a range of scenarios. For a discussion of the risks associated with this uncertainty, see "Risk Factors – Environment & Regulatory Risks – Climate Change Regulations".

Cenovus also examines the impact of carbon regulation on its major projects, including its oil sands operations and its refining assets. Cenovus continues to closely monitor potential GHG legislation developments both in Canada and the U.S.

Cenovus expects to incur abandonment and site reclamation costs as existing oil and gas properties are abandoned and reclaimed. In 2014, expenditures beyond normal compliance with environmental regulations were considered to be in the ordinary course of business. Cenovus does not anticipate material expenditures beyond amounts paid in respect of normal compliance with environmental regulations in 2015. Refer to "Risk Factors – Environment & Regulatory Risks – Environmental Regulations" for further information on environmental protection matters affecting Cenovus.

## CORPORATE RESPONSIBILITY PRACTICE

Cenovus's operations are guided by a Corporate Responsibility ("CR") Policy that clearly outlines accountabilities for all staff, including its leadership and the vendors and suppliers who work with Cenovus. Cenovus's CR Policy was developed through an externally recognized process focused on engagement with employees, external stakeholders and industry experts. The CR Policy commits the Company to conduct its business in a responsible, transparent and respectful way while complying with all relevant and applicable laws, regulations and industry standards. Cenovus's CR Policy is available on the Company's website at [cenovus.com](http://cenovus.com).

Cenovus's CR Policy focuses on six commitment areas: (i) Leadership; (ii) Corporate Governance and Business Practices; (iii) People; (iv) Environmental Performance; (v) Stakeholder and Aboriginal Engagement; and (vi) Community Involvement and Investment. Cenovus will continue to externally report on its performance in these areas through its annual CR report. Cenovus's annual CR report involves a limited assurance engagement with an independent auditor on a select number of quantitative indicators. This report is aligned with the Global Reporting Initiative guidelines and the standards set by the Canadian Association of Petroleum Producers in its Responsible Canadian Energy program. The CR Policy emphasizes Cenovus's commitment to protect the health and safety of all individuals affected by its activities, including its workforce and the communities where it operates. Cenovus will strive to never compromise the health and safety of any individual in the conduct of its activities. Cenovus will strive to provide a safe and healthy work environment and the Company expects its workers to comply with the health and safety practices established for their protection. Additionally, the CR Policy includes reference to emergency response management, investment in efficiency projects, new technologies and research, and support of the principles of the Universal Declaration of Human Rights.

The CR Policy was introduced in tandem with the Cenovus Operating Management System in 2011. The Cenovus Operating Management System is closely aligned with the CR Policy. Current steps that the Company has in place to ensure the successful integration of the CR Policy include: (i) a security program to regularly assess security threats to business operations and to manage the associated risks; (ii) CR performance metrics to track Cenovus's progress; (iii) an energy efficiency program that focuses on reducing energy use at the Company's operations, supports initiatives at the community level and provides incentives for employees to reduce energy use in their homes; (iv) an Investigations Practice and an Investigations Committee to review and resolve potential violations of Cenovus's policies or practices or other regulations; (v) an Integrity Helpline that provides an additional avenue for the Company's stakeholders to raise their concerns; (vi) the CR website which allows people to write to Cenovus about non-financial issues of concern; (vii) related policies and practices such as an Alcohol and Drug Policy, a Code of Business Conduct & Ethics, an Aboriginal Business Engagement Framework, and an Expect Respect program concerning local community relations; (viii) a formal planning process to align environmental actions with environment and business priorities so that the Company's programs and efforts are focused on the most important areas; and (ix) a requirement for acknowledgement and sign-off on key policies and practices by the Company's Board and employees. Cenovus's Board approved the CR Policy on recommendation of the Safety, Environment and Responsibility Committee. The Board is also advised of significant policy contraventions and receives updates on trends, issues or events which could impact Cenovus.

In January 2014, Cenovus was included for the first time in the RobecoSAM 2014 Sustainability Yearbook with a Bronze Class distinction. RobecoSAM is a Swiss-based international investment specialist in sustainability investing that publishes the Dow Jones Sustainability Index (see below). Corporate Knights magazine also named Cenovus to their 2014 Global 100 clean capitalism ranking for the second consecutive year, as announced during the World Economic Forum in Davos, Switzerland. In February 2014, Cenovus was named the top Canadian company for Best Sustainability Practice at the Investor Relations Magazine Awards for the second year in a row.

In June 2014, Cenovus was named one of the Top 50 Socially Responsible Corporations in Canada by Maclean's magazine and Sustainalytics for the third year in a row and for the fourth consecutive year by Corporate Knights magazine as one of the 2014 Best 50 Corporate Citizens in Canada. Cenovus was also included in the Euronext Vigeo World 120 Index. This index recognizes the top 120 companies globally for their high degree of control of corporate responsibility risk and contributions to sustainable development. In September 2014, the Company's leading CR practices were recognized internationally with the inclusion of Cenovus to the Dow Jones Sustainability World Index for the third consecutive year and to the Dow Jones Sustainability North America Index for the fifth consecutive year. The Dow Jones Sustainability Indices track the financial performance of the leading companies worldwide regarding CR performance. In December 2014, Cenovus was named to the Canada 200 Climate Disclosure Leadership Index for the fifth consecutive year. This index, published by CDP (formerly known as the Carbon Disclosure Project), recognizes companies for their open and transparent disclosure of greenhouse gas emissions.

These external recognitions of the Company's commitment to corporate responsibility reaffirm Cenovus's efforts to balance economic, governance, social and environmental performance.

## EMPLOYEES

The following table summarizes Cenovus's full-time equivalent ("FTE") employees as at December 31, 2014:

	FTE Employees
Oil Sands	1,315
Conventional Refining and Marketing	640
Cenovus-wide	86
<b>Total</b>	<b>1,504</b>
	<b>3,545</b>

Cenovus also engages a number of contractors and service providers. Refer to "Risk Factors – Operational Risks – Personnel" for further information on employee matters affecting Cenovus.

## FOREIGN OPERATIONS

Cenovus, and its reportable segments, are not dependent upon foreign operations outside North America. As a result, the Company's exposure to risks and uncertainties in countries considered politically and economically unstable is limited. Any future operations outside North America may be adversely affected by changes in government policy, social instability or other political or economic developments which are not within Cenovus's control, including the expropriation of property, the cancellation or modification of contract rights and restrictions on repatriation of cash. Refer to "Risk Factors – Financial Risks – Foreign Exchange Rates" for information on foreign exchange rate matters affecting Cenovus.

## DIRECTORS AND EXECUTIVE OFFICERS

### DIRECTORS

The following individuals are directors of Cenovus.

Name and Residence	Director Since <sup>(1)</sup>	Principal Occupation During the Past Five Years or More
<b>Ralph S. Cunningham</b> <sup>(2,4,5,7)</sup> Houston, Texas, United States	2009 Independent	Mr. Cunningham is Chairman of TETRA Technologies, Inc., a publicly traded energy services and chemicals company. Mr. Cunningham served as Chairman of Enterprise Products Holdings, LLC, the successor general partner of Enterprise Products Partners L.P., a publicly traded midstream energy limited partnership from November 2010 to February 2013, and as a director from February 2013 to April 2014; as a director and President & Chief Executive Officer of EPE Holdings, LLC, the sole general partner of Enterprise GP Holdings L.P., a publicly traded midstream energy holding company from August 2007 to November 2010; as a director of Enterprise Products GP, LLC, the general partner of Enterprise Products Partners, L.P. from December 2005 to May 2010; as a director of LE GP, LLC, the general partner of Energy Transfer Equity, L.P., a publicly traded midstream energy limited partnership from December 2009 to November 2010; as a director of DEP Holdings, LLC, the sole general partner of Duncan Energy Partners L.P., a publicly traded midstream energy company from August 2007 to May 2010; and as a director of Agrium Inc., a publicly traded agricultural chemicals company from December 1996 to April 2013. He is also a member of the Auburn University Chemical Engineering Advisory Council and the Auburn University Engineering Advisory Council.
<b>Patrick D. Daniel</b> <sup>(2,3,4,5)</sup> Calgary, Alberta, Canada	2009 Independent	Mr. Daniel is a director of Canadian Imperial Bank of Commerce; and Chair of the North American Review Board of American Air Liquide Holdings, Inc., a subsidiary of a publicly traded industrial gases service company. Mr. Daniel served as a director of Enbridge Inc., a publicly traded energy delivery company from April 2000 to October 2012. During his tenure with Enbridge, he also served as President & Chief Executive Officer from January 2001 to February 2012 and as Chief Executive Officer from February 2012 to October 2012. He is also a member of the Association of Professional Engineers and Geoscientists of Alberta and chairs a campaign for the Alberta Cancer Foundation to build a new cancer hospital in Calgary.

Name and Residence	Director Since <sup>(1)</sup>	Principal Occupation During the Past Five Years or More
<b>Ian W. Delaney</b> <sup>(2,4,5,7)</sup> Toronto, Ontario, Canada	2009 Independent	<p>Mr. Delaney is Chairman of The Westaim Corporation, a publicly traded investment company. Mr. Delaney served as a director of Sherritt International Corporation, a publicly traded diversified natural resource company that produces nickel, cobalt, thermal coal, oil and gas and electricity from October 1995 to May 2013. During his tenure with Sherritt, he also served as Chairman from November 1995 to May 2004, Executive Chairman from May 2004 to December 2008, Chairman and Chief Executive Officer from January 2009 to December 2011 and Chairman from January 2012 to May 2013. Mr. Delaney also served as Chairman of UrtheCast Corp. (formerly Longford Energy Inc.), a publicly traded video technology development company, from August 2012 to October 2013 and as a director of Dacha Strategic Metals Inc., a publicly traded investment company focused on the acquisition, storage and trading of strategic metals from November 2012 to September 2014.</p>
<b>Brian C. Ferguson</b> <sup>(8)</sup> Calgary, Alberta, Canada	2009	<p>Mr. Ferguson became President &amp; Chief Executive Officer when Cenovus was formed on November 30, 2009. Mr. Ferguson is responsible for the overall leadership of Cenovus's strategic and operational performance. Prior to leading Cenovus, Mr. Ferguson was Executive Vice-President &amp; Chief Financial Officer of Encana. His business experience includes a variety of areas in finance, business development, reserves, strategic planning, evaluations and communications. Mr. Ferguson is a Fellow of the Institute of Chartered Accountants of Alberta, a member of the Canadian Association of Petroleum Producers (CAPP) and participates on several CAPP committees, including the Oil Sands CEO Council, a member of the Canadian Institute of Chartered Accountants (CICA), a director and a member of the Canadian Council of Chief Executives and Chair of the Calgary Police Foundation. He previously served as Chairman of CICA's Risk Oversight and Governance Board and on the board of CAPP, and is a former member of the Global Commerce Strategy Advisory Panel.</p>
<b>Michael A. Grandin</b> <sup>(2,5,9)</sup> Calgary, Alberta, Canada	2009 (Chair) Independent	<p>Mr. Grandin is the Chair of Cenovus's Board. He is also a director of BNS Split Corp. II, a publicly traded investment company; and HSBC Bank Canada. He was Chairman and Chief Executive Officer of Fording Canadian Coal Trust, a publicly traded mining trust, from February 2003 to October 2008 when it was acquired by Teck Cominco Limited. He was President of PanCanadian Energy Corporation from October 2001 to April 2002 when it merged with Alberta Energy Company Ltd. to form Encana. Mr. Grandin served as Dean of the Haskayne School of Business, University of Calgary from April 2004 to January 2006.</p>
<b>Valerie A.A. Nielsen</b> <sup>(2,3,5,6)</sup> Calgary, Alberta, Canada	2009 Independent	<p>Ms. Nielsen was a director of Wajax Corporation, a publicly traded industrial parts and service company, from June 1995 to May 2012. She was also a member and past chair of an advisory group on the General Agreement on Tariffs and Trade (GATT) and the North America Free Trade Agreement (NAFTA) regarding international trade matters pertaining to energy, chemicals and plastics from 1986 to 2002. She is also a past director of the Bank of Canada and of the Canada Olympic Committee. Ms. Nielsen is a member of the Association of Professional Engineers and Geoscientists of Alberta and the Canadian Society of Exploration Geophysicists, and has been awarded the designation of Fellow of Geoscientists Canada (FGC).</p>

<b>Name and Residence</b>	<b>Director Since <sup>(1)</sup></b>	<b>Principal Occupation During the Past Five Years or More</b>
<b>Charles M. Rampacek</b> <sup>(5,6,7)</sup> Dallas, Texas, United States	2009 Independent	Mr. Rampacek is a director of Flowserve Corporation, a publicly traded manufacturer of industrial equipment; and Energy Services Holdings, LLC, a private industrial services company that was formed in 2012 from the combination of Ardent Holdings, LLC and another company. Mr. Rampacek previously served as Chair of Ardent Holdings, LLC, from December 2008 to July 2012. Mr. Rampacek also served as a director of Enterprise Products Holdings, LLC, the sole general partner of Enterprise Products Partners, L.P., a publicly traded midstream energy limited partnership from November 2006 to September 2011; and Pilko & Associates L.P., a private chemical and energy advisory company from September 2011 to February 2014. He serves on the Engineering Advisory Council for the University of Texas and the College of Engineering Leadership Board for the University of Alabama.
<b>Colin Taylor</b> <sup>(3,4,5)</sup> Toronto, Ontario, Canada	2009 Independent	Mr. Taylor served two consecutive four-year terms as Chief Executive & Managing Partner of Deloitte & Touche LLP and then acted as Senior Counsel until his retirement in May 2008. Mr. Taylor is also a member of the Canadian Institute of Chartered Accountants and Fellow of the Institute of Chartered Accountants of Ontario.
<b>Wayne G. Thomson</b> <sup>(2,5,6,7)</sup> Calgary, Alberta, Canada	2009 Independent	Mr. Thomson is a director of TVI Pacific Inc., a publicly traded international mining company; Chairman of Maha Energy Inc., a private North American oil and gas company; a director of Iskander Energy Corp., a private international oil and gas company; and Chairman and President of Enviro Valve Inc., a private company manufacturing proprietary pressure relief valves. Mr. Thomson served as Chief Executive Officer of Iskander Energy Corp. from November 2011 to August 2014. Mr. Thomson is a member of the Association of Professional Engineers and Geoscientists of Alberta.

(1) Each of the directors first became members of Cenovus's Board pursuant to the Arrangement. The term of each of the directors is from the date of the meeting at which he or she is elected or appointed until the next annual meeting of shareholders or until a successor is elected or appointed.

(2) Former director of Encana.

(3) Member of the Audit Committee.

(4) Member of the Human Resources and Compensation Committee.

(5) Member of the Nominating and Corporate Governance Committee.

(6) Member of the Reserves Committee.

(7) Member of the Safety, Environment and Responsibility Committee.

(8) As an officer and a non-independent director, Mr. Ferguson is not a member of any of the committees of Cenovus's Board.

(9) Ex-officio, by standing invitation, non-voting member of all other committees of Cenovus's Board. As an ex-officio non-voting member, Mr. Grandin attends as his schedule permits and may vote when necessary to achieve a quorum.

## EXECUTIVE OFFICERS

The following individuals served as executive officers of Cenovus as at December 31, 2014.

<b>Name and Residence</b>	<b>Office Held and Principal Occupation During the Past Five Years or More</b>
<b>Brian C. Ferguson</b> Calgary, Alberta, Canada	President & Chief Executive Officer Mr. Ferguson's biographical information is included under "Directors".
<b>Ivor M. Ruste</b> Calgary, Alberta, Canada	Executive Vice-President & Chief Financial Officer Mr. Ruste became Executive Vice-President & Chief Financial Officer on November 30, 2009. In 2009, Mr. Ruste held the following positions with Encana: Executive Vice-President, Corporate Responsibility & Chief Risk Officer; and Executive Vice-President & Chief Risk Officer.
<b>John K. Brannan</b> Calgary, Alberta, Canada	Executive Vice-President & Chief Operating Officer Mr. Brannan became Executive Vice-President & Chief Operating Officer on December 1, 2010. From November 2009 to November 2010, Mr. Brannan was Cenovus's Executive Vice-President (President, Integrated Oil Division). In 2009, Mr. Brannan held the following position with Encana: Executive Vice-President (President, Integrated Oil Division).

Name and Residence	Office Held and Principal Occupation During the Past Five Years or More
<b>Harbir S. Chhina</b> Calgary, Alberta, Canada	Executive Vice-President, Oil Sands Mr. Chhina became Executive Vice-President, Oil Sands on December 1, 2010. From November 2009 to November 2010, Mr. Chhina was Cenovus's Executive Vice-President, Enhanced Oil Development & New Resource Plays. In 2009, Mr. Chhina held the following position with Encana: Vice-President, Upstream Operations, Integrated Oil Sands Division.
<b>Kerry D. Dyte</b> Calgary, Alberta, Canada	Executive Vice-President, General Counsel & Corporate Secretary Mr. Dyte became Executive Vice-President, General Counsel & Corporate Secretary on November 30, 2009. In 2009, Mr. Dyte held the following position with Encana: Vice-President, General Counsel & Corporate Secretary.
<b>Sheila M. McIntosh</b> Calgary, Alberta, Canada	Executive Vice-President, Environment & Corporate Affairs Ms. McIntosh became Executive Vice-President, Environment & Corporate Affairs on February 1, 2013. From November 2009 to January 2013, Ms. McIntosh was Cenovus's Executive Vice-President, Communications & Stakeholder Relations. In 2009, Ms. McIntosh held the following position with Encana: Executive Vice-President, Corporate Communications.
<b>Robert W. Pease</b> Calgary, Alberta, Canada	Executive Vice-President, Markets, Products & Transportation Mr. Pease became Executive Vice-President, Markets, Products & Transportation on June 2, 2014. From February 2014 to May 2014, Mr. Pease was Vice President, Global Business Excellence, Supply & Trading of Shell Trading (US) Company, a corporation that acts as the single market interface for Royal Dutch Shell companies and affiliates in the U.S.; and from November 2008 until January 2014, he was President and Chief Executive Officer of Motiva Enterprises LLC, a leading refiner, distributor and marketer of fuels in the eastern and Gulf Coast regions of the U.S.
<b>Hayward J. Walls</b> Calgary, Alberta, Canada	Executive Vice-President, Strategy & Organization Development Mr. Walls became Executive Vice-President, Strategy & Organization Development on February 12, 2014. From November 2009 to February 2014, Mr. Walls was Cenovus's Executive Vice-President, Organization & Workplace Development. In 2009, Mr. Walls held the following position with Encana: Executive Vice-President, Corporate Services.

As of December 31, 2014, all of Cenovus's directors and executive officers, as a group, beneficially owned or exercised control or direction over, directly or indirectly, 1,146,716 common shares of Cenovus ("Common Shares") or approximately 0.15 percent of the number of Common Shares that were outstanding as of such date.

Investors should be aware that some of Cenovus's directors and officers are directors and officers of other private and public companies. Some of these private and public companies may, from time to time, be involved in business transactions or banking relationships which may create situations in which conflicts might arise. Any such conflicts shall be resolved in accordance with the procedures and requirements of the relevant provisions of the CBCA, including the duty of such directors and officers to act honestly and in good faith with a view to the best interests of Cenovus.

## CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the Company's knowledge, none of its current directors or executive officers are, as at the date of this AIF, or have been, within 10 years prior to the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "Order") and that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of the company being the subject of such an Order and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the Company's knowledge, other than as described below, none of its directors or executive officers:

- (a) is, as at the date of this AIF, or has been within 10 years prior to the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

To the Company's knowledge, none of its directors or executive officers has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalty or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Delaney was a director of OPTI Canada Inc. ("OPTI") when it commenced proceedings for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") on July 13, 2011. Ernst & Young Inc. was appointed as monitor of OPTI. On November 28, 2011, OPTI announced that it had closed a transaction whereby a subsidiary of CNOOC Limited acquired all of the outstanding securities of OPTI pursuant to a plan of arrangement under the CCAA and the Canada Business Corporations Act.

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

## AUDIT COMMITTEE

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*The Audit Committee mandate is included as Appendix C to this AIF.*

### COMPOSITION OF THE AUDIT COMMITTEE

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

#### **Patrick D. Daniel**

Mr. Daniel holds a Bachelor of Science (University of Alberta) and a Master of Science (University of British Columbia), both in chemical engineering. He also completed Harvard University's Advanced Management Program. He is a past Chief Executive Officer and director of Enbridge Inc., a publicly traded energy delivery company. He is also a past director and member of the audit committee of Enerflex Systems Income Fund, a compression systems manufacturer and a past director and Chair of the finance committee of Synenco Energy Inc., an oil sands mining company which was acquired by Total E&P Canada Ltd. in August 2008.

#### **Valerie A.A. Nielsen**

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

### Colin Taylor (Financial Expert and Audit Committee Chair)

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

The above list does not include Michael A. Grandin who is, by standing invitation, an ex-officio member of Cenovus's Audit Committee.

### Pre-Approval Policies and Procedures

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

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

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

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

### External Auditor Service Fees

The following table provides information about the fees billed to Cenovus for professional services rendered by PricewaterhouseCoopers LLP in the years ended December 31, 2014 and 2013:

(\$ thousands)	2014	2013
Audit Fees <sup>(1)</sup>	2,597	2,460
Audit-Related Fees <sup>(2)</sup>	202	342
Tax Fees <sup>(3)</sup>	110	374
All Other Fees <sup>(4)</sup>	6	3
<b>Total</b>	<b>2,915</b>	<b>3,179</b>

(1) Audit Fees consist of the aggregate fees billed for the audit of the Company's annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.

(2) Audit-Related Fees consist of the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as Audit Fees. The services provided in this category included audit-related services in relation to Cenovus's debt shelf prospectuses, systems development, controls testing and participation fees levied by the Canadian Public Accountability Board.

(3) Tax Fees consist of the aggregate fees billed for tax compliance, tax advice and tax planning. The services provided in this category primarily included support of scientific research and experimental development claims for Cenovus and FCCL.

(4) All Other Fees consist of subscriptions to auditor-provided and supported tools.

## DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the rights, privileges, restrictions and conditions which are attached to Common Shares and Cenovus's first and second preferred shares (collectively the "Preferred Shares"). Cenovus is authorized to issue an unlimited number of Common Shares and an unlimited number of First Preferred Shares and Second Preferred Shares. As at December 31, 2014, there were approximately 757.1 million Common Shares and no Preferred Shares outstanding.

## COMMON SHARES

The holders of Common Shares are entitled: (i) to receive dividends if, as and when declared by Cenovus's Board; (ii) to receive notice of, to attend, and to vote on the basis of one vote per Common Share held, at all meetings of shareholders; and (iii) to participate in any distribution of the Company's assets in the event of liquidation, dissolution or winding up or other distribution of its assets among its shareholders for the purpose of winding up its affairs.

## PREFERRED SHARES

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

## SHAREHOLDER RIGHTS PLAN

Cenovus has a Shareholder Rights Plan that was adopted in 2009 to ensure, to the extent possible, that all its shareholders are treated fairly in connection with any take-over bid for Cenovus. The Shareholder Rights Plan creates a right that attaches to each issued Common Share. Until the separation time, which typically occurs at the time of an unsolicited take-over bid, whereby a person acquires or attempts to acquire 20 percent or more of Cenovus's Common Shares, the rights are not separable from the Common Shares, are not exercisable and no separate rights certificates are issued. Each right entitles the holder, other than the 20 percent acquirer, from and after the separation time (unless delayed by the Company's Board) and before certain expiration times, to acquire Common Shares at 50 percent of the market price at the time of exercise. The Shareholder Rights Plan was amended and reconfirmed at the 2012 annual meeting of shareholders and must be reconfirmed by the Company's shareholders at every third annual shareholder meeting.

## DIVIDEND REINVESTMENT PLAN

Cenovus has a dividend reinvestment plan, which permits holders of Common Shares to automatically reinvest all or any portion of the cash dividends paid on their Common Shares in additional Common Shares. At the discretion of the Company, the additional Common Shares may be issued from treasury at the average market price or purchased on the market.

On February 12, 2015, the Company announced that the additional Common Shares issued to participants under Cenovus's dividend reinvestment plan will be issued from treasury of the Company at a three percent discount to the average market price (as defined in the dividend reinvestment plan).

## EMPLOYEE STOCK OPTION PLAN

Cenovus has an Employee Stock Option Plan that provides employees with the opportunity to exercise options to purchase Common Shares. 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. Each option granted prior to February 24, 2011 has an associated tandem stock appreciation right which gives the option holder the right to elect to receive a cash payment equal to the excess of the market price of the Common Shares at the time of exercise over the exercise price of the option in exchange for surrendering the option. Each option granted on or after February 24, 2011 has an associated net settlement right. In lieu of exercising the option, the net settlement right grants 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 the Common Shares at the time of exercise over the exercise price of the option.

## RATINGS

The following information relating to Cenovus's credit ratings is provided as it relates to the Company's financing costs and liquidity. Specifically, credit ratings affect Cenovus's ability to obtain short-term and long-term financing and the cost of such financing. A reduction in the current rating on Cenovus's debt by the Company's rating agencies or a negative change in its ratings outlook could adversely affect Cenovus's cost of financing and its access to sources of liquidity and capital. See "Risk Factors" in this AIF for further information.

The following table outlines the current ratings and outlooks of Cenovus's debt:

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

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

S&P's long-term credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BBB+ by S&P is within the fourth highest of 10 categories and indicates that the obligation exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within the major rating categories. S&P's Canadian commercial paper ratings scale ranges from A-1(High) to D, which represents the range from highest to lowest quality. A rating of A-1(Low) is the third highest of eight categories and indicates that the obligor is slightly more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher categories but has satisfactory capacity to meet its financial commitments. A S&P rating outlook assesses the potential direction of a credit rating over the intermediate term. In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. A "Negative" outlook indicates that a rating may be lowered.

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

DBRS's long-term credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of A(low) by DBRS is within the third highest of 10 categories and is assigned to debt securities considered to be of good credit quality. The capacity for payment of financial obligations is substantial, but of lesser credit quality than that of higher rated securities. Entities in the A category may be vulnerable to future events, but qualifying negative factors are considered manageable. The assignment of a "(high)" or "(low)" modifier within each rating category indicates relative standing within such category. DBRS's short-term credit ratings are on a scale ranging from R-1(high) to D, which represents the range from highest to lowest quality. A rating of R-1(low) is the third highest of 10 categories and indicates that the short-term debt is of good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial but overall strength is not as favourable as higher rating categories. Cenovus may be vulnerable to future events but qualifying negative factors are considered manageable.

Throughout the last two years, Cenovus has made payments to S&P, Moody's, and DBRS related to the rating of the Company's debt. Additionally, Cenovus has purchased products and services from S&P and Moody's.

## DIVIDENDS

The declaration of dividends is at the sole discretion of Cenovus's Board and is considered each quarter. The Board has approved a first quarter dividend of \$0.2662 per share payable on March 31, 2015 to holders of Common Shares of record as of March 16, 2015. Readers should also refer to risk factors "Risk Factors – Financial Risks – Ability to Pay Dividends" for additional information.

Cenovus paid the following dividends over the last three years:

### Dividends Paid (\$ per share)

	Year	Q4	Q3	Q2	Q1
2014	1.0648	0.2662	0.2662	0.2662	0.2662
2013	0.968	0.242	0.242	0.242	0.242
2012	0.880	0.220	0.220	0.220	0.220

## MARKET FOR SECURITIES

All of the outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") under the symbol CVE. The following table outlines the share price trading range and volume of shares traded by month in 2014:

	TSX				NYSE			
	Share Price Trading Range			Share Volume	Share Price Trading Range			Share Volume
	High	Low	Close		High	Low	Close	
	(\$ per share)			(thousands)	(US\$ per share)			(thousands)
January	30.33	28.64	29.14	29,048	28.58	25.74	26.15	27,126
February	29.70	28.25	29.31	40,457	27.01	25.52	26.51	25,695
March	32.02	28.85	31.97	29,916	28.96	25.90	28.96	18,037
April	33.11	31.28	32.65	29,709	30.21	28.51	29.77	22,339
May	32.66	30.80	32.27	30,225	29.88	28.35	29.79	17,140
June	34.70	31.93	34.59	32,047	32.44	29.31	32.37	21,229
July	34.79	32.61	33.49	25,914	32.64	30.18	30.70	19,192
August	34.68	32.59	34.68	22,364	31.89	29.81	31.89	18,265
September	34.70	29.77	30.13	38,787	31.80	26.57	26.88	23,205
October	30.13	25.79	27.89	69,010	26.89	22.75	24.76	50,631
November	29.11	25.10	25.67	37,865	25.74	22.01	22.10	31,424
December	26.61	18.72	23.97	71,704	23.42	16.11	20.62	72,417

## RISK FACTORS

Cenovus's operations are exposed to a number of risks, some that impact the oil and gas industry as a whole and others that are unique to the Company's operations. Cenovus has identified risks in four main categories: financial, operational, environment & regulatory, and reputation. The impact of any risk or a combination of risks in these four categories may adversely affect the Company's business, reputation, financial condition, results of operations and cash flow, which may reduce or restrict Cenovus's ability to pay a dividend to its shareholders and may materially affect the market price of its securities.

The Company's approach to risk management includes compliance with the Board approved Enterprise Risk Management Policy and the related enterprise risk management framework and program as well as integration with Cenovus's Operations Management System ("COMS"). It includes an annual review of Cenovus's principal and emerging risks, an analysis of the severity and likelihood of each principal risk, consideration of the Company's current mitigation and an evaluation if additional mitigation or treatment of the risk is required. In addition, Cenovus continuously monitors its risk profile as well as industry best practices.

## FINANCIAL RISKS

Financial risks include, but are not limited to: fluctuations in commodity prices; royalty regimes and tax laws; volatile financial and credit markets; development and operating costs; availability of credit and access to sufficient liquidity; fluctuations in foreign exchange and interest rates; risks related to Cenovus's hedging activities; and risks related to the Company's ability to pay a dividend to shareholders. Changes in global economic conditions could impact a number of factors including, but not limited to, pace of Cenovus's growth, financial strength of the Company's counterparties, access to capital and cost of borrowing.

## Commodity Price Volatility

The Company's financial performance is substantially dependent on the prevailing prices of crude oil, natural gas and refined products. Crude oil prices are impacted by a number of factors including, but not limited to: the supply of and demand for crude oil; global economic conditions; the actions of the Organization of Petroleum Exporting Countries; government regulation; political stability; the ability to transport crude to markets; the availability of alternate fuel sources; and weather conditions. Cenovus's natural gas price realizations are impacted by a number of factors including, but not limited to: North American supply and demand; developments related to the market for liquefied natural gas; weather conditions; and prices of alternate sources of energy. The Company's refined product prices are impacted by a number of factors including, but not limited to: global supply and demand for refined products; market competitiveness; weather; and industry planned and unplanned refinery maintenance. All of these factors are beyond Cenovus's control and can result in a high degree of price volatility. Fluctuations in currency exchange rates further compound this volatility when the commodity prices, which are generally set in U.S. dollars, are stated in Canadian dollars.

Cenovus's financial performance also depends on revenues from the sale of commodities which differ in quality and location from underlying commodity prices quoted on financial exchanges. Of particular importance are the price differentials between the Company's light/medium oil, heavy oil (in particular the light/heavy differential) and bitumen and quoted market prices. Not only are these discounts influenced by regional supply and demand factors, they are also influenced by other factors such as transportation costs, capacity and interruptions; refining demand; the availability and cost of diluent used to blend and transport product; and the quality of the oil produced, all of which are beyond Cenovus's control.

The financial performance of Cenovus's refining operations is impacted by the relationship, or margin, between refined product prices and the prices of refinery feedstock. Margin volatility is impacted by numerous conditions including, but not limited to: fluctuations in the supply and demand for refined products; market competitiveness; crude oil costs; and weather. Refining margins are subject to seasonal factors as production changes to match seasonal demand. Sales volumes, prices, inventory levels and inventory values will fluctuate accordingly. Future refining margins are uncertain and decreases in refining margins may have a negative impact on the Company's business.

Fluctuations in the price of commodities, associated price differentials and refining margins may impact the value of Cenovus's assets, the Company's ability to maintain its business and to fund growth projects including, but not limited to, the continued development of its oil sands properties. Prolonged periods of commodity price volatility may also negatively impact Cenovus's ability to meet guidance targets and meet all of its financial obligations as they come due. Any substantial or extended decline in these commodity prices may result in a delay or cancellation of existing or future drilling, development or construction programs, curtailment in production, unutilized long-term transportation commitments and/or low utilization levels at the Company's refineries.

Cenovus conducts an annual assessment of the carrying value of its assets in accordance with International Financial Reporting Standards. If crude oil and natural gas prices decline significantly and remain at low levels for an extended period of time, the carrying value of the Company's assets may be subject to impairment.

## Development and Operating Costs

Cenovus's financial performance is significantly affected by the cost of developing and operating its assets. Development and operating costs are affected by a number of factors including, but not limited to: inflationary price pressure; scheduling delays; failure to maintain quality construction and manufacturing standards; and supply chain disruptions, including access to skilled labour. Electricity, water, diluent, chemicals, supplies, reclamation, abandonment and labour costs are examples of operating costs that are susceptible to significant fluctuation.

## Hedging Activities

Cenovus's Market Risk Mitigation Policy, which has been approved by the Board, allows Management to use derivative instruments to hedge the price risk of the Company's crude oil and natural gas production, as well as refining margins. Cenovus also uses derivative instruments in various operational markets to optimize its supply cost or sales. The Company may also utilize derivative instruments when considered appropriate, to help mitigate the potential impact of changes in interest rates and foreign exchange rates.

The use of such hedging activities exposes the Company to risks which may cause significant loss. These risks include, but are not limited to: changes in the price of the hedge instrument is not well correlated to the change in the price of the products Cenovus sells; deficiency in the Company's systems or controls; human error; and the unenforceability of Cenovus's contracts.

Additionally, the consequences of hedging to protect against downside price risk may limit the benefit to Cenovus of commodity price increases or changes in interest rates and foreign exchange rates. The Company may also suffer financial loss due to hedging arrangements if it is unable to produce oil, natural gas or refined products to fulfill its delivery obligations related to the underlying physical transaction.

### Exposure to Counterparties

In the normal course of business, Cenovus enters into contractual relationships with suppliers, partners and other counterparties in the energy industry and other industries for the provision and sale of goods and services. If such counterparties do not fulfill their contractual obligations, the Company may suffer financial losses, may have to delay its development plans or may have to forego other opportunities which may materially impact its financial condition or operational results.

### Credit, Liquidity and Availability of Future Financing

The future development of Cenovus's business may be dependent on its ability to obtain additional capital including, but not limited to, debt and equity financing. Unpredictable financial markets and the associated credit impacts may impede the Company's ability to secure and maintain cost effective financing and limit its ability to achieve timely access to capital markets on acceptable terms and conditions. An inability to access capital could affect Cenovus's ability to make future capital expenditures and to meet all of its financial obligations as they come due. The Company's ability to obtain additional capital is dependent on, among other things, interest in investments in the energy industry in general and interest in its securities in particular.

As at December 31, 2014, Cenovus had US\$4.75 billion in debt outstanding with no principal payments due until October 2019 (US\$1.3 billion). The Company has a \$3.0 billion committed credit facility, with a maturity of November 30, 2018, of which the entire amount was available at December 31, 2014, to meet operating and capital requirements. Going forward, an inability to access the credit markets, a sustained downturn in the prices of crude oil, refined products, natural gas or significant unanticipated expenses related to development and maintenance of Cenovus's existing properties could negatively impact the Company's liquidity, its credit ratings and its ability to access additional sources of capital. Cenovus is also required to comply with various financial and operating covenants under its credit facilities and the indentures governing its debt securities. The Company routinely reviews the covenants and may make changes to its development plans, dividend policy, or may take alternative actions to ensure compliance. In the event that Cenovus does not comply with such covenants, its access to capital could be restricted or repayment could be required. If external sources of capital become limited or unavailable, and/or if repayment is required before maturity, the Company's ability to make capital investments, continue its business plan, meet all of its financial obligations as they come due and maintain existing properties may be impaired.

### Foreign Exchange Rates

Fluctuations in foreign exchange rates may affect Cenovus's results as global prices for crude oil, natural gas and refined products are set in U.S. dollars, while many of the Company's operating and capital costs as well as its Consolidated Financial Statements are denominated in Canadian dollars. Cenovus also holds substantial amounts of U.S. dollar debt. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of the Company's oil, natural gas and refined products. In addition, a change in the value of the Canadian dollar against the U.S. dollar will result in an increase or decrease in Cenovus's U.S. dollar denominated debt and related interest expense, as expressed in Canadian dollars. The fluctuations in exchange rates could have a material adverse effect on the Company's business, financial condition and cash flow.

### Interest Rates

The Company may be exposed to fluctuations in interest rates as a result of the use of floating rate securities or borrowings. An increase in interest rates could increase Cenovus's net interest expense and negatively impact its financial results. Additionally, the Company is exposed to interest rates upon the refinancing of maturing long-term debt and anticipated future financing needs at prevailing interest rates.

### Ability to Pay Dividends

The payment of dividends is at the discretion of the Board. All dividends will be reviewed by the Board and may be increased, reduced or suspended from time to time. Cenovus's ability to pay dividends and the actual amount of such dividends is dependent upon, among other things, the Company's financial performance, its debt covenants and obligations, its ability to meet its financial obligations as they come due, its working capital requirements, its future tax obligations, its future capital requirements, commodity prices and the risk factors set forth in this AIF.

## OPERATIONAL RISKS

Operational risks are those risks that affect the Company's ability to continue operations in the ordinary course of business. In general, Cenovus's operations are subject to general risks affecting the oil and gas industry. The Company's operational risks include, but are not limited to: operational and safety considerations; transportation constraints and interruptions; phased growth execution; uncertainty of reserves and resources estimates; reservoir performance and technical challenges; partner risks; competition; technology; third-party claims; land claims; key personnel; and information systems.

## Health and Safety

The operation of Cenovus's properties is subject to hazards of finding, recovering, transporting and processing hydrocarbons, including but not limited to: blowouts; fires; explosions; gaseous leaks; migration of harmful substances; oil spills; corrosion; and acts of vandalism and terrorism. Any of these hazards can interrupt operations, impact the Company's reputation, cause loss of life or personal injury, result in loss of or damage to equipment, property, information technology systems, related data and control systems, and cause environmental damage that may include polluting water, land or air.

## Transportation Capacity and Pipeline Interruptions

Cenovus's production is transported through various pipelines and its refineries are reliant on various pipelines to receive feedstock. Disruptions in, or restricted availability of pipeline service, could adversely affect the Company's crude oil and natural gas sales, projected production growth, refining operations and its cash flow. Interruptions or restrictions in the availability of these pipeline systems may limit the ability to deliver production volumes and could adversely impact commodity prices, sales volumes or the prices received for Cenovus's products. These interruptions and restrictions may be caused by the inability of the pipeline to operate, or they can be related to capacity constraints as the supply of feedstock into the system exceeds the infrastructure capacity. There can be no certainty that investments in pipelines which would result in extra long-term take-away capacity will be made by applicable third party pipeline providers or that any applications to expand capacity will receive the required regulatory approval. There is also no certainty that short-term operational constraints on the pipeline system, arising from pipeline interruption and/or increased supply of crude oil, will not occur. There is also no certainty that crude-by-rail transportation and other alternative types of transportation for the Company's production will be sufficient to address any gaps caused by operational constraints on the pipeline system. In addition, Cenovus's crude-by-rail shipments may be impacted by service delays, inclement weather or derailment and could adversely impact its crude oil sales volumes or the price received for its product. The Company's product or railcars may be involved in a derailment or incident that results in legal liability or reputational harm. In addition, if new regulation is introduced, including but not limited to the potential amendment of the safety standards for tank cars used to transport crude oil or if the liability regime is adjusted, it could adversely affect Cenovus's ability to ship crude oil by rail or the economics associated with rail transportation. Finally, planned or unplanned shutdowns or closures of the Company's refinery customers may limit Cenovus's ability to deliver product with negative implications on sales and cash from operating activities.

## Operational Considerations

The Company's crude oil and natural gas operations are subject to all of the risks normally incidental to: (i) the storing, transporting, processing, refining and marketing of crude oil, natural gas and other related products; (ii) drilling and completion of crude oil and natural gas wells; and (iii) the operation and development of crude oil and natural gas properties, including, but not limited to: encountering unexpected formations or pressures; premature declines of reservoir pressure or productivity; blowouts; equipment failures and other accidents; sour gas releases; uncontrollable flows of crude oil; natural gas or well fluids; adverse weather conditions; pollution; and other environmental risks.

Producing and refining oil requires high levels of investment and involves particular risks and uncertainties. Cenovus's oil operations are susceptible to loss of production, slowdowns, shutdowns, or restrictions on the Company's ability to produce higher value products due to the interdependence of its component systems. Delineation of the resources, the costs associated with production, including drilling wells for SAGD operations, and the costs associated with refining oil can entail significant capital outlays. The operating costs associated with oil production are largely fixed in the short-term and, as a result, operating costs per unit are largely dependent on levels of production.

Cenovus's refining and marketing business is subject to all of the risks inherent in the operation of refineries, terminals, pipelines and other transportation and distribution facilities including, but not limited to: loss of product; slowdowns due to equipment failure or transportation disruptions; weather; fires, and explosions; unavailability of feedstock; and price and quality of feedstock.

The Company does not insure against all potential occurrences and disruptions and it cannot be guaranteed that its insurance will be sufficient to cover any such occurrences or disruptions. Cenovus's operations could also be interrupted by natural disasters or other events beyond its control.

## Uncertainty of Reserves and Future Net Revenue Estimates

The reserves estimates included in this AIF are estimates only. There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond the Company's control. In general, estimates of economically recoverable crude oil and natural gas reserves and the future net cash flows derived therefrom are based upon a number of variable factors and assumptions, including but not limited to: product prices; future operating and capital costs; historical production from the properties and the assumed effects of regulation by governmental agencies, including royalty payments and taxes; initial production rates; production decline rates; and the availability, proximity and capacity of oil and gas gathering systems, pipelines and processing facilities, all of which may vary considerably from actual results.

All such estimates are to some degree uncertain and classifications of reserves are only attempts to define the degree of uncertainty involved. For those reasons, estimates of the economically recoverable crude oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. Cenovus's actual production, revenues, taxes and development and operating expenditures with respect to its reserves may vary from current estimates and such variances may be material.

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

If the Company fails to acquire, develop or find additional crude oil and natural gas reserves, its reserves and production will decline materially from their current levels and therefore Cenovus's business, financial condition, results of operations and cash flows are highly dependent upon successfully producing current reserves and acquiring, discovering or developing additional reserves.

### **Uncertainty of Contingent and Prospective Resource Estimates**

The contingent resources and prospective resources results included in this AIF are estimates only. The same uncertainties inherent in estimating quantities of reserves apply to estimating quantities of contingent and prospective resources. In addition, there are contingencies that prevent resources from being classified as reserves. There is no certainty that it will be commercially viable to produce any portion of the contingent resources. Prospective resources are subject to similar contingencies and are also undiscovered, meaning that subsequent drilling may demonstrate actual results which may vary significantly from projected results. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources. Actual results may vary significantly from these estimates and such variances could be material. For additional information on resources and their associated contingencies, see "Contingent and Prospective Resources" in this AIF.

### **Project Execution**

There are certain risks associated with the execution of both the Company's upstream and refining projects. These risks include, but are not limited to, Cenovus's ability to: obtain the necessary environmental and regulatory approvals; risks relating to schedule, resources and costs, including the availability and cost of materials, equipment and qualified personnel; the impact of general economic, business and market conditions; the impact of weather conditions; risk related to the accuracy of project cost estimates; ability to finance growth; ability to source or complete strategic transactions; and the effect of changing government regulation and public expectations in relation to the impact of oil sands development on the environment. The commissioning and integration of new facilities within the Company's existing asset base could cause delays in achieving targets and objectives.

### **Partner Risks**

Some of the Company's assets are not operated by Cenovus or are held in partnership with others. Therefore, the Company's results of operations may be affected by the actions of third-party operators or partners.

Interests in certain of the Company's upstream assets are held in a partnership with ConocoPhillips, an unrelated U.S. public company, and are operated by Cenovus. The Company's refining assets are held in a partnership with Phillips 66 and operated by Phillips 66. The success of Cenovus's refining operations is dependent on the ability of Phillips 66 to successfully operate this business and maintain the refining assets. The Company relies on the judgment and operating expertise of Phillips 66 in respect of the operation of such refining assets and Cenovus also relies on Phillips 66 to provide information on the status of such refining assets and related results of operations.

ConocoPhillips or Phillips 66, as unrelated third parties, may have objectives and interests that do not coincide with and may conflict with the Company's interests. Major capital decisions affecting these upstream and refining assets require agreement between each respective partner, while certain operational decisions may be made by the operator of the applicable assets. While Cenovus and its partners generally seek consensus with respect to major decisions concerning the direction and operation of these upstream and refining assets, no assurance can be provided that the future demands or expectations of either party relating to such assets will be satisfactorily met or met in a timely manner or at all. Unmet demands or expectations by either party or demands and expectations which are not satisfactorily met may affect Cenovus's participation in the operation of such assets, the Company's ability to obtain or maintain necessary licenses or approvals or affect the timing of undertaking various activities.

## Competition

The Canadian and international petroleum industry is highly competitive in all aspects, including the exploration for, and the development of, new and existing sources of supply, the acquisition of crude oil and natural gas interests and the distribution and marketing of petroleum products. Cenovus competes with other producers and refiners, some of which may have lower operating costs or greater resources than the Company does. Competing producers may develop and implement recovery techniques and technologies which are superior to those Cenovus employs. The petroleum industry also competes with other industries in supplying energy, fuel and related products to consumers.

Several companies have announced plans to enter the oil sands business, to begin production or to expand existing operations. Expansion of existing operations and development of new projects could materially increase the supply of crude oil in the marketplace which may decrease the market price of crude oil, constrain transportation and increase the Company's input costs for skilled labour and materials.

## Technology

Current SAGD technologies for the recovery of bitumen are energy intensive, requiring significant consumption of natural gas in the production of steam that is used in the recovery process. The amount of steam required in the production process varies and therefore impacts costs. The performance of the reservoir can also affect the timing and levels of production using this technology. A large increase in recovery costs could cause certain projects that rely on SAGD technology to become uneconomical, which could have a negative effect on Cenovus's business, financial condition, results of operations and cash flow. There are risks associated with growth and other capital projects that rely largely or partly on new technologies and the incorporation of such technologies into new or existing operations. The success of projects incorporating new technologies cannot be assured.

## Third-Party Claims

From time to time, the Company may be the subject of litigation arising out of its operations. Claims under such litigation may be material or may be indeterminate. The outcome of such litigation may materially impact Cenovus's financial condition or results of operations. The Company may be required to incur significant expenses or devote significant resources in defense against any such litigation.

## Land Claims

In western Canada, aboriginal groups have historically filed claims in respect of their aboriginal rights and treaty rights against the Governments of Canada and Alberta, and other government bodies which may affect Cenovus's business. In particular, aboriginal groups have claimed aboriginal title and rights to a substantial portion of western Canada. In 2014, the Supreme Court of Canada granted aboriginal title over non-treaty lands, representing the first occurrence of such a declaration. Certain aboriginal groups have filed a claim against the Government of Canada, the Province of Alberta, certain governmental entities and the Regional Municipality of Wood Buffalo (which includes the City of Fort McMurray, Alberta) claiming, among other things, aboriginal title to large areas of lands surrounding Fort McMurray, including certain lands in Christina Lake. Such claims, if successful, could have an adverse effect on operations in the affected areas. No certainty exists that any lands currently unaffected by claims brought by aboriginal groups will remain unaffected by future claims. Recent outcomes of litigation concerning aboriginal rights may result in increased claims and litigation activity in the future.

## Personnel

Cenovus's success is dependent upon its Management, its leadership capabilities and the quality of its personnel. Failure to retain current personnel or to attract and retain new personnel with the necessary leadership traits, skills and competencies could have a material adverse effect on the Company's growth and profitability.

## Information Systems

The Company depends on a variety of information systems to operate effectively. A failure or sabotage of certain business critical information systems could result in operational difficulties, damage or loss of data, productivity losses or result in unauthorized knowledge and use of information.

## ENVIRONMENTAL & REGULATORY RISKS

Cenovus's industry is generally subject to regulation and intervention under federal, provincial, state and municipal legislation in Canada and the U.S. in matters such as, but not limited to: land tenure; permitting of production projects; royalties; taxes (including income taxes); government fees; production rates; environmental protection controls; protection of certain species or lands; provincial and federal land use designations; the reduction of GHG and other emissions; the export of crude oil, natural gas and other products; the awarding or acquisition of exploration and production, oil sands or other interests; the imposition of specific drilling obligations; control over the development and abandonment of fields (including restrictions on production); and possibly expropriation or cancellation of contract rights.

## Regulatory Approvals

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

Cenovus's operations require the Company to obtain approvals from various regulatory authorities and there are no guarantees that it will be able to obtain all necessary licenses, permits and other approvals that may be required to carry out certain exploration and development activities on its properties. In addition, obtaining certain approvals from regulatory authorities can involve, among other things, stakeholder and aboriginal consultation, environmental impact assessments and public hearings. Regulatory approvals obtained may be subject to the satisfaction of certain conditions, including, but not limited to: security deposit obligations; regulatory oversight of projects by third parties; mitigating or avoiding project impacts; habitat assessments; and other commitments or obligations. Failure to obtain applicable regulatory approvals or satisfy any of the conditions thereto on a timely basis on satisfactory terms could result in delays, abandonment or restructuring of projects and increased costs.

## Royalty Regimes

The Company's cash flow may be directly affected by changes to royalty regimes. The Governments of Alberta and Saskatchewan receive royalties on the production of hydrocarbons from lands in which they respectively own the mineral rights. The royalty rate that Cenovus is charged on its oil sands production is determined based on the Canadian dollar equivalent price of West Texas Intermediate ("WTI"), and therefore increases in WTI or decreases in the CDN\$/US\$ exchange rate could significantly increase its royalties, which may have a negative impact on the Company's business, financial conditions, results of operations and cash flow. There is also a mineral tax in each province levied on hydrocarbon production from lands to which the Crown does not own the mineral rights. The potential for changes in the royalty and mineral tax regimes applicable in the provinces Cenovus operates creates uncertainty relating to the ability to accurately estimate future Crown burdens. An increase in the royalty or mineral tax rates applicable in one or both provinces would reduce the Company's earnings and could make, in the respective province, future capital expenditures or existing operations uneconomic. A material increase in royalties or mineral taxes may reduce the value of Cenovus's associated assets.

## Tax Laws

Income tax laws, other laws or government incentive programs may in the future be changed or interpreted in a manner that adversely affects Cenovus and its shareholders. Tax authorities having jurisdiction over Cenovus may disagree with the manner in which the Company calculates its tax liabilities such that its provision for income taxes may not be sufficient or could change their administrative practices to Cenovus's detriment or the detriment of its shareholders. In addition, all of the Company's tax filings are subject to audit by tax authorities who may disagree with such filings in a manner that adversely affects Cenovus and its shareholders.

## Environmental Regulations

All phases of crude oil, natural gas and refining operations are subject to environmental regulation pursuant to a variety of Canadian and U.S. federal, provincial, territorial, state and municipal laws and regulations (collectively, "environmental regulations"). Environmental regulations require that wells, facility sites, refineries and other properties associated with the Company's operations be constructed, operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations, including exploration and development projects and changes to certain existing projects, may require the submission and approval of environmental impact assessments or permit applications. Environmental regulations impose, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances in the environment. They also impose restrictions, liabilities and obligations in connection with the management of fresh or potable water sources that are being used, or whose use is contemplated, in connection with oil and gas operations. Compliance with environmental regulations can require significant expenditures, including expenditures for clean-up costs and damages arising out of contaminated properties and failure to comply with environmental regulations may result in the imposition of fines and penalties and the imposition of environmental protection orders. Although it is not expected that the costs of complying with environmental regulation will have a material adverse effect on Cenovus's financial condition or results of operations, no assurance can be made that the costs of complying with environmental regulations in the future will not have such an effect. The implementation of new environmental regulations or the modification of existing environmental regulations affecting the crude oil and natural gas industry generally could reduce demand for crude oil and natural gas and increase costs.

### Climate Change Regulations

The Canadian federal government, various provincial governments and U.S. federal and state governments have announced intentions to regulate GHG emissions and other air pollutants (collectively, "regulations"). Some of these regulations are in effect while others remain in various phases of review, discussion or implementation in the U.S. and Canada. Uncertainties exist relating to the timing and effects of these regulations. Additionally, lack of certainty regarding how any future federal legislation will harmonize with provincial or state regulations makes it difficult to accurately determine the cost estimate of climate change legislation compliance with certainty, including the effects of compliance with such initiatives on the Company's suppliers and service providers.

Adverse impacts to Cenovus's business if comprehensive GHG legislation or regulation is enacted and applies to the Company's business in any jurisdiction in which it operates or conducts business, may include, but are not limited to: increased compliance costs; permitting delays; substantial costs to generate or purchase emission credits or allowances adding costs to the products Cenovus produces; and reduced demand for crude oil and certain refined products. Emission allowances or offset credits may not be available for acquisition or may not be available on an economic basis. Required emission reductions may not be technically or economically feasible to implement, in whole or in part, and failure to meet such emission reduction requirements or other compliance mechanisms may have a material adverse effect on the Company's business resulting in, among other things, fines, permitting delays, penalties and the suspension of operations. Consequently, no assurances can be given that the effect of future climate change regulations will not be significant to Cenovus.

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

### Low Carbon Fuel Standards

Existing and proposed environmental legislation in certain U.S. states, Canadian provinces and in the European Union, regulating carbon fuel standards could result in increased costs and reduced revenue. The potential regulation may negatively affect the marketing of Cenovus's bitumen, crude oil or refined products, and may require the Company to purchase emissions credits in order to affect sales in such jurisdictions.

The state of California has implemented climate change regulation in the form of a Low Carbon Fuel Standard that requires the reduction of life cycle carbon emissions from transportation fuels. As an oil sands producer, Cenovus is not directly regulated and is not expected to have a compliance obligation. Refiners in California will be required to comply with the legislation. A number of studies produced on the subject, including one that was conducted by an organization that advised on the legislation, suggest a wide range of carbon intensity values for oil sands crudes. This could make it challenging for refiners to distinguish between crude oils and may negatively impact the Company's ability to market and sell its crude in this market.

### Renewable Fuel Standards

Cenovus's U.S. refining operations are subject to various laws and regulations that impose stringent and costly requirements. Of specific note is the *Energy Independence and Security Act of 2007* ("EISA 2007") that established energy management goals and requirements. Pursuant to EISA 2007, among other things, the Environmental Protection Agency issued the Renewable Fuel Standard program that mandates the total volume of renewable transportation fuel sold or introduced in the U.S. and requires refiners to blend renewable fuels such as ethanol and advanced biofuels with their gasoline. The mandate requires the volume of renewable fuels blended into finished petroleum products to increase over time until 2022. To the extent refineries do not blend renewable fuels into their finished products, they must purchase credits, referred to as Renewable Identification Numbers ("RINs"), in the open market. A RIN is a number assigned to each gallon of renewable fuel produced or imported into the U.S. RIN numbers were implemented to provide refiners with flexibility in complying with the renewable fuel standards.

The Company's refineries do not blend renewable fuels into the motor fuel products they produce and, consequently, Cenovus is obligated to purchase RINs in the open market, where prices fluctuate. In the future, the regulations could change the volume of renewable fuels required to be blended with refined products, creating volatility in the price for RINs or an insufficient number of RINs being available in order to meet the requirements. The Company's financial condition, results of operations, and cash flow may be materially adversely impacted as a result.

### Alberta's Land-Use Framework

Alberta's Land-Use Framework has been implemented under the *Alberta Land Stewardship Act* ("ALSA") which sets out the Government of Alberta's approach to managing Alberta's land and natural resources to achieve long-term economic, environmental and social goals. In some cases, ALSA amends or extinguishes previously issued consents such as regulatory permits, licenses, approvals and authorizations in order to achieve or maintain an objective or policy resulting from the implementation of a regional plan.

The Government of Alberta has approved its Lower Athabasca Regional Plan ("LARP"), which was issued under the ALSA. The LARP identifies management frameworks for air, land and water that will incorporate cumulative limits and triggers as well as identifying areas related to conservation, tourism and recreation. Cenovus received financial compensation from the Government of Alberta related to some of its non-core Oil Sands mineral rights that were cancelled. The cancelled mineral rights had no direct impact on the Company's business plan, its current operations at Foster Creek and Christina Lake, or on any of its filed applications. Uncertainty exists with respect to the impact to future development applications in the areas covered by the LARP, including the potential for development restrictions and mineral rights cancellation.

The Government of Alberta has also approved its South Saskatchewan Regional Plan ("SSRP"), the second and similar regional plan to be developed under the ALSA. This plan applies to Cenovus's conventional oil and gas operations in southern Alberta. To date, the SSRP is not expected to materially impact Cenovus's existing conventional oil and gas operations, but no assurance can be given that future expansion of these operations will not be affected.

The Government of Alberta has commenced development of its North Saskatchewan Regional Plan ("NSRP"). This plan will apply to Cenovus's operations in central Alberta. The first phase of public consultation for the NSRP is complete. No assurance can be given that the NSRP won't materially impact operations or future operations in this region.

### **Species at Risk Act**

The federal legislation, *Species at Risk Act*, and provincial counterparts regarding threatened or endangered species may limit the pace and the amount of development in areas identified as critical habitat for species of concern (e.g. woodland caribou). Recent litigation against the federal government in relation to the *Species at Risk Act* has raised issues associated with the protection of species at risk and their critical habitat both federally and on a provincial level. In Alberta, the Alberta Caribou Action and Range Planning Project has been established to develop range plans and action plans with a view to achieving the maintenance and recovery of Alberta's 15 caribou populations. The federal and/or provincial implementation of measures to protect species at risk such as woodland caribou and their critical habitat in areas of Cenovus's current or future operations may limit the Company's pace and amount of development and, in some cases, may result in an inability to further develop or continue to develop or operate in affected areas.

### **Federal Air Quality Management System**

In June 2014, under the Federal Air Quality Management System, Environment Canada announced draft Multi-sector Air Pollutants Regulations ("MAPR"). The draft MAPR are aimed at equipment-specific Base-Level Industrial Emissions Requirements ("BLIERs"). Under the draft MAPR, nitrogen oxide BLIERs from the Company's non-utility boilers, heaters and reciprocating engines will be regulated in accordance with specified performance standards. Regulations are expected to come into force on June 1, 2015. Cenovus does not anticipate a material impact to existing or future operations.

### **Water Licenses**

Cenovus currently utilizes fresh water in certain operations, which is obtained under licenses issued pursuant to the *Water Act* to provide, for example, domestic and utility water at the Company's SAGD facilities and for its bitumen delineation programs. There can be no assurance that the licenses to withdraw water will not be rescinded or that additional conditions will not be added to these licenses. There can be no assurance that Cenovus will not have to pay a fee for the use of water in the future or that any such fees will be reasonable. In addition, the expansion of the Company's projects rely on securing licenses for additional water withdrawal, and there can be no assurance that these licenses will be granted on terms favourable to Cenovus, or at all, or that such additional water will in fact be available to divert under such licenses.

### **Alberta Wetlands Policy**

In September 2013, the Government of Alberta approved a new wetlands policy to be fully implemented by June 2015. This new policy is not expected to affect Cenovus's existing operations in Foster Creek, Christina Lake and Narrows Lake, where the Company's ten year wetlands mitigation and monitoring plans were recently approved under the existing wetlands policy.

New project developments and future phase expansions will likely be affected by this policy. Cenovus's oil sands leases are in areas where wetlands cover over 50% of the landscape. 'Avoidance' may not be an option for new project developments and phase expansions. Additional details of the wetlands classification system and compensation requirements are still to be determined within the policy. While Cenovus does not anticipate a material impact, no assurance can be given that the policy will not have an impact on future development plans.

## REPUTATION RISKS

Cenovus relies on its reputation to build and maintain positive relationships with its stakeholders, to recruit and retain staff, and to be a credible, trusted company. Any actions the Company takes that cause negative public opinion have the potential to negatively impact Cenovus's reputation which may adversely affect its share price, its development plans and its ability to continue operations. The increasing use of social media has especially heightened the need for reputational risk management.

### Public Perception and Influence on Regulatory Regime

Development of the Alberta oil sands has received considerable attention in recent public commentary on the subjects of environmental impact, climate change and GHG emissions. Despite that much of the focus is on bitumen mining operations and not in-situ production, public concerns about oil sands generally and GHG emissions and water and land use practices in oil sands developments specifically may, directly or indirectly, impair the profitability of the Company's current oil sands projects, and the viability of future oil sands projects, by creating significant regulatory uncertainty leading to uncertain economic modeling of current and future projects and delays relating to the sanctioning of future projects.

Negative consequences which could arise as a result of changes to the current regulatory environment include, but are not limited to, extraordinary environmental and emissions regulation of current and future projects by governmental authorities, which could result in changes to facility design and operating requirements, thereby potentially increasing the cost of construction, operation and abandonment. In addition, legislation or policies that limit the purchase of crude oil or bitumen produced from the oil sands may be adopted in domestic and/or foreign jurisdictions, which, in turn, may limit the world market for this crude oil, reduce its price and may result in stranded assets or an inability to further develop oil resources.

## OTHER RISK FACTORS

### Arrangement Related Risk

Cenovus has certain post-Arrangement indemnification and other obligations under each of the arrangement agreement (the "Arrangement Agreement") and the separation and transition agreement (the "Separation Agreement"), both of which are among Encana, 7050372 and Subco, dated October 20, 2009 and November 30, 2009 respectively, entered in connection with the Arrangement. Encana and Cenovus have agreed to indemnify each other for certain liabilities and obligations associated with, among other things, in the case of Encana's indemnity, the business and assets retained by Encana, and in the case of Cenovus's indemnity, the Cenovus business and assets. At the present time, the Company cannot determine whether it will have to indemnify Encana for any substantial obligations under the terms of the Arrangement. Cenovus also cannot assure that if Encana has to indemnify Cenovus and its affiliates for any substantial obligations, Encana will be able to satisfy such obligations.

A discussion of additional risks, should they arise after the date of this AIF, which may impact Cenovus's business, prospects, financial condition, results of operation and cash flows, and in some cases its reputation, can be found in the Company's most recent Management's Discussion and Analysis, available at [www.sedar.com](http://www.sedar.com), [www.sec.gov](http://www.sec.gov) and [cenovus.com](http://cenovus.com).

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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During the year ended December 31, 2014, there were no legal proceedings to which Cenovus is or was a party, or that any of its property is or was the subject of, which involves a claim for damages in an amount, exclusive of interest and costs, that exceeds 10 percent of Cenovus's current assets and it is not aware of any such legal proceedings that are contemplated.

During the year ended December 31, 2014, there were no penalties or sanctions imposed against Cenovus by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and it has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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None of the Company's directors or executive officers or any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of Cenovus's outstanding voting securities, of which there are none that the Company is aware, or any associate or affiliate of any of the foregoing persons or companies, in each case, as at the date of this AIF, has or has had any material interest, direct or indirect, in any past transaction or any proposed transaction that has materially affected or is reasonably expected to materially affect Cenovus.

## **MATERIAL CONTRACTS**

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During the year ended December 31, 2014, Cenovus has not entered into any contracts, nor are there any contracts still in effect, that are material to the business, other than contracts entered into in the ordinary course of business, and each of the Arrangement Agreement and the Separation Agreement, as described under "Risk Factors – Other Risk Factors – Arrangement Related Risk".

## **INTERESTS OF EXPERTS**

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The Company's independent auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have issued an independent auditor's report dated February 11, 2015 in respect of Cenovus's Consolidated Financial Statements which comprise the Consolidated Balance Sheets as at December 31, 2014, December 31, 2013 and January 1, 2013 and the Consolidated Statements of Earnings and Comprehensive Income, Shareholders' Equity and Cash Flows for the years ended December 31, 2014, 2013, and 2012 and Cenovus's internal control over financial reporting as at December 31, 2014. PricewaterhouseCoopers LLP has advised that they are independent with respect to Cenovus within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta and the rules of the SEC.

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

## **TRANSFER AGENTS AND REGISTRARS**

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### **In Canada:**

Computershare Investor Services Inc.  
8<sup>th</sup> Floor, 100 University Avenue  
Toronto, ON M5J 2Y1  
Canada

### **In the United States:**

Computershare Trust Company NA  
250 Royall St.  
Canton, MA 02021  
U.S.

Tel: 1-866-332-8898

Website: [www.investorcentre.com/cenovus](http://www.investorcentre.com/cenovus)

## **ADDITIONAL INFORMATION**

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Additional information relating to Cenovus is available on SEDAR at [www.sedar.com](http://www.sedar.com), and EDGAR at [www.sec.gov](http://www.sec.gov). Additional financial information is contained in the Company's audited Consolidated Financial Statements and MD&A for the year ended December 31, 2014. Additional disclosure, including directors' and officers' remuneration and indebtedness, principal holders of Cenovus's securities, securities authorized for issuance under its equity-based compensation plans and its statement of corporate governance practices, is included in the Company's management proxy circular for its most recent annual meeting of shareholders.

Disclosure regarding the contribution of each reportable segment to revenues and earnings can be found in Cenovus's audited Consolidated Financial Statements and MD&A for the year ended December 31, 2014, which disclosure is incorporated by reference into this AIF.

As a Canadian corporation listed on the NYSE, Cenovus is not required to comply with most of the NYSE's corporate governance standards, and instead may comply with Canadian corporate governance practices. However, the Company is required to disclose the significant differences between its corporate governance practices and the requirements applicable to U.S. domestic companies listed on the NYSE. Except as summarized on Cenovus's website at [cenovus.com](http://cenovus.com), it is in compliance with the NYSE corporate governance standards in all significant respects.

## **ACCOUNTING MATTERS**

Unless otherwise specified, all dollar amounts are expressed in Canadian dollars. All references to "dollars", "C\$" or to "\$" are to Canadian dollars and all references to "US\$" are to U.S. dollars. The information contained in this AIF is dated as at December 31, 2014 unless otherwise indicated. Numbers presented are rounded to the nearest whole number and tables may not add due to rounding.

Unless otherwise indicated, all financial information included in this AIF has been prepared in accordance with International Financial Reporting Standards, which are also generally accepted accounting principles for publicly accountable enterprises in Canada.

## ABBREVIATIONS AND CONVERSIONS

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### Oil and Natural Gas Liquids

bbl	barrel
bbls/d	barrels per day
Mbbls/d	thousand barrels per day
MMbbls	million barrels
NGLs	natural gas liquids
BOE	barrel of oil equivalent
BOE/d	barrels of oil equivalent per day
WTI	West Texas Intermediate
TM	Trademark of Cenovus Energy Inc.

### Natural Gas

Bcf	billion cubic feet
Mcf	thousand cubic feet
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MMBtu	million British thermal units
CBM	Coal Bed Methane

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

## APPENDIX A

### REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATORS

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

- We have evaluated the Corporation's reserves data as at December 31, 2014. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014, estimated using forecast prices and costs.
- The reserves data are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.  
We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).
- Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
- The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Corporation evaluated by us for the year ended December 31, 2014.

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate) \$ millions
McDaniel & Associates Consultants Ltd.	Cenovus Energy Inc. Evaluation of a Portion of the Canadian Oil & Gas Reserves January 12, 2015	Canada	29,473
GLJ Petroleum Consultants Ltd.	Cenovus Energy Inc. Corporate Evaluation January 9, 2015	Canada	2,050
			31,523

- In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied.
- We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.
- Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

(signed) "D"5"K Y`W`"

McDaniel & Associates Consultants Ltd.  
Calgary, Alberta, Canada

February 10, 2015

(signed) "?YJh '6FUUhYb"

GLJ Petroleum Consultants Ltd.  
Calgary, Alberta, Canada

## APPENDIX B

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### REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management and directors of Cenovus Energy Inc. (the "Corporation") are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated the Corporation's reserves data. A report from the independent qualified reserves evaluators will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the Board of Directors of the Corporation has:

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

The Board of Directors of the Corporation has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has approved:

- (a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas activity information;
- (b) the filing of the report of the independent qualified reserves evaluators on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed)

Brian C. Ferguson  
President & Chief Executive Officer

(signed)

Ivor M. Ruste  
Executive Vice-President &  
Chief Financial Officer

(signed)

Michael A. Grandin  
Director and Chair of the Board

(signed)

Wayne G. Thomson  
Director and Chair of the Reserves Committee

February 11, 2015

## APPENDIX C

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### AUDIT COMMITTEE MANDATE

#### I. PURPOSE

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

The Committee's primary duties and responsibilities are to:

- Oversee and monitor the effectiveness and integrity of the Corporation's accounting and financial reporting processes, financial statements and system of internal controls regarding accounting and financial reporting compliance.
- Oversee audits of the Corporation's financial statements.
- Review and evaluate the Corporation's risk management framework and related processes including the supporting guidelines and practice documents.
- Review and approve management's identification of principal financial risks and monitor the process to manage such risks.
- Oversee and monitor the Corporation's compliance with legal and regulatory requirements.
- Oversee and monitor the qualifications, independence and performance of the Corporation's external auditors and internal auditing group.
- Provide an avenue of communication among the external auditors, management, the internal auditing group, and the Board.
- Report to the Board regularly.

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

#### II. COMPOSITION AND MEETINGS

##### *Composition*

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

All members of the Committee shall be financially literate, as defined in NI 52-110, and at least one member shall have accounting or related financial managerial expertise. In particular, at least one member shall have, through (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions; (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions; (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or (iv) other relevant experience:

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

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

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

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

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

#### ***Appointment of Committee Members***

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

#### ***Vacancies***

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

#### ***Chair***

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

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

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

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

#### ***Secretary***

The Committee shall appoint a Secretary who need not be a member of the Committee. The Secretary shall keep minutes of the meetings of the Committee.

#### ***Meetings***

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

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

#### ***Notice of Meeting***

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

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

#### ***Quorum***

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

#### ***Attendance at Meetings***

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

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

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

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

### *Minutes*

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

Minutes of Committee meetings shall be sent to all Committee members and to the external auditors. The full Board of Directors shall be kept informed of the Committee's activities by a report following each Committee meeting.

## **III. RESPONSIBILITIES**

### *Review Procedures*

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

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

### *Annual Financial Statements*

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

The review shall include a report from the external auditors about the quality of the most critical accounting principles upon which the Corporation's financial status depends, and which involve the most complex, subjective or significant judgmental decisions or assessments.

### *Quarterly Financial Statements*

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

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

### ***Other Financial Filings and Public Documents***

4. Review and discuss with management financial information, including earnings press releases, the use of “pro forma” or non-GAAP financial information and earnings guidance, contained in any filings with the CSA or SEC or news releases related thereto, and consider whether the information is consistent with the information contained in the financial statements of the Corporation or any subsidiary with public securities.

### ***Internal Control Environment***

5. Receive and review from management, the external auditors and the internal auditors an annual report on the Corporation’s control environment as it pertains to the Corporation’s financial reporting process and controls.
6. Review and discuss significant financial risks or exposures and assess the steps management has taken to monitor, control, report and mitigate such risk to the Corporation.
7. Review in consultation with the internal auditors and the external auditors the degree of coordination in the audit plans of the internal auditors and the external auditors and enquire as to the extent the planned scope can be relied upon to detect weaknesses in internal controls, fraud, or other illegal acts. The Committee will assess the coordination of audit effort to assure completeness of coverage and the effective use of audit resources. Any significant recommendations made by the auditors for the strengthening of internal controls shall be reviewed and discussed with management.
8. Review with the President & Chief Executive Officer, the Executive Vice-President & Chief Financial Officer of the Corporation and the external auditors: (i) all significant deficiencies and material weaknesses in the design or operation of the Corporation’s internal controls and procedures for financial reporting which could adversely affect the Corporation’s ability to record, process, summarize and report financial information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act or applicable Canadian federal and provincial legislation and regulations within the required time periods, and (ii) any fraud, whether or not material, that involves management of the Corporation or other employees who have a significant role in the Corporation’s internal controls and procedures for financial reporting.
9. Review significant findings prepared by the external auditors and the internal auditing department together with management’s responses.

### ***Risk Oversight***

10. Review and evaluate the Corporation’s risk management framework and related processes including the supporting guidelines and practice documents.

### ***Other Review Items***

11. Review policies and procedures with respect to officers’ and directors’ expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal auditor or the external auditors.
12. Review all related party transactions between the Corporation and any executive officers or directors, including affiliations of any executive officers or directors.
13. Review with the General Counsel, the head of internal audit and the external auditors the results of their review of the Corporation’s monitoring compliance with each of the Corporation’s published codes of business conduct and applicable legal requirements.
14. Review legal and regulatory matters, including correspondence with and reports received from regulators and government agencies, that may have a material impact on the interim or annual financial statements and related corporate compliance policies and programs. Members from the Legal and Tax groups should be at the meeting in person to deliver their respective reports.
15. Review policies and practices with respect to off-balance sheet transactions and trading and hedging activities, and consider the results of any review of these areas by the internal auditors or the external auditors.
16. Ensure that the Corporation’s presentation of hydrocarbon reserves has been reviewed with the Reserves Committee of the Board.
17. Review management’s processes in place to prevent and detect fraud.
18. Review:
  - (a) procedures for the receipt, retention and treatment of complaints received by the Corporation, including confidential, anonymous submissions by employees of the Corporation, regarding accounting, internal accounting controls, or auditing matters; and

- (b) a summary of any significant investigations regarding such matters.
19. Meet on a periodic basis separately with management.

#### **External Auditors**

20. Be directly responsible, in the Committee's capacity as a committee of the Board and subject to the rights of shareholders and applicable law, for the appointment, compensation, retention and oversight of the work of the external auditors (including resolution of disagreements between management and the external auditors regarding financial reporting) for the purpose of preparing or issuing an audit report, or performing other audit, review or attest services for the Corporation. The external auditors shall report directly to the Committee.
21. Meet on a regular basis with the external auditors (without management present) and have the external auditors be available to attend Committee meetings or portions thereof at the request of the Chair of the Committee or by a majority of the members of the Committee.
22. Review and discuss a report from the external auditors at least quarterly regarding:
- (a) All critical accounting policies and practices to be used;
  - (b) All alternative treatments within accounting principles for policies and practices related to material items that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and
  - (c) Other material written communications between the external auditors and management, such as any management letter or schedule of unadjusted differences.
23. Obtain and review a report from the external auditors at least annually regarding:
- (a) The external auditors' internal quality-control procedures.
  - (b) Any material issues raised by the most recent internal quality-control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with those issues.
  - (c) To the extent contemplated in the following paragraph, all relationships between the external auditors and the Corporation.
24. Review and discuss at least annually with the external auditors all relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation, (i) receiving and reviewing, as part of the report described in the preceding paragraph, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation and its affiliates, (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence.
25. Review and evaluate annually:
- (a) The external auditors' and the lead partner of the external auditors' team's performance, and make a recommendation to the Board of Directors regarding the reappointment of the external auditors at the annual meeting of the Corporation's shareholders or regarding the discharge of such external auditors.
  - (b) The terms of engagement of the external auditors together with their proposed fees.
  - (c) External audit plans and results.
  - (d) Any other related audit engagement matters.
  - (e) The engagement of the external auditors to perform non-audit services, together with the fees therefor, and the impact thereof, on the independence of the external auditors.
  - (f) Review the Annual Report of the Canadian Public Accountability Board ("CPAB") concerning audit quality in Canada and discuss implications for Cenovus.
  - (g) Review any reports issued by CPAB regarding the audit of Cenovus.
26. Conduct periodically a comprehensive review of the external auditor, with the outcome intended to assist the Committee to identify potential areas for improvement for the audit firm, and to reach a final conclusion on whether the auditor should be reappointed or the audit put out for tender.
27. Upon reviewing and discussing the information provided to the Committee in accordance with paragraphs 22 through 25, evaluate the external auditors' qualifications, performance and independence, including whether or not the external auditors' quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining auditor independence, taking into account the opinions of management and the head of internal audit. The Committee shall present to the Board its conclusions in this respect.

28. Review the rotation of partners on the audit engagement team in accordance with applicable law. Consider whether, in order to assure continuing external auditor independence, it is appropriate to adopt a policy of rotating the external auditing firm on a regular basis.
29. Set clear hiring policies for the Corporation's hiring of employees or former employees of the external auditors.
30. Consider with management and the external auditors the rationale for employing audit firms other than the principal external auditors.
31. Consider and review with the external auditors, management and the head of internal audit:
  - (a) Significant findings during the year and management's responses and follow-up thereto.
  - (b) Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information, and management's response.
  - (c) Any significant disagreements between the external auditors or internal auditors and management.
  - (d) Any changes required in the planned scope of their audit plan.
  - (e) The resources, budget, reporting relationships, responsibilities and planned activities of the internal auditors.
  - (f) The internal audit department mandate.
  - (g) Internal audit's compliance with the Institute of Internal Auditors' standards.

#### *Internal Audit Group and Independence*

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

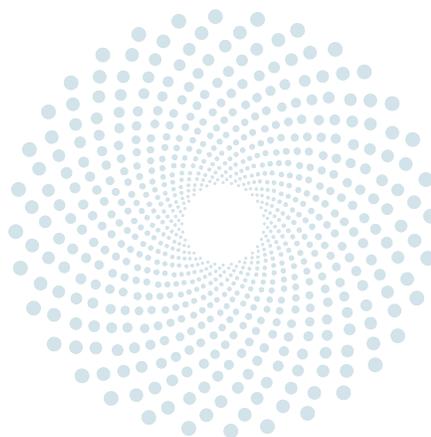
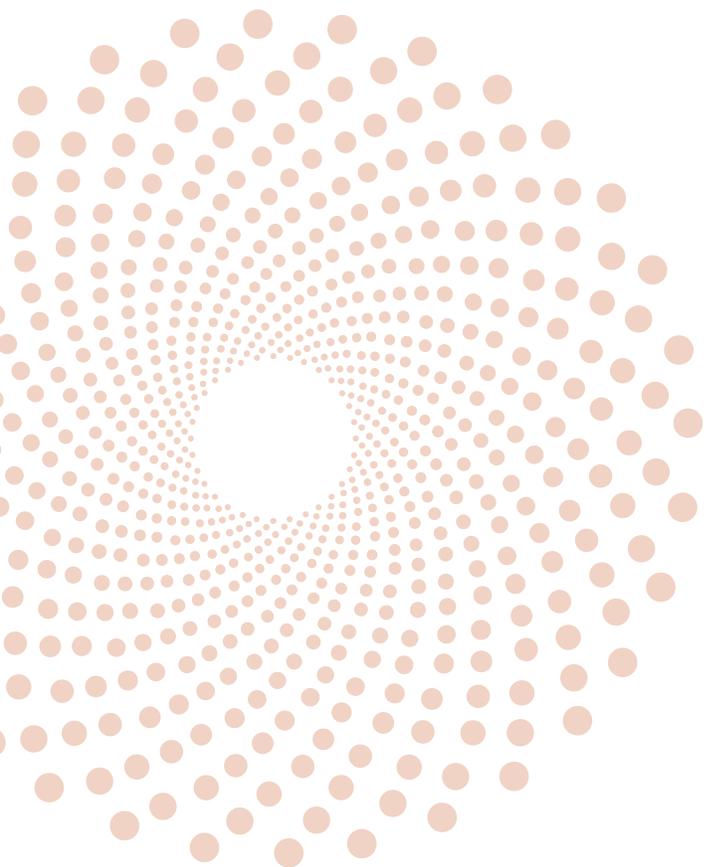
#### *Approval of Audit and Non-Audit Services*

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

#### *Other Matters*

40. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Financial Officer.
41. Upon a majority vote of the Committee outside resources may be engaged where and if deemed advisable.
42. Report Committee actions to the Board of Directors with such recommendations as the Committee may deem appropriate.
43. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain, obtain advice or otherwise receive assistance from independent counsel, accountants, or others to assist it in the conduct of any investigation as it deems necessary and the carrying out of its duties.

44. Determine the appropriate funding for payment by the Corporation (i) of compensation to the external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, (ii) of compensation to any advisors employed by the Committee, and (iii) of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
45. Obtain assurance from the external auditors that no disclosure to the Committee is required pursuant to the provisions of the Exchange Act regarding the discovery of illegal acts by the external auditors.
46. Review and reassess the adequacy of this Mandate annually and recommend any proposed changes to the Board for approval.
47. Consider for implementation any recommendations of the Nominating and Corporate Governance Committee of the Board with respect to the Committee's effectiveness, structure, processes or mandate.
48. Perform such other functions as required by law, the Corporation's by-laws or the Board of Directors.
49. Consider any other matters referred to it by the Board of Directors.



**cenovus**  
ENERGY

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Our Annual Report is  
available on our website at  
[cenovus.com](http://cenovus.com)