Cenovus Energy Inc.

Interim Consolidated Financial Statements (unaudited)

For the Period Ended March 31, 2016

(Canadian Dollars)

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the period ended March 31, 2016

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CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) (unaudited)

For the periods ended March 31,
($ millions, except per share amounts)

	Notes	Three Months Ended 2016	2015
Revenues	1		
Gross Sales		**2,265**	3,165
Less: Royalties		**20**	24
		2,245	3,141
Expenses	1		
Purchased Product		**1,362**	1,732
Transportation and Blending		**450**	528
Operating		**451**	477
Production and Mineral Taxes		**2**	5
(Gain) Loss on Risk Management	18	**(16)**	(6)
Depreciation, Depletion and Amortization	6,11	**542**	499
Exploration Expense	10	**1**	-
General and Administrative		**60**	71
Finance Costs	3	**124**	121
Interest Income		**(11)**	(11)
Foreign Exchange (Gain) Loss, Net	4	**(403)**	515
Research Costs		**18**	7
(Gain) Loss on Divestiture of Assets	5	**-**	(16)
Earnings (Loss) Before Income Tax		**(335)**	(781)
Income Tax Expense (Recovery)	7	**(217)**	(113)
Net Earnings (Loss)		**(118)**	(668)
Net Earnings (Loss) Per Share ($)	8		
Basic		**(0.14)**	(0.86)
Diluted		**(0.14)**	(0.86)

See accompanying Notes to Consolidated Financial Statements (unaudited).

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

For the periods ended March 31,
($ millions)

	Notes	Three Months Ended 2016	2015
Net Earnings (Loss)		**(118)**	(668)
Other Comprehensive Income (Loss), Net of Tax	15		
Items That Will Not be Reclassified to Profit or Loss:			
Actuarial Gain (Loss) Relating to Pension and Other Post-Retirement Benefits		**(4)**	(1)
Items That May be Reclassified to Profit or Loss:			
Change in Value of Available for Sale Financial Assets		**(3)**	-
Foreign Currency Translation Adjustment		**(256)**	272
Total Other Comprehensive Income (Loss), Net of Tax		**(263)**	271
Comprehensive Income (Loss)		**(381)**	(397)

See accompanying Notes to Consolidated Financial Statements (unaudited).

CONSOLIDATED BALANCE SHEETS (unaudited)

As at
($ millions)

	Notes	**March 31, 2016**	December 31, 2015
Assets			
Current Assets			
Cash and Cash Equivalents		**3,883**	4,105
Accounts Receivable and Accrued Revenues		**1,110**	1,251
Income Tax Receivable		**6**	6
Inventories	9	**858**	810
Risk Management	18,19	**176**	301
Current Assets		**6,033**	6,473
Exploration and Evaluation Assets	1,10	**1,604**	1,575
Property, Plant and Equipment, Net	1,11	**16,536**	17,335
Income Tax Receivable		**-**	90
Risk Management	18,19	**1**	-
Other Assets		**84**	76
Goodwill	1	**242**	242
Total Assets		**24,500**	25,791
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Liabilities		**1,700**	1,702
Income Tax Payable		**126**	133
Risk Management	18,19	**26**	23
Current Liabilities		**1,852**	1,858
Long-Term Debt	12	**6,113**	6,525
Risk Management	18,19	**44**	7
Decommissioning Liabilities	13	**1,786**	2,052
Other Liabilities		**148**	142
Deferred Income Taxes		**2,583**	2,816
Total Liabilities		**12,526**	13,400
Shareholders' Equity		**11,974**	12,391
Total Liabilities and Shareholders' Equity		**24,500**	25,791

See accompanying Notes to Consolidated Financial Statements (unaudited).

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

($ millions)

	Share Capital	Paid in Surplus	Retained Earnings	AOCI [1]	Total
	(Note 14)			(Note 15)	
As at December 31, 2014	3,889	4,291	1,599	407	10,186
Net Earnings (Loss)	-	-	(668)	-	(668)
Other Comprehensive Income (Loss)	-	-	-	271	271
Total Comprehensive Income (Loss)	-	-	(668)	271	(397)
Common Shares Issued for Cash	1,463	-	-	-	1,463
Common Shares Issued Pursuant to Dividend Reinvestment Plan	84	-	-	-	84
Stock-Based Compensation Expense	-	15	-	-	15
Dividends on Common Shares	-	-	(222)	-	(222)
As at March 31, 2015	5,436	4,306	709	678	11,129
As at December 31, 2015	5,534	4,330	1,507	1,020	12,391
Net Earnings (Loss)	-	-	(118)	-	(118)
Other Comprehensive Income (Loss)	-	-	-	(263)	(263)
Total Comprehensive Income (Loss)	-	-	(118)	(263)	(381)
Stock-Based Compensation Expense	-	5	-	-	5
Dividends on Common Shares	-	-	(41)	-	(41)
As at March 31, 2016	**5,534**	**4,335**	**1,348**	**757**	**11,974**

(1) Accumulated Other Comprehensive Income (Loss).

See accompanying Notes to Consolidated Financial Statements (unaudited).

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the periods ended March 31,
($ millions)

	Notes	Three Months Ended 2016	2015
Operating Activities			
Net Earnings (Loss)		**(118)**	(668)
Depreciation, Depletion and Amortization	6,11	**542**	499
Exploration Expense	10	**1**	-
Deferred Income Taxes	7	**(190)**	(27)
Unrealized (Gain) Loss on Risk Management	18	**149**	145
Unrealized Foreign Exchange (Gain) Loss	4	**(409)**	523
(Gain) Loss on Divestiture of Assets	5	**-**	(16)
Unwinding of Discount on Decommissioning Liabilities	3,13	**32**	31
Other		**19**	8
Net Change in Other Assets and Liabilities		**(29)**	(54)
Net Change in Non-Cash Working Capital		**185**	(166)
Cash From Operating Activities		**182**	275
Investing Activities			
Capital Expenditures – Exploration and Evaluation Assets	10	**(34)**	(74)
Capital Expenditures – Property, Plant and Equipment	11	**(289)**	(455)
Proceeds From Divestiture of Assets	5	**-**	16
Net Change in Investments and Other		**1**	2
Net Change in Non-Cash Working Capital		**(47)**	(132)
Cash From (Used in) Investing Activities		**(369)**	(643)
Net Cash Provided (Used) Before Financing Activities		**(187)**	(368)
Financing Activities			
Net Issuance (Repayment) of Short-Term Borrowings		**-**	(19)
Common Shares Issued, Net of Issuance Costs		**-**	1,449
Dividends Paid on Common Shares	8	**(41)**	(138)
Cash From (Used in) Financing Activities		**(41)**	1,292
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency		**6**	(3)
Increase (Decrease) in Cash and Cash Equivalents		**(222)**	921
Cash and Cash Equivalents, Beginning of Period		**4,105**	883
Cash and Cash Equivalents, End of Period		**3,883**	1,804

See accompanying Notes to Consolidated Financial Statements (unaudited).

1. DESCRIPTION OF BUSINESS AND SEGMENTED DISCLOSURES

Cenovus Energy Inc. and its subsidiaries, (together "Cenovus" or the "Company") are in the business of 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.").

Cenovus is incorporated under the *Canada Business Corporations Act* and its shares are listed on the Toronto ("TSX") and New York ("NYSE") stock exchanges. The executive and registered office is located at 2600, 500 Centre Street S.E., Calgary, Alberta, Canada, T2G 1A6. Information on the Company's basis of preparation for these interim Consolidated Financial Statements is found in Note 2.

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources and assessing operational performance by Cenovus's chief operating decision makers. The Company evaluates the financial performance of its operating segments primarily based on operating cash flow. The Company's reportable segments are:

- **Oil Sands,** which 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 the Company's operated oil sands properties, notably Foster Creek, Christina Lake and Narrows Lake, are jointly owned with ConocoPhillips, an unrelated U.S. public company.
- **Conventional,** which includes the development and production of conventional crude oil, NGLs and natural gas in Alberta and Saskatchewan, including the heavy oil assets at Pelican Lake, the carbon dioxide enhanced oil recovery project at Weyburn and emerging tight oil opportunities.
- **Refining and Marketing,** which is responsible for transporting, selling and refining crude oil into petroleum and chemical products. Cenovus jointly owns two refineries in the U.S. with the operator Phillips 66, an unrelated U.S. public company. 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. The marketing of crude oil and natural gas sourced from Canada, including physical product sales that settle in the U.S., is considered to be undertaken by a Canadian business. U.S. sourced crude oil and natural gas purchases and sales are attributed to the U.S.
- **Corporate and Eliminations,** which primarily includes unrealized gains and losses recorded on derivative financial instruments, gains and losses on divestiture of assets, as well as other Cenovus-wide costs for general and administrative, financing activities and research costs. As financial instruments are settled, the realized gains and losses are recorded in the operating segment to which the derivative instrument relates. Eliminations relate to sales and operating revenues, and purchased product between segments, recorded at transfer prices based on current market prices, and to unrealized intersegment profits in inventory. The Corporate and Eliminations segment is attributed to Canada, with the exception of unrealized risk management gains and losses, which have been attributed to the country in which the transacting entity resides.

Employee stock-based compensation costs previously included in operating expense have been reclassified to general and administrative expense to conform to the presentation adopted for the year ended December 31, 2015. As a result, for the three months ended March 31, 2015, a recovery of $1 million was reclassified.

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

All amounts in $ millions, unless otherwise indicated

A) Results of Operations – Segment and Operational Information

	Oil Sands		Conventional		Refining and Marketing	
For the three months ended March 31,	**2016**	2015	**2016**	2015	**2016**	2015
Revenues						
Gross Sales	**470**	732	**274**	443	**1,588**	2,096
Less: Royalties	**-**	3	**20**	21	**-**	-
	470	729	**254**	422	**1,588**	2,096
Expenses						
Purchased Product	**-**	-	**-**	-	**1,428**	1,838
Transportation and Blending	**404**	470	**47**	58	**-**	-
Operating	**127**	144	**122**	158	**203**	177
Production and Mineral Taxes	**-**	-	**2**	5	**-**	-
(Gain) Loss on Risk Management	**(106)**	(90)	**(39)**	(47)	**(20)**	(14)
Operating Cash Flow	**45**	205	**122**	248	**(23)**	95
Depreciation, Depletion and Amortization	**148**	170	**322**	262	**55**	46
Exploration Expense	**1**	-	**-**	-	**-**	-
Segment Income (Loss)	**(104)**	35	**(200)**	(14)	**(78)**	49

	Corporate and Eliminations		Consolidated	
For the three months ended March 31,	**2016**	2015	**2016**	2015
Revenues				
Gross Sales	**(67)**	(106)	**2,265**	3,165
Less: Royalties	**-**	-	**20**	24
	(67)	(106)	**2,245**	3,141
Expenses				
Purchased Product	**(66)**	(106)	**1,362**	1,732
Transportation and Blending	**(1)**	-	**450**	528
Operating	**(1)**	(2)	**451**	477
Production and Mineral Taxes	**-**	-	**2**	5
(Gain) Loss on Risk Management	**149**	145	**(16)**	(6)
Depreciation, Depletion and Amortization	**17**	21	**542**	499
Exploration Expense	**-**	-	**1**	-
Segment Income (Loss)	**(165)**	(164)	**(547)**	(94)
General and Administrative	**60**	71	**60**	71
Finance Costs	**124**	121	**124**	121
Interest Income	**(11)**	(11)	**(11)**	(11)
Foreign Exchange (Gain) Loss, Net	**(403)**	515	**(403)**	515
Research Costs	**18**	7	**18**	7
(Gain) Loss on Divestiture of Assets	**-**	(16)	**-**	(16)
	(212)	687	**(212)**	687
Earnings (Loss) Before Income Tax			**(335)**	(781)
Income Tax Expense (Recovery)			**(217)**	(113)
Net Earnings (Loss)			**(118)**	(668)

All amounts in $ millions, unless otherwise indicated

B) Financial Results by Upstream Product

	Crude Oil [1]					
	Oil Sands		Conventional		Total	
For the three months ended March 31,	**2016**	2015	**2016**	2015	**2016**	2015
Revenues						
Gross Sales	**465**	723	**189**	315	**654**	1,038
Less: Royalties	**-**	3	**17**	19	**17**	22
	465	720	**172**	296	**637**	1,016
Expenses						
Transportation and Blending	**404**	470	**44**	53	**448**	523
Operating	**122**	139	**78**	110	**200**	249
Production and Mineral Taxes	**-**	-	**2**	5	**2**	5
(Gain) Loss on Risk Management	**(106)**	(89)	**(40)**	(37)	**(146)**	(126)
Operating Cash Flow	**45**	200	**88**	165	**133**	365

(1) Includes NGLs.

	Natural Gas					
	Oil Sands		Conventional		Total	
For the three months ended March 31,	**2016**	2015	**2016**	2015	**2016**	2015
Revenues						
Gross Sales	**4**	6	**82**	122	**86**	128
Less: Royalties	**-**	-	**3**	2	**3**	2
	4	6	**79**	120	**83**	126
Expenses						
Transportation and Blending	**-**	-	**3**	5	**3**	5
Operating	**3**	4	**42**	47	**45**	51
Production and Mineral Taxes	**-**	-	**-**	-	**-**	-
(Gain) Loss on Risk Management	**-**	(1)	**1**	(10)	**1**	(11)
Operating Cash Flow	**1**	3	**33**	78	**34**	81

	Other					
	Oil Sands		Conventional		Total	
For the three months ended March 31,	**2016**	2015	**2016**	2015	**2016**	2015
Revenues						
Gross Sales	**1**	3	**3**	6	**4**	9
Less: Royalties	**-**	-	**-**	-	**-**	-
	1	3	**3**	6	**4**	9
Expenses						
Transportation and Blending	**-**	-	**-**	-	**-**	-
Operating	**2**	1	**2**	1	**4**	2
Production and Mineral Taxes	**-**	-	**-**	-	**-**	-
(Gain) Loss on Risk Management	**-**	-	**-**	-	**-**	-
Operating Cash Flow	**(1)**	2	**1**	5	**-**	7

	Total Upstream					
	Oil Sands		Conventional		Total	
For the three months ended March 31,	**2016**	2015	**2016**	2015	**2016**	2015
Revenues						
Gross Sales	**470**	732	**274**	443	**744**	1,175
Less: Royalties	**-**	3	**20**	21	**20**	24
	470	729	**254**	422	**724**	1,151
Expenses						
Transportation and Blending	**404**	470	**47**	58	**451**	528
Operating	**127**	144	**122**	158	**249**	302
Production and Mineral Taxes	**-**	-	**2**	5	**2**	5
(Gain) Loss on Risk Management	**(106)**	(90)	**(39)**	(47)	**(145)**	(137)
Operating Cash Flow	**45**	205	**122**	248	**167**	453

All amounts in $ millions, unless otherwise indicated

C) Geographic Information

For the three months ended March 31,	Canada 2016	Canada 2015	United States 2016	United States 2015	Consolidated 2016	Consolidated 2015
Revenues						
Gross Sales	**1,134**	1,625	**1,131**	1,540	**2,265**	3,165
Less: Royalties	**20**	24	**-**	-	**20**	24
	1,114	1,601	**1,131**	1,540	**2,245**	3,141
Expenses						
Purchased Product	**373**	432	**989**	1,300	**1,362**	1,732
Transportation and Blending	**450**	528	**-**	-	**450**	528
Operating	**264**	307	**187**	170	**451**	477
Production and Mineral Taxes	**2**	5	**-**	-	**2**	5
(Gain) Loss on Risk Management	**(17)**	(1)	**1**	(5)	**(16)**	(6)
Depreciation, Depletion and Amortization	**488**	453	**54**	46	**542**	499
Exploration Expense	**1**	-	**-**	-	**1**	-
Segment Income (Loss)	**(447)**	(123)	**(100)**	29	**(547)**	(94)

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

By Segment

As at	E&E (1) March 31, 2016	E&E (1) December 31, 2015	PP&E (2) March 31, 2016	PP&E (2) December 31, 2015
Oil Sands	**1,589**	1,560	**8,912**	8,907
Conventional	**15**	15	**3,214**	3,720
Refining and Marketing	**-**	-	**4,113**	4,398
Corporate and Eliminations	**-**	-	**297**	310
Consolidated	**1,604**	1,575	**16,536**	17,335

As at	Goodwill March 31, 2016	Goodwill December 31, 2015	Total Assets March 31, 2016	Total Assets December 31, 2015
Oil Sands	**242**	242	**11,108**	11,069
Conventional	**-**	-	**3,311**	3,830
Refining and Marketing	**-**	-	**5,552**	5,844
Corporate and Eliminations	**-**	-	**4,529**	5,048
Consolidated	**242**	242	**24,500**	25,791

(1) Exploration and evaluation ("E&E") assets.
(2) Property, plant and equipment ("PP&E").

By Geographic Region

As at	E&E March 31, 2016	E&E December 31, 2015	PP&E March 31, 2016	PP&E December 31, 2015
Canada	**1,604**	1,575	**12,516**	13,028
United States	**-**	-	**4,020**	4,307
Consolidated	**1,604**	1,575	**16,536**	17,335

As at	Goodwill March 31, 2016	Goodwill December 31, 2015	Total Assets March 31, 2016	Total Assets December 31, 2015
Canada	**242**	242	**19,495**	20,627
United States	**-**	-	**5,005**	5,164
Consolidated	**242**	242	**24,500**	25,791

All amounts in $ millions, unless otherwise indicated

E) Capital Expenditures [(1)]

For the periods ended March 31,	Three Months Ended 2016	2015
Capital		
Oil Sands	**227**	414
Conventional	**39**	66
Refining and Marketing	**52**	44
Corporate	**5**	5
	323	529

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

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

These interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, "*Interim Financial Reporting*" ("IAS 34"), and have been prepared following the same accounting policies and methods of computation as the annual Consolidated Financial Statements for the year ended December 31, 2015, except for income taxes. Income taxes on earnings or loss in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual earnings or loss. Certain information and disclosures normally included in the notes to the annual Consolidated Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

These interim Consolidated Financial Statements of Cenovus were approved by the Audit Committee effective April 26, 2016.

3. FINANCE COSTS

For the periods ended March 31,	Three Months Ended 2016	2015
Interest Expense – Short-Term Borrowings and Long-Term Debt	**88**	80
Unwinding of Discount on Decommissioning Liabilities (Note 13)	**32**	31
Other	**4**	10
	124	121

4. FOREIGN EXCHANGE (GAIN) LOSS, NET

For the periods ended March 31,	Three Months Ended 2016	2015
Unrealized Foreign Exchange (Gain) Loss on Translation of:		
U.S. Dollar Debt Issued From Canada	**(413)**	514
Other	**4**	9
Unrealized Foreign Exchange (Gain) Loss	**(409)**	523
Realized Foreign Exchange (Gain) Loss	**6**	(8)
	(403)	515

All amounts in $ millions, unless otherwise indicated

5. DIVESTITURES

There were no divestitures for the three months ended March 31, 2016.

In the first quarter of 2015, the Company divested an office building, recording a gain of $16 million.

6. IMPAIRMENTS

Cash-Generating Unit ("CGU") Impairments

As indicators of impairment were noted due to a further decline in forward commodity prices, the Company has tested its upstream CGUs for impairment.

Key Assumptions

As at March 31, 2016, the recoverable amounts of Cenovus's upstream CGUs were determined based on fair value less costs of disposal or an evaluation of comparable asset transactions. Key assumptions in the determination of future cash flows from reserves include crude oil and natural gas prices, costs to develop and the discount rate. All reserves have been evaluated as at December 31, 2015 by independent qualified reserves evaluators.

Crude Oil and Natural Gas Prices

The forward prices used to determine future cash flows from crude oil and natural gas reserves are:

	Remainder of 2016	2017	2018	2019	2020	Average Annual % Change to 2026
WTI (US$/barrel) (1)	45.00	51.00	59.80	66.30	70.40	3.9%
WCS (C$/barrel) (2)	43.40	50.10	57.00	63.60	65.50	4.0%
AECO (C$/Mcf) (3) (4)	2.10	3.00	3.35	3.65	3.75	3.7%

(1) West Texas Intermediate ("WTI") crude oil.
(2) Western Canadian Select ("WCS") crude oil blend.
(3) Alberta Energy Company ("AECO") natural gas.
(4) Assumes gas heating value of one million British Thermal Units per thousand cubic feet.

Discount and Inflation Rates

Evaluations of discounted future cash flows are initiated using the discount rate of 10 percent and inflation is estimated at two percent, which is common industry practice and used by Cenovus's independent qualified reserves evaluators in preparing their reserves reports. Based on the individual characteristics of the asset, other economic and operating factors are also considered, which may increase or decrease the implied discount rate.

2016 Impairments

As at March 31, 2016, the Company determined that the carrying amount of the Northern Alberta CGU exceeded its recoverable amount, resulting in an impairment loss of $170 million. The impairment was recorded as additional depreciation, depletion and amortization ("DD&A") in the Conventional segment. The Northern Alberta CGU includes the Pelican Lake and Elk Point producing assets and other emerging assets in the exploration and evaluation stage. Future cash flows for the Northern Alberta CGU declined due to lower forward crude oil prices.

The recoverable amount was determined using fair value less costs of disposal. The fair value for producing properties was calculated based on discounted after-tax cash flows of proved and probable reserves using forward prices and cost estimates, consistent with Cenovus's independent qualified reserves evaluators (Level 3). Future cash flows were estimated using a two percent inflation rate and discounted using a rate of 10 percent. As at March 31, 2016, the recoverable amount of the Northern Alberta CGU was estimated to be approximately $1.3 billion.

For the purpose of impairment testing, goodwill is allocated to the CGU to which it relates. There were no impairments of goodwill for the three months ended March 31, 2016.

All amounts in $ millions, unless otherwise indicated

Sensitivities

Changes to the assumed discount rate or forward price estimates over the life of the reserves independently would have the following impact on the 2016 impairment of the Northern Alberta CGU:

	One Percent Increase in the Discount Rate	Five Percent Decrease in the Forward Price Estimates
Increase to Impairment of PP&E	**159**	**320**

2015 Impairments

There were no CGU or goodwill impairments for the three months ended March 31, 2015.

7. INCOME TAXES

The provision for income taxes is:

For the periods ended March 31,	Three Months Ended 2016	2015
Current Tax		
Canada	**(27)**	(86)
United States	**-**	-
Total Current Tax Expense (Recovery)	**(27)**	(86)
Deferred Tax Expense (Recovery)	**(190)**	(27)
	(217)	(113)

The following table reconciles income taxes calculated at the Canadian statutory rate with the recorded income taxes:

For the periods ended March 31,	Three Months Ended 2016	2015
Earnings (Loss) Before Income Tax	**(335)**	(781)
Canadian Statutory Rate	**27.0%**	25.2%
Expected Income Tax (Recovery)	**(90)**	(197)
Effect of Taxes Resulting From:		
Foreign Tax Rate Differential	**(27)**	(11)
Non-Deductible Stock-Based Compensation	**2**	5
Non-Taxable Capital (Gains) Losses	**(56)**	65
Unrecognized Capital (Gains) Losses Arising From Unrealized Foreign Exchange	**(56)**	65
Adjustments Arising From Prior Year Tax Filings	**-**	(11)
Other	**10**	(29)
Total Tax (Recovery)	**(217)**	(113)
Effective Tax Rate	**64.8%**	14.5%

8. PER SHARE AMOUNTS

A) Net Earnings (Loss) Per Share

For the periods ended March 31,	Three Months Ended 2016	2015
Net Earnings (Loss) – Basic and Diluted ($ millions)	**(118)**	(668)
Basic – Weighted Average Number of Shares (millions)	**833.3**	778.9
Dilutive Effect of Cenovus TSARs (1)	**-**	-
Dilutive Effect of Cenovus NSRs (2)	**-**	-
Diluted – Weighted Average Number of Shares	**833.3**	778.9
Net Earnings (Loss) Per Share ($)		
Basic	**(0.14)**	(0.86)
Diluted	**(0.14)**	(0.86)

(1) Tandem stock appreciation rights ("TSARs").
(2) Net settlement rights ("NSRs").

B) Dividends Per Share

For the three months ended March 31, 2016, the Company paid dividends of $41 million or $0.05 per share, all of which was paid in cash (three months ended March 31, 2015 – $222 million or $0.2662 per share, including cash dividends of $138 million).

9. INVENTORIES

As a result of a decline in crude oil and refined product prices, Cenovus recorded a write-down of its product inventory of $31 million from cost to net realizable value as at March 31, 2016 (December 31, 2015 – $66 million).

10. EXPLORATION AND EVALUATION ASSETS

	Total
COST	
As at December 31, 2015	1,575
Additions	34
Exploration Expense	(1)
Change in Decommissioning Liabilities	(4)
As at March 31, 2016	**1,604**

All amounts in $ millions, unless otherwise indicated

11. PROPERTY, PLANT AND EQUIPMENT, NET

	Upstream Assets				
	Development & Production	**Other Upstream**	**Refining Equipment**	**Other [1]**	**Total**
COST					
As at December 31, 2015	31,481	331	5,206	1,037	38,055
Additions	233	-	50	6	289
Change in Decommissioning Liabilities	(256)	-	(13)	(1)	(270)
Exchange Rate Movements and Other	(14)	-	(328)	-	(342)
As at March 31, 2016	**31,444**	**331**	**4,915**	**1,042**	**37,732**
ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION					
As at December 31, 2015	18,908	277	896	639	20,720
Depreciation, Depletion and Amortization	291	9	54	15	369
Impairment Losses (Note 6)	170	-	-	3	173
Exchange Rate Movements and Other	(6)	-	(60)	-	(66)
As at March 31, 2016	**19,363**	**286**	**890**	**657**	**21,196**
CARRYING VALUE					
As at December 31, 2015	12,573	54	4,310	398	17,335
As at March 31, 2016	**12,081**	**45**	**4,025**	**385**	**16,536**

(1) *Includes crude-by-rail terminal, office furniture, fixtures, leasehold improvements, information technology and aircraft.*

12. LONG-TERM DEBT

As at	**US$ Principal**	**March 31, 2016**	December 31, 2015
Revolving Term Debt [1]	**-**	**-**	-
U.S. Dollar Denominated Unsecured Notes	**4,750**	**6,161**	6,574
Total Debt Principal		**6,161**	6,574
Debt Discounts and Transaction Costs		**(48)**	(49)
		6,113	6,525

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

On February 24, 2016, Cenovus filed a base shelf prospectus. The base shelf prospectus allows the Company to offer, from time to time, up to US$5.0 billion, or the equivalent in other currencies, of debt securities, common shares, preferred shares, subscription receipts, warrants, share purchase contracts and units in Canada, the U.S. and elsewhere where permitted by law. The base shelf prospectus will expire in March 2018 and replaces the Company's US$2.0 billion base debt shelf prospectus. In addition, the Company has a $1.5 billion Canadian base debt shelf prospectus that will expire in July 2016. As at March 31, 2016, there have been no securities issued under either of these prospectuses.

Effective April 22, 2016, the Company extended the maturity date of the $1.0 billion tranche of the committed credit facility from November 30, 2017 to April 30, 2019. As at March 31, 2016, Cenovus had $4.0 billion available on its committed credit facility.

As at March 31, 2016, the Company is in compliance with all of the terms of its debt agreements.

13. DECOMMISSIONING LIABILITIES

The decommissioning provision represents the present value of the expected future costs associated with the retirement of upstream crude oil and natural gas assets, refining facilities and the crude-by-rail terminal. The aggregate carrying amount of the obligation is:

As at	March 31, 2016
Decommissioning Liabilities, Beginning of Year	2,052
Liabilities Incurred	1
Liabilities Settled	(22)
Change in Estimated Future Cash Flows	(1)
Change in Discount Rate	(274)
Unwinding of Discount on Decommissioning Liabilities	32
Foreign Currency Translation	(2)
Decommissioning Liabilities, End of Period	**1,786**

The undiscounted amount of estimated future cash flows required to settle the obligation has been discounted using a credit-adjusted risk-free rate of 7.5 percent as at March 31, 2016 (December 31, 2015 – 6.4 percent).

14. SHARE CAPITAL

A) Authorized

Cenovus is authorized to issue an unlimited number of common shares, and first and second preferred shares not exceeding, in aggregate, 20 percent of the number of issued and outstanding common shares. The first and second preferred shares may be issued in one or more series with rights and conditions to be determined by the Company’s Board of Directors prior to issuance and subject to the Company’s articles.

B) Issued and Outstanding

	March 31, 2016	
As at	Number of Common Shares (Thousands)	Amount
Outstanding, Beginning of Year and End of Period	833,290	5,534

There were no preferred shares outstanding as at March 31, 2016 (December 31, 2015 – nil).

As at March 31, 2016, there were 14 million (December 31, 2015 – 12 million) common shares available for future issuance under the stock option plan.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

As at March 31, 2016	**Defined Benefit Plan**	**Foreign Currency Translation**	**Available for Sale Financial Assets**	**Total**
As at December 31, 2015	**(10)**	**1,014**	**16**	**1,020**
Other Comprehensive Income (Loss), Before Tax	**(5)**	**(256)**	**(4)**	**(265)**
Income Tax	**1**	**-**	**1**	**2**
As at March 31, 2016	**(14)**	**758**	**13**	**757**

As at March 31, 2015	Defined Benefit Plan	Foreign Currency Translation	Available for Sale Financial Assets	Total
As at December 31, 2014	(30)	427	10	407
Other Comprehensive Income (Loss), Before Tax	(1)	272	-	271
Income Tax	-	-	-	-
As at March 31, 2015	(31)	699	10	678

16. STOCK-BASED COMPENSATION PLANS

Cenovus has a number of stock-based compensation plans which include stock options with associated NSRs, stock options with associated TSARs, performance share units ("PSUs"), restricted share units ("RSUs") and deferred share units ("DSUs"). The following table summarizes information related to Cenovus's stock-based compensation plans:

As at March 31, 2016	**Units Outstanding** (thousands)	**Units Exercisable** (thousands)
NSRs	**40,321**	**30,651**
TSARs	**3,490**	**3,490**
PSUs	**4,129**	**-**
RSUs	**2,348**	**-**
DSUs	**1,566**	**1,566**

For the three months ended March 31, 2016	**Units Granted** (thousands)	**Units Vested and Paid Out** (thousands)
NSRs	**484**	**-**
PSUs	**121**	**979**
RSUs	**131**	**32**
DSUs	**79**	**-**

The weighted average exercise price of NSRs and TSARs as at March 31, 2016 was $31.44 and $26.68, respectively.

All amounts in $ millions, unless otherwise indicated

The following table summarizes the stock-based compensation expense (recovery) recorded for all plans:

For the periods ended March 31,	Three Months Ended **2016**	2015
NSRs	**4**	11
TSARs	**-**	(3)
PSUs	**(8)**	(16)
RSUs	**3**	3
DSUs	**(1)**	(2)
Stock-Based Compensation Expense (Recovery)	**(2)**	(7)
Stock-Based Compensation Costs Capitalized	**(1)**	(3)
Total Stock-Based Compensation	**(3)**	(10)

17. CAPITAL STRUCTURE

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

Cenovus monitors its capital structure and financing requirements using, among other things, non-GAAP financial metrics consisting of Debt to Capitalization and Debt to Adjusted Earnings Before Interest, Taxes and DD&A ("Adjusted EBITDA"). These metrics are used to steward Cenovus's overall debt position as measures of Cenovus's overall financial strength.

Over the long term, Cenovus targets a Debt to Capitalization ratio of between 30 and 40 percent and a Debt to Adjusted EBITDA ratio of between 1.0 and 2.0 times. At different points within the economic cycle, Cenovus expects these ratios may periodically be outside of the target range.

A) Debt to Capitalization and Net Debt to Capitalization

As at	**March 31, 2016**	December 31, 2015
Debt	**6,113**	6,525
Add (Deduct):		
Cash and Cash Equivalents	**(3,883)**	(4,105)
Net Debt	**2,230**	2,420
Debt	**6,113**	6,525
Shareholders' Equity	**11,974**	12,391
	18,087	18,916
Debt to Capitalization	**34%**	34%
Net Debt	**2,230**	2,420
Shareholders' Equity	**11,974**	12,391
	14,204	14,811
Net Debt to Capitalization	**16%**	16%

All amounts in $ millions, unless otherwise indicated

B) Debt to Adjusted EBITDA and Net Debt to Adjusted EBITDA

As at	March 31, 2016	December 31, 2015
Debt	**6,113**	6,525
Net Debt	**2,230**	2,420
Net Earnings	**1,168**	618
Add (Deduct):		
Finance Costs	**485**	482
Interest Income	**(28)**	(28)
Income Tax Expense (Recovery)	**(185)**	(81)
Depreciation, Depletion and Amortization	**2,157**	2,114
E&E Impairment	**139**	138
Unrealized (Gain) Loss on Risk Management	**199**	195
Foreign Exchange (Gain) Loss, Net	**118**	1,036
(Gain) Loss on Divestitures of Assets	**(2,376)**	(2,392)
Other (Income) Loss, Net	**2**	2
Adjusted EBITDA (1)	**1,679**	2,084
Debt to Adjusted EBITDA	**3.6x**	3.1x
Net Debt to Adjusted EBITDA	**1.3x**	1.2x

(1) Calculated on a trailing twelve month basis.

Cenovus will maintain a high level of capital discipline and manage its capital structure to help ensure sufficient liquidity through all stages of the economic cycle. To manage its capital structure, Cenovus may, among other actions, adjust capital and operating spending, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, draw down on its credit facilities or repay existing debt.

Effective April 22, 2016, the Company extended the maturity date of the $1.0 billion tranche of the committed credit facility from November 30, 2017 to April 30, 2019. As at March 31, 2016, Cenovus had $4.0 billion available on its committed credit facility. In addition, Cenovus had in place a US$5.0 billion base shelf prospectus and a $1.5 billion Canadian base debt shelf prospectus, the availability of which are dependent on market conditions. The US$5.0 billion base shelf prospectus replaces the Company's US$2.0 billion base debt shelf prospectus which was due to expire July 2016.

Under the committed credit facility, the Company is required to maintain a debt to capitalization ratio not to exceed 65 percent. The Company is well below this limit.

As at March 31, 2016, Cenovus is in compliance with all of the terms of its debt agreements.

18. FINANCIAL INSTRUMENTS

Cenovus's consolidated financial assets and financial liabilities consist of cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities, risk management assets and liabilities, available for sale financial assets, long-term receivables, short-term borrowings and long-term debt. Risk management assets and liabilities arise from the use of derivative financial instruments.

A) Fair Value of Non-Derivative Financial Instruments

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

The fair values of long-term receivables approximate their carrying amount due to the specific non-tradeable nature of these instruments.

Long-term debt is carried at amortized cost. The estimated fair values of long-term borrowings have been determined based on period-end trading prices of long-term borrowings on the secondary market (Level 2). As at March 31, 2016, the carrying value of Cenovus's long-term debt was $6,113 million and the fair value was $5,659 million (December 31, 2015 carrying value – $6,525 million, fair value – $6,050 million).

All amounts in $ millions, unless otherwise indicated

Available for sale financial assets comprise private equity investments. These assets are carried at fair value on the Consolidated Balance Sheets in other assets. Fair value is determined based on recent private placement transactions (Level 3) when available. The following table provides a reconciliation of changes in the fair value of available for sale financial assets:

As at	**March 31, 2016**
Fair Value, Beginning of Year	**42**
Change in Fair Value [1]	**(4)**
Fair Value, End of Period	**38**

(1) *Unrealized gains and losses on available for sale financial assets are recorded in other comprehensive income.*

B) Fair Value of Risk Management Assets and Liabilities

The Company's risk management assets and liabilities consist of crude oil, condensate, power purchase contracts, and interest rate swaps. Crude oil, condensate and, if entered, natural gas contracts, are recorded at their estimated fair value based on the difference between the contracted price and the period-end forward price for the same commodity, using quoted market prices or the period-end forward price for the same commodity extrapolated to the end of the term of the contract (Level 2). The fair value of power purchase contracts are calculated internally based on observable and unobservable inputs such as forward power prices in less active markets (Level 3). The unobservable inputs are obtained from third parties whenever possible and reviewed by the Company for reasonableness. The fair value of interest rate swaps are calculated using external valuation models which incorporate observable market data, including quoted market prices and interest rate yield curves (Level 2).

Summary of Unrealized Risk Management Positions

	March 31, 2016			December 31, 2015		
	Risk Management			Risk Management		
As at	**Asset**	**Liability**	**Net**	Asset	Liability	Net
Commodity Prices						
Crude Oil	**177**	**26**	**151**	301	15	286
Power	**-**	**-**	**-**	-	13	(13)
	177	**26**	**151**	301	28	273
Interest Rate	**-**	**44**	**(44)**	-	2	(2)
Total Fair Value	**177**	**70**	**107**	301	30	271

The following table presents the Company's fair value hierarchy for risk management assets and liabilities carried at fair value:

As at	**March 31, 2016**	December 31, 2015
Prices Sourced From Observable Data or Market Corroboration (Level 2)	**107**	284
Prices Determined From Unobservable Inputs (Level 3)	**-**	(13)
	107	271

Prices sourced from observable data or market corroboration refers to the fair value of contracts valued in part using active quotes and in part using observable, market-corroborated data. Prices determined from unobservable inputs refers to the fair value of contracts valued using data that is both unobservable and significant to the overall fair value measurement.

The following table provides a reconciliation of changes in the fair value of Cenovus's risk management assets and liabilities from January 1 to March 31:

	2016	2015
Fair Value of Contracts, Beginning of Year	**271**	462
Fair Value of Contracts Realized During the Period [1]	**(165)**	(151)
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered Into During the Period [2]	**16**	6
Unrealized Foreign Exchange Gain (Loss) on U.S. Dollar Contracts	**(15)**	1
Fair Value of Contracts, End of Period	**107**	318

(1) *Includes a realized loss of $3 million related to power contracts (2015 – $3 million loss).*
(2) *Includes an increase of $10 million related to power contracts (2015 – $9 million decrease).*

All amounts in $ millions, unless otherwise indicated

C) Earnings Impact of (Gains) Losses From Risk Management Positions

	Three Months Ended	
For the periods ended March 31,	**2016**	2015
Realized (Gain) Loss [1]	**(165)**	(151)
Unrealized (Gain) Loss [2]	**149**	145
(Gain) Loss on Risk Management	**(16)**	(6)

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

19. RISK MANAGEMENT

The Company is exposed to financial risks, including market risk related to commodity prices, foreign exchange rates, interest rates as well as credit risk and liquidity risk. A description of the nature and extent of risks arising from the Company's financial assets and liabilities can be found in the notes to the annual Consolidated Financial Statements as at December 31, 2015. The Company's exposure to these risks has not changed significantly since December 31, 2015. To manage the Company's exposure to interest rate volatility, the Company has entered into interest rate swap contracts related to future debt issuances. As at March 31, 2016, the Company had a notional amount of US$350 million in interest rate swaps.

Net Fair Value of Risk Management Positions

As at March 31, 2016	Notional Volumes	Terms	Average Price	Fair Value
Crude Oil Contracts				
Fixed Price Contracts				
Brent Fixed Price	17,000 bbls/d	January – June 2016	$75.80/bbl	**35**
Brent Fixed Price	38,000 bbls/d	January – June 2016	US$46.62/bbl	**26**
Brent Fixed Price	10,000 bbls/d	January – December 2016	US$66.93/bbl	**88**
Brent Fixed Price	5,000 bbls/d	July – December 2016	$75.46/bbl	**18**
WTI Fixed Price	10,000 bbls/d	July – December 2016	US$39.02/bbl	**(8)**
WTI Fixed Price	19,000 bbls/d	January – June 2017	US$45.23/bbl	**4**
WCS Differential [1]	31,600 bbls/d	January – December 2016	US$(13.96)/bbl	**(5)**
Brent Collars	10,000 bbls/d	July – December 2016	US$45.55 – US$56.55/bbl	**13**
Other Financial Positions [2]				**(18)**
Crude Oil Fair Value Position				**153**
Condensate Purchase Contracts				
Mont Belvieu Fixed Price	3,000 bbls/d	January – December 2016	US$39.20/bbl	**(2)**
Interest Rate Swaps				**(44)**

(1) Cenovus entered into fixed-price swaps to protect against widening light/heavy price differentials for heavy crudes.
(2) Other financial positions are part of ongoing operations to market the Company's production.

All amounts in $ millions, unless otherwise indicated

Sensitivities – Risk Management Positions

The following table summarizes the sensitivity of the fair value of Cenovus's risk management positions to fluctuations in commodity prices or interest rates, with all other variables held constant. Management believes the price and interest rate fluctuations identified in the table below are a reasonable measure of volatility. The impact of fluctuating commodity prices and interest rates on the Company's open risk management positions could have resulted in unrealized gains (losses) impacting earnings before income tax based on the risk management positions in place as follows:

Risk Management Positions in Place as at March 31, 2016

	Sensitivity Range	Increase	Decrease
Crude Oil Commodity Price	± US$10 per bbl Applied to Brent and WTI Hedges	**(252)**	**254**
Crude Oil Differential Price	± US$5 per bbl Applied to Differential Hedges Tied to Production	**60**	**(60)**
Condensate Commodity Price	± US$10 per bbl Applied to Condensate Hedges	**17**	**(17)**
Interest Rate Swaps	± 50 Basis Points	**46**	**(54)**

20. COMMITMENTS AND CONTINGENCIES

A) Commitments

Cenovus has entered into various commitments in the normal course of operations primarily related to demand charges on firm transportation agreements. In addition, the Company has commitments related to its risk management program and an obligation to fund its defined benefit pension and other post-employment benefit plans. Additional information related to the Company's commitments can be found in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2015.

During the three months ended March 31, 2016, the Company's transportation commitments decreased approximately $1 billion primarily due to a net decrease in toll estimates. These agreements, some of which are subject to regulatory approval, are for terms up to 20 years subsequent to the date of commencement. As at March 31, 2016, total transportation commitments were $26 billion.

As at March 31, 2016, there were outstanding letters of credit aggregating $211 million issued as security for performance under certain contracts (December 31, 2015 – $64 million).

B) Legal Proceedings

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