Cenovus Energy Inc.

Annual Information Form

For the Year Ended December 31, 2015

February 10, 2016

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FORWARD-LOOKING INFORMATION

In this Annual Information Form ("AIF"), unless otherwise specified or the context otherwise requires, references to "we", "us", "our", "its", "the Corporation" 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 Corporation's experience and perception of historical trends. This forward-looking information is identified by words such as "anticipate", "believe", "expect", "estimate", "plan", "forecast" or "F", "future", "target", "position", "project", "capacity", "could", "should", "focus", "goal", "outlook", "proposed", "potential", "may", "strategy", "forward", "opportunity", "schedule", "on track" or similar expressions and includes suggestions of future outcomes, including statements about Cenovus's strategy and related milestones and schedules including with respect to the development and growth of our business; projected future value; projections for 2016 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 related information, including future net revenue and future development costs; broadening market access; expected capacities, including for projects, transportation and refining; improving cost structures, forecast cost savings and the sustainability thereof; dividend plans and strategy; anticipated timelines for future regulatory, partner or internal approvals; future impact of regulatory measures; forecast commodity prices and expected impacts to Cenovus; future use and development of technology, including expected effects on environmental impact; and projected shareholder return. Readers are cautioned not to place undue reliance on forward-looking information as the Corporation'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 Corporation's current guidance, available at 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 Corporation 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 Corporation's risk management program, including the impact of derivative financial instruments, the success of Cenovus's hedging strategies and the sufficiency of the Corporation's liquidity position; the accuracy of cost estimates; commodity prices, currency and interest rates; product supply and demand; market competition, including from alternative energy sources; risks inherent in Cenovus's marketing operations, including credit risks; exposure to counterparties and partners, including ability and willingness of such parties to satisfy contractual obligations in a timely manner; risks inherent in operation of our crude-by-rail terminal, including health, safety and environmental risks; maintaining desirable ratios of debt (and net debt) to adjusted earnings before interest, taxes, depreciation and amortization as well as debt (and net debt) to capitalization; the Corporation's ability to access various sources of debt and equity capital, generally, and on terms acceptable to the Corporation; Cenovus's ability to finance growth and sustaining capital expenditures; 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 expense and future net revenue estimates; the Corporation'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 business; reliability of the Corporation's assets including in order to meet production targets; potential disruption or unexpected technical difficulties in developing new products and manufacturing processes; the occurrence of unexpected events such as fires, severe weather conditions, explosions, blow-outs, equipment failures, transportation incidents and other accidents or similar events; refining and marketing margins; inflationary pressures on operating costs, including labour, natural gas and other energy sources used in oil sands processes; potential failure of new products to achieve acceptance in the market; unexpected cost increases or technical difficulties in constructing or modifying manufacturing or refining facilities; unexpected difficulties in 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 Corporation's ability to secure adequate and cost-effective product transportation including sufficient pipeline, crude-by-rail, marine or alternate transportation, including to address any gaps caused by constraints in the pipeline system; availability of, and Cenovus's ability to attract and retain, critical talent; 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, climate change 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 Corporation 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 Corporation'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 sedar.com, sec.gov and on the Corporation's website at cenovus.com.

Information on or connected to our website cenovus.com does not form part of this AIF.

CORPORATE STRUCTURE

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. On July 31, 2015 Cenovus amalgamated with its wholly owned subsidiary, 9281584 Canada Limited (formerly 1528419 Alberta Ltd.), by way of a vertical short-form amalgamation.

Pursuant to a special resolution of the shareholders of the Corporation passed at the annual and special meeting of the Corporation's shareholders on April 29, 2015, the Corporation's articles were amended to provide that the aggregate number of preferred shares issued by the Corporation may not exceed 20 percent of the aggregate number of common shares then outstanding.

The Corporation'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, 2015 are as follows:

Subsidiaries & Partnerships	Percentage Owned [(1)]	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") [(2)]	50	Alberta
WRB Refining LP ("WRB") [(3)]	50	Delaware

(1) Reflects all voting securities of all subsidiaries and partnerships beneficially owned, or controlled, or directed; directly or indirectly by Cenovus.
(2) Cenovus interest held through Cenovus FCCL Ltd., the operator and managing partner of FCCL.
(3) Cenovus interest held through Cenovus American Holdings Ltd. and Cenovus US Holdings Inc.

The Corporation's remaining subsidiaries and partnerships each account for (i) less than 10 percent of the Corporation's consolidated assets as at December 31, 2015 and (ii) less than 10 percent of the Corporation's consolidated revenues for the year ended December 31, 2015. In aggregate, Cenovus's unidentified subsidiaries and partnerships did not exceed 20 percent of the Corporation's total consolidated assets or total consolidated revenues as at and for the year ended December 31, 2015.

GENERAL DEVELOPMENT OF THE BUSINESS

OVERVIEW

Cenovus is a Canadian integrated oil company headquartered in Calgary, Alberta. The Corporation 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, natural gas liquids ("NGLs") and natural gas in Canada with marketing activities and refining operations in the United States ("U.S.").

All of Cenovus's oil and natural gas reserves and production are located in Canada, within the provinces of Alberta and Saskatchewan. As at December 31, 2015, Cenovus had a land base of approximately 5.6 million net acres. The estimated proved reserves life index based on working interest production as at December 31, 2015 was approximately 25 years.

BUSINESS SEGMENTS

The Corporation's reportable segments are as follows:

Oil Sands	Includes the development and production of bitumen and natural gas in northeast Alberta. Cenovus's bitumen assets include Foster Creek, Christina Lake and Narrows Lake as well as projects in the early stages of development, such as Grand Rapids and Telephone Lake. Certain of Cenovus'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	Includes the development and production of conventional crude oil (1), NGLs and natural gas (2) in Alberta and Saskatchewan, including the heavy oil (3) assets at Pelican Lake, the carbon dioxide ("CO_2") enhanced oil recovery ("EOR") project at Weyburn and emerging tight oil opportunities.
Refining and Marketing	Includes 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. In addition, Cenovus owns and operates a crude-by-rail terminal in Alberta. This segment coordinates Cenovus's marketing and transportation initiatives to optimize product mix, delivery points, transportation commitments and customer diversification.
Corporate and Eliminations	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.

(1) For the purpose of this AIF, references to "crude oil" means "heavy crude oil" and "light crude oil and medium crude oil combined" as those terms are defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

(2) For the purpose of this AIF, references to "natural gas" means "conventional natural gas" as defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

(3) For the purpose of this AIF, references to "heavy oil" means "heavy crude oil" as defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

THREE YEAR HISTORY

The following describes significant events that have influenced the development of the business during the last three financial years and year to date in 2016:

2013

- **Oil Sands 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 approved gross production capacity of 50,000 barrels per day from each phase.

- **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, with approved incremental gross production capacity of 22,000 barrels per day.

- **Construction at Narrows Lake phase A initiated.** In the third quarter, construction of the Narrows Lake phase A plant was initiated with 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 Corporation'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 non-potable top water.

- **Receipt of Partnership contribution receivable.** In the fourth quarter, Cenovus received US$1.4 billion from ConocoPhillips, the Corporation's partner in FCCL, representing the remaining principal and interest due under the Partnership Contribution Receivable through the Corporation's interest in FCCL.

- **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. Expected total gross production capacity from these three phases, including optimization, remained up to 125,000 barrels per day.

2014

- **Regulatory approval received for Grand Rapids.** In the first quarter, Cenovus received regulatory approval for its Grand Rapids project with an approved gross production capacity of 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 approved 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 is expected to have gross production capacity in excess of 300,000 barrels per day.

2015

- **Reduced capital spending.** Due to the low commodity price environment, Cenovus reduced its 2015 capital spending, including suspension of the bulk of its conventional drilling program in southern Alberta and Saskatchewan and deferral of further construction work on Foster Creek phase H, Christina Lake phase G and Narrows Lake phase A.

- **Common share issuance.** In the first quarter, Cenovus issued 67.5 million common shares at a price of $22.25 per share for net proceeds of approximately $1.4 billion, a portion of which contributed to funding the Corporation's capital investment in 2015.

- **Permit approval received at Wood River Refinery.** In the first quarter, Cenovus received permit approval for the Wood River Refinery debottlenecking project. Start-up of the project is anticipated in the third quarter of 2016.

- **Sale of royalty interest and mineral fee title lands business.** In the third quarter, Cenovus sold its wholly owned subsidiary, Heritage Royalty Limited Partnership ("HRP"), which held approximately 4.8 million gross acres of royalty interest and mineral fee title lands in Alberta, Saskatchewan and Manitoba along with a Gross Overriding Royalty ("GORR") on Cenovus's Pelican Lake heavy oil property in northern Alberta and its EOR project located near Weyburn, Saskatchewan, to an unrelated third party for gross cash proceeds of $3.3 billion, a portion of which was used to help fund the Corporation's capital investment in 2015. Associated third-party royalty interest volumes prior to the divestiture were approximately 6,580 barrels of oil equivalent per day.

- **Rail terminal purchase.** In the third quarter, Cenovus purchased a crude-by-rail terminal located in Bruderheim, Alberta, for $75 million, plus closing adjustments.

- **Cost reductions.** Cenovus achieved total 2015 cost savings of approximately $540 million, including operating, capital and general and administrative costs. The cost reductions apply across the Corporation and include savings related to improved drilling efficiency, optimized scheduling and prioritization of repair and maintenance activities, lower chemical costs and improved oil sands waste disposal and handling processes. Additional savings resulted from the deferral of certain capital expenditure projects.

- **Workforce reductions.** Cenovus reduced its workforce by approximately 1,500 positions, including full- and part-time employees as well as contract workers. As at December 31, 2015 the Company had approximately 24 percent fewer employee and contractor workforce positions than it had at December 31, 2014.

- **Completed Christina Lake optimization.** In the fourth quarter, the Christina Lake optimization program began steam circulation, and is expected to add up to 22,000 barrels per day gross incremental production capacity and ramp up over the next 12 months, taking total gross production capacity to 160,000 barrels per day.

- **Regulatory approval received for Christina Lake phase H.** In the fourth quarter, Cenovus received regulatory approval for Christina Lake phase H with approved gross production capacity of 50,000 barrels per day.

2016

- **Capital spending.** Cenovus expects that the commodity price environment will continue to influence the general development of its business in 2016. The Corporation will continue to assess its plans in light of the commodity price environment and other relevant factors and will make adjustments to its capital spending and other business activities as appropriate.

OIL SANDS

Oil Sands includes Cenovus's bitumen assets at Foster Creek, Christina Lake and Narrows Lake as well as emerging projects such as Grand Rapids and Telephone Lake. The Corporation's Athabasca natural gas assets also form part of this segment.

Joint Operations

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, managing partner and owner of 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.

Development Approach

Cenovus applies a manufacturing-like, phased approach to developing our oil sands assets. This approach incorporates learnings from previous phases into future growth plans, helping the Corporation to minimize costs.

New Technology

Focused technology development, research activities and understanding environmental impact play increasingly larger roles in all aspects of Cenovus's business. Cenovus continues to seek new technologies and is actively developing its own technologies with the goal of increasing recoveries from its reservoirs, while reducing the amount of water, natural gas and electricity consumed in its operations, potentially reducing costs and minimizing the Corporation's environmental footprint.

Landholdings

As at December 31, 2015, Cenovus held bitumen rights of approximately 1.8 million gross acres (1.5 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.

The following table summarizes Cenovus's Oil Sands landholdings as at December 31, 2015, all of which are located within the Province of Alberta:

	Developed Acreage		Undeveloped Acreage		Total Acreage		Average Working
(thousands of acres)	Gross	Net	Gross	Net	Gross	Net	Interest (1)
Foster Creek	16	8	114	57	130	65	50%
Christina Lake	9	4	49	24	58	28	50%
Narrows Lake	-	-	27	13	27	13	50%
Grand Rapids (2)	-	-	61	61	61	61	100%
Telephone Lake	16	16	142	142	158	158	100%
Athabasca	383	345	448	380	831	725	87%
Other	29	11	1,459	1,173	1,488	1,184	79%
Total	453	384	2,300	1,850	2,753	2,234	81%

(1) *Percentages as represented in the above table cannot be calculated based on acreage shown due to rounding.*
(2) *Overlapping landholdings between Grand Rapids and Pelican Lake (included in the Conventional segment) 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:

	Bitumen (bbls/d)		Natural Gas (MMcf/d)		Total Production (BOE/d)	
(annual average)	**2015**	2014	**2015**	2014	**2015**	2014
Foster Creek	**65,345**	59,172	**-**	-	**65,345**	59,172
Christina Lake	**74,975**	69,023	**-**	-	**74,975**	69,023
Athabasca (1)	**-**	-	**19**	22	**3,167**	3,667
Total	**140,320**	128,195	**19**	22	**143,487**	131,862

(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, 2015. These figures exclude wells which were capable of producing, but that were not producing as at December 31, 2015:

	Producing Bitumen Wells		Producing Gas Wells		Total Producing Wells	
(number of wells)	Gross	Net	Gross	Net	Gross	Net
Foster Creek	255	128	-	-	255	128
Christina Lake	151	76	-	-	151	76
Grand Rapids	2	2	-	-	2	2
Athabasca	-	-	316	303	316	303
Other	3	3	-	-	3	3
Total	411	209	316	303	727	512

Foster Creek

Cenovus has a 50 percent working interest in Foster Creek, Cenovus's first commercial steam-assisted gravity drainage ("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 Corporation 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 Corporation's and/or its assignee's behalf.

Production from phases A through F at Foster Creek averaged 65,345 barrels per day in 2015. Plant construction at phase G is nearing completion with first production anticipated in the third quarter of 2016. Phase G is expected to add additional production capacity of 30,000 gross barrels per day. Expansion work on phase H has been deferred in response to the current low commodity price environment.

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 produces from the McMurray formation using SAGD technology.

Production from phases A through E at Christina Lake averaged 74,975 barrels per day in 2015. Optimization was completed in the fourth quarter of 2015, and is expected to add approximately 22,000 barrels per day gross production once fully ramped up in 12 months. Expansion work at phase F (including cogeneration) is nearing completion, with first oil expected in the third quarter of 2016. Phase F is anticipated to add production capacity of 50,000 gross barrels per day. Expansion work on phase G has been deferred in response to the current low commodity price environment.

Cenovus received regulatory approval for phase H in the fourth quarter of 2015, a 50,000 gross barrel per day phase.

Several innovations to SAGD technology have been undertaken at Christina Lake over the past several years. One major innovation is solvent aided process technology ("SAP"). 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. Various embodiments of SAP related technology are currently being piloted at Christina Lake. Based on results from the various SAP related pilots, 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 barrels per 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. The future development of Narrows Lake should 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 2015, Cenovus continued to advance development plans for Telephone Lake after receiving approval from the Alberta Energy Regulator ("AER") in late 2014 for an initial SAGD project with initial production capacity of 90,000 barrels per day.

Telephone Lake is a unique oil sands project because directly above the oil there is a layer of groundwater that is 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 by reducing the steam to oil ratio.

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 Corporation's Pelican Lake heavy oil operations and existing facilities.

In December 2010, the Corporation drilled its first pilot SAGD well pair at Grand Rapids. A second well pair was drilled in early 2012 and a third well pair commenced steam circulation in 2015.

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. As of February 2016, further activity in respect of the SAGD pilot at Grand Rapids has been deferred in response to the current low commodity price environment.

Other Emerging Assets

Cenovus has a number of emerging assets, including the Steepbank and East McMurray properties located in the Borealis Region in Alberta, which it continues to evaluate, manage and work to decrease risk associated with potential future development of these assets. Cenovus continues to believe in the long-term potential of its emerging projects as a future resource base.

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 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. The Corporation completed construction on a second SkyStrat™ drilling rig in the fourth quarter of 2014. A total of seven stratigraphic wells were drilled using SkyStrat™ drilling technology in 2015.

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 Corporation'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 2015 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 Corporation's annualized natural gas production of approximately 14 million cubic feet per day in 2015 (2014 - 15 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 2015, the Corporation's Oil Sands capital investment was $1.2 billion, primarily related to the expansions at Foster Creek and Christina Lake. The production capacity for these projects is expected to increase to approximately 390,000 gross barrels per day with completion of Foster Creek phase G and Christina Lake phase F. Ramp up to total production for these phases is expected to extend into 2017.

- Capital at Foster Creek was focused on sustaining capital related to existing production, expansion phase G and the drilling of stratigraphic test wells to determine pad placement for sustaining well pads and near-term phase expansions.
- Capital at Christina Lake was focused on sustaining capital related to existing production, expansion phases F and G, and the optimization project. The optimization project has been completed and is expected to add approximately 22,000 barrels per day of gross production capacity, with incremental oil production expected to ramp up over a period of twelve months.
- Capital at Narrows Lake was focused on detailed engineering and construction wind-down.
- Capital at Telephone Lake was focused on front end engineering work on the central processing facility and preliminary infrastructure development.

- Capital at Grand Rapids was focused on continued operation of the SAGD pilot project and a third well pair commenced steam circulation.

Due to the lower crude oil price environment, 2016 capital spending is planned to be focused on completion of the Foster Creek phase G and Christina Lake phase F (including cogeneration) expansions. Funding is also planned 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 of conventional crude oil, NGLs and natural gas from assets in Alberta and Saskatchewan, including the heavy oil assets at Pelican Lake, the CO_2 EOR project near Weyburn, Saskatchewan and emerging tight oil assets in Alberta. The established assets in this segment are strategically important due to their long life reserves, stable operations and diversity of crude oil produced.

In July 2015, Cenovus sold HRP, the holder of Cenovus's royalty interest and mineral fee title lands business in Alberta, Saskatchewan and Manitoba to an unrelated third party for gross cash proceeds of approximately $3.3 billion. Production from fee lands had comprised approximately 50 percent of the Corporation's total conventional production in 2014. Associated third-party royalty interest volumes prior to the divestiture were approximately 6,580 barrels of oil equivalent per day. Where Cenovus had current working interest production on these fee lands, the Corporation entered into lease agreements with HRP. A GORR on Cenovus's production from its Pelican Lake and Weyburn assets was included as part of the sale. Cenovus also retained an option to acquire from HRP leases at pre-determined rates and lease terms for up to five years on more than 800,000 acres in zones of the fee lands currently being developed by Cenovus, with an option for a further five years to select leases on half of the remaining undeveloped acreage.

Conventional operations also include leases of Crown lands primarily in the Suffield area and in Saskatchewan.

Landholdings

	Developed Acreage		Undeveloped Acreage		Total Acreage		Average Working
(thousands of acres)	Gross	Net	Gross	Net	Gross	Net	Interest (1)
Alberta							
Grassland (2)	959	920	32	27	991	947	96%
Suffield	935	923	89	89	1,024	1,012	99%
Langevin (3)	669	651	63	55	732	706	96%
Pelican Lake (4)	95	94	254	241	349	335	96%
Wainwright	49	29	13	9	62	38	63%
Other	24	15	149	135	173	150	87%
Saskatchewan							
Weyburn	48	36	51	41	99	77	78%
Bakken	4	4	48	48	52	52	98%
Total	2,783	2,672	699	645	3,482	3,317	95%

(1) Percentages as represented in the above table cannot be calculated based on acreage shown due to rounding.
(2) Grassland is located in the Drumheller and Brooks areas.
(3) Langevin is located northwest of Medicine Hat.
(4) Overlapping landholdings between Grand Rapids (included in the Oil Sands segment) 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 [(1)] for the periods indicated:

(annual average)	Crude Oil and NGLs (bbls/d) 2015	2014	Natural Gas (MMcf/d) 2015	2014	Total Production (BOE/d) 2015	2014
Alberta						
Grassland [(2)]	**7,248**	8,923	**212**	232	**42,581**	47,590
Suffield	**8,854**	10,010	**125**	135	**29,687**	32,510
Langevin [(3)]	**8,025**	9,368	**84**	96	**22,025**	25,368
Pelican Lake	**24,421**	24,924	**-**	-	**24,421**	24,924
Wainwright [(4)]	**1,638**	4,687	**1**	2	**1,805**	5,020
Other	**10**	8	**-**	-	**10**	8
Saskatchewan						
Weyburn	**15,732**	16,196	**-**	-	**15,732**	16,196
Bakken [(4)]	**699**	1,182	**-**	1	**699**	1,349
Other	**-**	-	**-**	-	**-**	-
Total	**66,627**	75,298	**422**	466	**136,960**	152,965

(1) Includes production from mineral fee title lands in which Cenovus has a working interest and mineral fee title lands in which Cenovus has retained a royalty interest. In the third quarter of 2015, Cenovus sold those royalty interests.
(2) Grassland is located in the Drumheller and Brooks areas.
(3) Langevin is located northwest 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 mineral fee title lands in these areas. In the third quarter of 2015, Cenovus sold those royalty interests.

Producing Wells

The following table summarizes Cenovus's interests in producing wells [(1)] as at December 31, 2015. These figures exclude wells which were capable of producing, but that were not producing, as at December 31, 2015:

(number of wells)	Producing Oil Wells Gross	Net	Producing Gas Wells Gross	Net	Total Producing Wells Gross	Net
Alberta						
Grassland [(2)]	398	391	8,804	8,660	9,202	9,051
Suffield	739	739	10,676	10,658	11,415	11,397
Langevin [(3)]	300	298	4,752	4,740	5,052	5,038
Pelican Lake	587	587	1	1	588	588
Wainwright	57	52	10	2	67	54
Other	10	5	2	1	12	6
Saskatchewan						
Weyburn	644	405	-	-	644	405
Bakken	9	2	-	-	9	2
Other	1	1			1	1
Total	2,745	2,480	24,245	24,062	26,990	26,542

(1) Includes wells on mineral fee title lands where Cenovus has a working interest. Excludes wells on mineral fee title lands where Cenovus only has a royalty interest. In the third quarter of 2015, Cenovus sold those royalty interests.
(2) Grassland is located in the Drumheller and Brooks areas.
(3) Langevin is located northwest 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 Corporation's oil assets including waterflooding, CO_2 miscible flooding and alkaline surfactant polymer flooding.

Cenovus operates one of the world's largest CO_2 miscible flood projects. The Weyburn unit produces medium sour crude oil and covers approximately 50,000 acres of land in southeastern Saskatchewan. As at December 31, 2015, approximately 64 percent of the approved CO_2 flood pattern development at the Weyburn unit was complete. Since the inception of the project, approximately 27 million tonnes of CO_2 have been injected. The CO_2 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 southeast Saskatchewan. In the unitized portion of the Weyburn field in southwestern Saskatchewan, Cenovus has a 62.1 percent working interest. However, after taking into consideration a net royalty interest obligation to a third party, Cenovus's economic interest is 50.4 percent. Cenovus is the unit operator and owns 62.1 percent of the CO_2 pipeline from the Boundary Dam to Weyburn.

Using a patterned, horizontal well polymer flood and waterflood, Cenovus produces heavy crude oil from the Wabiskaw formation at its Pelican Lake property. The property is located within the Greater Pelican Region in northeastern Alberta. Cenovus holds a 38 percent non-operated interest in a 110 kilometer, 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 [1] for the periods indicated:

	Net Wells Drilled		Average Production [2] (bbls/d)			
			Light & Medium Oil		Heavy Oil	
	2015	2014	**2015**	2014	**2015**	2014
Alberta						
Grassland [3]	**15**	42	**6,632**	8,224	**-**	-
Suffield	**1**	18	**-**	-	**8,837**	9,991
Langevin [4]	**12**	29	**7,858**	9,221	**-**	-
Wainwright [5]	**-**	4	**1**	42	**1,630**	4,631
Pelican Lake	**-**	25	**-**	-	**24,421**	24,924
Other	**-**	1	**10**	8	**-**	-
Saskatchewan						
Weyburn	**6**	7	**15,343**	15,921	**-**	-
Bakken [5]	**-**	-	**642**	1,115	**-**	-
Other	**-**	-	**-**	-	**-**	-
Total	**34**	126	**30,486**	34,531	**34,888**	39,546

(1) Excludes wells drilled by third parties on mineral fee title lands. In the third quarter of 2015, Cenovus sold those fee lands.
(2) Includes production from mineral fee title lands in which Cenovus has a working interest and mineral fee title lands in which Cenovus had retained a royalty interest. In the third quarter of 2015, Cenovus sold those fee lands.
(3) Grassland landholdings are located in the Drumheller and Brooks areas.
(4) Langevin landholdings are located northwest 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 mineral fee title lands in these areas. In the third quarter of 2015, Cenovus sold those royalty interests.

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 Corporation'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 Corporation'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 2015, Conventional natural gas production averaged 422 MMcf per day (2014 – 466 MMcf per day). Cenovus did not drill any gas wells in 2015 or 2014.

Capital Investment

In 2015, the Corporation's Conventional capital investment was $244 million, primarily related to modest drilling activity at our tight oil projects in southeast Alberta and at our CO_2 EOR project at Weyburn. 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 and coordinates Cenovus's marketing and transportation initiatives to optimize the value received for its products.

Refining

Cenovus's refining operations allow it to capture the value from crude oil production through to refined products, such as diesel, gasoline and jet fuel, to partially mitigate volatility associated with regional North American crude oil differential fluctuations.

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. The Corporation's refineries have a combined stated processing capacity of approximately 460,000 gross barrels per day of crude oil, including heavy crude oil processing capability of up to 255,000 gross barrels per day. In addition, the Borger Refinery has an NGL fractionation facility with a capacity of 45,000 gross barrels per day.

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

Refinery Operations [1]	2015	2014
Crude Oil Capacity (Mbbls/d)	**460**	460
Crude Oil Runs (Mbbls/d)	**419**	423
Heavy Oil	**200**	199
Light & Medium Oil	**219**	224
Crude Utilization (%)	**91**	92
Refined Products (Mbbls/d)		
Gasoline	**228**	231
Distillates	**137**	137
Other	**79**	77
Total	**444**	445

(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 the approximately 150 refineries in the U.S., 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.

The Wood River Refinery's stated crude oil processing capacity for 2014 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 project, the Wood River Refinery increased its total Canadian heavy crude oil processing capacity up to 220,000 gross barrels per day. Heavy crude oil processing capacity is planned to increase approximately another 18,000 gross barrels per day in 2016 with the completion of the debottlenecking project; anticipated to start up in the third quarter of 2016. In 2015, 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 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 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 stated capacity of 45,000 gross barrels per day. The stated processing capacity is unchanged for 2015.

Marketing

Cenovus's marketing activities are focused on enhancing the netback price of the Corporation's production, including 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's crude oil marketing activities are focused on sale of production and management of condensate supply, inventory and storage to meet diluent requirements. 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.

Cenovus's marketing activities also include entering into various risk management contracts aimed at mitigating the impact of commodity price swings. Details of these transactions are provided in the notes to the Corporation's audited Consolidated Financial Statements for the year ended December 31, 2015.

Transportation

We continue to focus on near and mid-term strategies to broaden market access for our crude oil production. As at December 31, 2015, Cenovus has entered into various firm transportation and storage commitments totaling $27 billion, most of which relate to pipelines that are subject to regulatory approval. We continue to support proposed new pipeline projects that would connect us to new markets in the U.S. and globally. The Corporation's portfolio of transportation commitments includes feeder pipelines from its production areas to the Edmonton and Hardisty, Alberta 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 third quarter of 2015, we acquired a crude-by-rail terminal for $75 million, plus adjustments, located at Bruderheim, Alberta as part of our transportation strategy. The terminal has takeaway capacity of 77,000 barrels per day and is operated for Cenovus by a third party contractor.

RESERVES DATA AND OTHER OIL AND GAS INFORMATION

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

The Corporation's reserves are located in Alberta and Saskatchewan, Canada. Cenovus retained two independent qualified reserves evaluators ("IQREs"), McDaniel & 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 [(1)], NGLs, natural gas, and coal bed methane ("CBM") reserves. McDaniel evaluated approximately 97 percent of Cenovus's proved reserves, located in Alberta, and GLJ evaluated approximately three percent of the Corporation's proved reserves, located in Saskatchewan.

The reserves committee (the "Reserves Committee") of Cenovus's board of directors (the "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 of Cenovus ("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 data and the report of the IQREs and provides a recommendation regarding approval of the reserves disclosure to the Board.

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 petroleum 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 10, 2016, with an effective date of December 31, 2015. McDaniel's preparation date of the information is January 11, 2016, and GLJ's preparation date is January 4, 2016.

(1) For the purpose of this AIF, references to "light and medium oil" means "light crude oil and medium crude oil combined" as defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

DISCLOSURE OF RESERVES DATA

The reserves data presented summarizes the Corporation's bitumen, heavy oil, light and medium oil and NGLs, and natural gas and CBM reserves and the net present values ("NPV") and future net revenue ("FNR") for these reserves. The reserves data uses forecast prices and costs prior to provision for interest, general and administrative expenses or the impact of any hedging activities. Future net revenues have been presented on a before and after income tax basis.

Summary of Company Interest Oil and Gas Reserves as at December 31, 2015

(Forecast prices and inflation)

Before Royalties	Bitumen (MMbbls)	Heavy Oil (MMbbls)	Light & Medium Oil & NGLs (MMbbls)	Natural Gas & CBM (Bcf)
Proved Reserves				
Developed Producing	268	103	89	703
Developed Non-Producing	54	1	2	14
Undeveloped	1,861	29	19	4
Proved Reserves	2,183	133	110	721
Probable Reserves	1,115	87	44	232
Proved plus Probable Reserves	3,298	220	154	953

After Royalties (1)	Bitumen (MMbbls)	Heavy Oil (MMbbls)	Light & Medium Oil & NGLs (MMbbls)	Natural Gas & CBM (Bcf)
Proved Reserves				
Developed Producing	223	84	69	658
Developed Non-Producing	43	1	1	13
Undeveloped	1,428	25	16	3
Proved Reserves	1,694	110	86	674
Probable Reserves	862	67	33	206
Proved plus Probable Reserves	2,556	177	119	880

(1) *As a result of Cenovus's sale in 2015 of HRP, Cenovus's royalty interest and mineral fee title lands business, Cenovus no longer discloses royalty interest reserves separately.*

Summary of Net Present Value of Future Net Revenue as at December 31, 2015 (1)

(Forecast prices and inflation)

Before Income Taxes	Discounted at % / year ($ millions) 0%	5%	10%	15%	20%	Unit Value Discounted at 10% (2) $/BOE
Proved Reserves						
Developed Producing	4,868	6,453	5,992	5,361	4,798	12.34
Developed Non-Producing	1,308	993	776	622	509	16.40
Undeveloped	50,517	20,376	9,538	4,917	2,657	6.49
Proved Reserves	56,693	27,822	16,306	10,900	7,964	8.15
Probable Reserves	35,624	12,105	5,260	2,763	1,642	5.28
Proved plus Probable Reserves	92,317	39,927	21,566	13,663	9,606	7.19

After Income Taxes (3)	Discounted at % / year ($ millions) 0%	5%	10%	15%	20%
Proved Reserves					
Developed Producing	3,455	5,358	5,110	4,637	4,192
Developed Non-Producing	939	734	588	481	401
Undeveloped	36,922	15,077	7,110	3,685	2,002
Proved Reserves	41,316	21,169	12,808	8,803	6,595
Probable Reserves	26,583	9,021	3,900	2,038	1,208
Proved plus Probable Reserves	67,899	30,190	16,708	10,841	7,803

(1) *Due to amendments to NI 51-101 effective July 1, 2015 (the "2015 Amendments"), abandonment and reclamation costs included in the calculation of the NPV and FNR for 2015 are different than abandonment and reclamation costs included in Cenovus's 2014 disclosure of NPV and FNR. The 2015 Amendments require that all abandonment and reclamation costs be included in the calculation of NPV and FNR including all existing estimated abandonment and reclamation costs, plus all forecast estimates of abandonment and reclamation costs attributable to future development activity associated with the reserves.*

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

(3) *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 Corporation's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2015.*

Total Future Net Revenue (undiscounted) as at December 31, 2015

(Forecast prices and inflation - $ millions)

Reserves Category	Revenue	Royalties	Operating Costs	Development Costs	Total Abandonment and Reclamation Costs [1]	Future Net Revenue Before Future Income Taxes	Future Income Taxes	Future Net Revenue After Future Income Taxes
Proved Reserves	176,710	40,459	51,293	19,671	8,594	56,693	15,377	41,316
Proved plus Probable Reserves	282,430	65,067	80,663	34,178	10,205	92,317	24,418	67,899

(1) Total abandonment and reclamation costs included for all wells, facilities and other liabilities, known and existing, and to be incurred as a result of future development activity.

Future Net Revenue by Product Type as at December 31, 2015

(Forecast prices and inflation)

Reserves Category	Product Types	Future Net Revenue Before Income Taxes (discounted at 10%/year) ($ millions)	Unit Value Discounted at 10%/year [1] ($/BOE)
Proved Reserves	Bitumen	14,288	8.44
	Heavy Oil	1,057	9.64
	Light & Medium Oil and NGLs	1,146	13.37
	Natural Gas	(185)	(1.65)
	Total	16,306	8.15
Proved plus Probable Reserves	Bitumen	18,146	7.10
	Heavy Oil	1,684	9.54
	Light & Medium Oil and NGLs	1,699	14.27
	Natural Gas	37	0.25
	Total	21,566	7.19

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

Additional Notes to Reserves Data Tables

- The estimates of FNR presented do not represent fair market value.
- FNR 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 correctly due to rounding.
- Due to amendments to NI 51-101 effective July 1, 2015 (the "2015 Amendments"), abandonment and reclamation costs included in the calculation of the NPV and FNR for 2015 are different than abandonment and reclamation costs included in Cenovus's 2014 disclosure of NPV and FNR. In accordance with the 2015 Amendments, NPV and FNR amounts presented include all of Cenovus's existing estimated abandonment and reclamation costs, plus all forecast estimates of abandonment and reclamation costs attributable to future development activity associated with the reserves.

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 acreage of properties in which the Corporation 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 Corporation's interest in a property, the total acreage 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.

Pricing Assumptions

The forecast of prices and inflation (the "McDaniel Forecast") provided in the table below was obtained from McDaniel and used to estimate FNR associated with the reserves disclosed herein. The McDaniel Forecast is dated January 1, 2016. The inflation forecast was applied uniformly to prices beyond the forecast interval, and to all future costs. For historical prices realized during 2015, see "Production History" in this AIF.

	Oil					Natural Gas & CBM		
Year	WTI Cushing Oklahoma (US$/bbl)	Edmonton Par Price 40 API (C$/bbl)	Cromer Medium 29.3 API (C$/bbl)	Alberta Heavy 12 API (C$/bbl)	Western Canadian Select (C$/bbl)	AECO Gas Price (C$/MMBtu)	Inflation Rate (%/year)	Exchange Rate (US$/C$)
2016	45.00	56.60	52.60	40.50	46.40	2.70	0.0	0.730
2017	53.60	66.40	61.80	47.50	54.40	3.20	2.0	0.750
2018	62.40	72.80	67.70	52.10	59.70	3.55	2.0	0.800
2019	69.00	80.90	75.20	57.80	66.30	3.85	2.0	0.800
2020	73.10	83.20	77.40	59.50	68.20	3.95	2.0	0.825
2021	77.30	88.20	82.00	63.10	72.30	4.20	2.0	0.825
2022	81.60	93.30	86.80	66.70	76.50	4.45	2.0	0.825
2023	86.20	98.70	91.80	70.60	80.90	4.70	2.0	0.825
2024	87.90	100.70	93.70	72.00	82.60	4.80	2.0	0.825
2025	89.60	102.60	95.40	73.40	84.10	4.90	2.0	0.825
2026	91.40	104.70	97.40	74.90	85.90	5.00	2.0	0.825
There -after	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	2.0	0.825

Future Development Costs

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

Reserves Category ($ millions)	2016	2017	2018	2019	2020	Remainder	Total
Proved Reserves	534	980	860	1,073	934	15,290	19,671
Proved plus Probable Reserves	593	1,308	1,378	1,445	1,103	28,351	34,178

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 Corporation'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 Corporation's FNR.

The interest or other costs of external funding are not included in the reserves and FNR estimates and would reduce FNR 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 and CBM for the year ended December 31, 2015, presented using forecast prices and inflation. All reserves are located in Canada.

Proved	Bitumen (MMbbls)	Heavy Oil (MMbbls)	Light & Medium Oil & NGLs (MMbbls)	Natural Gas & CBM (Bcf)
As at December 31, 2014	1,970	156	120	796
Extensions and Improved Recovery	188	-	1	8
Discoveries	-	-	-	-
Technical Revisions	76	(10)	1	79
Economic Factors	-	-	(1)	(1)
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Production [(1)]	(51)	(13)	(11)	(161)
As at December 31, 2015	2,183	133	110	721

Probable	Bitumen (MMbbls)	Heavy Oil (MMbbls)	Light & Medium Oil & NGLs (MMbbls)	Natural Gas & CBM (Bcf)
As at December 31, 2014	1,330	123	46	260
Extensions and Improved Recovery	-	-	1	7
Discoveries	-	-	-	-
Technical Revisions	(215)	(36)	(4)	(36)
Economic Factors	-	-	1	1
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Production [(1)]	-	-	-	-
As at December 31, 2015	1,115	87	44	232

Proved plus Probable	Bitumen (MMbbls)	Heavy Oil (MMbbls)	Light & Medium Oil & NGLs (MMbbls)	Natural Gas & CBM (Bcf)
As at December 31, 2014	3,300	279	166	1,056
Extensions and Improved Recovery	188	-	2	15
Discoveries	-	-	-	-
Technical Revisions	(139)	(46)	(3)	43
Economic Factors	-	-	-	-
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Production [(1)]	(51)	(13)	(11)	(161)
As at December 31, 2015	3,298	220	154	953

(1) 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 bitumen reserves increased by approximately 11 percent. Increases at Christina Lake were primarily a result of an area expansion and improved reservoir performance. Increases at Foster Creek were primarily a result of improved reservoir performance. Proved plus probable bitumen reserves were virtually unchanged.

Heavy oil proved reserves decreased by approximately 15 percent primarily as a result of production and drilling deferrals, and the loss of undeveloped reserves at Elk Point as a result of failing to meet economic criteria. Heavy oil probable reserves decreased by approximately 29 percent due to drilling deferrals at Pelican Lake. Overall, heavy oil proved plus probable reserves decreased by approximately 21 percent.

Light and medium oil and NGLs proved reserves decreased by eight percent. The decreases were primarily due to production, partially offset by development at Grassland. Light and medium oil and NGLs probable reserves decreased by approximately four percent partly as a result of the conversion of probable reserves to proved reserves. Overall, light and medium oil and NGLs proved plus probable reserves decreased seven percent, primarily as a result of production.

Natural gas and CBM proved reserves declined by approximately nine percent as extensions and technical revisions did not offset production. Probable natural gas and CBM reserves and proved plus probable natural gas and CBM reserves declined by approximately 11 percent and ten 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 Handbook. In general, undeveloped reserves are scheduled to be developed within the next one to 45 years.

Company Interest Proved Undeveloped – Before Royalties

	Bitumen (MMbbls)		Heavy Oil (MMbbls)		Light & Medium Oil & 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	1,717	1,532	93	61	56	22	300	6
2013	158	1,629	1	47	3	15	-	4
2014	161	1,732	7	40	11	21	4	4
2015	238	1,861	-	29	1	19	1	4

Company Interest Probable Undeveloped – Before Royalties

	Bitumen (MMbbls)		Heavy Oil (MMbbls)		Light & Medium Oil & 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	1,099	646	66	42	34	24	54	16
2013	145	649	56	86	1	17	-	16
2014	649	1,293	5	76	8	15	7	11
2015	1	1,074	-	52	1	14	2	8

DEVELOPMENT OF PROVED AND PROBABLE UNDEVELOPED RESERVES

Bitumen

At the end of 2015, Cenovus had proved undeveloped bitumen reserves of 1,861 million barrels Before Royalties, or approximately 85 percent of the Corporation's proved bitumen reserves. Of Cenovus's 1,115 million barrels of probable bitumen reserves, 1,074 million barrels, or approximately 96 percent are undeveloped. The evaluation of these reserves anticipates they will be recovered using SAGD.

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. McDaniel'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, 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. McDaniel'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 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 approximately 13 years.

Crude Oil

Cenovus has a significant medium oil CO_2 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 40 years, with drilling of supplementary wells taking place over the next five years, and CO_2 flood advancement continuing many years beyond that. At Pelican Lake, investment in proved undeveloped reserves is projected to continue for four 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”.

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, 2015:

	Oil		Gas		Total	
Producing Wells [(1)]	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Alberta						
Oil Sands	411	209	316	303	727	512
Conventional	2,091	2,072	24,245	24,062	26,336	26,134
Total Alberta	2,502	2,281	24,561	24,365	27,063	26,646
Saskatchewan	654	408	-	-	654	408
Total	3,156	2,689	24,561	24,365	27,717	27,054

(1) Includes wells containing multiple completions as follows: 22,174 gross gas wells (22,013 net wells) and 1,318 gross oil wells (1,073 net wells).

	Oil		Gas		Total	
Non-Producing Wells [(1)]	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Alberta						
Oil Sands	61	33	343	246	404	279
Conventional	785	769	971	940	1,756	1,709
Total Alberta	846	802	1,314	1,186	2,160	1,988
Saskatchewan	205	92	5	5	210	97
Total	1,051	894	1,319	1,191	2,370	2,085

(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 in 2015 (1):

	Oil Sands		Conventional		Total	
Development Wells Drilled	Gross	Net	Gross	Net	Gross	Net
Oil	96	49	35	32	131	81
Gas	-	-	-	-	-	-
Dry & Abandoned	-	-	1	1	1	1
Total Working Interest	96	49	36	33	132	82
Royalty	-	-	1	-	1	-
Total Canada	96	49	37	33	133	82

(1) *Cenovus did not have any participation or interest in any exploration wells in 2015.*

During the year ended December 31, 2015, Oil Sands drilled 164 gross stratigraphic test wells (73 net wells) and Conventional drilled 13 gross stratigraphic test wells (13 net wells).

During the year ended December 31, 2015, Oil Sands drilled eight gross service wells (four net wells) and Conventional drilled three gross service wells (1.8 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.

Development activities were focused on sustaining bitumen production at Foster Creek and Christina Lake, and on supporting our EOR projects at Pelican Lake and Weyburn.

Interest in Material Properties

The following table summarizes Cenovus's landholdings as at December 31, 2015:

Landholdings (thousands of acres)	Developed Acreage		Undeveloped Acreage (1)		Total Acreage	
	Gross	Net	Gross	Net	Gross	Net
Alberta:						
Oil Sands						
– Crown (2)	453	384	2,236	1,786	2,689	2,170
Conventional						
– Crown (2)	1,065	1,019	530	490	1,595	1,509
– Freehold (3)	1,666	1,613	70	66	1,736	1,679
Total Alberta	3,184	3,016	2,836	2,342	6,020	5,358
Saskatchewan:						
Oil Sands						
– Crown (2)	-	-	64	64	64	64
Conventional						
– Crown (2)	35	28	95	87	130	115
– Freehold (3)	17	12	4	2	21	14
Total Saskatchewan	52	40	163	153	215	193
Total	3,236	3,056	2,999	2,495	6,235	5,551

(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) *Crown/Federal lands are those lands owned by the federal or provincial government or the First Nations, in which Cenovus holds a working interest.*
(3) *Freehold lands are those lands owned by individuals and other entities (other than a government) in which Cenovus holds a working interest.*

Properties With No Attributed Reserves

Cenovus has approximately 4.1 million gross acres (3.6 million net acres) of properties in Canada to which no reserves have been specifically attributed. These properties are planned for current and future development in both the Corporation'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 102,000 net acres that could potentially expire by December 31, 2016, 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 Corporation 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 and Crown lands where exploration activities to date have not identified potential reserves in commercial quantities. See "Risk Factors – Financial Risks – Commodity Prices" and "Risk Factors – Financial Risks – Development and Operating Costs" and

"Risk Factors – Operational Risks – Uncertainty of Reserves and Future Net Revenue 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 and Reclamation Costs

The estimated total future abandonment and reclamation costs for existing wells, facilities, and infrastructure 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 undiscounted future abandonment and reclamation costs for its existing upstream assets at approximately $6.5 billion (approximately $1.3 billion, discounted at 10 percent) at December 31, 2015, of which the Corporation expects to pay between $210 million and $260 million in the next three financial years on a portion of the 34,557 net wells.

Of the undiscounted future abandonment and reclamation costs to be incurred over the life of Cenovus's proved reserves, approximately $8.6 billion has been deducted in estimating the FNR, which represents the Corporation's total existing estimated abandonment and reclamation costs, plus all forecast estimates of abandonment and reclamation costs attributable to future development activity associated with the reserves.

Tax Horizon

In 2016, Cenovus expects to incur losses for income tax purposes and recover income taxes paid in prior years.

Costs Incurred

($ millions)	2015
Acquisitions	
Unproved	4
Proved	-
Total Acquisitions	4
Exploration Costs	66
Development Costs	1,360
Total Costs Incurred	1,430

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 Corporation's annual audited Consolidated Financial Statements for the year ended December 31, 2015.

Production Estimates

The following table summarizes the estimated 2016 average daily volume of Company Working Interest Before Royalties reflected in the reserves reports for all properties held on December 31, 2015 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.

2016 Estimated Production Forecast Prices and Costs	Proved	Proved plus Probable
Bitumen (bbls/d) [1]	152,517	159,881
Light and Medium Oil (bbls/d)	28,265	32,060
Heavy Oil (bbls/d)	31,727	32,946
Natural Gas (MMcf/d)	357	390
Natural Gas Liquids (bbls/d)	658	732
Company Working Interest Before Royalties (BOE/d)	272,715	290,620

(1) Includes Foster Creek production of 74,929 barrels per day for proved and 77,581 barrels per day for proved plus probable, and Christina Lake production of 77,588 barrels per day for proved and 82,300 barrels per day for proved plus probable.

Production History

Average Working Interest Daily Production Volumes - 2015

	Year	Q4	Q3	Q2	Q1
Crude Oil and Natural Gas Liquids (bbls/d)					
Oil Sands					
Foster Creek (Bitumen)	65,345	63,680	71,414	58,363	67,901
Christina Lake (Bitumen)	74,975	75,733	75,329	72,371	76,471
	140,320	139,413	146,743	130,734	144,372
Conventional Liquids					
Heavy Oil	34,260	32,363	33,693	34,790	36,244
Light and Medium Oil	28,607	26,576	27,551	28,886	31,481
Natural Gas Liquids [1]	1,148	1,154	1,130	1,139	1,171
Total Crude Oil and Natural Gas Liquids	204,335	199,506	209,117	195,549	213,268
Natural Gas (MMcf/d)					
Oil Sands	19	19	19	21	20
Conventional	412	405	405	415	423
Total Natural Gas	431	424	424	436	443
Total (BOE/d)	276,168	270,173	279,784	268,216	287,101

(1) Natural gas liquids include condensate volumes.

Average Royalty Interest Daily Production Volumes - 2015

	Year	Q4	Q3	Q2	Q1
Crude Oil and Natural Gas Liquids (bbls/d)					
Conventional Liquids [1]					
Heavy Oil	628	-	304	1,309	911
Light and Medium Oil	1,879	49	940	2,923	3,654
Natural Gas Liquids [2]	105	1	61	173	187
Total Crude Oil and Natural Gas Liquids	2,612	50	1,305	4,405	4,752
Natural Gas (MMcf/d)					
Conventional	10	-	6	14	19
Total (BOE/d)	4,279	50	2,305	6,738	7,919

(1) Cenovus sold the majority of its royalty interest and mineral fee title lands in the third quarter of 2015.
(2) 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 – 2015 (excluding impact of realized gain (loss) on risk management)	Year	Q4	Q3	Q2	Q1
Bitumen - Foster Creek ($/bbl) (1) (2) (3)					
Price	33.65	25.09	33.35	48.25	29.42
Royalties	0.47	0.12	0.20	1.97	(0.25)
Transportation and blending	8.84	8.53	8.50	9.04	9.39
Operating expenses	12.60	11.66	11.27	13.29	14.50
Netback	11.74	4.78	13.38	23.95	5.78
Bitumen - Christina Lake ($/bbl) (1) (2) (3)					
Price	28.45	21.34	27.46	43.36	23.30
Royalties	0.67	0.30	0.83	0.99	0.61
Transportation and blending	4.72	5.40	5.00	4.29	4.17
Operating expenses	8.01	7.80	7.80	8.20	8.24
Netback	15.05	7.84	13.83	29.88	10.28
Total Bitumen - Oil Sands ($/bbl) (1) (2) (3)					
Price	30.88	23.08	30.35	45.61	26.04
Royalties	0.58	0.22	0.52	1.44	0.22
Transportation and blending	6.64	6.85	6.72	6.48	6.50
Operating expenses	10.13	9.59	9.46	10.57	10.99
Netback	13.53	6.42	13.65	27.12	8.33
Heavy Crude Oil - Conventional ($/bbl) (1) (2) (3)					
Price	39.95	32.84	37.09	52.63	35.85
Royalties	2.97	2.24	1.73	5.34	2.34
Transportation and blending	3.36	3.63	3.36	3.09	3.42
Operating expenses	15.92	15.20	15.59	15.45	17.30
Production and mineral taxes	0.04	(0.03)	0.07	0.08	0.02
Netback	17.66	11.80	16.34	28.67	12.77
Total Bitumen and Heavy Crude Oil ($/bbl) (1) (2) (3)					
Price	32.73	24.87	31.63	47.24	28.15
Royalties	1.07	0.59	0.75	2.35	0.68
Transportation and blending	5.97	6.26	6.08	5.69	5.83
Operating expenses	11.31	10.62	10.62	11.70	12.35
Production and mineral taxes	0.01	(0.01)	0.01	0.02	-
Netback	14.37	7.41	14.17	27.48	9.29

(1) Netbacks do not reflect non-cash write-downs of product inventory.
(2) Cost of condensate per barrel of unblended crude oil ($/bbl).
(3) Employee long-term incentive costs were reclassified from operating expenses to general and administrative costs.

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

Bitumen – Foster Creek ($/bbl)	*27.44*	*25.96*	*24.20*	*29.82*	*30.57*
Bitumen – Christina Lake ($/bbl)	*29.50*	*27.39*	*26.42*	*32.90*	*31.60*
Bitumen – Oil Sands ($/bbl)	*28.54*	*26.72*	*25.33*	*31.48*	*31.14*
Heavy Crude Oil – Conventional ($/bbl)	*10.94*	*9.99*	*9.56*	*12.42*	*11.50*
Total Bitumen and Heavy Crude Oil ($/bbl)	*24.94*	*23.64*	*22.34*	*27.06*	*26.91*

Per-Unit Results – 2015 (excluding impact of realized gain (Loss) on risk management)	Year	Q4	Q3	Q2	Q1
Light and Medium Crude Oil ($/bbl) [1]					
Price	50.64	45.35	49.57	61.66	45.81
Royalties	5.66	6.97	7.02	5.67	3.56
Transportation and blending	2.91	2.80	2.88	3.06	2.88
Operating expenses	16.27	17.37	15.92	15.90	16.04
Production and mineral taxes	1.41	0.76	1.60	1.95	1.28
Netback	24.39	17.45	22.16	35.08	22.05
Total Bitumen and Crude Oil (Heavy, Light and Medium) ($/bbl) [1] [2]					
Price	35.41	27.62	34.08	49.55	31.09
Royalties	1.75	1.44	1.60	2.88	1.16
Transportation and blending	5.51	5.79	5.64	5.27	5.34
Operating expenses	12.05	11.52	11.35	12.37	12.97
Production and mineral taxes	0.22	0.10	0.23	0.33	0.22
Netback	15.88	8.77	15.26	28.70	11.40
Natural Gas Liquids ($/bbl)					
Price	30.98	30.70	24.57	39.64	28.51
Royalties	1.74	3.94	1.75	0.87	0.66
Netback	29.24	26.76	22.82	38.77	27.85
Total Bitumen, Crude Oil (Heavy, Light and Medium) and Natural Gas Liquids ($/bbl) [1] [2]					
Price	35.38	27.63	34.03	49.48	31.08
Royalties	1.75	1.46	1.60	2.86	1.16
Transportation and blending	5.48	5.76	5.61	5.24	5.31
Operating expenses	11.98	11.46	11.28	12.29	12.89
Production and mineral taxes	0.22	0.10	0.23	0.33	0.22
Netback	15.95	8.85	15.31	28.76	11.50
Total Natural Gas ($/Mcf) [1]					
Price	2.92	2.78	3.00	2.82	3.05
Royalties	0.07	0.10	0.11	0.03	0.05
Transportation and blending	0.11	0.11	0.10	0.10	0.12
Operating expenses	1.20	1.25	1.16	1.14	1.26
Production and mineral taxes	0.01	0.02	0.01	0.02	0.01
Netback	1.53	1.30	1.62	1.53	1.61
Total ($/BOE) [1] [2]					
Price	30.67	24.78	29.95	40.50	27.73
Royalties	1.40	1.23	1.36	2.13	0.93
Transportation and blending	4.21	4.43	4.35	3.95	4.11
Operating expenses	10.72	10.43	10.18	10.78	11.49
Production and mineral taxes	0.18	0.10	0.19	0.27	0.17
Netback	14.16	8.59	13.87	23.37	11.03

(1) Employee long-term incentive costs were reclassified from operating expenses to general and administrative costs.
(2) Netbacks do not reflect non-cash write-downs of product inventory.

Impact of Realized Gain (Loss) on Risk Management – 2015	Year	Q4	Q3	Q2	Q1
Liquids ($/bbl)	7.51	11.39	10.07	1.75	6.58
Natural Gas ($/Mcf)	0.37	0.42	0.37	0.39	0.29
Total ($/BOE)	6.11	9.08	8.07	1.92	5.31

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.

2015: Cenovus 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. In the third quarter, Cenovus sold HRP, the holder of its royalty interest and mineral fee title lands business in Alberta, Saskatchewan and Manitoba to an unrelated third party for gross cash proceeds of $3.3 billion. Also in the third quarter, Cenovus acquired the Bruderheim rail terminal, a crude-by-rail terminal at Bruderheim, Alberta for $75 million plus adjustments.

2014: 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 2015 and 2014:

Net Capital Investment

($ millions)	2015	2014
Capital Investment		
Oil Sands		
Foster Creek	**403**	796
Christina Lake	**647**	794
Total	**1,050**	1,590
Other Oil Sands	**135**	396
	1,185	1,986
Conventional	**244**	840
Refining and Marketing	**248**	163
Corporate	**37**	62
Capital Investment	**1,714**	3,051
Acquisitions	**87**	18
Divestitures	**(3,344)**	(277)
Net Acquisition and Divestiture Activity	**(3,257)**	(259)
Net Capital Investment (1)	**(1,543)**	2,792

(1) 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 Corporation 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 Corporation'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 Corporation's future planning, Management and the Board review the impact of a variety of carbon constrained scenarios on Cenovus's strategy. Although uncertainty remains regarding potential future emissions regulation, the Corporation 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".

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 and litigation developments both in Canada and in the U.S.

Cenovus expects to incur abandonment and site reclamation costs as existing oil and gas properties are abandoned and reclaimed. In 2015, 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 2016. Refer to "Risk Factors – Environment & Regulatory Risks – Environmental Regulations" for further information on environmental protection matters affecting Cenovus.

CORPORATE RESPONSIBILITY

We are committed to operating in a responsible manner and integrating our corporate responsibility principles in the way we conduct our business. Our Corporate Responsibility ("CR") policy guides our activities in the areas of: Leadership; Corporate Governance and Business Practices; People; Environmental Performance; Stakeholder and Aboriginal Engagement; and Community Involvement and Investment.

We published our 2014 CR report in June 2015, detailing our efforts to accelerate our environmental performance, protect the health and safety of our staff, invest in and engage with the communities where we operate and maintain the highest standards of corporate governance. Our CR report also lists external recognition we received for our commitment to corporate responsibility and our efforts to balance economic, governance, social and environmental performance. Our CR policy and CR report are available on our website at cenovus.com.

EMPLOYEES

The following table summarizes Cenovus's full-time equivalent ("FTE") employees as at December 31, 2015:

	FTE Employees
Upstream	2,001
Downstream	127
Corporate	877
Total	3,005

Cenovus also engages a number of contractors and service providers. Refer to "Risk Factors - Operational Risks - Leadership and Talent" 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 Corporation'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 [1]	Principal Occupation During the Past Five Years
Ralph S. Cunningham [3,4,6] Houston, Texas, United States	2009 Independent	Mr. Cunningham is a director of TETRA Technologies, Inc., a publicly traded energy services and chemicals company, and served as Chairman from December 2006 to May 2015. Mr. Cunningham also 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; and as a director of Agrium Inc., a publicly traded agricultural chemicals company from December 1996 to April 2013.
Patrick D. Daniel [2,3,4] Calgary, Alberta, Canada	2009 Independent	Mr. Daniel is a director of Canadian Imperial Bank of Commerce; and Capital Power Corporation, a publicly traded North American power producer; 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 a member of the Association of Professional Engineers and Geoscientists of Alberta.
Ian W. Delaney [3,4,6] Toronto, Ontario, Canada	2009 Independent	Mr. Delaney is Chairman of The Westaim Corporation, a publicly traded investment company; and Ontario Air Ambulance Services Co. (Ornge) a not-for-profit medical air and ground transportation organization. Mr. Delaney served as a director of Sherritt International Corporation ("Sherritt"), a publicly traded diversified natural resource company that produces nickel, cobalt, thermal coal, oil and gas and electricity from October 1995 to May 2013. He also served as Chairman and Chief Executive Officer of Sherritt from January 2009 to December 2011 and Chairman of Sherritt 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.
Brian C. Ferguson [7] Calgary, Alberta, Canada	2009	Mr. Ferguson has been President & Chief Executive Officer of Cenovus since its formation on November 30, 2009. Mr. Ferguson is a Fellow of the Chartered Professional Accountants of Alberta and a member of the Chartered Professional Accountants of Canada. Mr. Ferguson has served as a director of The Toronto-Dominion Bank since April 2015.
Michael A. Grandin [4,8] Calgary, Alberta, Canada	2009 (Chair) Independent	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.

Name and Residence	Director Since [1]	Principal Occupation During the Past Five Years
Steven F. Leer [2,4,5] Boca Grande, Florida, United States	2015 Independent	Mr. Leer is a lead director of Norfolk Southern Corporation, a publicly traded North American rail transportation provider; a lead director of USG Corporation ("USG"), a publicly traded manufacturer and distributor of high performance building systems; and a director of Parsons Corporation, a private engineering, construction, technical, and management services firm. Mr. Leer served as Chairman of Arch Coal, Inc. ("Arch Coal"), a publicly traded coal producing company, from April 2006 to April 2014, and served as a director of Arch Coal and its predecessor company from 1992. During his tenure with Arch Coal and its predecessor company, he also served as Chief Executive Officer from July 1992 to April 2012.
Valerie A.A. Nielsen [2,4,5] Calgary, Alberta, Canada	2009 Independent	Ms. Nielsen was a director of Wajax Corporation, a publicly traded industrial parts and service company, from June 1995 to May 2012.
Charles M. Rampacek [4,5,6] 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.
Colin Taylor [2,3,4] Toronto, Ontario, Canada	2009 Independent	Mr. Taylor served two consecutive four-year terms as Chief Executive & Managing Partner of Deloitte LLP and then acted as Senior Counsel until his retirement in May 2008. Mr. Taylor is a Fellow of the Chartered Professional Accountants of Ontario and a member of the Chartered Professional Accountants of Canada.
Wayne G. Thomson [4,5,6] 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; Chairman of Inventys Thermal Technologies Inc., a private carbon capture technology 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, with the exception of Mr. Leer who was elected as a director of Cenovus's Board at the April 29, 2015 Annual and Special Meeting of Shareholders. 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) Member of the Audit Committee.
(3) Member of the Human Resources and Compensation Committee.
(4) Member of the Nominating and Corporate Governance Committee.
(5) Member of the Reserves Committee.
(6) Member of the Safety, Environment and Responsibility Committee.
(7) As an officer and a non-independent director, Mr. Ferguson is not a member of any of the committees of Cenovus's Board.
(8) 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, 2015.

Name and Residence	Office Held and Principal Occupation During the Past Five Years
Brian C. Ferguson Calgary, Alberta, Canada	President & Chief Executive Officer Mr. Ferguson's biographical information is included under "Directors".
Ivor M. Ruste Calgary, Alberta, Canada	Executive Vice-President & Chief Financial Officer Mr. Ruste has been Executive Vice-President & Chief Financial Officer of Cenovus since its formation on November 30, 2009.
Harbir S. Chhina Calgary, Alberta, Canada	Executive Vice-President, Oil Sands Development Mr. Chhina became Executive Vice-President, Oil Sands Development on September 1, 2015. From December 2010 to August 2015, Mr. Chhina was Cenovus's Executive Vice-President, Oil Sands. From November 2009 to November 2010, Mr. Chhina was Cenovus's Executive Vice-President, Enhanced Oil Development & New Resource Plays.
Judy A. Fairburn Calgary, Alberta, Canada	Executive Vice-President, Business Innovation Ms. Fairburn became Executive Vice-President, Business Innovation on December 1, 2015. From February 2013 to November 2015, Ms. Fairburn was Cenovus's Executive Advisor. From November 2009 to January 2013, Ms. Fairburn was Cenovus's Executive Vice-President, Environment & Strategic Planning.
Jacqueline (Jacqui) A.T. McGillivray Calgary, Alberta, Canada	Executive Vice-President, Safety & Organization Effectiveness Ms. McGillivray became Executive Vice-President, Safety & Organization Effectiveness on July 1, 2015. From October 2012 to June 2015, Ms. McGillivray was Cenovus's Senior Vice-President & Chief People Officer. From November 2010 to October 2012, Ms. McGillivray was Head of Global Human Resources at Talisman Energy Inc.
Robert W. Pease Calgary, Alberta, Canada	Executive Vice-President, Corporate Strategy & President, Downstream Mr. Pease became Executive Vice-President, Corporate Strategy & President, Downstream on July 1, 2015. From June 2014 to June 2015, Mr. Pease was Cenovus's Executive Vice-President, Markets, Products & Transportation. 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 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 refiner, distributer and marketer of fuels in the eastern and Gulf Coast regions of the U.S.
Alan C. Reid Calgary, Alberta, Canada	Executive Vice-President, Environment, Corporate Affairs, Legal & General Counsel Mr. Reid became Executive Vice-President, Environment, Corporate Affairs, Legal & General Counsel on December 1, 2015. From September 2015 to November 2015, Mr. Reid was Cenovus's Executive Vice-President, Environment, Corporate Affairs & Legal. From January 2014 to August 2015, Mr. Reid was Cenovus's Senior Vice-President, Christina Lake & Narrows Lake. From January 2012 to January 2014, Mr. Reid was Cenovus's Senior Vice-President, Christina Lake. From November 2009 to January 2012, Mr. Reid was Cenovus's Vice-President, Regulatory, Health & Safety.
J. Drew Zieglgansberger Calgary, Alberta, Canada	Executive Vice-President, Oil Sands Manufacturing Mr. Zieglgansberger became Executive Vice-President, Oil Sands Manufacturing on September 1, 2015. From June 2015 to August 2015, Mr. Zieglgansberger was Cenovus's Executive Vice-President, Operations Shared Services. From June 2012 to May 2015, Mr. Zieglgansberger was Cenovus's Senior Vice-President, Operations Shared Services. From January 2012 to May 2012, Mr. Zieglgansberger was Cenovus's Senior Vice-President, Regulatory, Local Community & Military. From December 2010 to January 2012, Mr. Zieglgansberger was Cenovus's Senior Vice-President, Christina Lake.

As of December 31, 2015, all of Cenovus's directors and executive officers, as a group, beneficially owned or exercised control or direction over, directly or indirectly, 1,055,623 common shares of Cenovus ("Common Shares") or approximately 0.127 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 Corporation'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 Corporation 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 Corporation'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 Corporation'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*.

On June 25, 2001, USG and 10 of its subsidiaries filed for reorganization under Chapter 11 of the Bankruptcy Code (U.S.). On June 20, 2005, Mr. Leer joined the board of directors of USG. On February 17, 2006, USG announced a joint plan of reorganization pursuant to which all creditors would be paid in full. On June 20, 2006, the plan received court approval and USG and those subsidiaries emerged from bankruptcy.

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

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

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee consists of four 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.

Steven F. Leer

Mr. Leer holds a Bachelor of Electrical Engineering (University of the Pacific) and a Master of Business Administration (Olin School of Business, Washington University). He was awarded an honorary doctorate by University of the Pacific in May 1993. Mr. Leer is a lead director of Norfolk Southern Corporation, a publicly traded North American rail transportation provider; a lead director of USG Corporation ("USG"), a publicly traded manufacturer and distributor of high performance building systems; and a director of Parsons Corporation, a private engineering, construction, technical, and management services firm. Mr. Leer served as Chairman of Arch Coal, Inc. ("Arch Coal"), a publicly traded coal producing company, from April 2006 to April 2014, and served as a director of Arch Coal and its predecessor company from 1992. During his tenure with Arch Coal and its predecessor company he also served as Chief Executive Officer from July 1992 to April 2012 and President from July 1992 to April 2006. He is a member of the Board of Trustees of Washington University in St. Louis and he is a former director of the Business Roundtable and the National Association of Manufacturers.

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 professional accountant, a Fellow of the Chartered Professional Accountants of Ontario and a member of the Chartered Professional Accountants of Canada. 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 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 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, 2015 and 2014:

($ thousands)	**2015**	2014
Audit Fees (1)	**2,692**	2,597
Audit-Related Fees (2)	**482**	202
Tax Fees (3)	**99**	110
All Other Fees (4)	**-**	6
Total	**3,273**	2,915

(1) Audit Fees consist of the aggregate fees billed for the audit of the Corporation'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 Corporation'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 audit related fees, tax compliance, tax advice and tax planning.

(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 First Preferred Shares and Second Preferred Shares not exceeding, in aggregate, 20 percent of the number of issued and outstanding Common Shares. As at December 31, 2015, there were approximately 833.3 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 Corporation'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 Corporation 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 Corporation's Board is restricted from issuing First Preferred Shares or Second Preferred Shares if by doing so the aggregate number of First Preferred and Second Preferred Shares that would then be issued and outstanding would exceed 20 percent of the aggregate number of Common Shares then issued and outstanding.

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 Corporation'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 reconfirmed at the 2015 annual and special meeting of shareholders and must be reconfirmed by the Corporation's shareholders at every third annual shareholder meeting.

DIVIDEND REINVESTMENT PLAN

Cenovus has a dividend reinvestment plan (the "DRIP"), 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 Corporation, the additional Common Shares may be issued from treasury at the average market price or purchased on the market.

On July 30, 2015 the temporary discount on Common Shares issued to participants under the DRIP introduced on February 12, 2015, was discontinued. The discount allowed shareholders to reinvest their dividends in Common Shares at a three percent discount to the average market price (as defined in the DRIP).

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 expired 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 Corporation'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 Corporation'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	BBB (high)
Commercial Paper Short-Term Rating	A-2	P-2	R-2 (high)
Outlook/Trend	Stable	Rating Under Review for downgrade	Negative

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 short-term issue credit ratings scale ranges from A-1 to D, which represents the range from highest to lowest quality. A rating of A-2 is the second highest of six categories and indicates that the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory. A S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. A "Stable" outlook indicates that a rating is not likely to change.

Moody's long-term credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. A rating of Baa2 by Moody's is within the fourth highest of nine categories and is assigned to debt securities which are considered medium-grade and subject to moderate credit risk and as such 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. A designation of Rating Under Review indicates that the rating is under review for a change in the near term, which overrides the outlook designation. A review may end with a rating being upgraded, downgraded, or confirmed without a change to the rating. Ratings are placed on review when a rating action may be warranted in the near-term but further information or analysis is needed to reach a decision on the need for a rating change or the magnitude of the potential change.

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 BBB (high) by DBRS is within the fourth highest of 10 categories and is assigned to debt securities considered to be of adequate credit quality. The capacity for payment of financial obligations is considered acceptable. Entities in the BBB category may be vulnerable to future events. 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-2 (high) is the fourth highest of 10 categories and indicates that the short-term debt is in the upper end of adequate credit quality. The capacity for the payment of short-term financial obligations as they fall due is acceptable. Cenovus may be vulnerable to future events. Rating trends provide guidance in respect of DBRS' opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories - "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed.

Throughout the last two years, Cenovus has made payments to S&P, Moody's, and DBRS related to the rating of the Corporation'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. Effective the third quarter of 2015, Cenovus reduced the quarterly dividend by 40 percent from $0.2662 to $0.16 per common share. The Board has approved a first quarter dividend of $0.05 per share payable on March 31, 2016 to holders of Common Shares of record as of March 15, 2016. 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
2015	0.8524	0.16	0.16	0.2662	0.2662
2014	1.0648	0.2662	0.2662	0.2662	0.2662
2013	0.968	0.242	0.242	0.242	0.242

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 2015:

	TSX				NYSE			
	Share Price Trading Range				Share Price Trading Range			
	High	Low	Close	Share Volume	High	Low	Close	Share Volume
	($ per share)			(thousands)	(US$ per share)			(thousands)
January	24.95	21.87	24.09	86,649	20.89	17.37	18.89	49,901
February	26.42	21.56	21.57	99,513	21.12	17.24	17.29	56,777
March	22.48	20.45	21.34	101,794	17.93	16.29	16.88	47,505
April	24.28	21.32	22.69	95,632	19.72	16.89	18.82	42,962
May	23.25	20.23	20.52	77,995	19.28	16.20	16.49	38,034
June	21.69	19.53	19.98	84,576	17.76	15.69	16.01	49,516
July	20.07	16.98	19.06	86,880	15.97	13.04	14.58	50,471
August	19.28	15.75	19.07	84,803	14.67	11.85	14.47	51,293
September	20.91	17.00	20.24	135,093	15.80	12.76	15.16	74,684
October	22.35	18.75	19.48	90,746	17.23	14.17	14.91	65,312
November	21.81	19.10	19.81	65,882	16.68	14.32	14.80	39,867
December	20.56	16.85	17.50	76,299	15.38	12.10	12.62	38,971

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 Corporation's operations. The impact of any risk or a combination of risks may adversely affect, among other things, the Corporation'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 Corporation'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 Corporation'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 capital markets; development and operating costs; availability of capital and access to sufficient liquidity; fluctuations in foreign exchange and interest rates; risks related to Cenovus's hedging activities; and risks related to the Corporation's ability to pay a dividend to shareholders. Changes in global economic conditions could impact a number of factors including, but not limited to, Cenovus's cash flows, financial condition, results of operations and growth, the maintenance of Cenovus's existing operations, financial strength of the Corporation's counterparties, access to capital and cost of borrowing.

Commodity Prices

The Corporation'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; 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 Corporation'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 Corporation'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 Corporation's business.

Fluctuations in the price of commodities, associated price differentials and refining margins may impact the value of Cenovus's assets, the Corporation'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 Corporation'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 Corporation'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 help mitigate the impact of changes in oil and natural gas prices, diluent or condensate supply prices and refining margins. Cenovus also uses derivative instruments in various operational markets to help optimize its supply cost or sales. The Corporation may also utilize derivative instruments to help mitigate the potential impact of changes in interest rates and foreign exchange rates.

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

There is risk that 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 Corporation 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 Corporation 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 Corporation'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 Corporation'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, 2015, Cenovus had US$4.75 billion in debt outstanding with no principal payments due until October 2019 (US$1.3 billion). The Corporation has a $4.0 billion committed credit facility, with a $1.0 billion tranche maturing on November 30, 2017 and a $3.0 billion tranche maturing on November 30, 2019. The entire amount of the committed credit facility was available at December 31, 2015, to meet operating and capital requirements. Going forward, an inability to access the capital 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 and facilities could negatively impact the Corporation'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 Corporation 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 Corporation's ability to make capital investments, continue its business plan, meet all of its financial obligations as they come due and maintain existing properties and facilities may be impaired.

Credit Ratings

The credit rating agencies regularly evaluate the Corporation, and their ratings are based on a number of factors not entirely within the Corporation's control, including conditions affecting the oil and gas industry generally, and the wider state of the economy. There can be no assurance that one or more of the Corporation's credit ratings will not be downgraded. A reduction in any of the Corporation's current credit ratings could adversely affect the cost and availability of borrowing, and access to sources of liquidity and capital.

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 generally set in U.S. dollars, while many of the Corporation's operating and capital costs as well as its Consolidated Financial Statements are denominated in Canadian dollars. Cenovus has chosen to borrow U.S. dollar long-term 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 Corporation'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. Exchange rate fluctuations could have a material adverse effect on the Corporation's financial condition, results of operations and cash flow.

Interest Rates

The Corporation 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 Corporation 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 Corporation'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 Corporation'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 Corporation's operational risks include, but are not limited to: operational and safety considerations; market access constraints and transportation interruptions (pipeline, marine or rail); phased growth execution; uncertainty of reserves and resources estimates; reservoir performance and technical challenges; partner risks; competition; technology limitations; third-party claims; land claims; leadership and talent gaps; and information system failures.

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; railcar incident or derailment; gaseous leaks; migration of harmful substances; oil spills; corrosion; and acts of vandalism and terrorism. Any of these hazards can interrupt operations, impact the Corporation'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.

Market Access Constraints and Transportation 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, marine or rail transport, could adversely affect the Corporation'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 may 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 new pipeline projects which would result in extra long-term takeaway 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 no certainty that crude-by-rail, marine transport and other alternative types of transportation for the Corporation's production will be sufficient to address any gaps caused by operational constraints on the pipeline system. In addition, Cenovus's crude-by-rail and marine shipments may be impacted by service delays, inclement weather, railcar derailment or other rail or marine transport incident and could adversely impact its crude oil sales volumes or the price received for its product or impact the Corporation's reputation or result in legal liability, loss of life or personal injury, loss of equipment or property, or environmental damage. In addition, new regulations were introduced in 2015 requiring tank cars used to transport crude oil to be replaced with newer, safer tank cars, or to be retrofitted to meet the same standards. The costs of complying with the new standards, or any further revised standards, will likely be passed on to rail shippers and may adversely affect Cenovus's ability to transport crude-by-rail or the economics associated with rail transportation. Finally, planned or unplanned shutdowns or closures of the Corporation's refinery customers may limit Cenovus's ability to deliver product with negative implications on sales and cash from operating activities.

Operational Considerations

The Corporation'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 Corporation'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 Corporation 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 Corporation's control. In general, estimates of economically recoverable crude oil and natural gas reserves and the future net cash flows and revenue 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, rail transportation 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 FNR 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 Corporation 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.

Project Execution

There are risks associated with the execution and operation of the Corporation's upstream and refining growth and development 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 Corporation's existing asset base could cause delays in achieving targets and objectives. Failure to manage these risks could have a material adverse effect on our financial condition, results of operations and cash flows.

Partner Risks

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

Interests in certain of the Corporation's upstream assets are held in a partnership with ConocoPhillips, an unrelated U.S. public company, and are operated by Cenovus. The Corporation'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 Corporation 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 Corporation'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 Corporation'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 Corporation 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.

Companies may announce 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 Corporation'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 Corporation 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 Corporation 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. There exist outstanding aboriginal and treaty rights claims, which may include aboriginal title claims, on lands where Cenovus operates. Such claims have the potential to have an adverse effect on operations in 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.

Leadership and Talent

Cenovus's success is dependent upon its Management, its leadership capabilities and the quality and competency of its talent. Failure to retain critical talent or to attract and retain new talent with the necessary leadership traits, skills and competencies could have a material adverse effect on the Corporation's results of operations, pace of growth and financial condition.

Information Systems

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

ENVIRONMENTAL & REGULATORY RISKS

Cenovus's industry and its operations are 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 greenhouse gas and other emissions; the export of crude oil, natural gas and other products; the transportation of crude-by-rail or marine transport; the awarding or acquisition of exploration and production, oil sands or other interests; the imposition of specific drilling obligations; control over the development, abandonment and reclamation of fields (including restrictions on production); and/or facilities and possibly expropriation or cancellation of contract rights. Changes to government regulation could impact Cenovus's existing and planned projects or increase capital investment or operating expenses, adversely impacting our financial condition, results of operations and cash flows.

Regulatory Approvals

Cenovus's operations require the Corporation 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 Corporation'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 Corporation'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.

Alberta Royalty Review

The Government of Alberta released its Royalty Review Advisory Panel Report on January 29, 2016 (the "Review"). The Review recommends new rules coming into effect in 2017, but also recommends grandfathering, under the current rules, all wells drilled before 2017 for a ten year period and recommends no change to the oil sands royalty structure. The Review recommended modernization of Alberta's conventional oil and gas royalty regime, but did not provide detail. The Government of Alberta has accepted the recommendations set out in the Review and is expected to adopt those recommendations in spring 2016. It is not anticipated that the new rules will materially impact Cenovus's financial condition; however, the specific nature in which the new rules will be applied has not yet been determined and may alter this view.

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 Corporation 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 Corporation'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 provide that wells, facility sites, refineries and other properties and practices associated with the Corporation's operations be constructed, operated, maintained, abandoned, reclaimed and undertaken in accordance with the requirement set out therein. 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. The complexities of changes in environmental regulations make it difficult to predict the potential future impact to Cenovus.

Compliance with environmental regulations can require significant expenditures, including costs and damages arising from releases or contaminated properties or spills. We anticipate that future capital expenditures and operating expenses could continue to increase as a result of the implementation of new environmental regulations. Failure to comply with environmental regulations may result in the imposition of fines, penalties and environmental protection orders. The costs of complying with environmental regulation may have a material adverse effect on Cenovus's financial condition, results of operations and cash flows. 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.

Failure to comply with environmental regulations could have an adverse impact on Cenovus's reputation. There is also risk that Cenovus could face litigation initiated by third parties relating to climate change or other environmental regulations.

Climate Change

Various federal, provincial and state governments have announced intentions to regulate greenhouse gas ("GHG") emissions and other air pollutants. 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 Corporation's suppliers and service providers.

Alberta Climate Leadership Plan

We are subject to the Specified Gas Emitters Regulation (Alberta) (the "SGER"), which imposes GHG emissions intensity limits and reduction requirements for owners of facilities that emit 100,000 tonnes per year or more of GHG, which was recently amended. Previously, an owner of such a facility was required to reduce the emissions intensity of that facility by a minimum of 12 percent. The amendments have increased the minimum emission intensity reduction requirement for facility owners to 15 percent in 2016 and 20 percent starting in 2017. One of the options for complying with the SGER is for facility owners to purchase technology fund credits. The amendments have increased the price for such credits from $15/tonne to $20/tonne for 2016 and $30/tonne beginning in 2017.

In November, 2015, the Alberta government announced its climate leadership plan (the "CLP") and released to the public the climate leadership report to the Minister of Environment and Parks (the "Report") that it commissioned from the Climate Change Advisory Plan and on which the CLP is based. The CLP includes four strategies that the government will implement to address climate change: (i) the complete phase-out of coal-fired sources of electricity by 2030; (ii) implementing an Alberta economy-wide price on GHG emissions of $30 per tonne; (iii) reducing oil sands emissions to a province-wide total of 100 megatonnes per year (compared to current industry emissions levels of approximately 70 megatonnes per year), with certain exceptions for cogeneration power sources and new upgrading capacity; and (iv) reducing methane emissions from oil and gas activities by 45% by 2025. Uncertainties exist with respect to the implementation of the CLP and the effects that the CLP, including the overall emissions limit, may have on the industry.

Adverse impacts to Cenovus's business as a result of comprehensive GHG legislation or regulation, including legislation to implement the CLP and the amendments to the SGER, to be enacted and applied to the Corporation's business in Alberta or any jurisdiction in which the Corporation operates, 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 Corporation'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 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.

The Paris Agreement

In December 2015, Canada and 195 other countries that are members of the United Nations Framework Convention on Climate Change met in Paris, France and signed the Paris Agreement on climate change. The stated objective of the Paris Agreement is to hold "the increase in global average temperature to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius." The countries which agreed to the Paris Agreement committed to meeting every five years to review their individual progress on GHG emissions reductions and to consider amendments to non-binding individual country targets. Canada is required to report and monitor its GHG emissions, though the implementation of such reporting and monitoring has yet to be determined. The Paris Agreement also contemplates that by 2020 the parties thereto will develop a new market-based mechanism related to carbon trading, which is expected to be based largely on lessons learned from the Kyoto Protocol. The government of Canada has announced that it will develop a country-wide approach to implementing the Paris Agreement in 2016.

The Corporation is unable to predict the impact of the Paris Agreement on its operations. It is possible that mandatory emissions reduction requirements may have a material adverse effect on Cenovus's financial condition, results of operations and cash flow.

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 Corporation 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 are required to comply with the legislation.

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 Corporation'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 Corporation'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 the Lower Athabasca Regional Plan ("LARP"), which was issued under the ALSA. The LARP identifies legally-binding 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 Corporation'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 the 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 the North Saskatchewan Regional Plan ("NSRP"). This plan will apply to Cenovus's operations in central Alberta. No assurance can be given that the NSRP, or any future regional plans developed and implemented by the Government of Alberta, will not materially impact operations or future operations in this region.

The Government of Alberta has also announced four additional regional plans which are to come into effect under ALSA which may apply to Cenovus's landholdings and operations in other areas of Alberta, but development of these plans has not yet begun.

Species at Risk Act

The Canadian 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 Corporation'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 Corporation's non-utility boilers, heaters and reciprocating engines will be regulated in accordance with specified performance standards. Due to the recent change in government, it is unclear when these regulations will come into force. Cenovus does not anticipate a material impact to existing or future operations as a result of the MAPR.

Water Licenses

Cenovus currently utilizes fresh water in certain operations, which is obtained under licenses issued pursuant to the *Water Act* (Alberta) to provide, for example, domestic and utility water at the Corporation's SAGD facilities and for its bitumen delineation programs. Currently, the Corporation is not required to pay for the water it uses under these licenses. If a change under these licenses reduces the amount of water available for the Corporation's use, its production could decline or operating expenses could increase, both of which may have a material adverse effect on the Corporation's business and financial performance. 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 Corporation'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 in southern Alberta ("White Area") and June 2016 for the boreal region ("Green Area"). This new policy is not expected to affect Cenovus's existing operations in Foster Creek, Christina Lake and Narrows Lake, where the Corporation's ten year wetlands mitigation and monitoring plans were approved under the previously 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 assessment and compensation requirements are still to be determined within the policy. Based on written statements in the Alberta Wetland Mitigation Directive, 2015, Cenovus does not anticipate a material impact; however with the change in the provincial government it is unclear how this policy will be implemented. At this time, 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 Corporation 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.

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 Corporation'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 Corporation 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 Corporation's most recent Management's Discussion and Analysis, available at sedar.com, sec.gov and cenovus.com.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

During the year ended December 31, 2015, 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, 2015, 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 Corporation 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

None of the Corporation'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 Corporation 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

During the year ended December 31, 2015, 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

The Corporation's independent auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, who have issued an independent auditor's report dated February 10, 2016 in respect of Cenovus's Consolidated Financial Statements which comprise the Consolidated Balance Sheets as at December 31, 2015 and December 31, 2014 and the Consolidated Statements of Earnings and Comprehensive Income, Shareholders' Equity and Cash Flows for the years ended December 31, 2015, 2014, and 2013 and Cenovus's internal control over financial reporting as at December 31, 2015. PricewaterhouseCoopers LLP has advised that they are independent with respect to Cenovus within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Alberta and the rules of the SEC.

Information relating to reserves 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 Corporation's securities.

TRANSFER AGENTS AND REGISTRARS

In Canada:
Computershare Investor Services Inc.
8th 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

ADDITIONAL INFORMATION

Additional information relating to Cenovus is available on SEDAR at sedar.com, and EDGAR at sec.gov. Additional financial information is contained in the Corporation's audited Consolidated Financial Statements and MD&A for the year ended December 31, 2015. 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 Corporation's management proxy circular for its most recent annual meeting of shareholders.

Additional financial information, including 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, 2015, 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 Corporation 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, 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, 2015 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

Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Bcf	billion cubic feet
bbls/d	barrels per day	Mcf	thousand cubic feet
Mbbls/d	thousand barrels per day	MMcf	million cubic feet
MMbbls	million barrels	MMcf/d	million cubic feet per day
NGLs	natural gas liquids	MMBtu	million British thermal units
BOE	barrel of oil equivalent	CBM	Coal Bed Methane
BOE/d	barrels of oil equivalent per day		
WTI	West Texas Intermediate		

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.

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APPENDIX A

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATORS

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

1. We have evaluated the Corporation's reserves data as at December 31, 2015. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2015, estimated using forecast prices and costs.

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

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") and maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. 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.

5. 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 for the year ended December 31, 2015, and identifies the respective portions thereof that we have evaluated and reported on to the Corporation's Board of Directors:

Independent Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Reserves	Evaluated Net Present Value of Future Net Revenue (before income taxes, 10% discount rate) $ millions
McDaniel & Associates Consultants Ltd.	December 31, 2015	Canada	$20,280
GLJ Petroleum Consultants Ltd.	December 31, 2015	Canada	$1,286
			$21,566

6. 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.

7. We have no responsibility to update our reports referred to in paragraph five for events and circumstances occurring after their respective effective dates.

8. 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) *"P.A. Welch"*

McDaniel & Associates Consultants Ltd.
Calgary, Alberta, Canada

(signed) *"Keith M. Braaten"*

GLJ Petroleum Consultants Ltd.
Calgary, Alberta, Canada

February 9, 2016

APPENDIX B

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management and directors of Cenovus Energy Inc. (the "Corporation") are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

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, on the recommendation of the Reserves Committee, has approved:

(a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas 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"*

Brian C. Ferguson
President & Chief Executive Officer

(signed) *"Ivor M. Ruste"*

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

(signed) *"Michael A. Grandin"*

Michael A. Grandin
Director and Chair of the Board

(signed) *"Wayne G. Thomson"*

Wayne G. Thomson
Director and Chair of the Reserves Committee

February 10, 2016

APPENDIX C

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.