UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

[Check one]

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**
OR

☑ **ANNUAL REPORT PURSUANT TO SECTION 13(a) or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2018 Commission File Number: 1-34513

CENOVUS ENERGY INC.

(Exact name of Registrant as specified in its charter)

Not applicable
(Translation of Registrant's name into English (if applicable))

Canada
(Province or other jurisdiction of incorporation or organization)

1311
(Primary Standard Industrial
Classification Code Number (if applicable))

Not applicable
(I.R.S. Employer
Identification Number (if applicable))

2600, 500 Centre Street S.E.
Calgary, Alberta, Canada T2G 1A6
(403) 766-2000
(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
28 Liberty Street
New York, New York 10005
(212) 894-8940
(Name, address (including zip code) and telephone number (including area code)
of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common shares, no par value (together with associated common share purchase rights)	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

For annual reports indicate by check mark the information filed with this Form:

☑ Annual information form ☑ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

1,228,789,845

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.
Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

The annual report on Form 40-F shall be incorporated by reference into or as an exhibit to, as applicable, each of the Registrant's Registration Statements under the Securities Act of 1933, as amended: Form S-8 (File No. 333-163397), Form F-3D (File No. 333-202165) and Form F-10 (File No. 333-220700).

Principal Documents

The following documents, filed as Exhibits 99.1, 99.2, 99.3 and 99.4 to this annual report on Form 40-F, are hereby incorporated by reference in this annual report on Form 40-F:

(a) Annual Information Form of Cenovus Energy Inc. for the fiscal year ended December 31, 2018.

(b) Management's Discussion and Analysis of Cenovus Energy Inc. for the fiscal year ended December 31, 2018.

(c) Consolidated Financial Statements of Cenovus Energy Inc. for the fiscal year ended December 31, 2018.

(d) Supplementary Information – Oil and Gas Activities (unaudited) for the fiscal year ended December 31, 2018.

ADDITIONAL DISCLOSURE

Certifications and Disclosure Regarding Controls and Procedures.

(a) Certifications. See Exhibits 99.5 99.6, 99.7 and 99.8 to this annual report on Form 40-F.

(b) Disclosure Controls and Procedures. As of the end of the registrant's fiscal year ended December 31, 2018, an evaluation of the effectiveness of the registrant's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by the registrant's management with the participation of the principal executive officer and principal financial officer. Based upon that evaluation, the registrant's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year, the registrant's disclosure controls and procedures are effective to ensure that information required to be disclosed by the registrant in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (the "Commission") rules and forms and (ii) accumulated and communicated to the registrant's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

It should be noted that while the registrant's principal executive officer and principal financial officer believe that the registrant's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the registrant's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

(c) Management's Annual Report on Internal Control Over Financial Reporting. The required disclosure is included in the "Report of Management" that accompanies the registrant's Consolidated Financial Statements for the fiscal year ended December 31, 2018, filed as Exhibit 99.3 to this annual report on Form 40-F.

(d) Attestation Report of the Registered Public Accounting Firm. The required disclosure is included in the "Report of Independent Registered Public Accounting Firm" that accompanies the registrant's Consolidated Financial Statements for the fiscal year ended December 31, 2018, filed as Exhibit 99.3 to this annual report on Form 40-F.

(e) Changes in Internal Control Over Financial Reporting. During the fiscal year ended December 31, 2018, there was no change in the registrant's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Notices Pursuant to Regulation BTR.

None.

Audit Committee Financial Expert.

The registrant's board of directors has determined that Colin Taylor, a member of the registrant's audit committee, qualifies as an "audit committee financial expert" (as such term is defined in paragraph (8) of General Instruction B to Form 40-F), and is "independent" as that term is defined in the rules of the New York Stock Exchange.

Code of Ethics.

The registrant has adopted a "code of ethics" (as that term is defined in paragraph (9) of General Instruction B to Form 40-F), entitled the "Code of Business Conduct & Ethics", that applies to all of its employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions.

The Code of Business Conduct & Ethics (the "Code") is available for viewing on the registrant's website at www.cenovus.com, and is available in print to any person without charge, upon request. Requests for copies of the Code should be made by contacting the registrant's Corporate Secretarial Department, Cenovus Energy Inc., 2600, 500 Centre Street S.E., Calgary, Alberta, Canada T2G 1A6. Information on or connected to our website, even if referred to herein, does not constitute part of this annual report on Form 40-F.

Since the adoption of the Code, there have not been any waivers, including implicit waivers, granted from any provision of the Code.

Principal Accountant Fees and Services.

The required disclosure is included under the heading “Audit Committee - External Auditor Service Fees” in the registrant’s Annual Information Form for the fiscal year ended December 31, 2018, filed as Exhibit 99.1 to this annual report on Form 40-F.

Pre-Approval Policies and Procedures and Percentage of Services Approved by Audit Committee.

The required disclosure is included under the heading “Audit Committee - Pre-Approval Policies and Procedures” and “Audit Committee – External Auditor Service Fees” in the registrant’s Annual Information Form for the fiscal year ended December 31, 2018, filed as Exhibit 99.1 to this annual report on Form 40-F. All fees have been pre-approved by the Audit Committee and therefore none of the services therein were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Off-Balance Sheet Arrangements.

The registrant does not have any “off-balance sheet arrangements” (as that term is defined in paragraph (11) of General Instruction B to Form 40-F) that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Tabular Disclosure of Contractual Obligations.

The required disclosure is included under the heading “Liquidity and Capital Resources - Contractual Obligations and Commitments” in the registrant’s Management’s Discussion and Analysis for the fiscal year ended December 31, 2018, filed as Exhibit 99.2 to this annual report on Form 40-F.

Identification of the Audit Committee.

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the audit committee are: Susan F. Dabarno, Harold N. Kvisle, Claude Mongeau, Colin Taylor (Chair) and Wayne G. Thomson.

Mine Safety Disclosure.

Not applicable.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

(1) The registrant has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

(2) Any change to the name or address of the agent for service of process of the registrant shall be communicated promptly to the Commission by an amendment to the Form F-X referencing the file number of the registrant. The registrant is filing contemporaneously herewith an amended Form F-X to report a change to the address of the registrant's agent for service of process.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: February 13, 2019

CENOVUS ENERGY INC.

By: /s/ Jonathan M. McKenzie
Name: Jonathan M. McKenzie
Title: Executive Vice-President &
Chief Financial Officer

EXHIBIT INDEX

Exhibits	Documents
99.1	Annual Information Form of Cenovus Energy Inc. for the fiscal year ended December 31, 2018.
99.2	Management's Discussion and Analysis of Cenovus Energy Inc. for the fiscal year ended December 31, 2018.
99.3	Consolidated Annual Financial Statements of Cenovus Energy Inc. for the fiscal year ended December 31, 2018.
99.4	Supplementary Information – Oil and Gas Activities (unaudited) for the fiscal year ended December 31, 2018.
99.5	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
99.6	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
99.7	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
99.8	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
99.9	Consent of PricewaterhouseCoopers LLP.
99.10	Consent of McDaniel & Associates Consultants Ltd.
99.11	Consent of GLJ Petroleum Consultants Ltd.



Cenovus Energy Inc.

Annual Information Form

For the Year Ended December 31, 2018

February 12, 2019

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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", "project", "capacity", "could", "should", "focus", "outlook", "proposed", "potential", "may", "strategy", "schedule" 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 and operations; projected future value; projections for 2019 and future years; forecast operating and financial results, including forecast sales prices and costs; planned capital expenditures, including the amount, timing and financing thereof; annual capital investment forecasts and plans with respect thereto; techniques expected to be used to recover reserves and forecasts of the timing thereof; future abandonment and reclamation costs and the timing of payments in relation thereto; expected payment of income taxes; potential impacts of various identified risk factors; 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 trends and expected impacts to Cenovus; and future use and development of technology, including expected effects on land footprint, steam to oil ratios and environmental performance and sustainability. 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 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 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 other 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 our operations, 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 downstream partner 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 including potential

cyber-attacks; 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, and 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, carbon, climate change, production curtailment policies 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, refer to "Risk Management and Risk Factors" in the Corporation's annual 2018 Management's Discussion and Analysis ("MD&A"), which section of the MD&A is incorporated by reference into this AIF, and to the risk factors described in other documents Cenovus files from time to time with securities regulatory authorities, available on SEDAR at sedar.com, on EDGAR at 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 unless expressly incorporated by reference herein.

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 Energy Inc. amalgamated with its wholly owned subsidiary, Cenovus Marketing Holdings Ltd., through a plan of arrangement approved by the Court of Queen's Bench of Alberta. On July 31, 2015, Cenovus Energy Inc. amalgamated with its wholly owned subsidiary, 9281584 Canada Limited (formerly 1528419 Alberta Ltd.), by way of a vertical short-form amalgamation. On August 1, 2018, Cenovus Energy Inc. amalgamated with its wholly owned subsidiary, 10904635 Canada Limited (formerly Cenovus FCCL Ltd.), by way of a vertical short-form amalgamation.

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, 2018 are as follows:

Subsidiaries & Partnerships	Percentage Owned(1)	Jurisdiction of Incorporation, Continuance, Formation or Organization
Cenovus Energy Marketing Services Ltd.	100	Alberta
FCCL Partnership ("FCCL")	100	Alberta
WRB Refining LP ("WRB")(2)	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 non-operating 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, 2018 and (ii) less than 10 percent of the Corporation's consolidated revenues for the year ended December 31, 2018. In aggregate, Cenovus's subsidiaries and partnerships not listed above 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, 2018.

GENERAL DEVELOPMENT OF THE BUSINESS

OVERVIEW

Cenovus is an integrated oil company headquartered in Calgary, Alberta. Cenovus is in the business of developing, producing and marketing crude oil, natural gas and natural gas liquids ("NGLs") in Canada, and also conducts marketing activities and owns refining interests 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 British Columbia. As at December 31, 2018, Cenovus had a land base of approximately 5.4 million net acres. The estimated proved reserves life index based on working interest production as at December 31, 2018 was approximately 29 years.

BUSINESS SEGMENTS

The Corporation's reportable segments are as follows:

Oil Sands

Cenovus's Oil Sands segment includes the development and production of bitumen in northeast Alberta. Cenovus's bitumen assets include Foster Creek, Christina Lake and Narrows Lake as well as other projects in the early stages of development. Cenovus's interest in certain of its operated oil sands properties, notably Foster Creek, Christina Lake and Narrows Lake, increased from 50 percent to 100 percent on May 17, 2017.

Deep Basin

The Deep Basin segment includes approximately 2.8 million net acres of land primarily in the Elmworth-Wapiti, Kaybob-Edson, and Clearwater operating areas, rich in natural gas and NGLs. The assets are located in Alberta and British Columbia and include interests in numerous natural gas processing facilities (collectively, the "Deep Basin Assets"). These assets were acquired on May 17, 2017.

Refining and Marketing

Cenovus's Refining and Marketing segment includes transporting and selling crude oil, natural gas and NGLs and joint ownership of 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

This segment 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 ("G&A"), 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 include adjustments for internal usage of natural gas between segments, transloading services provided to the Oil Sands segment by the Corporation's rail terminal, crude oil production used as a feedstock by the Refining and Marketing segment to unrealized intersegment profits in inventory. Eliminations are recorded at transfer prices based on current market prices.

THREE YEAR HISTORY

The following describes significant events and conditions that have influenced the development of Cenovus's business during the last three financial years:

2016

- **Reduced spending.** Cenovus achieved its 2016 target of reducing planned capital, operating and G&A spending by $500 million compared with its original 2016 budget.
- **First production from Foster Creek phase G.** In the third quarter, Foster Creek phase G achieved first oil production. Phase G added 30,000 barrels per day of gross production capacity.
- **Wood River debottlenecking project completed.** In the third quarter, the Wood River debottlenecking project was successfully completed.
- **First production from Christina Lake phase F.** In the fourth quarter, Christina Lake phase F achieved first oil production. Phase F added 50,000 barrels per day of gross production capacity. The phase F expansion includes a 100 gross megawatt cogeneration plant.

2017

- **Resumed Christina Lake phase G expansion.** Cenovus resumed the phase G expansion, with an approved design capacity of 50,000 gross barrels per day. First oil from phase G is expected in the second half of 2019, pending the duration of the curtailment mandated by the Government of Alberta.
- **Common share issuance.** In the second quarter, Cenovus issued 187.5 million common shares ("Common Shares") at a price of $16.00 per share for gross proceeds of approximately $3 billion, with net proceeds used to fund a portion of the cash consideration for the May 17, 2017 acquisition by Cenovus of ConocoPhillips' 50 percent interest in the FCCL Partnership ("FCCL") and the majority of ConocoPhillips' western Canadian conventional assets in Alberta and British Columbia (the "Acquisition"). As part of the consideration for the Acquisition, Cenovus issued 208 million Common Shares to ConocoPhillips.
- **Increased FCCL interest to 100 percent and acquired Deep Basin assets.** In the second quarter, Cenovus completed the Acquisition for consideration of approximately US$10.6 billion in cash, before closing adjustments, and 208 million Common Shares. The Acquisition gave Cenovus a 100 percent interest in and full control of the FCCL Partnership assets. The Deep Basin assets provide short-cycle development opportunities with high return potential that complement our long-term oil sands development.

- **Senior notes offering.** In the second quarter of 2017, Cenovus completed an offering of US$2.9 billion senior unsecured notes at a weighted average cost of 4.9 percent, the net proceeds of which contributed to the funding of the Acquisition.
- **Divested legacy Conventional assets.** In the third quarter Cenovus sold its Pelican Lake heavy oil operations, including the adjacent Grand Rapids project, for cash proceeds of $975 million, before closing adjustments. In the fourth quarter, Cenovus sold its Palliser crude oil and natural gas assets for cash proceeds of $1.3 billion, before closing adjustments and sold its Weyburn carbon-dioxide enhanced oil recovery operation in Saskatchewan for cash proceeds of $940 million, before closing adjustments. As part of the Corporation's plan to deleverage its balance sheet, net proceeds from the divestitures were used to retire the $3.6 billion bridge credit facility that had been put in place for the Acquisition.
- **New President & Chief Executive Officer.** In the fourth quarter, Alex Pourbaix was appointed Cenovus's President & Chief Executive Officer and joined the Board of Directors.

2018

- **Sale of Suffield assets.** In the first quarter, Cenovus completed the sale of its Suffield crude oil and natural gas operations for cash proceeds of $512 million, before closing adjustments.
- **New Chief Financial Officer.** In the second quarter, Jon McKenzie was appointed Cenovus's Executive Vice-President & Chief Financial Officer.
- **Sale of Cenovus Pipestone Partnership.** In the third quarter, Cenovus completed the sale of its general partnership that held the natural gas and liquids business in northwestern Alberta for cash proceeds of $625 million, before closing adjustments.
- **Signed rail agreements to transport oil to U.S. Gulf Coast.** In the third quarter, Cenovus signed three-year agreements with major rail companies to transport approximately 100,000 barrels per day of heavy crude oil from Alberta to various destinations on the U.S. Gulf Coast.
- **Debt reduction.** In October, Cenovus redeemed US$800 million of its US$1.3 billion unsecured notes due October 2019. In December, Cenovus repurchased a principal amount of US$76 million of unsecured notes for US$69 million.
- **Reduced costs.** Cenovus reduced oil sands operating costs to $7.65 per barrel, a nine percent decrease from 2017.
- **Sublease of excess office space.** In the third quarter, Cenovus subleased an additional eight floors of The BOW tower in Calgary, Alberta, further reducing our long-term fixed real estate costs.
- **Continued wide differentials.** The differentials between West Texas Intermediate ("WTI") and Western Canadian Select ("WCS") averaged US$26.31 per barrel, a 120 percent increase compared with 2017, reaching a record of US$52.00 per barrel in the fourth quarter. Average WCS prices remained flat in 2018 in relation to 2017.
- **Government production curtailment.** On December 2, 2018, the Government of Alberta announced a temporary mandatory oil production curtailment for Alberta producers, starting in January 2019, to, among other things, address the record-high differentials between WTI and WCS.
- **Re-rated refinery processing capacity.** As a result of consistently strong operating performance, higher utilization rates and optimizations executed in 2018, both U.S. refineries were re-rated to reflect higher processing capacity effective January 1, 2019. Crude capacity at the Wood River Refinery was re-rated to 330,000 barrels per day from 314,000 barrels per day, while capacity at the Borger Refinery was re-rated to 149,000 barrels per day from 146,000 barrels per day.

2019

- **Debt repurchase.** In January, Cenovus repurchased US$324 million of unsecured notes for US$300 million.

OIL SANDS

Cenovus's Oil Sands segment includes 100 percent ownership of the Foster Creek and Christina Lake assets, both of which are producing. In addition, the Corporation has several emerging projects in the early stages of development, including 100 percent owned projects at Narrows Lake and Telephone Lake. The Oil Sands segment also includes Cenovus's 100 percent owned Athabasca natural gas property, from which all of the natural gas production since late April 2018 has been used as fuel at the adjacent Foster Creek operation.

As at December 31, 2018, Cenovus held bitumen rights of approximately 1.9 million gross acres (1.8 million net acres) within the Athabasca and Cold Lake areas, as well as the exclusive rights to lease an additional 536,000 gross acres on the Cold Lake Air Weapons Range.

Development Approach

Cenovus uses steam-assisted gravity drainage ("SAGD") technology to recover bitumen. The Corporation does not employ mining techniques for extraction and none of its reserves are suitable for extraction using mining techniques. SAGD involves injecting steam into the reservoir to enable bitumen to be pumped to the surface. Cenovus applies a manufacturing-like, phased approach to developing its oil sands assets. This approach incorporates learnings from previous phases into future growth plans, helping the Corporation to minimize costs.

Technology

Cenovus continues to focus on technologies which are targeted to improve business performance and materially increase shareholder value amid continuing price uncertainty, a low carbon future, increased environmental protection pressure and regulatory changes. Our current focus is on reducing steam to oil ratios through the use of solvents and land footprint by using an innovative plant design in the future. We are also working on developing partial upgrading technologies which we anticipate will reduce diluent requirements, resulting in less energy consumption to transport diluent. These technological innovations are critical to stay competitive and to improve environmental performance and sustainability.

Foster Creek

Cenovus has a 100 percent working interest in Foster Creek. 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 G at Foster Creek averaged 161,979 barrels per day in 2018 (124,752 net barrels per day in 2017).

Cenovus operates a 98 megawatt natural gas-fired cogeneration facility in conjunction with 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 100 percent working interest in Christina Lake. It is located approximately 120 kilometers south of Fort McMurray and has a reservoir depth up to 375 meters below the surface. Christina Lake produces from the McMurray formation using SAGD technology.

Production from phases A through F at Christina Lake averaged 201,017 barrels per day in 2018 (167,727 net barrels per day in 2017). Cenovus operates a 100 megawatt natural gas-fired cogeneration facility in conjunction with Christina Lake. 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. Cenovus resumed work on the phase G expansion in 2017, which was deferred in late 2014 due to the low commodity price environment. Phase G has an approved design capacity of 50,000 gross barrels per day and first oil from the expansion is expected in the second half of 2019, pending the duration of the curtailment mandated by the Government of Alberta in December 2018.

Narrows Lake

Cenovus has a 100 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.

In 2012, Cenovus received regulatory approval for phases A, B and C for 130,000 gross barrels per day of production capacity. Due to the low commodity price environment, and historically high price differentials and curtailment, Cenovus has deferred new construction spending on phase A. It is expected that the future development of Narrows Lake will benefit from the existing infrastructure and resources at Christina Lake, which is expected to lower overall costs.

Telephone Lake

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

Cenovus received approval from the Alberta Energy Regulator ("AER") in late 2014 for a SAGD project with initial production capacity of 90,000 gross barrels per day.

Marten Hills

As of December 31, 2018 Cenovus owns 100 percent working interest in 208 sections of oil sands rights in the Marten Hills area. Marten Hills is an early stage exploration play located approximately 70 kilometers northeast of Slave Lake, targeting the Clearwater formation.

Cenovus has drilled five appraisal wells to help delineate our land holdings and de-risk field development potential, and is assessing transportation alternatives in the area.

Capital Investment

In 2018, the Corporation's Oil Sands capital investment was $887 million, primarily related to sustaining existing production, construction of Christina Lake phase G expansion and stratigraphic test wells.

- Foster Creek capital investment was focused on sustaining capital related to existing production and the drilling of stratigraphic test wells to determine pad placement for sustaining well pads and near-term phase expansions.
- Christina Lake capital investment was focused on sustaining capital related to existing production, construction of the phase G expansion and the drilling of stratigraphic test wells to determine pad placement for sustaining well pads and near-term phase expansions.
- Narrows Lake capital investment was related to equipment preservation and site access costs.

In 2019, Oil Sands capital spending is forecast to be between $735 million and $855 million and is expected to continue to focus on sustaining current production levels from existing oil sands facilities and construction at Christina Lake phase G.

DEEP BASIN

Cenovus has western Canadian conventional crude oil and natural gas assets including undeveloped land, exploration and production assets, and related infrastructure in Alberta and British Columbia in the Deep Basin. Cenovus's Deep Basin Assets include approximately 2.8 million net acres of land primarily in the Elmworth-Wapiti, Kaybob-Edson, and Clearwater operating areas, with an average 71.5 percent working interest. In addition, the Deep Basin Assets include interests in numerous natural gas processing plants with an estimated net processing capacity of 1.3 Bcf per day. The Deep Basin Assets are expected to provide short-cycle development opportunities with high return potential that complement Cenovus's long-term oil sands development. Deep Basin production is expected to provide an economic hedge for the natural gas required as a fuel source at both the Corporation's oil sands and refining operations.

Elmworth-Wapiti

Cenovus is one of the largest operators and producers in the Elmworth-Wapiti area, located in northwest Alberta and northeast British Columbia. As of December 31, 2018, Cenovus held leasehold rights of 1.1 million net acres in this area.

The Elmworth-Wapiti area provides production potential from more than 10 formations, with the most prospective being the Montney, Falher and Dunvegan. It is a mature area that was historically developed with conventional vertical well technology. Cenovus has shifted to horizontal drilling in its development programs with a view to unlock the vast resource potential in the tight sand plays.

The primary processing facility in the area is the Cenovus-operated Elmworth plant. The Corporation holds significant working interests in four other major natural gas processing facilities in the region. In 2018, Cenovus's net production in Elmworth-Wapiti averaged 41,927 barrels of oil equivalent per day (27,868 barrels of oil equivalent per day in 2017).

Kaybob-Edson

As of December 31, 2018, Cenovus held leasehold rights of approximately 728,000 net acres in the Kaybob-Edson area, which is situated in west-central Alberta. Target development is in the Triassic and Lower Cretaceous formations where successful industry drilling has proven the resource potential of those formations in lands offsetting Cenovus acreage. In the Kaybob-Edson area, natural gas processing is primarily controlled by midstream operators and other oil and gas companies.

Cenovus has secured longer term contracts to manage both existing base and new-development volumes. Additionally, Cenovus operates natural gas processing facilities in the area, including the Peco and Wolf plants. Net production in Kaybob-Edson averaged 40,476 barrels of oil equivalent per day in 2018 (24,819 barrels of oil equivalent per day in 2017).

Clearwater

The Clearwater area is situated in west-central Alberta, south of Kaybob-Edson. As of December 31, 2018, Cenovus held leasehold rights of approximately 809,000 net acres. Cenovus's assets in the Clearwater area are characterized by multi-horizon, Cretaceous and Jurassic reservoirs at depths ranging from 1,900 meters to 3,000 meters, all with high NGL content in a predominantly gas prone area. This is a mature area historically developed with conventional vertical well technology, providing Cenovus with a series of lower risk horizontal drilling development programs. Cenovus operates natural gas processing facilities in the area, including the Sand Creek and Alder plants. Average net production was 37,855 barrels of oil equivalent per day in 2018 (20,805 barrels of oil equivalent per day in 2017).

Capital Investment

In 2018, capital investment of $211 million focused on utilizing existing infrastructure through drilling low risk and high liquids yielding wells and de-risking resource potential. Development focused on all three operating areas including the drilling of 15 net horizontal wells, completing 21 net wells and bringing 25 net wells on production. Additional capital was allocated to facilities and infrastructure to support production in our core development areas. The Elmworth-Wapiti operating area focused on drilling four net horizontal production wells with six net completions. The Kaybob-Edson operating area focused on drilling eight net horizontal production wells and 11 net completions. The Clearwater operating area focused on drilling three net horizontal production wells and four net completions.

In 2019, Deep Basin capital investment is forecast to be between $50 million and $75 million to align with the new Deep Basin Development plan.

REFINING AND MARKETING

Cenovus's Refining and Marketing segment includes its U.S. refining non-operator ownership interests and operations involved in the coordination of Cenovus's marketing and transportation initiatives to optimize the value received for its products.

Refining

The refining interests allow Cenovus 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 light/heavy crude oil price 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, an unrelated U.S. public company, 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 refineries have a combined stated processing capacity of approximately 460,000 gross barrels per day of crude oil in 2018, 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. Effective January 1, 2019, the crude oil process capacity will increase to 482,000 gross barrels per day as a result of setting new maximum demonstrated rates in 2018.

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

Refinery Operations[1]	2018	2017
Crude Oil Capacity (Mbbls/d)[2]	**460**	460
Crude Oil Runs (Mbbls/d)	**446**	442
Heavy Oil	**191**	202
Light and Medium Oil	**255**	240
Crude Utilization (%)	**97**	96
Refined Products (Mbbls/d)		
Gasoline	**233**	238
Distillates	**156**	149
Other	**81**	83
Total	**470**	470

(1) Represents 100 percent of Wood River and Borger Refinery operations.
(2) Effective January 1, 2019, the nameplate capacity increased to 482,000 gross barrels per day.

Wood River Refinery

Wood River Refinery ranks in the top 10 percent of approximately 130 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. 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 various markets.

Wood River Refinery's stated crude oil processing capacity for 2018 was 314,000 gross barrels per day. Due to new maximum demonstrated rates in 2018, Wood River's nameplate oil processing capacity will be increased to 333,000 barrels per day effective January 1, 2019. Wood River's total heavy crude oil processing capacity continues to be 220,000 gross barrels per day. In 2018, approximately 60 percent of the crude oil processed at Wood River Refinery consisted of Canadian heavy crude oil.

Borger Refinery

Borger Refinery is located in Borger, Texas, approximately 80 kilometers north of Amarillo, Texas. 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.

Borger Refinery's stated crude oil processing capacity for 2018 was 146,000 gross barrels per day, including 35,000 gross barrels per day of heavy crude oil. Due to new maximum demonstrated rates in 2018, Borger's nameplate oil processing capacity will be increased to 149,000 barrels per day effective January 1, 2019. Borger Refinery also has an NGL fractionation facility with stated capacity of 45,000 gross barrels per day.

Capital Investment

In 2018, capital investment at both Wood River and Borger was $204 million net, focused on reliability and maintenance, and yield improvement projects. 2019 capital spending is forecast to be $225 million to $250 million net with the same focus as 2018.

Marketing

Cenovus's marketing activities are focused on optimizing netbacks of its production and asset base across crude oil, condensate, natural gas, and NGLs.

As part of managing market risk arising from optimization activities, Cenovus enters into financial transactions. Details of these transactions in 2018 are provided in the notes to the Corporation's annual audited Consolidated Financial Statements for the year ended December 31, 2018.

Transportation

Cenovus continues to focus on near, mid, and long-term strategies to optimize netbacks for its production. As at December 31, 2018, Cenovus has entered into various transportation and storage commitments totaling $23 billion, $14 billion of which relate to pipelines that are in approval or construction phases, but are not yet in service. With our committed capacity on pipeline projects, Cenovus has substantial potential future pipeline capacity to the West Coast and U.S. Gulf Coast. In addition, Cenovus signed three-year agreements with major rail companies to transport approximately 100,000 barrels per day of heavy crude oil from northern Alberta to various destinations on the U.S. Gulf Coast.

The Corporation's portfolio of transportation commitments includes feeder pipelines from its production areas to the major Alberta trade centres, major pipelines to markets downstream of these centres and rail transportation agreements. Other transportation commitments are primarily related to diluent supply, railcar transportation as well as tankage and terminalling of both crude oil blend and condensate volumes.

Cenovus's transportation portfolio also includes a crude-by-rail terminal located at Bruderheim, Alberta that is connected to the rail lines of Canadian National Railway and Canadian Pacific Railway and allows crude oil to be delivered to major demand centres across Canada and the United States. Rail volumes loaded at the facility averaged approximately 74,000 barrels of crude oil per day in December 2018, compared with an average of approximately 19,000 barrels of crude oil per day in the first half of 2018.

CONVENTIONAL (DISCONTINUED OPERATIONS)

In the second quarter of 2017, Cenovus announced its intention to divest of its Conventional segment. The majority of its Conventional assets were sold in 2017. The remaining assets, being the Suffield crude oil and natural gas operations in southern Alberta, were sold on January 5, 2018.

COMPETITIVE CONDITIONS

All aspects of the oil and gas industry are highly competitive. For further information on the competitive conditions affecting Cenovus, refer to the section entitled "Risk Management and Risk Factors – Operational Considerations" in the Corporation's annual 2018 MD&A, which section of the MD&A is incorporated by reference into this AIF.

ENVIRONMENTAL PROTECTION

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, the "environmental regulations"). For further information on the environmental regulations affecting Cenovus, refer to the section entitled "Risk Management and Risk Factors – Significant Risk Factors" in the Corporation's annual 2018 MD&A, which section of the MD&A is incorporated by reference into this AIF.

CORPORATE RESPONSIBILITY POLICIES

Cenovus has established policies and practices relating to the conduct of business in a safe, healthy, ethical, legal and environmentally, socially and fiscally responsible manner. Cenovus's commitment in these areas is reflected in two key policies, Cenovus's Code of Business Conduct & Ethics (the "Code") and Corporate Responsibility Policy (the "CR Policy"). These policies apply to directors and all employees, as well as contractors and suppliers who conduct activities for, or on behalf of, Cenovus. Individuals subject to both policies are accountable for applying them to their own conduct and work. Each employee and director is also asked to regularly review the policies to confirm they understand their individual responsibilities and that they conform to the requirements of both policies.

The Code addresses the identification and management of ethical situations and provides guidance in making ethical business decisions. The Code specifically references the following matters: (a) compliance with laws and regulations; (b) corporate opportunities; (c) conflict of interests; (d) fraud and other similar irregular activities; (e) confidentiality and disclosure; (f) safety, environmental and corporate responsibility; (g) acceptable uses of Cenovus's systems and assets; (h) inducements and gifts; (i) political and lobbying activities; (j) fair dealing; (k) acquisition and supply of goods and services; (l) books and records accuracy; (m) accounting, auditing or disclosure concerns; and (n) human rights and harassment.

The CR Policy addresses Cenovus business conduct to help ensure the Corporation's activities are undertaken in a responsible, transparent and respectful manner and in compliance with all applicable laws, regulations and industry standards in the jurisdictions in which Cenovus operates. The CR Policy specifically references the following matters: (a) leadership; (b) corporate governance and business practices; (c) people; (d) environmental performance; (e) stakeholder and Aboriginal engagement; and (f) community involvement and investment.

With respect to the environment specifically, the CR Policy provides that Cenovus recognizes the importance of: integrating an environmental perspective into Cenovus's business activities; applying risk management throughout its operations to mitigate environmental impact; and pursuing improvements in environmental performance through technology investment and other means.

With respect to social aspects, the CR Policy provides that Cenovus recognizes the importance of: conducting its business with respect and care for the people and communities affected by its activities, noting the Corporation's commitment to safety and support for the principles of the Universal Declaration of Human Rights; engaging stakeholders, including Aboriginal communities, in a manner based on honesty, trust and respect; and developing and maintaining positive relationships with the communities within which Cenovus operates by, among other means, striving to provide economic and social development opportunities and community investment programs that facilitate capacity-building opportunities.

In addition to the Code and CR Policy, Cenovus has established other policies and practices that in some instances relate to environmental and or social aspects of Cenovus's business. Stakeholders, employees and contractors are encouraged to report any business conduct concerns, including violations of legislation or any Cenovus policy, through the Corporation's anonymous Integrity Helpline. Employees and contractors may also report any such concerns to their supervisor, a human resources business partner, or a member of an investigations committee.

The aforementioned policies are accessible on the Corporation's website at cenovus.com, as is Cenovus's Corporate Responsibility Report ("CR Report"). The CR Report is published annually to detail the Corporation's management efforts and performance across the above noted areas within Cenovus's CR Policy, as well as other environment, social and governance topics that are important to its stakeholders.

EMPLOYEES

The following table summarizes Cenovus's full-time equivalent ("FTE") employees as at December 31, 2018:

	FTE Employees
Upstream	1,464
Downstream	69
Corporate	731
Total	2,264

Cenovus also engages contractors and service providers. Refer to the section entitled "Risk Management and Risk Factors" in the Corporation's annual 2018 MD&A, which section of the MD&A is incorporated by reference into this AIF, for further information on employee and other workforce related risks 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, and imposing additional taxes on operations or repatriation of cash. Refer to the section entitled "Risk Management and Risk Factors" in the Corporation's annual 2018 MD&A, which section of the MD&A is incorporated by reference into this AIF, for information on foreign exchange rate matters affecting Cenovus.

RISK FACTORS

A discussion of risk factors can be found in the section entitled "Risk Management and Risk Factors" in the Corporation's annual 2018 MD&A, which section of the MD&A is incorporated by reference into this AIF.

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 NI 51-101.

The Corporation's reserves are located in Alberta and British Columbia, 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 crude oil, light crude oil and medium crude oil combined ("light and medium oil"), NGLs, conventional natural gas and shale gas proved and probable reserves. McDaniel evaluated approximately 93 percent of Cenovus's proved

reserves, all located in Alberta, and GLJ evaluated approximately seven percent of the Corporation's proved reserves, located in Alberta and British Columbia.

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 the management of Cenovus 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 reserves 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 the section entitled "Risk Management and Risk Factors" in the Corporation's annual 2018 MD&A, which section of the MD&A is incorporated by reference into this AIF, for additional information.

The reserves data and other oil and gas information contained in this AIF is dated February 12, 2019, with an effective date of December 31, 2018. McDaniel's preparation date of the information is January 23, 2019 and GLJ's preparation date is January 15, 2019.

DISCLOSURE OF RESERVES DATA

The reserves data presented summarizes the Corporation's bitumen, heavy crude oil, light and medium oil, NGLs, conventional natural gas, shale gas and total 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, G&A expenses or the impact of any hedging activities. Estimates of FNR have been presented on a before and after income tax basis. For the purposes of this disclosure, references to "Company" are to Cenovus Energy Inc.

Summary of Company Interest Oil and Gas Reserves as at December 31, 2018
(Forecast prices and costs)

Before Royalties(1)	Bitumen(2) (MMbbls)	Light and Medium Oil (MMbbls)	NGLs (MMbbls)	Conventional Natural Gas(3) (Bcf)	Total (MMBOE)
Proved Reserves					
Developed Producing	626	10	55	1,152	883
Developed Non-Producing	219	1	2	37	228
Undeveloped	3,986	1	15	324	4,056
Proved Reserves	4,831	12	72	1,513	5,167
Probable Reserves	1,598	5	44	1,041	1,821
Proved plus Probable Reserves	6,429	17	116	2,554	6,988

After Royalties(4)	Bitumen(2) (MMbbls)	Light and Medium Oil (MMbbls)	NGLs (MMbbls)	Conventional Natural Gas(3) (Bcf)	Total (MMBOE)
Proved Reserves					
Developed Producing	465	9	46	1,076	699
Developed Non-Producing	161	-	2	36	170
Undeveloped	2,924	1	12	304	2,988
Proved Reserves	3,550	10	60	1,416	3,857
Probable Reserves	1,134	5	37	960	1,335
Proved plus Probable Reserves	4,684	15	97	2,376	5,192

(1) Before royalties excludes royalty interest reserves.
(2) Includes heavy crude oil that is not material representing less than 1% of total bitumen on a proved plus probable basis.
(3) Includes shale gas that is not material representing 4% of total conventional natural gas on a proved plus probable basis.
(4) Includes royalty interest reserves.

Summary of Net Present Value of Future Net Revenue as at December 31, 2018

(Forecast prices and costs)

	Discounted at %/year ($ millions)					Unit Value Discounted at 10%(1)
Before Income Taxes	0%	5%	10%	15%	20%	$/BOE
Proved Reserves						
Developed Producing	13,826	14,653	12,983	11,440	10,188	18.59
Developed Non-Producing	6,729	4,767	3,531	2,711	2,144	20.81
Undeveloped	125,499	52,692	26,398	15,030	9,370	8.83
Proved Reserves	146,054	72,112	42,912	29,181	21,702	11.13
Probable Reserves	60,740	22,042	10,255	5,883	3,900	7.68
Proved plus Probable Reserves	206,794	94,154	53,167	35,064	25,602	10.24

	Discounted at %/year ($ millions)				
After Income Taxes (2)	0%	5%	10%	15%	20%
Proved Reserves					
Developed Producing	10,883	12,138	10,923	9,696	8,681
Developed Non-Producing	4,958	3,490	2,572	1,967	1,551
Undeveloped	92,017	38,104	18,764	10,483	6,392
Proved Reserves	107,858	53,732	32,259	22,146	16,624
Probable Reserves	43,700	15,842	7,344	4,195	2,770
Proved plus Probable Reserves	151,558	69,574	39,603	26,341	19,394

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

(2) 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 and provincial 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 MD&A for the year ended December 31, 2018.

Total Future Net Revenue (undiscounted) as at December 31, 2018

(Forecast prices and costs - $ 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	347,651	92,140	68,261	34,009	7,187	146,054	38,196	107,858
Proved plus Probable Reserves	483,705	130,437	89,646	48,647	8,181	206,794	55,236	151,558

(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, 2018

(Forecast prices and costs)

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(2)	41,343	11.65
	Light and Medium Oil (3)	341	17.13
	Conventional Natural Gas (4)	1,228	4.28
	Total	42,912	11.13
Proved plus Probable Reserves	Bitumen(2)	50,499	10.78
	Light and Medium Oil (3)	471	15.66
	Conventional Natural Gas (4)	2,197	4.59
	Total	53,167	10.24

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

(2) Includes heavy crude oil that is not material.

(3) Includes solution gas and other byproducts.

(4) Includes shale gas, byproducts, but excludes solution gas.

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 heavy crude oil with bitumen and shale gas with conventional natural gas, as the reserves of heavy crude oil and shale gas are not material.
- In accordance with NI 51-101, 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.
- BOE estimates and tables may not sum due to rounding.

Definitions

1. **After Royalties** means volumes after deduction of royalties and includes royalty interest reserves.
2. **Before Royalties** means volumes before deduction of royalties and excludes royalty interest reserves.
3. **Company Interest** means, in relation to production, reserves, resources and property, the interest (operating or non-operating) held by Cenovus.
4. **Gross** means: (a) in relation to wells, the total number of wells in which Cenovus has an interest; and (b) in relation to properties, the total acreage of properties in which Cenovus 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 Cenovus'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 crude 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 are disclosed later in this AIF.

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, inflation and exchange rate provided in the table below is computed using the average of forecasts ("IQRE Average Forecast") by McDaniel, GLJ and Sproule Associates Limited ("Sproule") and is used to estimate FNR associated with the reserves disclosed herein. The IQRE Average Forecast is dated January 1, 2019. The inflation forecast was applied uniformly to prices beyond the forecast interval, and to all future costs. For historical prices realized during 2018, see "Production History" in this AIF.

	Oil and Liquids				Natural Gas		
Year	WTI Cushing Oklahoma (US$/bbl)	Edmonton Par Price 40 API (C$/bbl)	Western Canadian Select (C$/bbl)	Edmonton C5+ (C$/bbl)	AECO Gas Price (C$/MMBtu)	Inflation Rate (%/year)	Exchange Rate (US$/C$)
2019	58.58	67.30	51.55	70.10	1.88	0.0	0.757
2020	64.60	75.84	59.58	79.21	2.31	2.0	0.782
2021	68.20	80.17	65.89	83.33	2.74	2.0	0.797
2022	71.00	83.22	68.61	86.20	3.05	2.0	0.803
2023	72.81	85.34	70.53	88.16	3.21	2.0	0.807
2024	74.59	87.33	72.34	90.20	3.31	2.0	0.808
2025	76.42	89.50	74.31	92.43	3.39	2.0	0.808
2026	78.40	91.89	76.44	94.87	3.46	2.0	0.808
2027	79.98	93.76	78.10	96.80	3.54	2.0	0.808
2028	81.59	95.68	79.81	98.79	3.62	2.0	0.808
2029	83.22	97.57	81.40	100.74	3.69	2.0	0.808
2030+	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	2.0	0.808

Future Development Costs

The following table outlines undiscounted future development costs deducted in the estimation of FNR for the years indicated:

Reserves Category ($ millions)	2019	2020	2021	2022	2023	Remainder	Total
Proved Reserves	822	638	1,138	1,515	1,001	28,895	34,009
Proved plus Probable Reserves	854	716	1,185	1,747	1,417	42,728	48,647

Cenovus believes that existing cash balances, internally generated cash flows, existing credit facility, 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 Company Interest Before Royalties reserves for bitumen, heavy crude oil, light and medium oil, NGLs, conventional natural gas and shale gas for the year ended December 31, 2018, presented using forecast prices and costs. All reserves are located in Canada.

Proved	Bitumen(1) (MMbbls)	Light and Medium Oil (MMbbls)	NGLs (MMbbls)	Conventional Natural Gas(2) (Bcf)	Total (MMBOE)
As at December 31, 2017	4,765	13	103	2,109	5,232
Extensions and Improved Recovery	131	2	11	210	179
Discoveries	-	-	-	-	-
Technical Revisions	81	-	(3)	(29)	74
Economic Factors	-	-	-	-	-
Acquisitions	-	-	-	-	-
Dispositions	(13)	(1)	(30)	(582)	(141)
Production(3)	(133)	(2)	(9)	(195)	(177)
As at December 31, 2018	4,831	12	72	1,513	5,167

Probable	Bitumen(1) (MMbbls)	Light and Medium Oil (MMbbls)	NGLs (MMbbls)	Conventional Natural Gas(2) (Bcf)	Total (MMBOE)
As at December 31, 2017	1,645	6	68	1,147	1,910
Extensions and Improved Recovery	(26)	1	14	305	41
Discoveries	-	-	-	-	-
Technical Revisions	(17)	(2)	(5)	(109)	(42)
Economic Factors	-	-	-	-	-
Acquisitions	-	-	-	-	-
Dispositions	(4)	-	(33)	(302)	(88)
Production(3)	-	-	-	-	-
As at December 31, 2018	1,598	5	44	1,041	1,821

Proved plus Probable	Bitumen(1) (MMbbls)	Light and Medium Oil (MMbbls)	NGLs (MMbbls)	Conventional Natural Gas(2) (Bcf)	Total (MMBOE)
As at December 31, 2017	6,410	19	171	3,256	7,142
Extensions and Improved Recovery	105	3	25	515	220
Discoveries	-	-	-	-	-
Technical Revisions	64	(2)	(8)	(138)	32
Economic Factors	-	-	-	-	-
Acquisitions	-	-	-	-	-
Dispositions	(17)	(1)	(63)	(884)	(229)
Production(3)	(133)	(2)	(9)	(195)	(177)
As at December 31, 2018	6,429	17	116	2,554	6,988

(1) Includes heavy crude oil that is not material.
(2) Includes shale gas that is not material.
(3) 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.

Bitumen proved reserves increased by 66 million barrels as additions from the recognition of lower continuous net pay thickness cut-offs in Oil Sands and a minor AER approved area expansion at Foster Creek, as well as improved performance in Oil Sands more than offset reductions due to the divestiture of Suffield (heavy crude oil) and production;

Bitumen proved plus probable reserves increased by 19 million barrels as additions due to the recognition of lower continuous net pay thickness cut-offs and improved performance in Oil Sands were partially offset by reductions due to the divestiture of Suffield (heavy crude oil) and production;

Light and medium oil proved reserves and proved plus probable reserves decreased by one million barrels and two million barrels, respectively, as minor additions were more than offset by reductions due to the divestiture of Cenovus Pipestone Partnership and production;

NGLs proved and proved plus probable reserves decreased by 31 million barrels and 55 million barrels, respectively, as additions attributed to Deep Basin development were more than offset by reductions due to the divestiture of Cenovus Pipestone Partnership, technical revisions attributed to changes to future Deep Basin development plans, and production; and

Conventional natural gas proved and proved plus probable reserves decreased by 596 billion cubic feet and 702 billion cubic feet, respectively, as additions attributed to Deep Basin development were more than offset by reductions due to the divestiture of Cenovus Pipestone Partnership, technical revisions attributed to changes to future Deep Basin development plans, and production.

Undeveloped Reserves

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, proved undeveloped reserves are scheduled to be developed within the next one to 50 years.

The asset transactions of 2018 shifted the portfolio mix of reported product types. The undeveloped tables presented here reflect the product type groups reported above, specifically, bitumen includes heavy crude oil and conventional natural gas includes shale gas, for the years 2016, 2017, 2018 and for the period prior to 2016. The 2017 dispositions and the 2018 dispositions of the Suffield asset and Cenovus Pipestone Partnership ensure that heavy crude oil and shale gas reserves are no longer material to the Corporation.

Company Interest Proved Undeveloped – Before Royalties

	Bitumen[2] (MMbbls)		Light and Medium Oil (MMbbls)		NGLs (MMbbls)		Conventional Natural Gas[3] (Bcf)		Total (MMBOE)	
	First Attributed	Total at Year-End	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]	2,375	1,890	71	19	-	-	305	4	2,497	1,910
2016	185	2,020	-	15	-	-	-	5	185	2,036
2017	2,051	3,928	1	1	33	33	449	449	2,159	4,036
2018	197	3,986	1	1	7	15	159	324	233	4,056

(1) Prior First Attributed NGLs volumes included in light and medium oil.
(2) Includes heavy crude oil that is not material.
(3) Includes shale gas that is not material.

Company Interest Probable Undeveloped – Before Royalties

	Bitumen[2] (MMbbls)		Light and Medium Oil (MMbbls)		NGLs (MMbbls)		Conventional Natural Gas[3] (Bcf)		Total (MMBOE)	
	First Attributed	Total at Year-End	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]	2,021	1,126	44	14	-	-	63	8	2,075	1,141
2016	10	981	-	15	-	-	-	9	10	998
2017	771	1,550	2	2	46	46	640	640	925	1,704
2018	30	1,502	2	2	15	25	365	619	108	1,632

(1) Prior First Attributed NGLs volumes included in light and medium oil.
(2) Includes heavy crude oil that is not material.
(3) Includes shale gas that is not material.

DEVELOPMENT OF PROVED AND PROBABLE UNDEVELOPED RESERVES

Bitumen

At the end of 2018, Cenovus had proved undeveloped bitumen reserves of 3,986 million barrels Before Royalties, or approximately 83 percent of the Corporation's proved bitumen reserves. Of Cenovus's 1,598 million barrels of probable bitumen reserves, 1,502 million barrels, or approximately 94 percent, are undeveloped. The evaluation of these reserves anticipates that the reserves will be recovered using SAGD, except for the heavy crude oil, which is not material.

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 stratigraphic wells per section with 3D seismic, or 16 stratigraphic wells per section with no seismic. Additionally, all requisite legal and regulatory approvals must have been obtained, operator 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 located outside of an approved development plan area, but within an approved project 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 Foster Creek and Christina Lake 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. Development and capital spending on the proved and probable undeveloped reserves at Narrows Lake continues with the project scheduled

to be on stream between 2020 and 2025. The forecast production of Cenovus's proved bitumen reserves extends approximately 50 years, based on existing facilities. Production of the current proved developed portion is estimated to take approximately 21 years.

Light and Medium Oil, NGLs and Conventional Natural Gas

Cenovus's Deep Basin Assets proved undeveloped and proved plus probable undeveloped reserves are approximately one percent and three percent of the Corporation's proved and proved plus probable reserves, respectively. Cenovus plans to develop the Deep Basin Assets proved and proved plus probable undeveloped reserves over the next ten years.

SIGNIFICANT FACTORS OR UNCERTAINTIES AFFECTING RESERVES DATA

The evaluation of reserves is a continuous process 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 the section entitled "Risk Management and Risk Factors" in the Corporation's annual 2018 MD&A, which section of the MD&A is incorporated by reference into this AIF.

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, 2018:

	Oil		Gas		Total	
Producing Wells	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Oil Sands(1)	501	501	197	197	698	698
Deep Basin(2)	575	342	3,882	2,726	4,457	3,068
Total	1,076	843	4,079	2,923	5,155	3,766

(1) All producing Oil Sands wells are located in Alberta.
(2) Includes 4,041 gross producing wells (2,745 net producing wells) located in Alberta; 416 gross producing wells (323 net producing wells) located in British Columbia.

	Oil		Gas		Total	
Non-Producing Wells(1)	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Oil Sands(2)	197	197	172	172	369	369
Deep Basin(3)	249	182	570	482	819	664
Total	446	379	742	654	1,188	1,033

(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.
(2) All non-producing Oil Sands wells are located in Alberta.
(3) Includes 790 gross non-producing wells (639 net non-producing wells) located in Alberta; 29 gross non-producing wells (25 net non-producing wells) located in British Columbia.

Cenovus has no material 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 2018(1):

	Oil Sands		Deep Basin		Total	
Wells Drilled	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Oil	184	177	-	-	184	177
Gas	-	-	22	15	22	15
Dry & Abandoned	-	-	-	-	-	-
Total Canada	184	177	22	15	206	192

(1) Oil Sands drilled three gross exploration wells (three net wells) in 2018. No exploration wells were drilled in Deep Basin in 2018.

During the year ended December 31, 2018, Oil Sands drilled 129 gross stratigraphic test wells (122 net wells). Deep Basin drilled no stratigraphic test wells.

During the year ended December 31, 2018, seven service wells were drilled within Oil Sands, while no service wells were drilled in Deep Basin.

SAGD well pairs are counted as a single oil 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 the production and re-risking resource potential of the Deep Basin properties.

Properties With No Attributed Reserves

Cenovus has approximately 5.9 million gross acres (4.8 million net acres) of properties in Canada to which no reserves have been specifically attributed. For lands in which Cenovus holds multiple leases under the same surface area, both gross and net areas have been counted for each lease.

Cenovus has rights to explore, develop, and exploit approximately 77,947 net acres that could potentially expire by December 31, 2019, which relate entirely to Crown and freehold land.

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 the section entitled "Risk Management and Risk Factors" in the Corporation's annual 2018 MD&A, which section of the MD&A is incorporated by reference into 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 and uninflated future abandonment and reclamation costs for its existing upstream assets of approximately $2,568 million (approximately $511 million, discounted at 10 percent) at December 31, 2018, of which the Corporation expects to pay between $120 million and $170 million in the next three financial years on a portion of the 10,572 net wells.

Of the undiscounted future abandonment and reclamation costs to be incurred over the life of Cenovus's proved reserves, approximately $7 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

The Corporation expects to pay cash income taxes in the United States in 2019. The Corporation does not expect to pay significant cash taxes in Canada during the next three years. These estimates could vary significantly if underlying assumptions change with respect to commodity prices, capital spending levels and acquisition and disposition transactions.

Costs Incurred

($ millions)	2018
Acquisitions	
Unproved	16
Proved	325
Total Acquisitions	341
Exploration Costs	55
Development Costs	1,043
Total Costs Incurred	1,439

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, 2018.

Production Estimates

The following table summarizes the 2019 estimated production of Company Interest Before Royalties reserves for all properties held on December 31, 2018 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.

2019 Estimated Production Forecast Prices and Costs	Proved	Proved plus Probable
Bitumen (bbls/d)(1)(2)	347,198	364,027
Light and Medium Oil (bbls/d)	4,668	4,963
NGLs (bbls/d)	20,774	22,630
Conventional Natural Gas (MMcf/d)(3)	439	490
Total (BOE/d)	445,756	473,213

(1) Includes Foster Creek production of 139,583 barrels per day for proved and 146,985 barrels per day for proved plus probable, and Christina Lake production of 206,129 barrels per day for proved and 215,024 barrels per day for proved plus probable.
(2) Includes heavy crude oil that is not material.
(3) Includes shale gas that is not material.

Production History and Per-Unit Results

	2018	Q4	Q3	Q2	Q1
Bitumen(1)					
Total Production (bbls/d)	362,996	326,481	376,672	389,378	359,666
Foster Creek	161,979	155,507	163,939	171,079	157,390
Christina Lake	201,017	170,974	212,733	218,299	202,276
Sales Price ($/bbl)	37.51	11.50	49.38	51.07	34.27
Royalties ($/bbl)	3.54	(1.26)	7.89	5.02	1.75
Transportation and blending ($/bbl)	6.62	7.80	6.13	6.08	6.64
Operating expenses ($/bbl)	7.65	8.03	6.59	7.32	8.78
Netback excluding realized risk management(2)	19.70	(3.07)	28.77	32.65	17.10
Light and Medium Oil					
Total Production (bbls/d)	5,914	5,222	5,670	6,260	6,523
Sales Price ($/bbl)	65.79	43.45	72.83	80.04	64.26
Royalties ($/bbl)	9.22	5.06	12.47	11.33	7.93
Transportation and blending ($/bbl)	2.90	2.75	2.90	2.90	2.99
Operating expenses ($/bbl)	8.04	11.61	6.40	5.08	9.23
Production and mineral taxes ($/bbl)	0.37	-	-	4.47	(2.48)
Netback excluding realized risk management(2)	45.26	24.03	51.06	56.26	46.59
Conventional Natural Gas(3)					
Total Production (MMcf/d)	529	469	520	572	558
Sales Price ($/Mcf)	1.74	2.04	1.31	1.31	2.32
Royalties ($/Mcf)	0.05	0.12	(0.02)	0.01	0.12
Transportation and blending ($/Mcf)	0.27	0.28	0.25	0.24	0.32
Operating expenses ($/Mcf)	1.29	1.67	1.46	0.86	1.26
Production and mineral taxes ($/Mcf)	0.01	-	0.01	0.01	0.01
Netback excluding realized risk management(2)	0.12	(0.03)	(0.39)	0.19	0.61
NGLs					
Total Production (bbls/d)	26,539	22,883	26,600	27,777	28,960
Sales Price ($/bbl)	38.56	31.79	41.40	42.30	37.72
Royalties ($/bbl)	4.05	1.00	2.56	2.84	9.09
Transportation and blending ($/bbl)	2.83	2.56	2.85	2.99	2.87
Operating expenses ($/bbl)	7.98	7.12	9.04	8.82	6.86
Netback excluding realized risk management(2)	23.70	21.11	26.95	27.65	18.90

(1) Heavy crude oil production is not material in 2018 after the January 5, 2018 divestiture of the Suffield asset.
(2) Netback is a non-GAAP measure commonly used in the oil and gas industry to assist in measuring operating performance on a per-unit basis. Netback is defined as gross sales less royalties, transportation and blending, operating expenses and production and mineral taxes divided by sales volumes. Netbacks do not reflect non-cash write-downs of product inventory until the inventory is sold. This calculation is consistent with the definition found in the Canadian Oil and Gas Evaluation Handbook. The crude oil sales price, transportation and blending costs, and sales volumes exclude the impact of purchased condensate. Netback does not have a standardized meaning as prescribed by IFRS and therefore is considered a non-GAAP measure. As such, it may not be comparable to similar measures presented by other issuers. This measure has been described and presented in this AIF in order to provide shareholders and potential investors with additional information regarding Cenovus's liquidity and its ability to generate funds to finance its operations, and to comply with the requirements of NI 51-101. This measure should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. For further information, refer to Cenovus's most recent MD&A available at cenovus.com. For the reconciliation of the financial components of Netback to the GAAP measure and the sales volumes used in the calculations, see "Netback Reconciliations" in Appendix D.
(3) Includes shale gas that is not material.

Capital Expenditures, Acquisitions and Divestitures

In 2018, Cenovus announced it was marketing a package of non-core assets in the Deep Basin. In the third quarter of 2018, Cenovus completed the sale of Cenovus Pipestone Partnership, which held the natural gas and liquids business in northwestern Alberta, for cash proceeds of $625 million, before closing adjustments. In the fourth quarter of 2018, management decided to discontinue the sales process until market conditions improve.

The following table summarizes Cenovus's net capital investment for 2018 and 2017:

Net Capital Investment

($ millions)	2018	2017
Capital Investment		
Oil Sands		
Foster Creek	379	455
Christina Lake	445	426
Total	824	881
Other Oil Sands	63	92
	887	973
Deep Basin(1)	211	225
Refining and Marketing	208	180
Conventional (Discontinued Operations)	-	206
Corporate	57	77
Capital Investment	1,363	1,661
Acquisitions(2)	341	18,388
Divestitures(2)	(1,375)	(3,210)
Net Acquisition and Divestiture Activity	(1,034)	15,178
Net Capital Investment(3)	329	16,839

(1) The Deep Basin Assets were acquired on May 17, 2017.

(2) In connection with the Acquisition, Cenovus was deemed to have disposed of its pre-existing interest in FCCL and reacquired it at fair value as required by IFRS 3, which is not reflected in the table above. The carrying value of the pre-existing interest was $9,081 million and the fair value was $11,604 million at May 17, 2017.

(3) Includes expenditures on: property, plant and equipment; exploration and evaluation assets; and assets held for sale.

DIVIDENDS

The declaration of dividends is at the sole discretion of Cenovus's Board and is considered each quarter. The Board has approved a first quarter dividend of $0.05 per share payable on March 29, 2019 to holders of Common Shares of record as of March 15, 2019. Readers should also refer to the section entitled "Risk Management and Risk Factors" in the Corporation's annual 2018 MD&A, which section of the MD&A is incorporated by reference into this AIF, for additional information.

Cenovus paid the following dividends over the last three years:

Dividends Paid

($ per share)	Year	Q4	Q3	Q2	Q1
2018	0.20	0.05	0.05	0.05	0.05
2017	0.20	0.05	0.05	0.05	0.05
2016	0.20	0.05	0.05	0.05	0.05

DESCRIPTION OF CAPITAL STRUCTURE

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, 2018, there were approximately 1,228.8 million Common Shares and no First or Second Preferred Shares outstanding.

COMMON SHARES

The holders of Common Shares are entitled to: (i) receive dividends if, as and when declared by Cenovus's Board; (ii) 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) 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 aggregate number of Preferred Shares issued by the Corporation may not exceed 20 percent of the aggregate number of Common Shares then outstanding.

SHAREHOLDER RIGHTS PLAN

Cenovus has a shareholder rights plan (the "Shareholder Rights Plan") which was adopted in 2009, and 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 acquiror, 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 2018 annual and special meeting of shareholders and must be reconfirmed by the Corporation's shareholders every three years.

DIVIDEND REINVESTMENT PLAN

Cenovus has a dividend reinvestment plan which permits holders of Common Shares to automatically reinvest all or any portion of the cash dividends paid on their Common Shares in additional Common Shares. At the discretion of the Corporation, the additional Common Shares may be issued from treasury at the volume weighted average price of the Common Shares (denominated in the currency in which the Common Shares trade on the applicable stock exchange) traded on the Toronto Stock Exchange ("TSX") during the last five trading days preceding the relevant dividend payment date or purchased on the market.

EMPLOYEE STOCK OPTION PLAN

Cenovus has an Employee Stock Option Plan that provides employees with the opportunity to exercise options to purchase Common Shares. For more information with respect to options to purchase Common Shares of Cenovus ("Options"), and Common Shares issued upon the exercise of Options, see the "Share Capital" and "Stock-based Compensation Plans" Notes in Cenovus's 2018 audited Consolidated Financial Statements (the "Annual Financial Statements"), which sections of the Annual Financial Statements are incorporated by reference into this AIF, for further information.

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, its access to sources of liquidity and capital, and potentially obligate it to post incremental collateral in the form of cash, letters of credit or other financial instruments. See the section entitled "Risk Management and Risk Factors" in the Corporation's annual 2018 MD&A, which section of the MD&A is incorporated by reference into this AIF, for further information.

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

	S&P Global Ratings ("S&P")	Moody's Investors Service ("Moody's")	DBRS Limited ("DBRS")	Fitch Ratings Inc. ("Fitch")
Senior Unsecured Long-Term Rating	BBB	Ba1	BBB	BBB-
Outlook/Trend	Stable	Stable	Negative	Stable

Credit ratings are intended to provide an independent measure of the credit quality of an issue of securities. The credit ratings assigned by the rating agencies are not recommendations to purchase, hold or sell the securities nor do the ratings comment on market price or suitability for a particular investor. A rating may not remain in effect for any given period of time and 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 "+" or "-" designation after a rating indicates the relative standing within the major rating categories. An 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 Ba1 by Moody's is within the fifth highest of nine categories and is assigned to debt securities which are considered speculative-grade and subject to substantial credit risk. 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. A designation of Stable indicates a low likelihood of a rating change over the medium term.

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 by DBRS is within the fourth highest of 10 categories and is assigned to debt securities considered to be of adequate credit quality, with acceptable protection of principal and interest. Issuers in this category are fairly susceptible to adverse changes in financial and economic conditions. 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. Rating trends provide guidance in respect of DBRS's 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 circumstances continue, or in some cases, unless challenges are addressed.

Fitch'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 is within the fourth highest of 11 categories and is assigned to debt securities considered to be of good credit quality.

BBB ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. A Fitch rating outlook indicates the direction a rating is likely to move over a one to two-year period,
with rating outlooks falling into four categories: "Positive", "Negative", "Stable" or "Evolving". Rating outlooks reflect financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue. The majority of Fitch's outlooks are Stable, which is consistent with the historical migration experience of ratings over a one to two year period. Positive or Negative outlooks do not imply that a rating change is inevitable and similarly, ratings with Stable outlooks can be raised or lowered without prior revision of the outlook, if circumstances warrant such an action. Where the fundamental trend has strong, conflicting elements of both positive and negative, the rating outlook may be described as Evolving.

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

MARKET FOR SECURITIES

All of the outstanding Common Shares are listed and posted for trading on the 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 2018:

	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	13.93	11.53	11.73	160,389	11.11	9.20	9.55	75,847
February	11.88	9.03	9.34	205,803	9.65	7.15	7.30	101,303
March	11.62	9.12	10.97	176,418	9.00	7.09	8.54	84,240
April	13.30	10.58	12.86	232,289	10.54	8.17	10.03	112,913
May	14.65	12.72	13.68	247,491	11.47	9.90	10.54	93,419
June	13.85	12.09	13.65	174,728	10.69	9.11	10.38	78,420
July	14.84	12.87	13.05	138,963	11.29	9.85	10.04	55,243
August	13.50	11.53	12.10	164,277	10.40	8.77	9.31	73,291
September	13.12	10.87	12.97	153,912	10.15	8.25	10.03	72,028
October	13.63	10.59	11.14	168,693	10.65	8.06	8.46	96,983
November	12.15	9.12	9.82	225,027	9.28	6.89	7.38	100,742
December	11.46	8.74	9.60	167,624	8.43	6.15	7.03	83,289

DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

The following individuals are directors of Cenovus as at December 31, 2018.

Name and Residence	Director Since[1]	Principal Occupation During the Past Five Years
Susan F. Dabarno[2,4,5] Bracebridge, Ontario, Canada	2017 Independent	Ms. Dabarno is a director of Manulife Financial Corporation. Ms. Dabarno has extensive wealth management and financial expertise and served as Executive Chair of Richardson Partners Financial Limited ("Richardson"), an independent wealth management services firm, from October 2009 to April 2010, and as President and Chief Executive Officer from June 2003 to October 2009. Prior to joining Richardson, she was President and Chief Operating Officer at Merrill Lynch Canada Inc.
Patrick D. Daniel[7] Calgary, Alberta, Canada	2009 (Chair) Independent	Mr. Daniel has served as the Chair of Cenovus's Board since April 2017. He is a director of Canadian Imperial Bank of Commerce. Mr. Daniel served as Chair of the North American Review Board of American Air Liquide Holdings, Inc., a subsidiary of a publicly traded industrial gases service company from 2013 to 2018; a director of Capital Power Corporation, a publicly traded North American power producer from February 2015 to April 2018; and a director of Enbridge Inc. ("Enbridge"), a publicly traded energy delivery company, from April 2000 to October 2012. During his tenure with Enbridge, he also served as Chief Executive Officer from February 2012 to October 2012, as President & Chief Executive Officer from January 2001 to February 2012 and as President and Chief Operating Officer from September 2000 to January 2001.
Harold N. Kvisle[2,4,6] Calgary, Alberta, Canada	2018 Independent	Mr. Kvisle is Chairman of ARC Resources Ltd., a publicly traded oil and gas company; and a director and Chairman of Finning International Inc., a publicly traded heavy equipment company. He served as a director of Cona Resources Ltd. ("Cona"), a publicly traded heavy oil company, from November 2011 to May 2018 when Cona was acquired by Waterous Energy Fund. Mr. Kvisle served as President and Chief Executive Officer of Talisman Energy Inc., a publicly traded oil and gas company, from September 2012 to May 2015 and as a director from May 2010 to May 2015. From 2001 to 2010, Mr. Kvisle was President and Chief Executive Officer of TransCanada Corporation ("TransCanada"), a publicly traded pipeline and power company. Prior to joining TransCanada in 1999, he was the President of Fletcher Challenge Energy Canada Inc. Previously, he held engineering, finance and management positions with Dome Petroleum Limited. Mr. Kvisle has worked in the oil and gas industry since 1975 and in the utilities and power industries since 1999.
Steven F. Leer[3,4,5] 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; non-executive Chairman of the Board 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 a director of USG from June 2005 to January 2012 and was lead director from January 2012 to November 2016. Mr. Leer also 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.

Name and Residence	Director Since[1]	Principal Occupation During the Past Five Years
Keith A. MacPhail[3,4,5] Calgary, Alberta, Canada	2018 Independent	Mr. MacPhail is a director and Chairman of Bonavista Energy Corporation ("Bonavista"), a publicly traded oil and gas company; a director and Chairman of NuVista Energy Ltd., a publicly traded oil and gas company; and serves on the board of directors of a private company. Mr. MacPhail served as Executive Chairman of Bonavista from 2012 to 2018; as Chairman and Chief Executive Officer from 2008 to 2012; and as President and Chief Executive Officer from 1997 to 2008. Prior to joining Bonavista Petroleum Ltd. in 1997, Mr. MacPhail held progressively more responsible positions with Canadian Natural Resources Limited, with his final position being Executive Vice President and Chief Operating Officer. Previously, he held the position of Production Manager with Poco Petroleums Ltd.
Richard J. Marcogliese[3,6] Alamo, California, United States	2016 Independent	Mr. Marcogliese is the Principal of iRefine, LLC, a privately owned petroleum refining consulting company; Executive Advisor of Pilko & Associates L.P., a private chemical and energy advisory company. He served as Operations Advisor to NTR Partners III LLC, a private investment company from October 2013 to December 2017; and served as Operations Advisor to the CEO of Philadelphia Energy Solutions, a partnership between The Carlyle Group and a subsidiary of Energy Transfer Partners, L.P. that operates an oil refining complex on the U.S. Eastern seaboard, from September 2012 to January 2016.
Claude Mongeau[2,4,6] Montreal, Quebec, Canada	2016 Independent	Mr. Mongeau is a director of The Toronto-Dominion Bank and TELUS Corporation. Mr. Mongeau served as a director of Canadian National Railway Company ("CN"), a publicly traded railroad and transportation company, from October 2009 to July 2016 and as President and Chief Executive Officer from January 2010 to June 2016. During his tenure with CN, he also served as Executive Vice-President and Chief Financial Officer from October 2000 until December 2009, and held various increasingly senior positions from the time he joined in 1994. Mr. Mongeau also served as a director of SNC-Lavalin Group Inc. from August 2003 to May 2015 and Chairman of the Board of the Railway Association of Canada.
Alexander J. Pourbaix[8] Calgary, Alberta, Canada	2017	Mr. Pourbaix has served as President & Chief Executive Officer of Cenovus since November 6, 2017 and is a director of Trican Well Service Ltd. Mr. Pourbaix served as Chief Operating Officer of TransCanada Corporation ("TransCanada"), a publicly traded energy infrastructure company, from October 2015 to April 2017. During his tenure with TransCanada, he also served as Executive Vice-President and President, Development from March 2014 to September 2015 and President, Energy & Oil Pipelines from July 2010 to February 2014, and held various increasingly senior positions from the time he joined TransCanada in 1994. Mr. Pourbaix was a member and past Board Chair for the Canadian Energy Pipeline Association.
Charles M. Rampacek[3,6] Fredericksburg, Texas, United States	2009 Independent	Mr. Rampacek is a director of 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 served as a director of Flowserve Corporation, a publicly traded manufacturer of industrial equipment from March 1998 to May 2016. He 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[2,5] 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.

Name and Residence	Director Since(1)	Principal Occupation During the Past Five Years
Wayne G. Thomson(2,5) Calgary, Alberta, Canada	2009 Independent	Mr. Thomson is Chairman of Maha Energy Inc., a public Swedish oil and gas company; Chairman of Inventys Thermal Technologies Inc. ("Inventys"), a private carbon capture technology company; Chairman and President of Enviro Valve Inc., a private company manufacturing proprietary pressure relief valves; and serves on the board of directors of one other private company. Mr. Thomson served as a director of TVI Pacific Inc., a publicly traded international mining company, from May 2011 to June 2017; interim Executive Chairman of Inventys from May 2016 to February 2017; and as Chief Executive Officer of Iskander Energy Corp., a private international oil and gas company, from November 2011 to August 2014 and as a director from November 2011 to March 2016.
Rhonda I. Zygocki(3,6) Friday Harbor, Washington, United States	2016 Independent	Ms. Zygocki served as Executive Vice President, Policy and Planning of Chevron Corporation ("Chevron"), an integrated energy company, from March 2011 until her retirement in February 2015 and prior thereto, during her 34 years with Chevron, she held a number of senior management and executive leadership positions in international operations, public affairs, strategic planning, policy, government affairs and health, environment and safety. She is a former advisory board member of the Woodrow Wilson International Center of Scholars Canada Institute.

(1) Each of Messrs. Daniel, Rampacek, Taylor and Thomson first became members of Cenovus's Board pursuant to the Arrangement;
- *Mr. Leer was elected as a director of Cenovus's Board at the Annual and Special Meeting of Shareholders held on April 29, 2015,*
- *Ms. Zygocki and Mr. Marcogliese were elected as directors of Cenovus's Board at the Annual Meeting of Shareholders held on April 27, 2016,*
- *Mr. Mongeau was appointed as a director of Cenovus's Board as of December 1, 2016;*
- *Ms. Dabarno was elected as a director of Cenovus's Board at the Annual Meeting of Shareholders held on April 26, 2017;*
- *Mr. Pourbaix was appointed as President and Chief Executive Officer and a director of Cenovus's Board as of November 6, 2017; and*
- *Messrs. Kvisle and MacPhail were elected as directors of Cenovus's Board at the Annual Meeting of Shareholders held on April 25, 2018.*

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) Ex-officio, by standing invitation, non-voting member of all other committees of Cenovus's Board. As an ex-officio non-voting member, Mr. Daniel attends as his schedule permits and may vote when necessary to achieve a quorum.
(8) As an officer and a non-independent director, Mr. Pourbaix is not a member of any of the committees of Cenovus's Board.

EXECUTIVE OFFICERS

The following individuals served as executive officers of Cenovus as at December 31, 2018.

Name and Residence	Office Held and Principal Occupation During the Past Five Years
Alexander J. Pourbaix Calgary, Alberta, Canada	President & Chief Executive Officer Mr. Pourbaix's biographical information is included under "Directors".
Jonathan M. McKenzie Calgary, Alberta, Canada	Executive Vice-President & Chief Financial Officer Mr. McKenzie has been Executive Vice-President & Chief Financial Officer of Cenovus since May 1, 2018. From April 27, 2015 to April 5, 2018, Mr. McKenzie was Chief Financial Officer of Husky Energy Inc. From April 2011 to April 2015, Mr. McKenzie was Chief Financial Officer and Chief Commercial Officer of Irving Oil Ltd. From March 2009 to May 2011, Mr. McKenzie was Vice-President and Controller of Suncor Energy Inc.
Harbir S. Chhina Calgary, Alberta, Canada	Executive Vice-President & Chief Technology Officer Mr. Chhina became Executive Vice-President & Chief Technology Officer on April 25, 2017. From September 2015 to April 2017, Mr. Chhina was Executive Vice-President, Oil Sands Development; from December 2010 to August 2015, Mr. Chhina was Executive Vice-President, Oil Sands; and from November 2009 to November 2010, Mr. Chhina was Executive Vice-President, Enhanced Oil Development & New Resource Plays of Cenovus.

Name and Residence	Office Held and Principal Occupation During the Past Five Years
Keith A. Chiasson Calgary, Alberta, Canada	Senior Vice-President, Downstream Mr. Chiasson became Senior Vice-President, Downstream on December 14, 2017. From May 15, 2017 to December 13, 2017, Mr. Chiasson was Vice-President, Oil Sands Production Operations; and from July 2016 to May 2017, Mr. Chiasson was Vice-President, Operations of Cenovus. From April 2016 to July 2016, Mr. Chiasson was Kearl Operations Manager at Imperial Oil Resources. From September 2013 to April 2016, Mr. Chiasson was U.S. Operations Manager for ExxonMobil. From January 2012 to September 2013, Mr. Chiasson was Planning and Business Analysis Manager for ExxonMobil Production Company.
Alan C. Reid Calgary, Alberta, Canada	Executive Vice-President, Stakeholder Engagement, Safety, Legal & General Counsel Mr. Reid became Executive Vice-President, Stakeholder Engagement, Safety, Legal & General Counsel on December 14, 2017. From December 1, 2015 to December 13, 2017, Mr. Reid was Executive Vice-President, Environment, Corporate Affairs & Legal and General Counsel; from September 2015 to November 2015, Mr. Reid was Executive Vice-President, Environment, Corporate Affairs & Legal; from January 2014 to August 2015, Mr. Reid was Senior Vice-President, Christina Lake & Narrows Lake; from January 2012 to January 2014, Mr. Reid was Cenovus's Senior Vice-President, Christina Lake; and from November 2009 to January 2012, Mr. Reid was Vice-President, Regulatory, Health & Safety of Cenovus.
Karamjit S. Sandhar Calgary, Alberta, Canada	Senior Vice-President, Strategy & Corporate Development Mr. Sandhar became Senior Vice-President, Strategy & Corporate Development on December 14, 2017 and joined Cenovus's Leadership Team on June 5, 2018. From July 2016 until December 2017, Mr. Sandhar was Vice-President, Investor Relations & Corporate Development; from May 2016 to July 2016 Mr. Sandhar was Vice-President, Investor Relations; from May 2015 to May 2016, Mr. Sandhar was Director, Investor Relations; and from April 2013 to May 2015 Mr. Sandhar was Principal, Portfolio Management.
Sarah J. Walters Calgary, Alberta, Canada	Senior Vice-President, Corporate Services Ms. Walters became Senior Vice-President, Corporate Services on December 14, 2017. From January 1, 2017 until December 13, 2017, Ms. Walters was Vice-President, Human Resources; from September 2015 to December 2016, Ms. Walters was Vice-President, Organization & People; from March 2014 to August 2015, Ms. Walters was Vice-President HR Business Partners & Organizational Design; from July 2013 to February 2014, Ms. Walters was Vice-President, HR Business Partners; and from March 2013 to July 2013, Ms. Walters was Vice-President, HR Advisory of Cenovus. Prior to joining Cenovus in March 2013, Ms. Walters was Vice-President HR, International Operations West at Talisman Energy Inc.
J. Drew Zieglgansberger Calgary, Alberta, Canada	Executive Vice-President, Upstream Mr. Zieglgansberger became Executive Vice-President, Upstream on January 16, 2018. From April 3, 2017 to January 15, 2018, Mr. Zieglgansberger was Executive Vice-President, Deep Basin; from September 2015 to April 2017, Mr. Zieglgansberger was Executive Vice-President, Oil Sands Manufacturing; from June 2015 to August 2015, Mr. Zieglgansberger was Executive Vice-President, Operations Shared Services; from June 2012 to May 2015, Mr. Zieglgansberger was Senior Vice-President, Operations Shared Services; from January 2012 to May 2012, Mr. Zieglgansberger was Senior Vice-President, Regulatory, Local Community & Military; and from December 2010 to January 2012, Mr. Zieglgansberger was Senior Vice-President, Christina Lake of Cenovus.

As of December 31, 2018, all of Cenovus's directors and executive officers, as a group, beneficially owned or exercised control or direction over, directly or indirectly, 1,878,154 Common Shares or approximately 0.15 percent of the number of Common Shares that were outstanding as of such date.

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

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the 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 (each, an "Order") and that was issued while that director or executive officer 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 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 penalties 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. Mongeau was, prior to August 10, 2009, a director of Nortel Networks Corporation and Nortel Networks Limited, each of which initiated creditor protection proceedings under the *Companies' Creditors Arrangement Act* (Canada) on January 14, 2009. Certain U.S. subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code, and certain Europe, Middle East and Africa subsidiaries made consequential filings in Europe and the Middle East.

AUDIT COMMITTEE

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

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee consists of five members, each of whom is independent and financially literate in accordance with National Instrument 52-110 *Audit Committees*. 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.

Susan F. Dabarno

Ms. Dabarno is a chartered professional accountant, a Fellow of the Chartered Professional Accountants of Ontario (FCPA) and holds a Class II Diploma from McGill University. She has extensive wealth management and financial expertise gained from her many years of experience building and leading some of the largest wealth management platforms in Canada. Ms. Dabarno served as Executive Chairman of Richardson Partners Financial Limited ("Richardson"), an independent wealth management services firm, from October 2009 to April 2010, and as President and Chief Executive Officer of Richardson from June 2003 to October 2009, during which time she was responsible for leading the firm's growth strategy. Prior to joining Richardson, she was President and Chief Operating Officer at Merrill Lynch Canada Inc., and prior to that she held various increasingly senior roles with Canada Trust and later Midland Walwyn Inc., until it was acquired by Merrill Lynch in 1999. In each of these positions, Ms. Dabarno was progressively responsible for personal investment management, private equity and alternative investment strategies, while adhering to strict regulatory requirements and governance protocols applied to the industry.

Ms. Dabarno has contributed to the investment industry as a member of the Council of Governors of the Investment Funds Institute of Canada and as a director of the Mutual Fund Dealers Association of Canada. She was awarded the Queen Elizabeth II Diamond Jubilee Medal by the Investment Industry Association of Canada and has been honoured by the YWCA of New York City as a Woman of Distinction.

Harold N. Kvisle

Mr. Kvisle holds a Bachelor of Science in Engineering from the University of Alberta, a Masters in Business Administration from the University of Calgary and an Honorary Bachelor of Arts from Mount Royal University.

Mr. Kvisle is Chairman of ARC Resources Ltd., a publicly traded oil and gas company and is a director and Chairman of Finning International Inc., a publicly traded heavy equipment company. Mr. Kvisle recently served as President and Chief Executive Officer of Talisman Energy Inc., a publicly traded oil and gas company, from September 2012 to May 2015 and as a director from May 2010 to May 2015. From 2001 to 2010, Mr. Kvisle was President and Chief Executive Officer of TransCanada Corporation ("TransCanada"), a publicly traded pipeline and power company. Prior to joining TransCanada in 1999, he was the President of Fletcher Challenge Energy Canada Inc. Previously, he held engineering, finance and management positions with Dome Petroleum Limited. Mr. Kvisle has worked in the oil and gas industry since 1975 and in the utilities and power industries since 1999. He also served as a director of Cona Resources Ltd., a publicly traded heavy oil company, from November 2011 to May 2018.

Mr. Kvisle is the former Chair of the Interstate Natural Gas Association of America (INGAA), the former Chair of the Mount Royal College Board of Governors and the former Chair of the Nature Conservancy of Canada.

Claude Mongeau

Mr. Mongeau holds a Masters of Business Administration from McGill University and has received honorary doctorate degrees from St. Mary's and Windsor University. He is a director of The Toronto-Dominion Bank and TELUS Corporation. Mr. Mongeau served as a director of Canadian National Railway Company ("CN"), a publicly traded railroad and transportation company, from October 2009 to July 2016 and as President and Chief Executive Officer from January 2010 to June 2016. During his tenure with CN, he served as Executive Vice-President and Chief Financial Officer from October 2000 until December 2009 and from the time he joined CN in 1994 he held the titles of Senior Vice-President and Chief Financial Officer, Vice-President, Strategic and Financial Planning and Assistant Vice-President, Corporate Development. Prior to joining CN, Mr. Mongeau was the Manager, Business Development for Imasco Inc. from 1993 to 1994, a partner with Groupe Secor Inc., a Montreal-based management consulting firm providing strategic advice to large Canadian corporations, from 1989 to 1993 and a consultant at Bain & Company from 1988 to 1989. Mr. Mongeau also served as a director of SNC Lavalin Group Inc. from August 2003 to May 2015 and as a director of Nortel Networks Corporation and Nortel Networks Limited from June 2006 to August 2009.

Mr. Mongeau was Chairman of the Board of the Railway Association of Canada. He was named one of Canada's Top 40 under 40 in 1997 and selected as Canada's CFO of the Year in 2005 by an independent committee of prominent Canadian business leaders.

Colin Taylor
(Audit Committee 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 as Chief Executive & Managing Partner of Deloitte LLP, Chartered Professional Accountants, and then acted as Senior Counsel until his retirement in May 2008. He also served as Advisory Partner to a number of public and private company clients of Deloitte & Touche LLP and has held a number of international management and governance responsibilities throughout his professional career.

Wayne G. Thomson

Mr. Thomson holds a Bachelor of Science of Mechanical Engineering (University of Manitoba) and is a professional engineer. He is Chairman of Maha Energy Inc., a public Swedish oil and gas company; Chairman of Inventys Thermal Technologies Inc. ("Inventys"). He also serves as Chairman and President of Enviro Valve Inc., a private company manufacturing proprietary pressure relief valves, since 2005. Mr. Thomson served as a director of TVI Pacific Inc. from May 2011 to June 2017; as interim Executive Chairman of Inventys from May 2016 to February 2017; and as Chief Executive Officer of Iskander Energy Corp ("Iskander") from November 2011 to August 2014 and as director of Iskander from November 2011 to March 2016.

The above list does not include Patrick D. Daniel who is, by standing invitation as Chair of the Board, 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, the Corporation's auditor. 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, 2018 and 2017:

($ thousands)	2018	2017
Audit Fees(1)	2,885	2,852
Audit-Related Fees(2)	344	987
Tax Fees(3)	3	1
All Other Fees(4)	21	20
Total	3,253	3,860

(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 prospectuses, systems development, controls testing and participation fees levied by the Canadian Public Accountability Board. Fees related to the acquisition of assets from ConocoPhillips or divestiture of Cenovus' Conventional assets are also included in Audit-Related Fees.

(3) Tax Fees consist of the aggregate fees billed for audit related fees, tax compliance, tax advice and tax planning.

(4) All Other Fees relate to Extractive Sector Transparency Measures Act Specified Procedures.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

During the year ended December 31, 2018, 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, 2018, there were no penalties or sanctions imposed against Cenovus by a court relating to 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 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 within the three most recently completed financial years or any proposed transaction that has materially affected or is reasonably expected to materially affect Cenovus.

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: 1-866-332-8898Website: www.investorcentre.com/cenovus

MATERIAL CONTRACTS

Other than as set forth below, during the year ended December 31, 2018, 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.

On March 29, 2017, Cenovus entered into a purchase and sale agreement (the "Acquisition Agreement") with ConocoPhillips to acquire: (i) ConocoPhillips' 50 percent interest (the "FCCL Interest") (being the remaining 50 percent interest that Cenovus did not already own) in FCCL Partnership, the owner of the Foster Creek, Christina Lake and Narrows Lake oil sands projects in northeast Alberta (the "FCCL Assets"), and (ii) the majority of ConocoPhillips' western Canadian conventional assets, including ConocoPhillips' exploration and production assets and related infrastructure and agreements in the Elmworth-Wapiti, Kaybob-Edson and Clearwater operating areas and other operating areas, and all of ConocoPhillips' interest in petroleum and natural gas rights and oil sands leases within a certain area of mutual interest northwest of Foster Creek (the "Deep Basin Assets"). The FCCL Interest and the Deep Basin Assets were acquired by Cenovus for total consideration of $17.6 billion, comprised of $15.0 billion cash, and 208 million Common Shares. Cenovus agreed to make quarterly payments to ConocoPhillips during the five years subsequent to the closing date of the Acquisition for quarters in which the average WCS crude oil price exceeds $52 per barrel during the quarter. The quarterly payment will be $6 million for each dollar that the WCS price exceeds $52 per barrel. There are no maximum payment terms. The calculation includes an adjustment mechanism related to certain significant production outages at Foster Creek and Christina Lake, which may reduce the amount of a contingent payment.

At closing of the Acquisition, Cenovus and ConocoPhillips entered into a registration rights agreement ("Registration Rights Agreement") and an investor agreement ("Investor Agreement"), which, among other things, restricted ConocoPhillips from selling or hedging its Common Shares until November 17, 2017. In addition, the Registration Rights Agreement provides ConocoPhillips with certain rights to facilitate the sale of its Common Shares, including the right to require Cenovus to qualify the distribution of the Common Shares held by ConocoPhillips and the right to piggy-back on an offering of Common Shares by Cenovus. The Investor Agreement places certain restrictions on ConocoPhillips, including from nominating new members to Cenovus's board of directors and by requiring ConocoPhillips to vote its Common Shares in accordance with management recommendations or abstain from voting. The Registration Rights Agreement and the Investor Agreement will terminate when ConocoPhillips owns 3.5 percent or less of the then outstanding Common Shares.

A copy of the Acquisition Agreement, which includes the forms of the Contingent Payment Agreement, Registration Rights Agreement and Investor Agreement, in redacted form, was filed on SEDAR on April 5, 2017, and a copy of the amendment to the Acquisition Agreement was filed on SEDAR on May 17, 2017, each of which may be viewed under Cenovus's profile at sedar.com.

Particulars for each of the Arrangement Agreement and the Separation Agreement (previously filed material contracts that are still in effect) are defined and described in the section entitled “Risk Management and Risk Factors” in the Corporation’s annual 2018 MD&A, and such section of the MD&A is incorporated by reference into this AIF.

INTERESTS OF EXPERTS

The Corporation’s independent auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants, who have issued an independent auditor’s report dated February 12, 2019 in respect of Cenovus’s Consolidated Financial Statements which comprise the Consolidated Balance Sheets as at December 31, 2018 and December 31, 2017 and the Consolidated Statements of Earnings, Comprehensive Income, Shareholders’ Equity and Cash Flows for the years ended December 31, 2018, 2017, and 2016 and Cenovus’s internal control over financial reporting as at December 31, 2018. 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 McDaniel and GLJ as independent qualified reserves evaluators. The principals of each of McDaniel and GLJ, in each case, as a group own beneficially, directly or indirectly, less than one percent of any class of the Corporation’s securities.

ADDITIONAL INFORMATION

Additional information relating to Cenovus is available on SEDAR at sedar.com and EDGAR at sec.gov. Additional information, 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 information 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 annual Consolidated Financial Statements and MD&A for the year ended December 31, 2018, 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, 2018 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

Crude 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		
BOE/d	barrels of oil equivalent per day		
MMBOE	million barrels of oil equivalent		
WTI	West Texas Intermediate		
WCS	Western Canadian Select		

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

APPENDIX A

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATORS

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

1. We have evaluated the Corporation's reserves data as at December 31, 2018. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2018, 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") 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 shows the net present value of 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, 2018, 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, 2018	Canada	$50,427
GLJ Petroleum Consultants Ltd.	December 31, 2018	Canada	$2,740
			$53,167

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:

/s/ Brian R. Hamm

Brian R. Hamm, P. Eng.
President & CEO
McDaniel & Associates Consultants Ltd.
Calgary, Alberta, Canada

/s/ Keith M. Braaten

Keith M. Braaten, P. Eng.
President and Chief Executive Officer
GLJ Petroleum Consultants Ltd.
Calgary, Alberta, Canada

February 11, 2019

APPENDIX B

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management 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 has, on the recommendation of the Reserves Committee, 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.

/s/ Alexander J. Pourbaix	/s/ Jonathan M. McKenzie
Alexander J. Pourbaix President & Chief Executive Officer	Jonathan M. McKenzie Executive Vice-President & Chief Financial Officer
/s/ Patrick D. Daniel	/s/ Wayne G. Thomson
Patrick D. Daniel Director and Chair of the Board	Wayne G. Thomson Director and Chair of the Reserves Committee

February 12, 2019

APPENDIX C

AUDIT COMMITTEE MANDATE

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.

CONSTITUTION, COMPOSITION AND DEFINITIONS

1. Reporting

The Committee shall report to the Board.

2. 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.

3. 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.

4. Vacancies

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

5. 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.

6. 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.

7. 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 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.

8. 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.

9. 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.

10. Attendance at Meetings

The Chief Executive Officer, the 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.

11. 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.

RESPONSIBILITIES

In carrying out its mandate, the Committee is expected to:

12. Review Procedures

(a) 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.

(b) 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.

13. Annual Financial Statements

(a) 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:

(i) 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.

(ii) Management's Discussion and Analysis.

(iii) The use of off-balance sheet financing including management's risk assessment and adequacy of disclosure.

(iv) The external auditors' audit examination of the financial statements and their report thereon.

(v) Any significant changes required in the external auditors' audit plan.

(vi) 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.

(vii) Other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.

(b) Review and formally recommend approval to the Board of the Corporation's:

(i) 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.

(ii) Management's Discussion and Analysis.

(iii) Annual Information Form as to financial information.

(iv) 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.

14. Quarterly Financial Statements

(a) 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:

(i) Quarterly unaudited financial statements and related documents, including Management's Discussion and Analysis.

(ii) Any significant changes to the Corporation's accounting principles.

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

15. Other Financial Filings and Public Documents

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 press 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.

16. Internal Control Environment

(a) 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.

(b) 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.

(c) 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.

(d) Review with the Chief Executive Officer, the 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.

(e) Review significant findings prepared by the external auditors and the internal auditing department together with management's responses.

17. Risk Oversight

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

18. Other Review Items

(a) 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.

(b) Review all related party transactions between the Corporation and any executive officers or directors, including affiliations of any executive officers or directors.

(c) 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.

(d) 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.

(e) 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.

(f) Ensure that the Corporation's presentation of hydrocarbon reserves has been reviewed with the Reserves Committee of the Board.

(g) Review management's processes in place to prevent and detect fraud.

(h) Review:

(i) 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

(ii) a summary of any significant investigations regarding such matters.

(i) Meet on a periodic basis separately with management.

19. External Auditors

(a) 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.

(b) 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.

(c) Review and discuss a report from the external auditors at least quarterly regarding:

(i) All critical accounting policies and practices to be used;

(ii) 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

(iii) Other material written communications between the external auditors and management, such as any management letter or schedule of unadjusted differences.

(d) Obtain and review a report from the external auditors at least annually regarding:

(i) The external auditors' internal quality-control procedures.

(ii) 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.

(iii) To the extent contemplated in the following paragraph, all relationships between the external auditors and the Corporation.

(e) 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.

(f) Review and evaluate annually:

(i) 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.

(ii) The terms of engagement of the external auditors together with their proposed fees.

(iii) External audit plans and results.

(iv) Any other related audit engagement matters.

(v) 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.

(vi) Review the Annual Report of the Canadian Public Accountability Board ("CPAB") concerning audit quality in Canada and discuss implications for Cenovus.

(vii) Review any reports issued by CPAB regarding the audit of Cenovus.

(g) 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.

(h) Upon reviewing and discussing the information provided to the Committee in accordance with paragraphs 19.(c) through (f), 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.

(i) 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.

(j) Set clear hiring policies for the Corporation's hiring of employees or former employees of the external auditors.

(k) Consider with management and the external auditors the rationale for employing audit firms other than the principal external auditors.

(l) Consider and review with the external auditors, management and the head of internal audit:

(i) Significant findings during the year and management's responses and follow-up thereto.
(ii) 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.
(iii) Any significant disagreements between the external auditors or internal auditors and management.
(iv) Any changes required in the planned scope of their audit plan.
(v) The resources, budget, reporting relationships, responsibilities and planned activities of the internal auditors.
(vi) The internal audit department mandate.
(vii) Internal audit's compliance with the Institute of Internal Auditors' standards.

20. Internal Audit Group and Independence

(a) Meet on a periodic basis separately with the head of internal audit.

(b) Review and concur in the appointment, compensation, replacement, reassignment, or dismissal of the head of internal audit.

(c) Confirm and assure, annually, the independence of the internal audit group and the external auditors.

21. Approval of Audit and Non-Audit Services

(a) 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).

(b) 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.

(c) If the pre-approvals contemplated in paragraphs 21.(a) and (b) 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.

(d) 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 21.(a) through (c). The decision of any such subcommittee to grant pre-approval shall be presented to the full Committee at the next scheduled Committee meeting.

(e) Establish policies and procedures for the pre-approvals described in paragraphs 21.(a) and (b) 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.

22. Other Matters

(a) Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Financial Officer.

(b) Upon a majority vote of the Committee outside resources may be engaged where and if deemed advisable.

(c) Report Committee actions to the Board of Directors with such recommendations as the Committee may deem appropriate.

(d) 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.

(e) 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.

(f) 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.

(g) Review and reassess the adequacy of this Mandate annually and recommend any proposed changes to the Board for approval.

(h) 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.

(i) Perform such other functions as required by law, the Corporation's by-laws or the Board of Directors.

(j) Consider any other matters referred to it by the Board of Directors.

Revised Effective: February 10, 2015

APPENDIX D

NETBACK RECONCILIATIONS

Netback is a non-GAAP measure commonly used in the oil and gas industry to assist in measuring operating performance on a per-unit basis. Netback is defined as gross sales less royalties, transportation and blending, operating expenses and production and mineral taxes divided by sales volumes. Netbacks do not reflect non-cash write-downs of product inventory until the inventory is sold. Netbacks reflect Cenovus's margin on a per-barrel basis of unblended bitumen and crude oil. As such, the bitumen and crude oil sales price, transportation and blending costs, and sales volumes exclude the impact of purchased condensate. Condensate is blended with the bitumen and heavy crude oil to reduce its thickness in order to transport it to market. Our Netback calculation is aligned with the definition found in the Canadian Oil and Gas Evaluation Handbook.

The following tables provide a reconciliation of the financial components comprising Netbacks (in millions of dollars) to the nearest GAAP measure found in the annual and interim consolidated financial statements.

Year ended December 31, 2018
($ millions)

	Per Consolidated Financial Statements			
	Oil Sands(1)	Deep Basin(1)	Conventional(2)	Total Upstream
Revenues				
Gross Sales	10,026	904	14	**10,944**
Less: Royalties	473	72	3	**548**
	9,553	832	11	**10,396**
Expenses				
Transportation and Blending	5,879	90	1	**5,970**
Operating	1,037	403	(28)	**1,412**
Production and Mineral Taxes	-	1	1	**2**
Netback	2,637	338	37	**3,012**
(Gain) Loss on Risk Management	1,551	26	-	**1,577**
Operating Margin	1,086	312	37	**1,435**

	Basis of Netback Calculation					Adjustments		Per Above Table
	Bitumen	Heavy Crude Oil	Light and Medium Oil	NGLs	Natural Gas	Condensate	Other	Total Upstream
Gross Sales	5,020	5	149	373	335	4,993	69	**10,944**
Royalties	473	5	21	39	10	-	-	**548**
Transportation and Blending	886	-	8	27	52	4,993	4	**5,970**
Operating	1,024	5	18	77	251	-	37	**1,412**
Production and Mineral Taxes	-	-	1	-	1	-	-	**2**
Netback	2,637	(5)	101	230	21	-	28	**3,012**
(Gain) Loss on Risk Management								**1,577**
Operating Margin								**1,435**

(1) Found in Note 1 of the Consolidated Financial Statements.
(2) Found in Note 11 of the Consolidated Financial Statements.

Three months ended December 31, 2018
($ millions)

	Per Consolidated Financial Statements			
	Oil Sands[1]	Deep Basin[1]	Conventional[2]	Total Upstream
Revenues				
Gross Sales	1,380	190	(1)	**1,569**
Less: Royalties	(39)	10	1	**(28)**
	1,419	180	(2)	**1,597**
Expenses				
Transportation and Blending	1,263	18	-	**1,281**
Operating	248	100	1	**349**
Production and Mineral Taxes	-	-	-	**-**
Netback	(92)	62	(3)	**(33)**
(Gain) Loss on Risk Management	86	-	-	**86**
Operating Margin	(178)	62	(3)	**(119)**

	Basis of Netback Calculation					Adjustments		Per Above Table
	Bitumen	Heavy Crude Oil	Light and Medium Oil	NGLs	Natural Gas	Condensate	Other	Total Upstream
Gross Sales	349	-	21	66	87	1,026	20	**1,569**
Royalties	(39)	3	2	2	4	-	-	**(28)**
Transportation and Blending	237	-	1	5	12	1,026	-	**1,281**
Operating	244	2	6	15	73	-	9	**349**
Production and Mineral Taxes	-	-	-	-	-	-	-	**-**
Netback	(93)	(5)	12	44	(2)	-	11	**(33)**
(Gain) Loss on Risk Management								**86**
Operating Margin								**(119)**

(1) Found in Note 1 of the Interim Consolidated Financial Statements.
(2) Found in Note 9 of the Interim Consolidated Financial Statements.

Three months ended September 30, 2018
($ millions)

	Per Consolidated Financial Statements			
	Oil Sands[1]	Deep Basin[1]	Conventional[2]	Total Upstream
Revenues				
Gross Sales	2,992	214	-	**3,206**
Less: Royalties	275	11	1	**287**
	2,717	203	(1)	**2,919**
Expenses				
Transportation and Blending	1,482	20	-	**1,502**
Operating	230	103	(2)	**331**
Production and Mineral Taxes	-	-	-	**-**
Netback	1,005	80	1	**1,086**
(Gain) Loss on Risk Management	323	7	-	**330**
Operating Margin	682	73	1	**756**

	Basis of Netback Calculation					Adjustments		Per Above Table
	Bitumen	Heavy Crude Oil	Light and Medium Oil	NGLs	Natural Gas	Condensate	Other	Total Upstream
Gross Sales	1,721	-	37	102	63	1,268	15	**3,206**
Royalties	275	-	6	6	-	-	-	**287**
Transportation and Blending	214	-	2	7	11	1,268	-	**1,502**
Operating	230	-	3	22	69	-	7	**331**
Production and Mineral Taxes	-	-	-	-	-	-	-	**-**
Netback	1,002	-	26	67	(17)	-	8	**1,086**
(Gain) Loss on Risk Management								**330**
Operating Margin								**756**

(1) Found in Note 1 of the Interim Consolidated Financial Statements.
(2) Found in Note 9 of the Interim Consolidated Financial Statements.

Three months ended June 30, 2018
($ millions)

	Per Consolidated Financial Statements			
	Oil Sands[1]	Deep Basin[1]	Conventional[2]	Total Upstream
Revenues				
Gross Sales	3,248	241	(1)	**3,488**
Less: Royalties	179	16	2	**197**
	3,069	225	(3)	**3,291**
Expenses				
Transportation and Blending	1,642	27	-	**1,669**
Operating	263	109	(32)	**340**
Production and Mineral Taxes	-	1	2	**3**
Netback	1,164	88	27	**1,279**
(Gain) Loss on Risk Management	688	10	-	**698**
Operating Margin	476	78	27	**581**

	Basis of Netback Calculation					Adjustments		Per Above Table
	Bitumen	Heavy Crude Oil	Light and Medium Oil	NGLs	Natural Gas	Condensate	Other	Total Upstream
Gross Sales	1,821	-	47	107	68	1,425	20	**3,488**
Royalties	179	3	8	8	(1)	-	-	**197**
Transportation and Blending	217	-	2	8	13	1,425	4	**1,669**
Operating	261	-	3	22	45	-	9	**340**
Production and Mineral Taxes	-	-	3	-	-	-	-	**3**
Netback	1,164	(3)	31	69	11	-	7	**1,279**
(Gain) Loss on Risk Management								**698**
Operating Margin								**581**

(1) Found in Note 1 of the Interim Consolidated Financial Statements.
(2) Found in Note 8 of the Interim Consolidated Financial Statements.

Three months ended March 31, 2018
($ millions)

	Per Consolidated Financial Statements			
	Oil Sands[1]	Deep Basin[1]	Conventional[2]	Total Upstream
Revenues				
Gross Sales	2,406	259	16	**2,681**
Less: Royalties	58	35	(1)	**92**
	2,348	224	17	**2,589**
Expenses				
Transportation and Blending	1,492	25	1	**1,518**
Operating	296	91	5	**392**
Production and Mineral Taxes	-	-	(1)	**(1)**
Netback	560	108	12	**680**
(Gain) Loss on Risk Management	454	9	-	**463**
Operating Margin	106	99	12	**217**

	Basis of Netback Calculation					Adjustments		Per Above Table
	Bitumen	Heavy Crude Oil	Light and Medium Oil	NGLs	Natural Gas	Condensate	Other	Total Upstream
Gross Sales	1,129	5	44	98	117	1,274	14	**2,681**
Royalties	58	(1)	5	23	7	-	-	**92**
Transportation and Blending	218	-	3	7	16	1,274	-	**1,518**
Operating	289	3	6	18	64	-	12	**392**
Production and Mineral Taxes	-	-	(2)	-	1	-	-	**(1)**
Netback	564	3	32	50	29	-	2	**680**
(Gain) Loss on Risk Management								**463**
Operating Margin								**217**

(1) Found in Note 1 of the Interim Consolidated Financial Statements.
(2) Found in Note 8 of the Interim Consolidated Financial Statements.

The following table provides the sales volumes used to calculate Netback.

Sales Volumes

(barrels per day, unless otherwise stated)	2018	Q4	Q3	Q2	Q1
Bitumen					
Foster Creek	**162,685**	143,928	171,936	171,083	163,911
Christina Lake	**204,016**	186,530	206,688	220,779	202,212
Total Bitumen	**366,701**	330,458	378,624	391,862	366,123
Crude Oil (Heavy, Light and Medium) and NGLs					
Heavy Oil	**65**	6	8	(75)	325
Light and Medium Oil	**6,198**	5,222	5,670	6,260	7,674
NGLs	**26,539**	22,883	26,600	27,777	28,960
Total Bitumen, Crude Oil (Heavy, Light and Medium) and NGLs Sales	**399,503**	358,569	410,902	425,824	403,082
Natural Gas Sales (MMcf per day)(1)	**529**	469	520	572	558
Total Sales (BOE per day)	**487,742**	436,691	497,560	521,092	496,169

(1) Includes volume sold between segments.

Exhibit 99.2

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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This Management's Discussion and Analysis ("MD&A") for Cenovus Energy Inc. (which includes references to "we", "our", "us", "its", the "Company", or "Cenovus", and means Cenovus Energy Inc., the subsidiaries of, and partnership interests held by, Cenovus Energy Inc. and its subsidiaries) dated February 12, 2019, should be read in conjunction with our December 31, 2018 audited Consolidated Financial Statements and accompanying notes ("Consolidated Financial Statements"). All of the information and statements contained in this MD&A are made as of February 12, 2019, unless otherwise indicated. This MD&A contains forward-looking information about our current expectations, estimates, projections and assumptions. See the Advisory for information on the risk factors that could cause actual results to differ materially and the assumptions underlying our forward-looking information. Cenovus management ("Management") prepared the MD&A. The Audit Committee of the Cenovus Board of Directors (the "Board") reviewed and recommended the MD&A for approval by the Board, which occurred on February 12, 2019. Additional information about Cenovus, including our quarterly and annual reports, the Annual Information Form ("AIF") and Form 40-F, is available on SEDAR at sedar.com, on EDGAR at sec.gov, and on our website at cenovus.com. Information on or connected to our website, even if referred to in this MD&A, does not constitute part of this MD&A.

Basis of Presentation

This MD&A and the Consolidated Financial Statements and comparative information have been prepared in Canadian dollars, (which includes references to "dollar" or "$"), except where another currency has been indicated, and in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB"). Production volumes are presented on a before royalties basis.

Non-GAAP Measures and Additional Subtotals

Certain financial measures in this document do not have a standardized meaning as prescribed by IFRS, such as Netbacks, Adjusted Funds Flow, Operating Earnings, Free Funds Flow, Debt, Net Debt, Capitalization and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") and therefore are considered non-GAAP measures. In addition, Operating Margin is considered an additional subtotal found in Notes 1 and 11 of our Consolidated Financial Statements. These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in order to provide shareholders and potential investors with additional measures for analyzing our ability to generate funds to finance our operations and information regarding our liquidity. This additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

The definition and reconciliation, if applicable, of each non-GAAP measure or additional subtotal is presented in the Operating Results, Financial Results, Liquidity and Capital Resources, or Advisory sections of this MD&A.

OVERVIEW OF CENOVUS

We are a Canadian integrated oil company headquartered in Calgary, Alberta, with our shares listed on the Toronto and New York stock exchanges. On December 31, 2018 we had an enterprise value of approximately $19 billion. Operations include oil sands projects in northeast Alberta and established crude oil, natural gas liquids ("NGLs") and natural gas production in Alberta and British Columbia. Total production from our upstream assets averaged 484,000 BOE per day in 2018. We also conduct marketing activities and have ownership interest in refining operations in the United States ("U.S."). The refineries processed an average of 446,000 gross barrels per day of crude oil feedstock into an average of 470,000 gross barrels per day of refined products in 2018.

Our Strategy

Our strategy is focused on maximizing shareholder value through cost leadership and realizing the best margins for our products. We believe that maintaining a strong balance sheet will help Cenovus navigate through commodity price volatility and give us the flexibility to proceed with opportunities at all points in the price cycle. We aim to evaluate disciplined investment in our portfolio against dividend increases, share repurchases and maintaining the optimal debt level while retaining investment grade status. Our investment focus will be on areas where we believe we have the greatest competitive advantage. We plan to achieve our strategy by leveraging our strategic focus areas.

Our Strategic Focus Areas:

Oil sands

We are committed to maintaining and improving our industry-leading position as a low-cost oil sands operator and the largest in situ producer by leveraging our track record of strong operational performance while demonstrating technical leadership to improve reserves, production and earnings. We will also focus on advancing innovation to unlock future opportunities that maximize value from our vast resource base and improve our environmental footprint.

Conventional oil and natural gas

We will aim to employ disciplined investment in focused land positions across our conventional oil and natural gas portfolio to generate strong diversified returns, complementing our longer-term oil sands investments with short-cycle development opportunities.

Marketing, transportation & refining

We will strive to maximize the value from our oil and gas resources through increased participation along the value chain. Our integrated approach to transportation, storage, marketing, upgrading and refining helps optimize margins from each barrel of oil we produce.

People

We strive to maintain an engaging workplace where people can grow their skills and capabilities to adapt to an ever-changing environment while delivering results for the business. We are focused on upholding trust in the communities where we operate by living up to our values and commitments.

Our Operations

Oil Sands

Our oil sands assets include steam-assisted gravity drainage ("SAGD") oil sands projects in northeast Alberta, including Foster Creek, Christina Lake, Narrows Lake and other emerging projects. Foster Creek and Christina Lake are producing, while Narrows Lake is in the initial stages of development. These three projects are located in the Athabasca region of northeastern Alberta. Our project at Telephone Lake is located within the Borealis region of northeastern Alberta.

Deep Basin

Our Deep Basin operations include liquids rich natural gas, condensate and other NGLs, and light and medium oil assets located primarily in the Elmworth-Wapiti, Kaybob-Edson, and Clearwater operating areas of British Columbia and Alberta, and include interests in numerous natural gas processing facilities (collectively, the "Deep Basin Assets"). The Deep Basin Assets were acquired from ConocoPhillips Company and certain of its subsidiaries (collectively, "ConocoPhillips") in conjunction with their 50 percent interest in the FCCL Partnership ("FCCL") on May 17, 2017 (the "Acquisition"). The Deep Basin Assets provide short-cycle development opportunities with high return potential that complement our long-term oil sands development. A portion of the natural gas we produce is used as fuel in our oil sands operations and provides an economic hedge for the natural gas required as a fuel source at our refining operations.

Refining and Marketing

Our operations include two refineries located in the U.S. in Illinois and Texas that are jointly owned with (50 percent interest) and operated by Phillips 66, an unrelated U.S. public company. In 2018, the gross crude oil capacity at the Wood River refinery and Borger refinery (the "Refineries") was approximately 314,000 barrels per day and 146,000 barrels per day, respectively. As a result of consistently strong operating performance, higher utilization rates and optimizations executed in 2018, both Refineries have been re-rated to reflect higher processing capacity, effective January 1, 2019. Crude capacity at the Wood River refinery was re-rated to 333,000 barrels per day, while capacity at the Borger refinery was re-rated to 149,000 barrels per day. This includes processing capability of up to 255,000 gross barrels per day of blended heavy crude oil. The refining operations allow us 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 light/heavy crude oil price differential fluctuations.

This segment also includes our crude-by-rail terminal operations, located in Bruderheim, Alberta, and the marketing of third-party purchases and sales of product undertaken to provide operational flexibility for transportation commitments, product quality, delivery points and customer diversification.

Operating Margin Net of Related Capital Investment

Year Ended December 31, 2018 ($ millions)	Oil Sands	Deep Basin	Refining and Marketing
Operating Margin	1,086	312	996
Capital Investment	887	211	208
Operating Margin Net of Related Capital Investment	199	101	788

YEAR IN REVIEW

In 2018, we delivered on the commitments we made to our shareholders. We demonstrated capital discipline and cost leadership, made significant progress in deleveraging our balance sheet, and strengthened our long-term market access position. Operational performance continued to be strong, with production from continuing operations averaging 483,458 BOE per day, a 32 percent increase from 2017. The Refineries also demonstrated excellent operational performance in 2018, with both Wood River and Borger operating above nameplate capacity in the second half of the year following major planned turnarounds in the first quarter.

Crude oil prices continued to be very volatile in 2018, with West Texas Intermediate ("WTI") reaching nearly US$80 per barrel in October and exiting the year more than US$30 per barrel lower. Overall, WTI prices averaged 27 percent higher than in 2017, while Western Canadian Select ("WCS") were negatively impacted by takeaway capacity constraints. The differential between WTI and WCS prices averaged US$26.31 per barrel, a 120 percent increase compared with 2017, reaching a record of US$52.00 per barrel in the fourth quarter, leaving the average WCS benchmark price relatively unchanged year over year. Flat WCS prices, increased condensate costs consistent with the rise in WTI benchmark prices, and significant realized risk management losses negatively impacted our financial results (operating margin) from our upstream assets. At the same time, the wide differentials between WTI and WCS as well as WTI and West Texas Sour ("WTS") crude oil prices provided a feedstock cost advantage at our Refineries increasing year over year financial results (operating margin) from that portion of our business.

Our net loss for the year of $2.7 billion reflects the write off of $2.1 billion of exploration and evaluation ("E&E") costs in the Deep Basin, a loss on the sale of the Cenovus Pipestone Partnership ("CPP"), and an onerous contract provision related to real estate of $629 million following the sublease of a significant portion of excess real estate. We also incurred severance costs related to workforce reductions.

In 2018, we:

- Repaid US$876 million of our unsecured notes, reducing net debt to $8.4 billion, driven by Free Funds Flow of $311 million and proceeds from asset divestitures of $1,050 million. In January 2019, we repurchased a further US$324 million of our unsecured notes at a discount;
- Strengthened our long-term market access position through three-year rail agreements to transport approximately 100,000 barrels per day of heavy crude oil from northern Alberta to various destinations on the U.S. Gulf Coast, providing a means of mitigating some of the price impact of pipeline congestion;
- Increased our committed capacity on the Keystone XL Pipeline project by 100,000 barrels per day;
- Reduced oil sands operating costs to $7.65 per barrel, a nine percent decrease from 2017;
- Earned an average companywide Netback from continuing operations, before realized hedging, of $18.51 per BOE, down 11 percent from 2017;
- Achieved upstream operating margin from continuing operations of $1,398 million compared with $2,394 million in 2017, due in part to realized risk management losses of $1,577 million largely as a result of hedging contracts established in 2017;
- Achieved nearly $1.0 billion of operating margin from Refining and Marketing due to strong crude utilization rates at both Refineries and the feedstock cost advantage associated with wider crude oil differentials;
- Re-evaluated our Deep Basin E&E projects in line with our current business plan. As a result, we wrote off previously capitalized E&E costs of $2.1 billion in the fourth quarter as an exploration expense;

- Recorded a net loss from continuing operations of $2,916 million compared with net earnings of $2,268 million in 2017;
- Invested $1,363 million of capital compared with $1,661 million in 2017, reflecting our continued focus on capital discipline, a smaller sustaining well and re-drill program than the prior year, and lower than expected capital investment to progress Christina Lake phase G;
- Achieved payout for royalty purposes at our Christina Lake project upon cumulative project revenues exceeding cumulative project allowable costs, resulting in the royalty calculation now being based on post-payout royalty rates, as discussed in the Oil Sands section of this MD&A; and
- Reached an agreement to sublease a portion of our Calgary office space that was in excess of our requirements.

On December 2, 2018, the Government of Alberta announced a temporary mandatory oil production curtailment for Alberta producers, starting in January 2019, to address the record-high differentials. While our production levels in 2019 will be impacted due to the curtailment, the expected improvement to oil prices is anticipated to have a positive impact on our cash flows.

OPERATING RESULTS

Upstream Production Volumes

	2018	Percent Change	2017	Percent Change	2016
Continuing Operations					
Liquids (barrels per day)					
Oil Sands					
Foster Creek	**161,979**	**30**	124,752	78	70,244
Christina Lake	**201,017**	**20**	167,727	111	79,449
	362,996	**24**	292,479	95	149,693
Deep Basin					
Crude Oil	**5,916**	**51**	3,922	-	-
NGLs	**26,538**	**57**	16,928	-	-
	32,454	**56**	20,850	-	-
Liquids Production (barrels per day)	**395,450**	**26**	313,329	109	149,693
Natural Gas (MMcf per day)					
Oil Sands	**1**	**(90)**	10	(41)	17
Deep Basin (1)	**527**	**67**	316	-	-
	528	**62**	326	1,818	17
Production From Continuing Operations (BOE per day)	**483,458**	**32**	367,635	141	152,527
Production From Discontinued Operations (Conventional) (BOE per day)	**294**	**(100)**	102,855	(14)	118,998
Total Production (BOE per day)	**483,752**	**3**	470,490	73	271,525

(1) Includes production used for internal consumption by the Oil Sands segment of 306 MMcf per day for the year ended December 31, 2018 (no internal usage of Deep Basin production in 2017 or 2016).

Our upstream operations performed very well as we successfully managed our production rates in response to pipeline capacity constraints and discounted heavy oil prices. Total production from continuing operations increased 32 percent compared with 2017, primarily due to the Acquisition contributing a full year of volumes in 2018. In addition, strong operational performance in the oil sands and increased production from the Deep Basin Assets contributed to higher volumes, partially offset by the divestiture of CPP on September 6, 2018.

Production for the year ended December 31, 2018 from our Conventional segment includes the results of our Suffield operations, which were sold on January 5, 2018. All references to our legacy Conventional segment are accounted for as a discontinued operation.

Oil and Gas Reserves

Based on our reserves reports prepared by independent qualified reserves evaluators ("IQREs"), at the end of 2018 we had total proved reserves of approximately 5.2 billion BOE, in line with 2017, while total proved plus probable reserves decreased two percent to approximately 7 billion BOE.

Additional information about our reserves is included in the Oil and Gas Reserves section of this MD&A.

Netbacks From Continuing Operations

Netback is a non-GAAP measure commonly used in the oil and gas industry to assist in measuring operating performance on a per-unit basis, and is defined in the Canadian Oil and Gas Evaluation Handbook. Netbacks reflect our margin on a per-barrel of oil equivalent basis. Netback is defined as gross sales less royalties, transportation and blending, operating expenses and production and mineral taxes divided by sales volumes. Netbacks do not reflect the non-cash writedowns of product inventory until the product is sold. The sales price, transportation and blending costs, and sales volumes exclude the impact of purchased condensate. Condensate is blended with the heavy oil to reduce its thickness in order to transport it to market. Our Netback calculation is aligned with the definition found in the Canadian Oil and Gas Evaluation Handbook. For a reconciliation of our Netbacks see the Advisory section of this MD&A.

($/BOE)	**2018**	2017	2016
Sales Price	**35.74**	36.86	27.37
Royalties	**3.43**	2.07	0.17
Transportation and Blending	**6.11**	5.43	6.51
Operating Expenses	**7.68**	8.46	8.94
Production and Mineral Taxes	**0.01**	0.01	-
Netback Excluding Realized Risk Management (1)	**18.51**	20.89	11.75
Realized Risk Management Gain (Loss)	**(9.90)**	(2.35)	3.22
Netback Including Realized Risk Management (1)	**8.61**	18.54	14.97

(1) Excludes results from our Conventional segment, which has been classified as a discontinued operation. Excludes intersegment sales.

Our average Netback, excluding realized risk management gains and losses, decreased 11 percent in 2018 due to higher royalties and transportation and blending costs, as well as lower realized sales prices, partially offset by lower operating costs. The strengthening of the Canadian dollar relative to the U.S. dollar compared with 2017 had a negative impact on our sales price of approximately $0.05 per BOE.

Refining and Marketing

Both Refineries demonstrated strong operational performance in 2018 and benefited from higher realized crack spreads from improved product pricing and significantly wider WTI-WCS and WTI-WTS crude oil differentials, which created a feedstock cost advantage. Following major planned turnarounds that were substantially completed in the first quarter of 2018, crude utilization rates at both Refineries averaged above nameplate capacity in the second half of 2018.

	2018	**Percent Change**	2017	Percent Change	2016
Crude Oil Runs (1) (Mbbls/d)	**446**	**1**	442	-	444
Heavy Crude Oil (1)	**191**	**(5)**	202	(13)	233
Refined Product (1) (Mbbls/d)	**470**	**-**	470	-	471
Crude Utilization (1) (2) (percent)	**97**	**1**	96	(1)	97
Operating Margin ($ millions)	**996**	**67**	598	73	346

(1) Represents 100 percent of the Wood River and Borger refinery operations.
(2) Effective January 1, 2019, our refineries have nameplate capacity of 482,000 gross barrels per day.

Operating Margin from Refining and Marketing increased 67 percent in 2018 primarily due to wider crude oil price differentials, and a reduction in the cost of Renewable Identification Numbers ("RINs"), partially offset by increased operating costs due to the planned turnarounds at both Refineries in the first quarter of 2018.

Further information on the changes in our production volumes, and other items included in our Netbacks and refining results can be found in the Reportable Segments section of this MD&A. Further information on our risk management activities can be found in the Risk Management and Risk Factors section of this MD&A and in the notes to the Consolidated Financial Statements.

COMMODITY PRICES UNDERLYING OUR FINANCIAL RESULTS

Key performance drivers for our financial results include commodity prices, price differentials, refining crack spreads as well as the U.S./Canadian dollar exchange rate. The following table shows selected market benchmark prices and the U.S./Canadian dollar average exchange rates to assist in understanding our financial results.

Selected Benchmark Prices and Exchange Rates (1)

(US$/bbl, unless otherwise indicated)	**Q4 2018**	Q4 2017	**2018**	**Percent Change**	2017	2016
Brent						
Average	**68.08**	61.54	**71.53**	**30**	54.82	45.04
End of Period	**53.80**	66.87	**53.80**	**(20)**	66.87	56.82
WTI						
Average	**58.81**	55.40	**64.77**	**27**	50.95	43.32
End of Period	**45.41**	60.42	**45.41**	**(25)**	60.42	53.72
Average Differential Brent-WTI	**9.27**	6.14	**6.76**	**75**	3.87	1.72
WCS						
Average	**19.39**	43.14	**38.46**	**(1)**	38.97	29.48
Average (C$/bbl)	**25.60**	54.84	**49.81**	**(1)**	50.56	39.05
End of Period	**30.69**	34.93	**30.69**	**(12)**	34.93	38.81
Average Differential WTI-WCS	**39.42**	12.26	**26.31**	**120**	11.98	13.84
WTS						
Average	**52.38**	54.93	**57.24**	**15**	49.91	42.36
End of Period	**38.53**	60.47	**38.53**	**(36)**	60.47	52.27
Average Differential WTI-WTS	**6.43**	0.47	**7.53**	**624**	1.04	0.96
Condensate (C5 @ Edmonton)						
Average	**45.28**	57.97	**61.00**	**18**	51.57	42.47
Average (C$/bbl)	**59.74**	73.66	**79.02**	**18**	66.89	56.25
Average Differential WTI-Condensate (Premium)/Discount	**13.53**	(2.57)	**3.77**	**(708)**	(0.62)	0.85
Average Differential WCS-Condensate (Premium)/Discount	**(25.89)**	(14.83)	**(22.54)**	**79**	(12.60)	(12.99)
Mixed Sweet Blend ("MSW" @ Edmonton)						
Average	**32.51**	54.26	**53.65**	**11**	48.49	40.11
Average (C$/bbl)	**42.89**	68.95	**69.49**	**10**	62.89	53.13
End of Period	**44.19**	53.03	**44.19**	**(17)**	53.03	51.26
Average Refined Product Prices						
Chicago Regular Unleaded Gasoline ("RUL")	**66.65**	74.36	**77.96**	**16**	66.95	56.24
Chicago Ultra-low Sulphur Diesel ("ULSD")	**84.25**	80.58	**86.75**	**26**	69.09	56.33
Refining Margin: Average 3-2-1 Crack Spreads (2)						
Chicago	**13.43**	21.09	**15.97**	**(5)**	16.77	13.07
Group 3	**14.57**	18.77	**16.74**	**1**	16.61	12.27
Average Natural Gas Prices						
AECO (C$/Mcf) (3)	**1.90**	1.96	**1.53**	**(37)**	2.43	2.09
NYMEX (US$/Mcf)	**3.64**	2.93	**3.09**	**(1)**	3.11	2.46
Basis Differential NYMEX-AECO (US$/Mcf)	**2.19**	1.40	**1.90**	**51**	1.26	0.89
Foreign Exchange Rate (US$ per C$1)						
Average	**0.758**	0.787	**0.772**	**-**	0.771	0.755
End of Period	**0.733**	0.797	**0.733**	**(8)**	0.797	0.745

(1) These benchmark prices are not our realized sales prices. For our average realized sales prices and realized risk management results, refer to the Netbacks tables in the Operating Results and Reportable Segments sections of this MD&A.

(2) The average 3-2-1 Crack Spread is an indicator of the refining margin and is valued on a last in, first out accounting basis.

(3) Alberta Energy Company ("AECO") natural gas monthly index.

Crude Oil Benchmarks

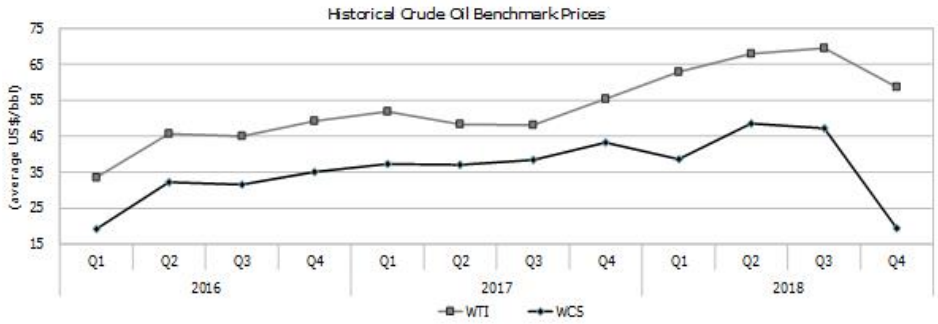
In 2018, the annual average Brent and WTI crude oil benchmark prices improved, while heavy oil differentials widened significantly in response to market access constraints and increasing heavy oil production in Alberta. Brent and WTI crude oil prices averaged 30 percent and 27 percent higher, respectively, compared with 2017, while WCS prices decreased one percent.

Continued uncertainty over Venezuelan supply and the possibility of the U.S. enforcing sanctions on Iran supported improved global crude oil benchmark pricing through the majority of 2018. Reduced inventory levels from compliance with production cuts outlined in the fourth quarter of 2016 by the Organization of Petroleum Exporting

Countries (“OPEC”) and Russia have supported global oil prices. In June 2018, OPEC agreed to scale back over-compliance with production cuts by its members, which introduced the possibility of a modest increase in production and renewed concerns around oversupply. In addition, a reduced global demand outlook for 2019 and broader market weakness weighed on crude oil prices ahead of the December 2018 OPEC meeting, where OPEC once again agreed to cut production in an attempt to reduce inventory levels and support crude prices.

WTI is an important benchmark for Canadian crude oil since it reflects inland North American crude oil prices and the Canadian dollar equivalent is the basis for determining royalty rates for a number of our crude oil properties. In 2018, the Brent-WTI differential widened significantly compared with 2017. WTI prices were limited by production from the Permian Basin exceeding available pipeline capacity out of west Texas, leading to increased volumes moving from Cushing, Oklahoma to the U.S. Gulf Coast on pipelines that were already nearing capacity. WTI prices were also negatively impacted in the second half of 2018 due to the start of seasonal refining maintenance in the Midwest and Midcontinent regions which reduced demand for crude oil.

WCS is blended heavy oil which consists of both conventional heavy oil and unconventional diluted bitumen. The average WTI-WCS differential was significantly wider in 2018 compared with 2017. Increased production resulted in pipeline apportionments while the inability to transport additional volumes by rail in the short term and the lack of clarity surrounding future pipelines continued to put downward pressure on WCS benchmark prices. On December 2, 2018, the Government of Alberta announced temporary mandatory oil production curtailments for Alberta producers to address the record-high differentials, commencing January 2019. In response to the Government of Alberta’s action, the differential between WTI and WCS has narrowed substantially thus far in 2019. The level of curtailment necessary is expected to drop over the course of 2019 as storage levels normalize, and as increased crude-by-rail capacity and the potential start-up of Enbridge Inc.’s Line 3 Replacement Project later this year help alleviate takeaway capacity constraints.



WTS is an important North American crude oil benchmark, representing the heavier, more sour counterpart to WTI crude oil, and is a primary component of the input feedstock at the Borger refinery. The differential between WTI and WTS benchmark prices widened significantly in 2018, due primarily to pipeline congestion out of west Texas, as discussed above.

Blending condensate with bitumen enables our production to be transported through pipelines. Our blending ratios, diluent volumes as a percentage of total blended volumes, range from approximately 25 percent to 33 percent. The WCS-Condensate differential is an important benchmark as a narrower differential generally results in an increase in the recovery of condensate costs when selling a barrel of blended crude oil. When the supply of condensate in Alberta does not meet the demand, Edmonton condensate prices may be driven by U.S. Gulf Coast condensate prices plus the cost to transport the condensate to Edmonton.

Condensate benchmark prices averaged 18 percent higher in 2018, consistent with the rise in light oil prices over the same periods. The average WTI-condensate differential changed by US$4.39 per barrel, with condensate being sold at a discount to WTI in 2018 as compared with being sold at a premium in 2017. The condensate price discount relative to WTI in 2018 was due to high domestic inventories, in addition to increasing domestic supply combined with higher than anticipated imports.

MSW is an Alberta based light sweet crude oil benchmark that is representative of Canadian conventional production, comparable to the crude oil produced by our Deep Basin Assets. The average MSW benchmark price improved in 2018 compared with 2017, consistent with the general increase in average crude oil prices.

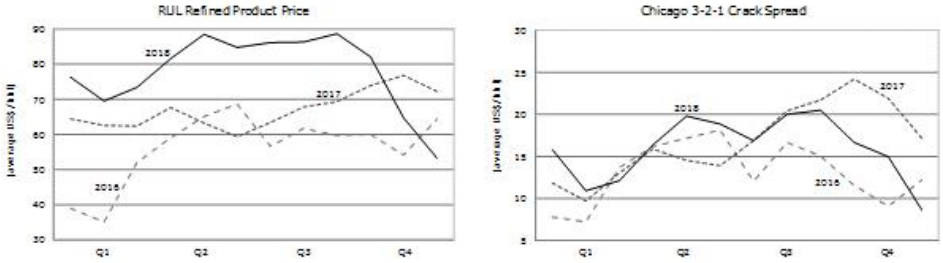
Refining Benchmarks

The Chicago Regular Unleaded Gasoline (“RUL”) and Chicago Ultra-low Sulphur Diesel (“ULSD”) benchmark prices are representative of inland refined product prices and are used to derive the Chicago 3-2-1 market crack spread. The 3-2-1 market crack spread is an indicator of the refining margin generated by converting three barrels of crude

oil into two barrels of regular unleaded gasoline and one barrel of ultra-low sulphur diesel using current month WTI-based crude oil feedstock prices and valued on a last in, first out accounting basis.

Average Chicago refined product prices increased in 2018 primarily due to higher global crude oil prices. As North American refining crack spreads are expressed on a WTI basis, while refined products are set by international prices, the strength of refining crack spreads in the U.S. Midwest and Midcontinent will reflect the differential between Brent and WTI benchmark prices. In 2018, the Chicago 3-2-1 crack spread weakened five percent, while the Group 3 crack spread remained relatively unchanged from 2017.

Our realized crack spreads are affected by many other factors such as the variety of crude oil feedstock, refinery configuration and product output, the time lag between the purchase and delivery of crude oil feedstock, and the cost of feedstock which is valued on a first in, first out ("FIFO") accounting basis.



Natural Gas Benchmarks

Average AECO prices weakened during 2018 due to higher natural gas supply in Alberta and constrained export capabilities. Average NYMEX prices also decreased slightly compared with 2017 due to continued supply growth from the development of U.S. shale gas and natural gas associated with crude oil plays.

Foreign Exchange Benchmark

Our revenues are subject to foreign exchange exposure as the sales prices of our crude oil, NGLs, natural gas and refined products are determined by reference to U.S. benchmark prices. An increase in the value of the Canadian dollar compared with the U.S. dollar has a negative impact on our reported results. Likewise, as the Canadian dollar weakens, there is a positive impact on our reported results. In addition to our revenues being denominated in U.S. dollars, our long-term debt is also U.S. dollar denominated. In periods of a strengthening Canadian dollar, our U.S. dollar debt gives rise to unrealized foreign exchange gains when translated to Canadian dollars.

In 2018, the Canadian dollar strengthened slightly relative to the U.S. dollar on average, compared with 2017, resulting in a negative impact of approximately $27 million on our revenues in 2018, excluding our Conventional segment. The Canadian dollar as at December 31, 2018 compared with December 31, 2017 was weaker relative to the U.S. dollar, resulting in $602 million of unrealized foreign exchange losses on the translation of our U.S. dollar debt.

FINANCIAL RESULTS

Selected Consolidated Financial Results

In 2018, the primary drivers of our financial results include the impact of the Acquisition, rising light oil benchmark prices, higher condensate prices, significantly wider light-heavy crude oil price differentials and realized risk management losses. The following key performance measures are discussed in more detail within this MD&A.

($ millions, except per share amounts)	2018	Percent Change	2017	Percent Change	2016
Revenues	**20,844**	**22**	17,043	55	11,006
Operating Margin (1)					
From Continuing Operations	**2,394**	**(20)**	2,992	145	1,223
Total Operating Margin	**2,431**	**(30)**	3,483	97	1,767
Cash From Operating Activities					
From Continuing Operations	**2,118**	**(19)**	2,611	513	426
Total Cash From Operating Activities	**2,154**	**(30)**	3,059	255	861
Adjusted Funds Flow (2)					
From Continuing Operations	**1,637**	**(33)**	2,447	154	965
Total Adjusted Funds Flow	**1,674**	**(43)**	2,914	105	1,423
Operating Earnings (Loss) (2)					
From Continuing Operations	**(2,755)**	**(8,003)**	(34)	88	(291)
Per Share ($) (3)	**(2.24)**	**(7,367)**	(0.03)	91	(0.35)
Total Operating Earnings (Loss)	**(2,729)**	**(2,266)**	126	(133)	(377)
Per Share ($) (3)	**(2.22)**	**(2,118)**	0.11	(124)	(0.45)
Net Earnings (Loss)					
From Continuing Operations	**(2,916)**	**(229)**	2,268	(594)	(459)
Per Share ($) (3)	**(2.37)**	**(215)**	2.06	(475)	(0.55)
Total Net Earnings (Loss)	**(2,669)**	**(179)**	3,366	(718)	(545)
Per Share ($) (3)	**(2.17)**	**(171)**	3.05	(569)	(0.65)
Total Assets	**35,174**	**(14)**	40,933	62	25,258
Total Long-Term Financial Liabilities (4)	**8,602**	**(11)**	9,717	52	6,373
Capital Investment (5)					
From Continuing Operations	**1,363**	**(6)**	1,455	70	855
Total Capital Investment	**1,363**	**(18)**	1,661	62	1,026
Dividends					
Cash Dividends	**245**	**9**	225	36	166
Per Share ($)	**0.20**	**-**	0.20	-	0.20

(1) Additional subtotal found in Notes 1 and 11 of the Consolidated Financial Statements and defined in this MD&A.
(2) Non-GAAP measure defined in this MD&A.
(3) Represented on a basic and diluted per share basis.
(4) Includes Long-Term Debt, Risk Management, Contingent Payment Liabilities and other financial liabilities included within Other Liabilities on the Consolidated Balance Sheets.
(5) Includes expenditures on property, plant and equipment ("PP&E"), E&E assets and assets held for sale.

Revenues

($ millions)	2018 vs. 2017	2017 vs. 2016
Revenues, Comparative Year	**17,043**	11,006
Increase (Decrease) due to:		
Oil Sands	**2,421**	4,212
Deep Basin	**318**	514
Refining and Marketing	**1,331**	1,413
Corporate and Eliminations	**(269)**	(102)
Revenues, End of Year	**20,844**	17,043

Upstream revenues increased over 2017 due to incremental sales volumes, primarily due to the Acquisition, partially offset by lower realized pricing and higher royalties.

Refining and Marketing revenues increased 14 percent in 2018 primarily due to higher refined product pricing, consistent with the rise in average Chicago refined product benchmark prices. Revenues from third-party crude oil and natural gas sales undertaken by our marketing group decreased in 2018 compared with 2017 due to a decline in crude oil and natural gas volumes sold, as well as lower natural gas prices, partially offset by higher crude oil prices.

Corporate and Eliminations revenues relate to sales of natural gas or crude oil and operating revenue between segments and are recorded at transfer prices based on current market prices.

Further information regarding our revenues can be found in the Reportable Segments section of this MD&A.

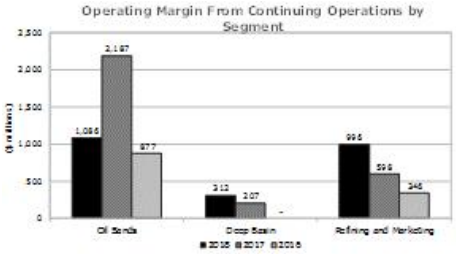
Operating Margin

Operating Margin is an additional subtotal found in Notes 1 and 11 of the Consolidated Financial Statements and is used to provide a consistent measure of the cash generating performance of our assets for comparability of our underlying financial performance between periods. Operating Margin is defined as revenues less purchased product, transportation and blending, operating expenses, production and mineral taxes plus realized gains less realized losses on risk management activities. Items within the Corporate and Eliminations segment are excluded from the calculation of Operating Margin.

($ millions)	2018	2017	2016
Revenues	**21,568**	17,498	11,359
(Add) Deduct:			
Purchased Product	**9,261**	8,476	7,325
Transportation and Blending	**5,969**	3,760	1,721
Operating Expenses	**2,367**	1,956	1,243
Production and Mineral Taxes	**1**	1	-
Realized (Gain) Loss on Risk Management Activities	**1,576**	313	(153)
Operating Margin From Continuing Operations	**2,394**	2,992	1,223
Conventional (Discontinued Operations)	**37**	491	544
Total Operating Margin	**2,431**	3,483	1,767

Operating Margin from continuing operations decreased in 2018 compared with 2017 primarily due to:

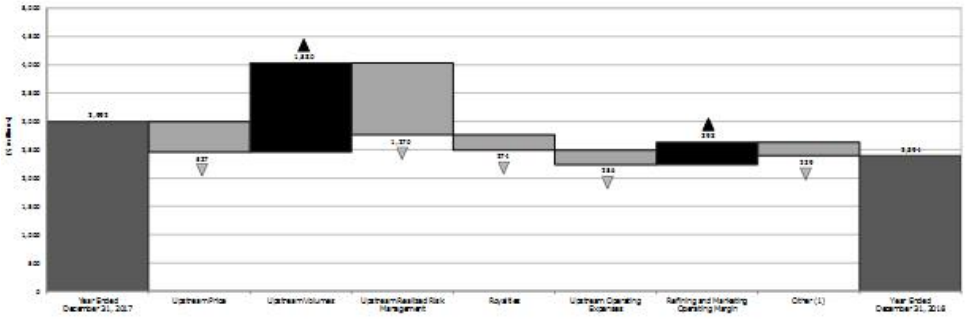
- A rise in transportation and blending expenses primarily due to the Acquisition resulting in increased condensate volumes required for blending our increased oil sands production, as well as higher condensate benchmark prices;
- Realized risk management losses of $1,576 million (2017 – losses of $313 million);
- A decrease in our average liquids sales price;
- Higher royalties primarily due to an increase in the WTI benchmark price (which determines the royalty rate), higher sales volumes, as well as the Christina Lake project reaching payout in the third quarter of 2018; and
- An increase in upstream operating expenses primarily due to the Acquisition.



These decreases in Operating Margin were partially offset by:

- A rise in our liquids and natural gas sales volumes as a result of the Acquisition; and
- Higher Operating Margin from our Refining and Marketing segment due to wider crude oil differentials.

Operating Margin From Continuing Operations Variance



(1) Other includes the value of condensate sold as heavy oil blend recorded in revenues and condensate costs recorded in transportation and blending expense. The crude oil price excludes the impact of condensate purchases.

Additional details explaining the changes in Operating Margin from continuing operations can be found in the Reportable Segments section of this MD&A.

Cash From Operating Activities and Adjusted Funds Flow

Adjusted Funds Flow is a non-GAAP measure commonly used in the oil and gas industry to assist in measuring a company's ability to finance its capital programs and meet its financial obligations. Adjusted Funds Flow is defined as cash from operating activities excluding net change in other assets and liabilities and net change in non-cash working capital. Non-cash working capital is composed of current assets and current liabilities, excluding cash and cash equivalents, risk management, the contingent payment, assets held for sale and liabilities related to assets held for sale. Net change in other assets and liabilities is composed of site restoration costs and pension funding.

Total Cash From Operating Activities and Adjusted Funds Flow

($ millions)	**2018**	2017	2016
Cash From Operating Activities (1)	**2,154**	3,059	861
(Add) Deduct:			
Net Change in Other Assets and Liabilities	**(72)**	(107)	(91)
Net Change in Non-Cash Working Capital	**552**	252	(471)
Adjusted Funds Flow (1)	**1,674**	2,914	1,423

(1) Includes results from our Conventional segment, which has been classified as a discontinued operation.

Cash From Operating Activities and Adjusted Funds Flow were lower compared with 2017 due to lower Operating Margin, as discussed above, a lower current tax recovery, and higher general and administrative costs primarily due to $60 million of severance costs, as well as increased rent costs. In 2017, we benefited from realized risk management gains of $146 million on foreign exchange contracts, partially offset by transaction costs of $56 million related to the Acquisition. These decreases were partially offset by changes in non-cash working capital in 2018 which was primarily due to a decrease in accounts receivable and inventory, partially offset by a decrease in accounts payable. In 2017, the change in non-cash working capital was primarily due to a decrease in accounts receivable and inventory, partially offset by higher income tax receivable and a decrease in accounts payable.

Operating Earnings (Loss)

Operating Earnings (Loss) is a non-GAAP measure used to provide a consistent measure of the comparability of our underlying financial performance between periods by removing non-operating items. Operating Earnings (Loss) is defined as Earnings (Loss) Before Income Tax excluding gain (loss) on discontinuance, revaluation gain, gain on bargain purchase, unrealized risk management gains (losses) on derivative instruments, unrealized foreign exchange gains (losses) on translation of U.S. dollar denominated notes issued from Canada, foreign exchange gains (losses) on settlement of intercompany transactions, gains (losses) on divestiture of assets, less income taxes on Operating Earnings (Loss) before tax, excluding the effect of changes in statutory income tax rates and the recognition of an increase in U.S. tax basis.

($ millions)	**2018**	2017	2016
Earnings (Loss) From Continuing Operations, Before Income Tax	**(3,926)**	2,216	(802)
Add (Deduct):			
Unrealized Risk Management (Gain) Loss (1)	**(1,249)**	729	554
Non-Operating Unrealized Foreign Exchange (Gain) Loss (2)	**593**	(651)	(196)
Revaluation (Gain)	**-**	(2,555)	-
(Gain) Loss on Divestiture of Assets	**795**	1	6
Operating Earnings (Loss) From Continuing Operations, Before Income Tax	**(3,787)**	(260)	(438)
Income Tax Expense (Recovery)	**(1,032)**	(226)	(147)
Operating Earnings (Loss) From Continuing Operations	**(2,755)**	(34)	(291)
Operating Earnings (Loss) From Discontinued Operations	**26**	160	(86)
Total Operating Earnings (Loss)	**(2,729)**	126	(377)

(1) Includes the reversal of unrealized (gains) losses recorded in prior periods.
(2) Includes unrealized foreign exchange (gains) losses on translation of U.S. dollar denominated notes issued from Canada and foreign exchange (gains) losses on settlement of intercompany transactions.

In 2018, Operating Earnings decreased primarily due to lower Cash From Operating Activities and Adjusted Funds Flow, as discussed above, exploration expense of $2,123 million compared with $888 million in 2017, a non-cash provision of $629 million for onerous contracts related to office space, increased depreciation, depletion and amortization ("DD&A"), and an unrealized foreign exchange loss of $47 million on operating items compared with gains of $192 million in 2017.

Net Earnings (Loss)

($ millions)	**2018 vs. 2017**	2017 vs. 2016
Net Earnings (Loss) From Continuing Operations, Comparative Year	**2,268**	(459)
Increase (Decrease) due to:		
Operating Margin From Continuing Operations	**(598)**	1,769
Corporate and Eliminations:		
Unrealized Risk Management Gain (Loss)	**1,978**	(175)
Unrealized Foreign Exchange Gain (Loss)	**(1,506)**	668
Revaluation (Gain)	**(2,555)**	2,555
Re-measurement of Contingent Payment	**(188)**	138
Gain (Loss) on Divestiture of Assets	**(794)**	5
Expenses (1)	**(951)**	(149)
DD&A	**(293)**	(907)
Exploration Expense	**(1,235)**	(886)
Income Tax Recovery (Expense)	**958**	(291)
Net Earnings (Loss) From Continuing Operations, End of Year	**(2,916)**	2,268

(1) Includes Corporate and Eliminations realized risk management (gains) losses, general and administrative, onerous contract provisions, finance costs, interest income, realized foreign exchange (gains) losses, transaction costs, research costs, other (income) loss, net and Corporate and Eliminations revenues, purchased product, transportation and blending, and operating expenses.

In 2018, we incurred a net loss of $2,916 million from continuing operations, a significant decrease from 2017, due to:

- Lower Operating Earnings, as discussed above;
- An after-tax revaluation gain of $1.9 billion on our pre-existing interest in FCCL recognized in 2017;
- Non-operating foreign exchange losses of $593 million compared with gains of $651 million in 2017; and
- A before-tax loss of $797 million ($557 million after-tax) on the divestiture of CPP.

These decreases to our Net Earnings (Loss) from continuing operations in 2018 were partially offset by unrealized risk management gains of $1,249 million compared with losses of $729 million in 2017, and an income tax recovery of $1,010 million compared with a recovery of $52 million in 2017.

Net Earnings from discontinued operations for the year ended December 31, 2018 was $247 million (2017 – $1,098 million). Our 2018 results include an after-tax gain of $220 million on the divestiture of the Suffield assets in the first quarter of 2018. Our 2017 results include an after-tax gain of $938 million on the divestiture of the Conventional segment assets.

Total Capital Investment

($ millions)	**2018**	2017	2016
Oil Sands	**887**	973	604
Deep Basin	**211**	225	-
Refining and Marketing	**208**	180	220
Corporate and Eliminations	**57**	77	31
Capital Investment - Continuing Operations	**1,363**	1,455	855
Conventional (Discontinued Operations)	**-**	206	171
Total Capital Investment (1)	**1,363**	1,661	1,026

(1) Includes expenditures on PP&E, E&E assets and assets held for sale.

Capital investment in continuing operations decreased compared with 2017, reflecting our continued focus on capital discipline, a smaller sustaining well and re-drill program than the prior year, and lower than expected capital investment to progress Christina Lake phase G, partially offset by the 2017 results not reflecting a full year of operations following the Acquisition on May 17, 2017.

In 2018, Oil Sands capital investment focused on sustaining capital related to existing production; stratigraphic test wells to determine pad placement for sustaining wells; and the Christina Lake phase G expansion. The majority of our Deep Basin capital program was carried out in the first three months of 2018 and focused on all three operating areas, including the drilling of 15 net horizontal production wells targeting liquids rich natural gas, as well as capital invested in completions, facilities and infrastructure to support production.

Refining and Marketing capital investment increased in 2018 due to increased capital maintenance and reliability work compared with the same periods in 2017.

Further information regarding our capital investment can be found in the Reportable Segments section of this MD&A.

Capital Investment Decisions

We continue to focus on deleveraging our balance sheet. In addition to our commitment to reduce our debt, we are looking for opportunities to streamline our asset portfolio and are actively identifying further cost reduction opportunities.

Deleveraging is a priority above growth and shareholder returns until we get to $7 billion of net debt. Once our balance sheet leverage is more in line with our target debt metric, our disciplined approach to capital allocation includes prioritizing our uses of cash in the following manner:

- First, to sustaining and maintenance capital for our existing business operations;
- Second, to paying our current dividend as part of providing strong total shareholder return; and
- Third, for incremental returns to shareholders, further deleveraging, and growth or discretionary capital.

Our approach to capital allocation includes evaluating all opportunities using specific rigorous criteria with the objective of maintaining a prudent and flexible capital structure and strong balance sheet metrics, which position us to be financially resilient in times of lower cash flows. In addition, we continue to evaluate other corporate and financial opportunities, including generating cash from our existing portfolio. Refer to the Liquidity and Capital Resources section of this MD&A for further information.

($ millions)	**2018**	2017	2016
Adjusted Funds Flow (1)	**1,674**	2,914	1,423
Total Capital Investment (1)	**1,363**	1,661	1,026
Free Funds Flow (1) (2)	**311**	1,253	397
Cash Dividends	**245**	225	166
	66	1,028	231

(1) Includes our Conventional segment, which has been classified as a discontinued operation.
(2) Free Funds Flow is a non-GAAP measure defined as Adjusted Funds Flow less capital investment.

We expect our capital investment and cash dividends for 2019 to be funded from our internally generated cash flows and our cash balance on hand.

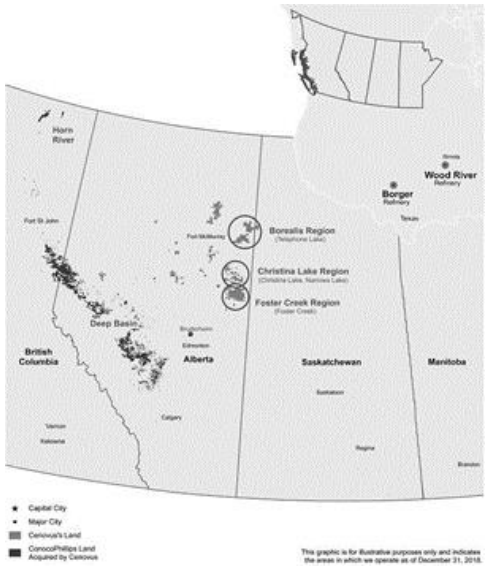
REPORTABLE SEGMENTS

Our reportable segments are as follows:

Oil Sands, which includes the development and production of bitumen in northeast Alberta. Cenovus's bitumen assets include Foster Creek, Christina Lake and Narrows Lake as well as other projects in the early stages of development. Our interest in certain of our operated oil sands properties, notably Foster Creek, Christina Lake and Narrows Lake increased from 50 percent to 100 percent on May 17, 2017.

Deep Basin, which includes approximately 2.8 million net acres of land primarily in the Elmworth-Wapiti, Kaybob-Edson, and Clearwater operating areas, rich in natural gas and natural gas liquids. The assets reside in Alberta and British Columbia and include interests in numerous natural gas processing facilities. These assets were acquired on May 17, 2017.

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.



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 reportable segment to which the derivative instrument relates. Eliminations include adjustments for internal usage of natural gas production between segments, transloading services provided to the Oil Sands segment by the Company's rail terminal, crude oil production used as feedstock by the Refining and Marketing segment, and unrealized intersegment profits in inventory. Eliminations are recorded at transfer prices based on current market prices.

In 2017, Cenovus announced its intention to divest of its Conventional segment that included its heavy oil assets at Pelican Lake, the CO_2 enhanced oil recovery project at Weyburn and conventional crude oil, NGLs and natural gas assets in the Suffield and Palliser areas in southern Alberta. As such, the associated results of operations have been reported as discontinued operations. As at January 5, 2018, all of the Conventional segment assets were sold. Refer to the Discontinued Operations section of this MD&A for more information.

Revenues by Reportable Segment

($ millions)	**2018**	2017	2016
Oil Sands (1)	**9,553**	7,132	2,920
Deep Basin (1)	**832**	514	-
Refining and Marketing	**11,183**	9,852	8,439
Corporate and Eliminations	**(724)**	(455)	(353)
	20,844	17,043	11,006

(1) Our 2017 results include 229 days of FCCL operations at 100 percent and 229 days of operations from the Deep Basin Assets. See the Oil Sands and Deep Basin sections of this MD&A for more details.

OIL SANDS

In northeastern Alberta, we own 100 percent of the Foster Creek, Christina Lake and Narrows Lake oil sands projects following the completion of the Acquisition. In addition, we have several emerging projects in the early stages of development. The Oil Sands segment includes the Athabasca natural gas property, from which the natural gas production is used as fuel at the adjacent Foster Creek operations.

In 2018, we:

- Increased total production by 24 percent over 2017 primarily due to the Acquisition;
- Earned crude oil netbacks of $19.70 per barrel, excluding realized risk management activities, a 20 percent decrease compared with 2017;
- Reduced oil sands operating costs to $7.65 per barrel, a nine percent decrease from 2017;
- Invested $198 million of growth capital to progress Christina Lake phase G, which is expected to be completed ahead of schedule and approximately 25 percent below the anticipated capital required to achieve the planned scope of work;
- Achieved project payout for royalty purposes at Christina Lake upon cumulative project revenues exceeding cumulative project allowable costs; and
- Generated Operating Margin net of capital investment of $202 million, an 84 percent decrease compared with 2017 as higher sales volumes were more than offset by increased transportation and blending costs, and realized risk management losses of $1,551 million compared with losses of $307 million in 2017.

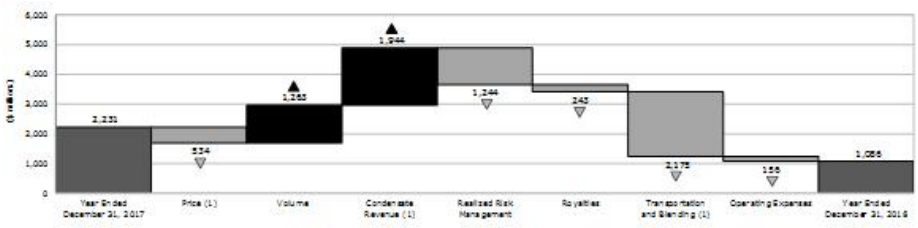
Oil Sands – Crude Oil

Financial Results (1)

($ millions)	2018	2017	2016
Gross Sales	**10,013**	7,340	2,911
Less: Royalties	**473**	230	9
Revenues	**9,540**	7,110	2,902
Expenses			
Transportation and Blending	**5,879**	3,704	1,720
Operating	**1,024**	868	486
(Gain) Loss on Risk Management	**1,551**	307	(179)
Operating Margin	**1,086**	2,231	875
Capital Investment	**886**	969	601
Operating Margin Net of Related Capital Investment	**200**	1,262	274

(1) Excludes results from the Athabasca natural gas property.

Operating Margin Variance



(1) Revenues include the value of condensate sold as heavy oil blend. Condensate costs are recorded in transportation and blending expense. The crude oil price excludes the impact of condensate purchases.

Revenues

Price

In 2018, our average realized crude oil sales price decreased to $37.51 per barrel (2017 – $41.49 per barrel). Light oil and condensate benchmark prices increased significantly in 2018, while at the same time, light-heavy crude oil price differentials increased, leaving heavy crude oil benchmark prices relatively unchanged year over year.

Our realized crude oil sales price is influenced by the cost of condensate used in blending. Our blending ratios range between 25 percent and 33 percent. As the cost of condensate increases relative to the price of blended crude oil, our bitumen sales price decreases. Due to high demand for condensate at Edmonton, we also purchase condensate from U.S. markets. As such, our average cost of condensate is generally higher than the Edmonton benchmark price due to transportation between market hubs and transportation to field locations. In addition, up to three months may elapse from when we purchase condensate to when we blend it with our production. In a

falling crude oil price environment, we expect to see a negative impact on our bitumen sales price as we are using condensate purchased at a higher price earlier in the year.

With WCS benchmark prices remaining flat in 2018 and the higher cost of condensate used in blending, our realized crude oil sales price was negatively impacted. The decrease in our crude oil price also reflects the wider WCS-Christina Dilbit Blend ("CDB") differential, which increased to a discount of US$3.17 per barrel (2017 – discount of US$1.67 per barrel).

Production Volumes

(barrels per day)	2018	Percent Change	2017	Percent Change	2016
Foster Creek	**161,979**	**30**	124,752	78	70,244
Christina Lake	**201,017**	**20**	167,727	111	79,449
	362,996	**24**	292,479	95	149,693

Oil Sands production averaged 362,996 barrels per day in 2018, a 24 percent increase primarily due to the Acquisition contributing a full year of volumes in 2018 compared with incremental volumes for 229 days in 2017.

In response to limited takeaway capacity and discounted heavy oil pricing, we made the decision to operate our Christina Lake and Foster Creek facilities at reduced production levels in the first quarter of 2018, and again starting in mid-September, leaving crude oil barrels in our reservoir to produce at a later date. Our ability to use the significant storage capacity in our oil sands reservoirs provides us flexibility on timing of production and sales of our inventory as pipeline capacity improves and crude oil differentials narrow. Stored volumes from the first quarter of 2018 were recovered in the second quarter as we ramped up production rates in response to narrowing crude oil differentials. Voluntary production curtailments from mid-September onward lowered our annualized 2018 production by approximately 13,000 barrels per day. The impact of curtailed production was mostly offset by improved operational performance at both oil sands facilities during the second and third quarters of 2018.

Condensate

The bitumen currently produced by Cenovus must be blended with condensate to reduce its thickness in order to transport it to market through pipelines. Revenues represent the total value of blended crude oil sold and include the value of condensate. Consistent with a wider WCS-Condensate differential in 2018, the proportion of the cost of condensate recovered decreased. The total amount of condensate used increased as a result of higher production volumes.

Royalties

Royalty calculations for our oil sands projects are based on government prescribed pre- and post-payout royalty rates which are determined on a sliding scale using the Canadian dollar equivalent WTI benchmark price.

Royalties for a pre-payout project are based on a monthly calculation that applies a royalty rate (ranging from one to nine percent, based on the Canadian dollar equivalent WTI benchmark price) to the gross revenues from the project.

Royalties for a post-payout project are based on an annualized calculation which uses the greater of: (1) the gross revenues multiplied by the applicable royalty rate (one to nine percent, based on the Canadian dollar equivalent WTI benchmark price); or (2) the net profits of the project multiplied by the applicable royalty rate (25 to 40 percent, based on the Canadian dollar equivalent WTI benchmark price). Gross revenues are a function of sales revenues less diluent costs and transportation costs. Net profits are a function of sales revenues less diluent costs, transportation costs, and allowed operating and capital costs.

Foster Creek is a post-payout project.

During the third quarter of 2018, our Christina Lake property achieved project payout. Project payout is achieved when the cumulative project revenue exceeds the cumulative project allowable costs. The Christina Lake effective royalty rate increased to an average of 4.8 percent in 2018 from an average of 2.5 percent in 2017.

Effective Royalty Rates

(percent)	2018	2017	2016
Foster Creek	**18.0**	11.4	-
Christina Lake	**4.8**	2.5	1.6

Royalties increased $243 million in 2018 compared with 2017. Royalties at both Foster Creek and Christina Lake increased primarily due to a higher average WTI benchmark price (which determines the royalty rate), and higher volumes. In addition, Christina Lake achieving project payout in August 2018 increased royalty expenses during the third quarter, which was partially offset during the fourth quarter as higher crude oil differentials negatively impacted project revenues.

Expenses

Transportation and Blending

Transportation and blending costs increased $2,175 million compared with 2017 primarily due to the Acquisition. Blending costs increased primarily due to a rise in condensate volumes required for our increased production, as well as higher condensate prices, driven by higher light oil benchmark prices. Our condensate costs were higher than the average Edmonton benchmark price, primarily due to the transportation expense associated with moving the condensate between market hubs and to our oil sands projects.

Per-unit Transportation Expenses

At Foster Creek, transportation costs decreased $0.39 per barrel due to a higher proportion of Canadian sales resulting in lower costs associated with pipeline tariffs. Christina Lake transportation costs increased $0.73 per barrel as a result of increased U.S. sales relative to 2017.

Operating

Primary drivers of our operating expenses in 2018 were workforce costs, fuel, chemical costs, repairs and maintenance and workovers. Total operating expenses increased $156 million primarily due to the Acquisition, increased chemical prices and increased natural gas consumption as a result of higher steam production in 2018, partially offset by a decrease in natural gas prices, lower workforce costs, and fewer workovers.

Per-unit Operating Expenses

($/bbl)	**2018**	**Percent Change**	2017	Percent Change	2016
Foster Creek					
Fuel	**2.13**	**(13)**	2.44	(1)	2.46
Non-fuel	**6.84**	**(15)**	8.02	(1)	8.09
Total	**8.97**	**(14)**	10.46	(1)	10.55
Christina Lake					
Fuel	**1.87**	**(9)**	2.06	(1)	2.08
Non-fuel	**4.73**	**(1)**	4.78	(11)	5.40
Total	**6.60**	**(4)**	6.84	(9)	7.48
Total	**7.65**	**(9)**	8.40	(6)	8.91

At both Foster Creek and Christina Lake, per-barrel fuel costs decreased in 2018 primarily due to lower natural gas prices. Foster Creek per-barrel non-fuel operating expenses decreased primarily due to higher sales volumes, a reduction in workforce costs, fewer workovers and lower repairs and maintenance costs, partially offset by higher chemical costs. At Christina Lake, per-barrel non-fuel operating expenses decreased due to higher sales volumes and lower workforce costs, partially offset by increased chemical costs.

Netbacks (1)

	Foster Creek			**Christina Lake**		
($/bbl)	**2018**	2017	2016	**2018**	2017	2016
Sales Price	**42.63**	43.75	30.32	**33.42**	39.78	25.30
Royalties	**6.25**	4.00	(0.01)	**1.37**	0.87	0.33
Transportation and Blending	**8.34**	8.73	8.84	**5.25**	4.52	4.68
Operating Expenses	**8.97**	10.46	10.55	**6.60**	6.84	7.48
Netback Excluding Realized Risk Management	**19.07**	20.56	10.94	**20.20**	27.55	12.81
Realized Risk Management Gain (Loss)	**(11.49)**	(2.95)	3.51	**(11.66)**	(2.99)	3.08
Netback Including Realized Risk Management	**7.58**	17.61	14.45	**8.54**	24.56	15.89

(1) Netbacks reflect our operating margin on a per-barrel basis of unblended crude oil.

Risk Management

Risk management positions in 2018 resulted in realized losses of $1,551 million (2017 – realized losses of $307 million), consistent with average benchmark prices exceeding our contract prices. In 2017 we entered into hedging contracts with the intent to provide downside protection and support financial resilience following the Acquisition.

Oil Sands – Capital Investment

($ millions)	2018	2017	2016
Foster Creek	**379**	455	263
Christina Lake	**445**	426	282
	824	881	545
Other (1)	**63**	92	59
Capital Investment (2)	**887**	973	604

(1) Includes new resource plays, Narrows Lake, Telephone Lake and Athabasca natural gas.
(2) Includes expenditures on PP&E and E&E assets.

Oil Sands capital investment decreased $86 million in 2018 primarily due to a smaller sustaining well and re-drill program, as well as decreased spending on the Christina Lake phase G expansion compared with 2017. At Foster Creek, capital investment focused on sustaining capital related to existing production and stratigraphic test wells. Christina Lake capital investment focused on sustaining capital related to existing production, stratigraphic test wells and the phase G expansion.

Drilling Activity

	Gross Stratigraphic Test Wells			Gross Production Wells (1)		
	2018	2017	2016	**2018**	2017	2016
Foster Creek	**43**	96	95	**14**	41	18
Christina Lake	**63**	108	104	**38**	25	35
	106	204	199	**52**	66	53
Other	**23**	16	6	**3**	-	1
	129	220	205	**55**	66	54

(1) SAGD well pairs are counted as a single producing well.

Stratigraphic test wells were drilled to help identify well pad locations for sustaining wells and near-term expansion phases and to further progress the evaluation of emerging assets.

Future Capital Investment

Foster Creek is currently producing from phases A through G. Capital investment for 2019 is forecast to be between $250 million and $300 million. We plan to continue focusing on sustaining capital related to existing production.

Christina Lake is producing from phases A through F. Capital investment for 2019 is forecast to be between $425 million and $475 million, focused on sustaining capital and completing construction of the phase G expansion. Field construction of phase G, which has an initial design capacity of 50,000 barrels per day, is progressing ahead of schedule and is expected to be completed in the second quarter of 2019. We have flexibility on when we start production from Christina Lake phase G and will take into consideration whether mandated production curtailments have been lifted and there is sustained improvement in market access and heavy oil benchmark prices.

In 2019, we plan to spend a minimal amount of capital on Foster Creek phase H, Christina Lake phase H and Narrows Lake to continue to advance each one to sanction-ready status.

Our Technology and other capital investment, forecast to be between $55 million and $65 million in 2019, relates to advancing key strategic initiatives that are expected to provide both cost and environmental benefits. This includes ongoing work on solvents, partial upgrading and advancing our new oil sands facility design.

DD&A

We deplete crude oil and natural gas properties on a unit-of-production basis over total proved reserves. The unit-of-production rate takes into account expenditures incurred to date, together with future development expenditures required to develop those proved reserves. This rate, calculated at an area level, is then applied to our sales volume to determine DD&A in a given period. We believe that this method of calculating DD&A charges each barrel of crude oil equivalent sold with its proportionate share of the cost of capital invested over the total estimated life of the related asset as represented by proved reserves.

In 2018, Oil Sands DD&A increased by $209 million compared with 2017 as a result of increased production volumes. The average depletion rate for the year ended December 31, 2018 was approximately $10.60 per barrel (2017 – $11.50 per barrel).

Future development costs declined due to an increase in well pair lengths at Christina Lake, resulting in a reduction in the number of pads and well pairs required, as well as cost savings at both Foster Creek and Christina Lake related to a reduction in per well costs. This decline was partially offset by an increase in the future development costs at Foster Creek as a result of a development area expansion.

Exploration Expense

Exploration expense of $6 million was recorded for the year ended December 31, 2018. In 2017, we expensed $888 million primarily related to E&E assets in the Greater Borealis area that were deemed not to be technically feasible or commercially viable. Management's decision was based on a comprehensive review of spending to date, decisions to limit spending on these assets in recent years and the current business plan spending on the assets going forward.

DEEP BASIN

Our Deep Basin Assets include liquids rich natural gas, condensate and other NGLs, as well as light and medium oil located primarily in the Elmworth-Wapiti, Kaybob-Edson, and Clearwater operating areas of British Columbia and Alberta, and include interests in numerous natural gas processing facilities. The Deep Basin Assets provide short-cycle development opportunities with high-return potential that complement our long-term oil sands development. In addition, a portion of the natural gas produced is used as fuel in our oil sands operations and provides an economic hedge for the natural gas required as a fuel source at the Refineries.

In 2018, we:

- Produced a total of 120,258 BOE per day;
- Invested capital of $211 million, primarily in the first three months of the year, related to drilling 15 net horizontal production wells and completing 21 net wells, as well as capital related to facilities and infrastructure to support production;
- Earned a netback of $7.09 per BOE, excluding realized risk management activities;
- Generated Operating Margin of $312 million; and
- Closed the divestiture of CPP on September 6, 2018 for cash proceeds of $625 million, before closing adjustments.

Financial Results

($ millions)	2018	May 17 - December 31, 2017
Gross Sales	**904**	555
Less: Royalties	**72**	41
Revenues	**832**	514
Expenses		
Transportation and Blending	**90**	56
Operating	**403**	250
Production and Mineral Taxes	**1**	1
(Gain) Loss on Risk Management	**26**	-
Operating Margin	**312**	207
Capital Investment	**211**	225
Operating Margin Net of Related Capital Investment	**101**	(18)

Revenues

Price

	2018	May 17 - December 31, 2017
Light and Medium Oil ($/bbl)	**66.71**	60.01
NGLs ($/bbl)	**38.56**	33.05
Natural Gas ($/mcf)	**1.72**	2.03
Total Oil Equivalent ($/BOE)	**19.31**	19.52

For the year ended December 31, 2018, revenues include $57 million of processing fee revenue related to our interests in natural gas processing facilities (2017 – $31 million). We do not include processing fee revenue in our per-unit pricing metrics or our netbacks.

Production Volumes

	2018	2017
Liquids		
Crude Oil (barrels per day)	**5,916**	3,922
NGLs (barrels per day)	**26,538**	16,928
	32,454	20,850
Natural Gas (MMcf per day)	**527**	316
Total Production (BOE/d)	**120,258**	73,492
Natural Gas Production (percentage of total)	**73**	72
Liquids Production (percentage of total)	**27**	28

In 2018, production from the Deep Basin Assets was 120,258 BOE per day, a three percent increase in production from the closing of the Acquisition on May 17, 2017 to December 31, 2017, which averaged 117,138 BOE per day. The increase in production was primarily due to strong performance from the drilling program, partially offset by the divestiture of CPP on September 6, 2018. Production from CPP was approximately 8,800 BOE per day prior to the divestiture.

Royalties

The Deep Basin Assets are subject to royalty regimes in both Alberta and British Columbia. In Alberta, royalties benefit from a number of different programs that reduce the royalty rate on natural gas production. Natural gas wells in Alberta also benefit from the Gas Cost Allowance ("GCA"), which reduces royalties, to account for capital and operating costs incurred to process and transport the Crown's portion of natural gas production.

Effective January 1, 2017, the Government of Alberta released a new Royalty Regime, Alberta's Modernized Royalty Framework ("MRF"), which applies to all producing wells drilled after January 1, 2017. Under this new framework, Cenovus will pay a five percent pre-payout royalty on all production until the total revenue from a well equals the drilling and completion cost allowance calculated for each well that meets certain MRF criteria. Subsequently, a higher post-payout royalty rate will apply and will vary based on product-specific market prices. Once a well reaches a maturity threshold, the royalty rate will drop to better match declining production rates. Wells drilled before January 1, 2017 will be managed under the old framework until 2027 and then will convert to the MRF.

In British Columbia, royalties also benefit from programs to reduce the rate on natural gas production. British Columbia applies a GCA, but only on natural gas processed through producer-owned plants. British Columbia also offers a Producer Cost of Service allowance, which reduces the royalty for the processing of the Crown's portion of natural gas production.

In 2018, our effective royalty rate was 12.8 percent for liquids and 3.6 percent for natural gas (2017 – 12.1 percent for liquids and 4.4 percent for natural gas).

Expenses

Transportation

Transportation costs averaged $1.97 per BOE in 2018 compared with $2.08 per BOE in 2017. Our transportation costs reflect charges for the movement of crude oil, NGLs and natural gas from the point of production to where the product is sold. The majority of Deep Basin production is sold into the Alberta market.

Operating

Primary drivers of our operating expenses were related to workforce, repairs and maintenance, third-party processing fee expenses, and property tax and lease costs. Total operating expenses increased $153 million, reflecting a full year of operations in 2018 compared with 229 days in 2017, increased processing fees and higher electricity rates, partially offset by a reduction in repairs and maintenance activities, and lower workforce costs.

Netbacks

($/BOE)	2018	May 17 - December 31, 2017
Sales Price	**19.31**	19.52
Royalties	**1.64**	1.54
Transportation and Blending	**1.97**	2.08
Operating Expenses	**8.58**	8.56
Production and Mineral Taxes	**0.03**	0.02
Netback Excluding Realized Risk Management	**7.09**	7.32
Realized Risk Management Gain (Loss)	**(0.59)**	-
Netback Including Realized Risk Management	**6.50**	7.32

Risk Management

Risk management activities in 2018 resulted in realized losses of $26 million (2017 – $nil).

Deep Basin – Capital Investment

In 2018, capital investment was focused primarily on drilling high liquids yielding wells and de-risking resource potential. We completed the majority of our 2018 drilling program in the first three months of the year, with development focusing on all three operating areas including the drilling of 15 net horizontal wells, completing 21 net wells and bringing 25 net wells on production. Additional capital expenditures were allocated to facilities and infrastructure to support production in our core development areas.

($ millions)	**2018**	May 17 - December 31, 2017
Drilling and Completions	**111**	152
Facilities	**56**	32
Other	**44**	41
Capital Investment (1)	**211**	225

(1) Includes expenditures on PP&E, E&E assets and assets held for sale.

Drilling Activity

The following table summarizes Cenovus's net well activity:

	2018			May 17 - December 31, 2017		
	Drilled (1)	**Completed**	**Tied-in**	Drilled	Completed	Tied-in
Elmworth-Wapiti	**4**	**6**	**9**	9	5	-
Kaybob-Edson	**8**	**11**	**9**	7	5	6
Clearwater	**3**	**4**	**7**	12	10	8
Total	**15**	**21**	**25**	28	20	14

(1) Includes 13 operated net horizontal wells and two non-operated net horizontal wells for the year ended December 31, 2018.

Future Capital Investment

In the fourth quarter of 2018, Management completed a comprehensive review of the Deep Basin development plan considering factors such as well inventory, pace of development, infrastructure constraints, economic thresholds and limited capital spending on the assets going forward. As a result, we have reduced capital investment and drilling plans in 2019 compared with 2018, with total Deep Basin capital investment forecast to be between $50 million and $75 million.

DD&A

We deplete crude oil and natural gas properties on a unit-of-production basis over proved reserves. The unit-of-production rate takes into account expenditures incurred to date, together with future development expenditures required to develop those proved reserves. This rate, calculated at an area level, is then applied to our sales volume to determine DD&A in a given period. We believe that this method of calculating DD&A charges each barrel of crude oil equivalent sold with its proportionate share of the cost of capital invested over the total estimated life of the related asset as represented by proved reserves. The average depletion rate was approximately $10.55 per BOE for the year ended December 31, 2018 (2017 – $10.25 per BOE).

Deep Basin DD&A was $412 million in 2018 (2017 – $331 million). Earlier in 2018 and 2017, impairment losses of $100 million and $56 million, respectively, were recorded due to a decline in forward prices and a slowing of the development plan. The impairment was recorded as additional DD&A. In the fourth quarter of 2018, we reversed $132 million of the impairment losses, net of DD&A that would have been recorded had no impairment been recorded. The reversal was due to an increase of the cash-generating unit's ("CGUs") recoverable amount due to improved recovery, extensions and well performance and changes to the development plan.

Exploration Expense

In the fourth quarter of 2018, Management completed a comprehensive review of the Deep Basin development plan considering factors such as well inventory, pace of development, infrastructure constraints, economic thresholds and limited capital spending on the assets going forward. Based on the revised development plan, it was determined that the carrying value of certain Deep Basin E&E assets were not fully recoverable resulting in previously capitalized E&E costs of $2.1 billion being written off as exploration expense within the Deep Basin segment. Management is committed to developing this significant resource; however, at a much slower pace of development. In 2017, exploration expense was $nil.

Assets and Liabilities Held for Sale

In the fourth quarter of 2017, we announced our intention to market for sale a package of non-core Deep Basin assets in the East Clearwater area and a portion of the West Clearwater assets. As a result, these assets were classified as assets held for sale and were recorded at the lesser of their carrying amount and fair value less costs to sell.

In December 2018, Management decided to discontinue this sales process until market conditions improve. As a result of this decision, as at December 31, 2018, the assets and associated decommissioning liabilities were reclassified from held for sale to PP&E, E&E and decommissioning liabilities, at their carrying amounts. Depletion, calculated on a per-unit of production basis, was recorded in the fourth quarter.

REFINING AND MARKETING

Cenovus is a 50 percent partner in the Wood River and Borger refineries, which are located in the U.S. and operated by our partner, Phillips 66. Our Refining and Marketing segment positions us to capture the value from crude oil production through to refined products such as diesel, gasoline and jet fuel. Our integrated approach provides a natural economic hedge against widening crude oil price differentials by providing lower feedstock prices to the Refineries. This segment captures our marketing and transportation initiatives as well as our crude-by-rail terminal operations located in Bruderheim, Alberta.

In 2018, we:

- Completed major planned turnarounds at both Wood River and Borger refineries in the first quarter;
- Demonstrated new crude processing rates that will increase the nameplate capacities to a combined 482,000 gross barrels per day, effective January 1, 2019;
- Benefited from higher realized crack spreads due to improved product pricing and significantly wider WTI-WCS and WTI-WTS crude oil differentials compared with 2017, which created a feedstock cost advantage at both Refineries;
- Increased rail volumes loaded at the Bruderheim Energy Terminal, averaging 73,719 barrels per day in December, compared with an average of 18,997 barrels per day loaded in the first half of 2018;
- Executed rail agreements for capacity to move additional heavy crude oil from northern Alberta; and
- Generated Operating Margin of $996 million compared with $598 million in 2017.

Refinery Operations (1)

	2018	2017	2016
Crude Oil Capacity (Mbbls/d) **(2)**	**460**	460	460
Crude Oil Runs (Mbbls/d)	**446**	442	444
Heavy Crude Oil	**191**	202	233
Light/Medium	**255**	240	211
Refined Products (Mbbls/d)	**470**	470	471
Gasoline	**233**	238	236
Distillate	**156**	149	146
Other	**81**	83	89
Crude Utilization (percent)	**97**	96	97

(1) Represents 100 percent of the Wood River and Borger refinery operations. Cenovus's interest is 50 percent.

(2) Effective January 1, 2019, our refineries have nameplate capacity of 482,000 gross barrels per day.

On a 100 percent basis, the Refineries had total processing capacity in 2018 of approximately 460,000 gross barrels per day of crude oil, including processing capability of up to 255,000 gross barrels per day of blended heavy crude oil and 45,000 gross barrels per day of NGLs. As a result of consistently strong operating performance, higher utilization rates and optimizations executed in 2018, both Refineries have been re-rated to reflect higher processing capacity, effective January 1, 2019. Total processing capacity as at January 1, 2019 is approximately 482,000 gross barrels per day of crude oil. The ability to process a wide slate of crude oils allows the Refineries to economically integrate heavy crude oil production. Processing less expensive crude oil relative to WTI creates a feedstock cost advantage, illustrated by the discount of WCS relative to WTI, and the discount of WTS relative to WTI. The amount of heavy crude oil processed, such as WCS and CDB, is dependent on the quality and quantity of available crude oil with the total input slate optimized at each refinery to maximize economic benefit. Crude utilization represents the percentage of total crude oil processed in the Refineries relative to the total capacity.

Total crude oil runs increased slightly, while refined product output was unchanged compared with 2017 as strong operational performance was partially offset by major planned turnarounds and maintenance at both Refineries in the first quarter of 2018. In 2018, lower heavy crude oil volumes were processed due to the optimization of the total crude input slate, which resulted in increased volumes of WTS being processed at the Borger refinery, in order to take advantage of the wider WTI-WTS crude oil differential.

Financial Results

($ millions)	2018	2017	2016
Revenues	**11,183**	9,852	8,439
Purchased Product	**9,261**	8,476	7,325
Gross Margin	**1,922**	1,376	1,114
Expenses			
Operating	**927**	772	742
(Gain) Loss on Risk Management	**(1)**	6	26
Operating Margin	**996**	598	346
Capital Investment	**208**	180	220
Operating Margin Net of Related Capital Investment	**788**	418	126

Gross Margin

The refining realized crack spread, which is the gross margin on a per barrel basis, is affected by many factors, such as the variety of feedstock crude oil processed; refinery configuration and the proportion of gasoline, distillate and secondary product output; the time lag between the purchase of crude oil feedstock and the processing of that crude oil through the Refineries; and the cost of feedstock. Feedstock costs are valued on a FIFO accounting basis.

In 2018, Refining and Marketing gross margin increased primarily due to higher realized crack spreads from improved product pricing and significantly wider WTI-WCS and WTI-WTS crude oil differentials, which created a feedstock cost advantage. As at December 31, 2018, we recorded a $47 million write-down of our refined product inventory due to a decline in prices. The Canadian dollar strengthened relative to the U.S. dollar compared with 2017, which had a negative impact on our gross margin of approximately $10 million.

For the year ended December 31, 2018, the cost of RINs was $131 million compared with $296 million in 2017. The cost of RINs declined due primarily to the decrease in RINs benchmark prices as a result of small refiners being granted exemptions from volume obligations.

Operating Expense

Primary drivers of operating expenses in 2018 were maintenance, labour, and utilities. Operating expenses increased primarily due to higher planned maintenance and turnaround costs compared with 2017.

Refining and Marketing – Capital Investment

($ millions)	2018	2017	2016
Wood River Refinery	**119**	114	147
Borger Refinery	**85**	54	66
Marketing	**4**	12	7
	208	180	220

Capital expenditures in 2018 focused primarily on capital maintenance and reliability work, as well as yield improvement projects.

In 2019, we expect to invest between $240 million and $275 million and will continue to focus on capital maintenance, reliability work, and yield improvement projects.

DD&A

Refining and the crude-by-rail terminal assets are depreciated on a straight-line basis over the estimated service life of each component of the facilities, which range from three to 60 years. The service lives of these assets are reviewed on an annual basis. Refining and Marketing DD&A was $222 million in 2018 compared with $215 million in 2017.

CORPORATE AND ELIMINATIONS

The Corporate and Eliminations segment includes intersegment eliminations relating to transactions that have been recorded at transfer prices based on current market prices, adjustments for internal usage of natural gas production between segments, transloading services provided to the Oil Sands segment by Cenovus's rail terminal, crude oil production used as feedstock by the Refining and Marketing segment, as well as unrealized intersegment profits in inventory. The gains and losses on risk management represent the unrealized mark-to-market gains and losses related to derivative financial instruments used to mitigate fluctuations in commodity prices, power costs, interest rates, and foreign exchange rates, as well as realized risk management gains and losses, if any, on interest rate swaps and foreign exchange contracts. As financial instruments are settled, the realized gains and losses are recorded in the reportable segment to which the derivative instrument relates. The Corporate and Eliminations segment also includes Cenovus-wide costs for general and administrative, onerous contract provisions, finance

costs, interest income, foreign exchange (gain) loss, revaluation (gain), transaction costs, re-measurement of the contingent payment, research costs, (gain) loss on divestiture of assets, and other (income) loss.

In 2018, our risk management activities resulted in:

- Unrealized risk management gains of $1,249 million (2017 – losses of $729 million);
- Realized risk management gains of $23 million on interest rate swaps (2017 – $nil); and
- Realized risk management losses of $1 million on foreign exchange contracts (2017 – gains of $146 million).

($ millions)	**2018**	2017	2016
General and Administrative	**391**	300	318
Onerous Contract Provisions	**629**	8	8
Finance Costs	**627**	645	390
Interest Income	**(19)**	(62)	(52)
Foreign Exchange (Gain) Loss, Net	**854**	(812)	(198)
Revaluation (Gain)	**-**	(2,555)	-
Transaction Costs	**-**	56	-
Re-measurement of Contingent Payment	**50**	(138)	-
Research Costs	**25**	36	36
(Gain) Loss on Divestiture of Assets	**795**	1	6
Other (Income) Loss, Net	**(12)**	(5)	34
	3,340	(2,526)	542

Expenses

General and Administrative

Primary drivers of our general and administrative expenses were workforce costs and office rent. In 2018, general and administrative costs increased by $91 million, primarily driven by severance costs of $60 million related to workforce reductions, higher rent costs, and an increase in long-term employee incentive costs related to a smaller decrease in our share price as compared with the decrease in 2017, partially offset by $40 million of transition costs related to the Acquisition that were recorded in 2017.

Onerous Contract Provisions

The provision for onerous contracts relates to onerous operating leases and operating costs for office space in Calgary, Alberta. The provision represents the present value of the difference between the future lease payments that we are obligated to make under the non-cancellable lease contracts and the estimated sublease recoveries, discounted at our credit-adjusted risk-free rate. For the year ended December 31, 2018, we recorded a non-cash provision for onerous contracts of $629 million (net of $57 million due to the change in the credit-adjusted risk-free discount rate) compared with $8 million in 2017.

We are actively managing our real estate portfolio, and in the third quarter of 2018, we reached an agreement to sublease a portion of our Calgary office space that was in excess of our current and near-term requirements.

Finance Costs

Finance costs include interest expense on our short-term borrowings and long-term debt as well as the unwinding of the discount on decommissioning liabilities. On October 29, 2018, we redeemed US$800 million of our US$1,300 million unsecured notes due October 15, 2019, resulting in a redemption premium of US$20 million and associated unamortized discount and debt issue costs of $1 million that were recognized as finance costs.

In December 2018, we paid US$69 million to repurchase unsecured notes with a principal amount of US$76 million. A gain of $9 million on the repurchase was recorded in finance costs. Subsequent to December 31, 2018, we repurchased a further US$324 million of unsecured notes for cash of US$300 million.

Finance costs decreased by $18 million in 2018 compared with 2017 due a reduction in total debt, resulting in lower interest expense, partially offset by the premium on redemption of long-term debt. In 2017, finance costs were higher primarily due to costs associated with additional debt incurred to finance the Acquisition, including $3.6 billion borrowed under a committed Bridge Facility that was fully repaid and retired in December 2017.

The weighted average interest rate on outstanding debt for 2018 was 5.1 percent (2017 – 4.9 percent).

Foreign Exchange

($ millions)	**2018**	2017	2016
Unrealized Foreign Exchange (Gain) Loss	**649**	(857)	(189)
Realized Foreign Exchange (Gain) Loss	**205**	45	(9)
	854	(812)	(198)

In 2018, unrealized foreign exchange losses were recorded primarily as a result of the translation of our U.S. dollar denominated debt. At December 31, 2018, the Canadian dollar relative to the U.S. dollar was eight percent weaker compared with December 31, 2017, creating unrealized losses in 2018.

Revaluation (Gain)

Prior to the Acquisition, our 50 percent interest in FCCL was jointly controlled with ConocoPhillips and met the definition of a joint operation under IFRS 11, *"Joint Arrangements"* and as such Cenovus recognized its share of the assets, liabilities, revenues and expenses in its consolidated results. Subsequent to the Acquisition, we control FCCL, as defined under IFRS 10, *"Consolidated Financial Statements"* and accordingly, FCCL has been consolidated. As required by IFRS 3, "*Business Combinations*" when control is achieved in stages, the previously held interest in FCCL was re-measured to its fair value of $12.3 billion and a non-cash revaluation gain of $2.6 billion ($1.9 billion, after-tax) was recorded in our 2017 net earnings.

Transaction Costs

In 2017, we expensed $56 million of transaction costs related to the Acquisition.

Re-measurement of Contingent Payment

Related to oil sands production, Cenovus has agreed to make quarterly payments to ConocoPhillips during the five years subsequent to the closing date of the Acquisition for quarters in which the average WCS crude oil price exceeds $52 per barrel during the quarter. The quarterly payment will be $6 million for each dollar that the WCS price exceeds $52 per barrel. There are no maximum payment terms. The calculation includes an adjustment mechanism related to certain significant production outages at Foster Creek and Christina Lake, which may reduce the amount of a contingent payment.

The contingent payment is accounted for as a financial option. The fair value of $132 million as at December 31, 2018 was estimated by calculating the present value of the future expected cash flows using an option pricing model. The contingent payment is re-measured at fair value at each reporting date with changes in fair value recognized in net earnings. For the year ended December 31, 2018, a non-cash re-measurement loss of $50 million was recorded.

As at December 31, 2018, average WCS forward pricing for the remaining term of the contingent payment is C$38.87 per barrel. Estimated quarterly WCS forward prices for the remaining term of the agreement range between approximately C$35.60 per barrel and C$41.60 per barrel. For the year ended December 31, 2018, $124 million was payable under the contingent payment agreement (2017 – $17 million).

DD&A

Corporate and Eliminations DD&A includes provisions in respect of corporate assets, such as computer equipment, leasehold improvements and office furniture. Costs associated with corporate assets are depreciated on a straight-line basis over the estimated service life of the assets, which range from three to 25 years. The service lives of these assets are reviewed on an annual basis. DD&A in 2018 was $58 million (2017 – $62 million).

Income Tax

($ millions)	**2018**	2017	2016
Current Tax			
Canada	**(128)**	(217)	(260)
United States	**2**	(38)	1
Current Tax Expense (Recovery)	**(126)**	(255)	(259)
Deferred Tax Expense (Recovery)	**(884)**	203	(84)
Total Tax Expense (Recovery) From Continuing Operations	**(1,010)**	(52)	(343)

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

($ millions)	**2018**	2017	2016
Earnings (Loss) From Continuing Operations Before Income Tax	**(3,926)**	2,216	(802)
Canadian Statutory Rate (percent)	**27.0**	27.0	27.0
Expected Income Tax Expense (Recovery) From Continuing Operations	**(1,060)**	598	(217)
Effect of Taxes Resulting From:			
Foreign Tax Rate Differential	**(57)**	(17)	(46)
Non-Taxable Capital (Gains) Losses	**82**	(129)	(26)
Non-Recognition of Capital (Gains) Losses	**99**	(99)	(26)
Adjustments Arising From Prior Year Tax Filings	**3**	(41)	(46)
Recognition of Previously Unrecognized Capital Losses	**-**	(68)	-
Recognition of U.S. Tax Basis	**(78)**	-	-
Change in U.S. Statutory Rate	**-**	(275)	-
Non-Deductible Expenses	**2**	(5)	5
Other	**(1)**	(16)	13
Total Tax Expense (Recovery) From Continuing Operations	**(1,010)**	(52)	(343)
Effective Tax Rate (percent)	**25.7**	(2.3)	42.8

Tax interpretations, regulations and legislation in the various jurisdictions in which Cenovus and its subsidiaries operate are subject to change. We believe that our provision for income taxes is adequate. There are usually a number of tax matters under review and as a result, income taxes are subject to measurement uncertainty. The timing of the recognition of income and deductions for the purpose of current tax expense is determined by relevant tax legislation.

In 2017 and 2018, cash tax recoveries were recorded associated with prior year taxes paid. The maximum recovery was reached in 2018 and we expect cash tax expense in 2019.

In 2018, we recorded a deferred tax recovery related to current period losses, including the write down of the Deep Basin E&E assets, and a $78 million recovery arising from an adjustment to the tax basis of our refining assets. The increase in tax basis was a result of our partner recognizing a taxable gain on their interest in WRB Refining LP ("WRB") which, due to an election filed with the U.S. tax authorities, was added to the tax basis of WRB's assets. A deferred tax expense on continuing operations was recorded in 2017 due to the revaluation gain of our pre-existing interest in connection with the Acquisition, net of a tax benefit related to the reduction of the US federal corporate tax rate from 35 percent to 21 percent.

Our effective tax rate is a function of the relationship between total tax expense (recovery) and the amount of earnings (loss) before income taxes. The effective tax rate differs from the statutory tax rate as it reflects different tax rates in other jurisdictions, non-taxable foreign exchange (gains) losses, adjustments for changes in tax rates and other tax legislation, adjustments to the tax basis of the refining assets, variations in the estimate of reserves, differences between the provision and the actual amounts subsequently reported on the tax returns, and other permanent differences. Our effective tax rate differs from the statutory tax rate due to non-recognition of capital losses.

DISCONTINUED OPERATIONS

In 2017, Cenovus divested the majority of its Conventional segment which included its heavy oil assets at Pelican Lake, the CO_2 enhanced oil recovery project at Weyburn and conventional crude oil, NGLs and natural gas assets in the Suffield and Palliser areas in southern Alberta. The associated assets and liabilities were reclassified as held for sale and the results of operations reported as a discontinued operation.

On January 5, 2018, we completed the sale of the Suffield crude oil and natural gas operations in southern Alberta for cash proceeds of $512 million, before closing adjustments. A before-tax gain on discontinuance of $343 million was recorded on the sale.

The divestitures completed in 2017 generated total gross cash proceeds of $3.2 billion before closing adjustments and a before-tax gain of $1.3 billion.

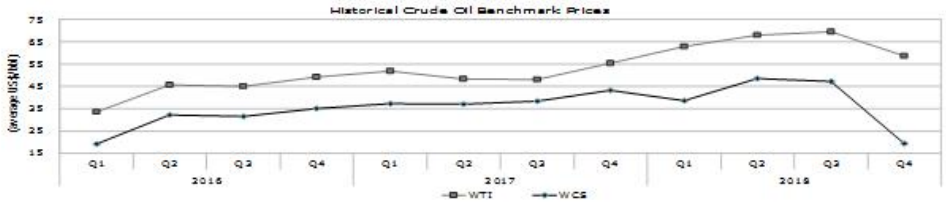
Financial Results

($ millions)	**2018**	2017	2016
Gross Sales	**14**	1,309	1,267
Less: Royalties	**3**	174	139
Revenues	**11**	1,135	1,128
Expenses			
Transportation and Blending	**1**	167	186
Operating	**(28)**	426	444
Production and Mineral Taxes	**1**	18	12
(Gain) Loss on Risk Management	**-**	33	(58)
Operating Margin	**37**	491	544
Depreciation, Depletion and Amortization	**-**	192	567
Exploration Expense	**-**	2	-
Finance Costs	**1**	80	102
Earnings (Loss) From Discontinued Operations Before Income Tax	**36**	217	(125)
Current Tax Expense (Recovery)	**-**	24	86
Deferred Tax Expense (Recovery)	**9**	33	(125)
After-tax Earnings (Loss) From Discontinued Operations	**27**	160	(86)
After-tax Gain (Loss) on Discontinuance (1)	**220**	938	-
Net Earnings (Loss) From Discontinued Operations	**247**	1,098	(86)

(1) Net of $81 million deferred tax expense in the year ended December 31, 2018 (2017 – $347 million deferred tax expense).

QUARTERLY RESULTS

Our results over the last eight quarters were impacted primarily by volatility in commodity prices, as well as the increase to production volumes due to the Acquisition. Light oil benchmark prices improved through the majority of 2018; however, market conditions resulted in a substantial fall in the price of WTI in the fourth quarter of 2018, ending the year more than 20 percent below where it started in January 2018. At the same time, light-heavy crude oil differentials increased significantly, most prominently in the fourth quarter of 2018 when the differential between WTI and WCS benchmark prices hit a record of US$52.00 per barrel. As a result, our companywide Netback from continuing operations averaged negative $1.13 per BOE in the fourth quarter of 2018, before realized risk management activities, a substantial decrease from $22.38 per BOE in the fourth quarter of 2017.



Selected Operating and Consolidated Financial Results

($ millions, except per share amounts or where otherwise indicated)	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Production Volumes								
Liquids (barrels per day)	**354,592**	408,950	423,340	395,474	422,157	449,055	333,664	234,914
Natural Gas (MMcf per day)	**469**	520	572	558	795	851	620	363
Total Production (BOE per day)	**432,714**	495,608	518,609	488,561	554,606	590,851	436,929	295,414
Total Production From Continuing Operations (BOE per day)	**432,713**	495,592	518,530	487,464	480,497	478,817	322,792	184,001
Refinery Operations								
Crude Oil Runs (Mbbls/d)	**477**	492	464	349	450	462	449	406
Refined Products (Mbbls/d)	**502**	518	490	369	480	490	476	433
Revenues	**4,545**	5,857	5,832	4,610	5,079	4,386	4,037	3,541
Operating Margin (1)								
From Continuing Operations	**135**	1,191	911	157	1,018	1,097	572	305
Total Operating Margin	**132**	1,192	938	169	1,088	1,214	731	450
Cash From Operating Activities								
From Continuing Operations	**488**	1,258	506	(134)	833	481	1,102	195
Total Cash From Operating Activities	**485**	1,259	533	(123)	900	592	1,239	328
Adjusted Funds Flow (2)								
From Continuing Operations	**(33)**	976	747	(53)	796	865	603	183
Total Adjusted Funds Flow	**(36)**	977	774	(41)	866	980	745	323
Operating Earnings (Loss) (2)								
From Continuing Operations	**(1,670)**	(41)	(292)	(752)	(533)	240	298	(39)
Per Share ($) (3)	**(1.36)**	(0.03)	(0.24)	(0.61)	(0.43)	0.20	0.27	(0.05)
Total Operating Earnings (Loss)	**(1,672)**	(42)	(272)	(743)	(514)	327	352	(39)
Per Share ($) (3)	**(1.36)**	(0.03)	(0.22)	(0.60)	(0.42)	0.27	0.32	(0.05)
Net Earnings (Loss)								
From Continuing Operations	**(1,350)**	(242)	(410)	(914)	(776)	275	2,558	211
Per Share ($) (3)	**(1.10)**	(0.20)	(0.33)	(0.74)	(0.63)	0.22	2.30	0.25
Total Net Earnings (Loss)	**(1,356)**	(241)	(418)	(654)	620	(82)	2,617	211
Per Share ($) (3)	**(1.10)**	(0.20)	(0.34)	(0.53)	0.50	(0.07)	2.35	0.25
Capital Investment (4)								
From Continuing Operations	**276**	271	294	522	557	396	277	225
Total Capital Investment	**276**	271	292	524	583	438	327	313
Dividends								
Cash Dividends	**62**	61	62	60	61	62	61	41
Per Share ($)	**0.05**	0.05	0.05	0.05	0.05	0.05	0.05	0.05

(1) Additional subtotal found in Notes 1 and 11 of the Consolidated Financial Statements, in Notes 1 and 9 of the Interim Consolidated Financial Statements and defined in this MD&A.

(2) Non-GAAP measure defined in this MD&A.

(3) Represented on a basic and diluted per share basis.

(4) Includes expenditures on PP&E, E&E assets, and assets held for sale.

Fourth Quarter 2018 Results Compared With the Fourth Quarter 2017

Continuing Operations

Production Volumes

Total production from continuing operations decreased 10 percent in the fourth quarter of 2018 compared with 2017. The decrease in production was primarily due to our decision to manage oil sands production rates in response to takeaway capacity constraints and wider heavy oil differentials. Restricting production well rates reduced oil sands production by approximately 51,000 barrels per day in the fourth quarter of 2018 compared with 2017.

Refinery Operations

Crude oil runs and refined product output increased compared with 2017, with both Refineries operating above nameplate capacity.

Revenues

Revenues decreased $534 million in 2018 primarily due to:

- Wider light-heavy crude oil differentials resulting in a 71 percent decrease in our liquids sales prices from continuing operations to $13.26 per barrel; and
- Decreased sales volumes due to lower production.

The decreases above were partially offset by increased refining revenues due to higher realized crack spreads and increased crude utilization rates, higher revenues from third-party crude oil and natural gas sales undertaken by the marketing group, as well as lower crude oil royalties.

Operating Margin

Operating Margin from continuing operations decreased 87 percent in the fourth quarter of 2018 compared with 2017. Upstream Operating Margin decreased by $820 million due to:

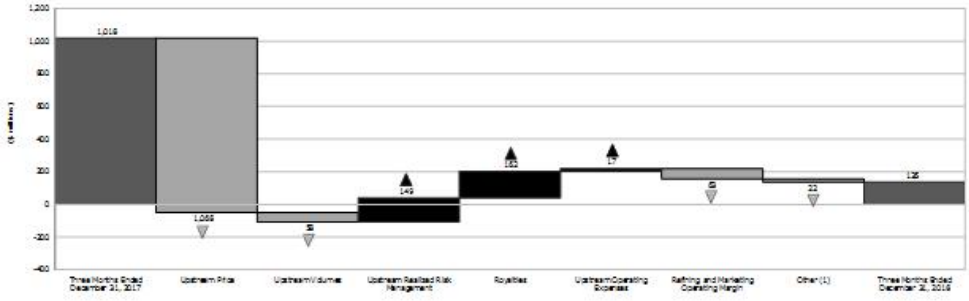
- A decrease in our average liquids sales prices due to wider light-heavy crude oil differentials and higher condensate costs;
- Increased transportation and blending expenses related to an increase in the price of condensate; and
- Decreased sales volumes due to lower production.

These decreases were partially offset by:

- Lower royalties primarily due to a lower realized liquids sales price; and
- Realized risk management losses of $86 million compared with losses of $235 million in 2017.

Refining and Marketing Operating Margin decreased by $63 million. The decrease was primarily due to lower average market crack spreads, partially offset by wider WTI-WCS and WTI-WTS differentials, which created a feedstock cost advantage, a reduction in the cost of RINs, higher realized margins on refined products, and improved crude utilization rates at both Refineries.

Operating Margin From Continuing Operations Variance



(1) Other includes the value of condensate sold as heavy oil blend recorded in revenues and condensate costs recorded in transportation and blending expense. The crude oil price excludes the impact of condensate purchases.

Discontinued Operations

On January 5, 2018, we completed the sale of the Suffield crude oil and natural gas operations in southern Alberta. As a result, there was no production in the fourth quarter of 2018 compared with 74,109 BOE per day in 2017.

Consolidated Results

Cash From Operating Activities and Adjusted Funds Flow

Total Cash From Operating Activities and Adjusted Funds Flow decreased in the fourth quarter of 2018 compared with 2017, primarily due to lower Operating Margin, as discussed above. The decrease in Cash From Operating Activities was partially offset by changes in non-cash working capital.

The change in non-cash working capital in the fourth quarter of 2018 was primarily due to a decrease in accounts receivable and inventory, partially offset by a decrease in accounts payable and income tax payable. For 2017, the change in non-cash working capital was primarily due to an increase in accounts payable and income tax payable, partially offset by an increase in accounts receivable and inventory.

Operating Earnings (Loss)

Operating Earnings from continuing operations decreased $1,137 million in the three months ended December 31, 2018 compared with 2017. The decrease was primarily due to exploration expense of $2.1 billion in the fourth quarter of 2018 compared with $887 million in 2017, as well as lower Cash From Operating Activities and Adjusted Funds Flow, as discussed above. These decreases were partially offset by a deferred income tax recovery of $705 million compared with a recovery of $201 million in 2017, a re-measurement gain on the contingent payment of $361 million compared with $29 million in the fourth quarter of 2017, and lower DD&A.

Discontinued operations recorded an Operating Loss of $2 million in the fourth quarter of 2018 compared with Operating Earnings of $19 million in the same period of 2017.

Net Earnings (Loss)

Net loss from continuing operations of $1,350 million for the three months ended December 31, 2018 compared with a net loss of $776 million in 2017. The change was primarily due to lower operating earnings, as discussed above, partially offset by unrealized risk management gains of $741 million compared with losses of $654 million in 2017. In addition, a deferred tax recovery of $275 million was recorded in the fourth quarter of 2017 to reflect the benefit of the decreased U.S. federal corporate income tax rate, and non-operating unrealized foreign exchange losses of $296 million compared with losses of $51 million in 2017.

Net earnings from discontinued operations in the fourth quarter of 2017 includes a $1,378 million after-tax gain on the divestiture of our Conventional segment assets.

Capital Investment

Capital investment from continuing operations in the fourth quarter of 2018 was $276 million, a decrease of
$281 million from 2017. The decrease was primarily due to our continued focus on capital discipline and reduced activity in the Deep Basin relative to 2017.

Capital investment from discontinued operations was $nil in the fourth quarter of 2018 compared with $26 million in 2017 as a result of the decision to divest our legacy Conventional assets.

OIL AND GAS RESERVES

We retain IQREs to evaluate and prepare reports on 100 percent of our bitumen, heavy crude oil, light and medium oil, NGLs, conventional natural gas and shale gas proved and probable reserves. For disclosure purposes, we have included heavy crude oil with bitumen and shale gas with conventional natural gas, as the reserves of heavy crude oil and shale gas were not material in 2018, following the divestitures of Suffield on January 5, 2018 and CPP on September 6, 2018.

Developments in 2018 compared with 2017 include:

- Bitumen proved reserves increased by 66 million barrels as additions from the recognition of lower continuous net pay thickness cut-offs in Oil Sands and a minor Alberta Energy Regulator (“AER”) approved area expansion at Foster Creek, as well as improved performance in Oil Sands more than offset reductions due to the divestiture of Suffield (heavy crude oil) and current year production;
- Bitumen proved plus probable reserves increased by 19 million barrels as additions due to the recognition of lower continuous net pay thickness cut-offs and improved performance in Oil Sands were partially offset by reductions due to the divestiture of Suffield (heavy crude oil) and current year production;
- Light and medium oil proved reserves and proved plus probable reserves decreased by one million barrels and two million barrels, respectively, as minor additions were more than offset by reductions due to the divestiture of CPP and current year production;
- NGLs proved and proved plus probable reserves decreased by 31 million barrels and 55 million barrels, respectively, as additions attributed to Deep Basin development were more than offset by reductions due to the divestiture of CPP, technical revisions attributed to changes to future Deep Basin development plans, and current year production; and
- Conventional natural gas proved and proved plus probable reserves decreased by 596 billion cubic feet and 702 billion cubic feet, respectively, as additions attributed to Deep Basin development were more than offset by reductions due to the divestiture of CPP, technical revisions attributed to changes to the Deep Basin development plans, and current year production.

The reserves data that follows is presented as at December 31, 2018 using an average of forecasts (“IQRE Average Forecast”) by McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants Ltd. and Sproule Associates Limited. The IQRE Average Forecast prices and costs are dated January 1, 2019. Comparative information as at December 31, 2017 uses the January 1, 2018 IQRE Average Forecast prices and costs.

Reserves

As at December 31, 2018 (before royalties)	Bitumen (1) (MMbbls)	Light and Medium Oil (MMbbls)	NGLs (MMbbls)	Conventional Natural Gas (2) (Bcf)	Total (MMBOE)
Proved	4,831	12	72	1,513	5,167
Probable	1,598	5	44	1,041	1,821
Proved plus Probable	6,429	17	116	2,554	6,988

(1) Includes heavy crude oil reserves that are not material.
(2) Includes shale gas reserves that are not material.

Reconciliation of Proved Reserves

(before royalties)	Bitumen (1) (MMbbls)	Light and Medium Oil (MMbbls)	NGLs (MMbbls)	Conventional Natural Gas (2) (Bcf)	Total (MMBOE)
December 31, 2017	4,765	13	103	2,109	5,232
Extensions and Improved Recovery	131	2	11	210	179
Discoveries	-	-	-	-	-
Technical Revisions	81	-	(3)	(29)	74
Economic Factors	-	-	-	-	-
Acquisitions	-	-	-	-	-
Dispositions	(13)	(1)	(30)	(582)	(141)
Production (3)	(133)	(2)	(9)	(195)	(177)
December 31, 2018	4,831	12	72	1,513	5,167
Year Over Year Change	66	(1)	(31)	(596)	(65)
Year Over Year Change (percent)	1	(8)	(30)	(28)	(1)

(1) Includes heavy crude oil reserves that are not material.
(2) Includes shale gas reserves that are not material.
(3) Production includes the natural gas used as a fuel source in our oil sands operations and excludes royalty interest production.

Reconciliation of Proved Plus Probable Reserves

(before royalties)	Bitumen (1) (MMbbls)	Light and Medium Oil (MMbbls)	NGLs (MMbbls)	Conventional Natural Gas (2) (Bcf)	Total (MMBOE)
December 31, 2017	6,410	19	171	3,256	7,142
Extensions and Improved Recovery	105	3	25	515	220
Discoveries	-	-	-	-	-
Technical Revisions	64	(2)	(8)	(138)	32
Economic Factors	-	-	-	-	-
Acquisitions	-	-	-	-	-
Dispositions	(17)	(1)	(63)	(884)	(229)
Production (3)	(133)	(2)	(9)	(195)	(177)
December 31, 2018	6,429	17	116	2,554	6,988
Year Over Year Change	19	(2)	(55)	(702)	(154)
Year Over Year Change (percent)	-	(11)	(32)	(22)	(2)

(1) Includes heavy crude oil reserves that are not material.
(2) Includes shale gas reserves that are not material.
(3) Production includes the natural gas used as a fuel source in our oil sands operations and excludes royalty interest production.

Additional information with respect to the evaluation and reporting of our reserves in accordance with National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") is contained in our AIF for the year ended December 31, 2018. Our AIF is available on SEDAR at sedar.com, on EDGAR at sec.gov and on our website at cenovus.com. Material risks and uncertainties associated with estimates of reserves are discussed in this MD&A in the "Risk Management and Risk Factors" section.

LIQUIDITY AND CAPITAL RESOURCES

($ millions)	2018	2017	2016
Cash From (Used In)			
Operating Activities – Continuing Operations	**2,118**	2,611	426
Operating Activities – Discontinued Operations	**36**	448	435
Total Operating Activities	**2,154**	3,059	861
Investing Activities – Continuing Operations	**(1,017)**	(15,859)	(911)
Investing Activities – Discontinued Operations	**404**	2,993	(168)
Total Investing Activities	**(613)**	(12,866)	(1,079)
Net Cash Provided (Used) Before Financing Activities	**1,541**	(9,807)	(218)
Financing Activities	**(1,410)**	6,515	(168)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency	**40**	182	1
Increase (Decrease) in Cash and Cash Equivalents	**171**	(3,110)	(385)

As at December 31,	2018	2017	2016
Cash and Cash Equivalents	**781**	610	3,720
Committed and Undrawn Credit Facility	**4,500**	4,500	4,000

Cash From (Used In) Operating Activities

Cash from operating activities decreased in 2018 mainly due to lower Operating Margin, as discussed in the Financial Results section of this MD&A, a decrease in current income tax recovery and higher general and administrative costs, primarily due to $60 million of severance costs, as well as increased rent costs. In 2017, we benefited from realized risk management gains of $146 million on foreign exchange contracts, partially offset by transaction costs of $56 million related to the Acquisition. These decreases were partially offset by changes in non-cash working capital, as discussed in the Financial Results section of this MD&A.

Excluding risk management assets and liabilities, assets and liabilities held for sale, the current portion of the contingent payment, and onerous contract provisions, our working capital was $500 million at December 31, 2018 compared with $1,141 million at December 31, 2017. Working capital declined primarily due to the current portion of the $682 million of unsecured notes due on October 15, 2019. The decline in working capital was also due to lower accounts receivable and inventory, partially offset by a decrease in accounts payable.

We anticipate that we will continue to meet our payment obligations as they come due.

Cash From (Used In) Investing Activities

Cash used in investing activities was lower in 2018 primarily due to the Acquisition in 2017.

Cash From (Used In) Financing Activities

In 2018, cash was used in financing activities primarily for the repayment of $1.1 billion of debt, as well as dividends paid on common shares. In 2017, cash was generated by financing activities from the issuance of debt and common shares to finance the Acquisition.

In 2018, we redeemed US$800 million of our US$1,300 million unsecured notes due on October 15, 2019. We also paid US$69 million to repurchase a portion of our unsecured notes with a principal of US$76 million. As at December 31, 2018 we had US$6,774 million in U.S. dollar debt ($9,241 million) compared with US$7,650 million ($9,597 million) at December 31, 2017.

As at December 31, 2018, we were in compliance with all of the terms of our debt agreements.

Dividends

In 2018, we paid dividends of $0.20 per common share or $245 million (2017 – 0.20 per common share or $225 million). The declaration of dividends is at the sole discretion of the Board and is considered quarterly.

Available Sources of Liquidity

We expect cash flows from our upstream and refining operations to fund all of our cash requirements in 2019. Any potential shortfalls may be funded through prudent use of our balance sheet capacity including draws on our credit facility, management of our asset portfolio and other corporate and financial opportunities that may be available to us. We remain committed to maintaining our investment grade credit ratings at S&P Global Ratings, DBRS Limited and Fitch Ratings.

The following sources of liquidity are available at December 31, 2018:

($ millions)	Term	Amount
Cash and Cash Equivalents	**Not applicable**	**781**
Committed Credit Facility – Tranche A	**November 2022**	**3,300**
Committed Credit Facility – Tranche B	**November 2021**	**1,200**

Committed Credit Facility

We have a committed credit facility in place that consists of a $1.2 billion tranche and $3.3 billion tranche. In the fourth quarter of 2018, we amended the committed credit facility to extend the maturity date of the $1.2 billion tranche to November 30, 2021 and the $3.3 billion tranche to November 30, 2022. As of December 31, 2018, no amounts were drawn on our committed credit facility.

Base Shelf Prospectus

Cenovus has in place a base shelf prospectus which expires in November 2019. As at December 31, 2018, US$4.6 billion remains available under the base shelf prospectus. Offerings under the base shelf prospectus are subject to market conditions.

Financial Metrics

We monitor our capital structure and financing requirements using, among other things, non-GAAP financial metrics consisting of Net Debt to Adjusted EBITDA and Net Debt to Capitalization. We define our non-GAAP measure of Net Debt as short-term borrowings, and the current and long-term portions of long-term debt, net of cash and cash equivalents. We define Capitalization as Net Debt plus Shareholders' Equity. We define Adjusted EBITDA as net earnings before finance costs, interest income, income tax expense, DD&A, E&E Write-down, goodwill impairments, asset impairments and reversals, unrealized gains (losses) on risk management, foreign exchange gains (losses), revaluation gain, re-measurement of contingent payment, gains (losses) on divestiture of assets, and other income (loss), net, calculated on a trailing 12-month basis. These measures are used to steward our overall debt position and as measures of our overall financial strength.

Over the long-term, Cenovus targets a Net Debt to Adjusted EBITDA ratio of less than 2.0 times. Our objective is to maintain a high level of capital discipline and manage our capital structure to help ensure sufficient liquidity through all stages of the economic cycle. To ensure financial resilience, Cenovus may, among other actions, adjust capital and operating spending, draw down on our credit facility or repay existing debt, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new debt, or issue new shares. We also manage our Net Debt to Capitalization ratio to ensure compliance with the associated covenants as defined in our committed credit facility agreement.

The following is a reconciliation of Adjusted EBITDA, and the calculation of Net Debt to Adjusted EBITDA:

As at December 31,	**2018**	2017	2016
Current Portion of Long-Term Debt	**682**	-	-
Long-Term Debt	**8,482**	9,513	6,332
Less: Cash and Cash Equivalents	**(781)**	(610)	(3,720)
Net Debt	**8,383**	8,903	2,612
Net Earnings (Loss)	**(2,669)**	3,366	(545)
Add (Deduct):			
Finance Costs	**628**	725	492
Interest Income	**(19)**	(62)	(52)
Income Tax (Recovery) Expense	**(920)**	352	(382)
DD&A	**2,131**	2,030	1,498
E&E Write-down	**2,123**	890	2
Unrealized (Gain) Loss on Risk Management	**(1,249)**	729	554
Foreign Exchange (Gain) Loss, Net	**854**	(812)	(198)
Revaluation (Gain)	**-**	(2,555)	-
Re-measurement of Contingent Payment	**50**	(138)	-
(Gain) Loss on Discontinuance	**(301)**	(1,285)	-
(Gain) Loss on Divestiture of Assets	**795**	1	6
Other (Income) Loss, Net	**(12)**	(5)	34
Adjusted EBITDA (1)	**1,411**	3,236	1,409
Net Debt to Adjusted EBITDA	**5.9x**	2.8x	1.9x

(1) Calculated on a trailing 12-month basis. Includes discontinued operations.

Net Debt to Capitalization is calculated as follows:

As at December 31,	2018	2017	2016
Net Debt	**8,383**	8,903	2,612
Shareholders' Equity	**17,468**	19,981	11,590
Capitalization	**25,851**	28,884	14,202
Net Debt to Capitalization (1) (percent)	**32**	31	18

(1) Net Debt to Capitalization is defined as Net Debt divided by Net Debt plus Shareholders' Equity.

As at December 31, 2018, Cenovus's Net Debt to Adjusted EBITDA is 5.9x, which is above our target. Net debt to Adjusted EBITDA increased as result of lower Adjusted EBITDA due to reasons mentioned in the Financial Results section of this MD&A. This was partially offset by the reduction in our debt levels. On October 29, 2018, we redeemed US$800 million of our US$1,300 million unsecured notes due October 15, 2019. In December 2018, we also paid US$69 million to repurchase our unsecured notes with a principal amount of US$76 million.

Subsequent to December 31, 2018, we repurchased a further US$324 million of unsecured notes for cash of US$300 million.

Under the committed credit facility, Cenovus is required to maintain a debt to capitalization ratio not to exceed 65 percent; we are well below this limit.

Additional information regarding our financial measures and capital structure can be found in the notes to the Consolidated Financial Statements.

Share Capital and Stock-Based Compensation Plans

As at December 31, 2018, there were approximately 1,229 million common shares outstanding (2017 – 1,229 million common shares). In the second quarter of 2017, Cenovus closed a bought-deal common share financing of 187.5 million common shares, for gross proceeds of $3.0 billion ($2.9 billion net of $101 million of share issuance costs).

In addition, Cenovus issued 208 million common shares to ConocoPhillips on May 17, 2017 as partial consideration for the Acquisition. In relation to the share consideration, Cenovus and ConocoPhillips entered into an investor agreement, and a registration rights agreement. In accordance with these agreements, ConocoPhillips has certain rights and restrictions, including, among other things, the ability to nominate new members to the Board and the requirement to vote its Cenovus common shares in accordance with Management's recommendations or abstain from voting until such time ConocoPhillips owns 3.5 percent or less of the then outstanding common shares of Cenovus. As at December 31, 2018, ConocoPhillips continued to hold these common shares.

As part of our long-term incentive program, Cenovus has an employee Stock Option Plan as well as Performance Share Unit ("PSU") Plan, a Restricted Share Unit ("RSU") Plan and two Deferred Share Unit ("DSU") Plans. Certain directors, officers or employees chose prior to December 31, 2017 to convert a portion of their remuneration, paid in the first quarter of 2018, into DSUs. The election for any particular year is irrevocable. DSUs may not be redeemed until after departure from Cenovus. Directors also received an annual grant of DSUs.

Refer to Note 30 of the Consolidated Financial Statements for more details on our Stock Option Plan and our Performance Share Unit, Restricted Share Unit and Deferred Share Unit Plans.

As at January 31, 2019	Units Outstanding (thousands)	Units Exercisable (thousands)
Common Shares	**1,228,790**	**N/A**
Stock Options	**33,957**	**27,083**
Other Stock-Based Compensation Plans	**15,034**	**1,558**

Contractual Obligations and Commitments

Cenovus has obligations for goods and services that were entered into in the normal course of business. Obligations are primarily related to transportation agreements, operating leases on buildings, our risk management program and an obligation to fund our defined benefit pension and other post-employment benefit plans. Obligations that have original maturities of less than one year are excluded. For further information, see the notes to the Consolidated Financial Statements.

	Expected Payment Date						
($ millions)	2019	2020	2021	2022	2023	Thereafter	**Total**
Operating							
Transportation and Storage (1)	1,040	1,104	1,335	1,491	1,562	16,809	**23,341**
Operating Leases (Building Leases) (2)	156	150	146	144	141	2,158	**2,895**
Other Long-term Commitments	148	81	45	37	32	147	**490**
Interest on Long-term Debt	470	431	431	431	411	5,993	**8,167**
Decommissioning Liabilities	56	57	34	39	42	2,402	**2,630**
Total Operating	1,870	1,823	1,991	2,142	2,188	27,509	**37,523**
Investing							
Capital Commitments	21	2	1	-	-	-	**24**
Contingent Payment	15	47	66	15	-	-	**143**
Total Investing	36	49	67	15	-	-	**167**
Financing							
Long-term Debt (principal only)	682	-	-	682	614	7,263	**9,241**
Other	-	-	1	-	1	2	**4**
Total Financing	682	-	1	682	615	7,265	**9,245**
Total Payments (3)	2,588	1,872	2,059	2,839	2,803	34,774	**46,935**

(1) Includes transportation commitments of $14 billion that are subject to regulatory approval or have been approved but are not yet in service.
(2) Includes onerous contract provisions.
(3) Contracts on behalf of WRB are reflected at our 50 percent interest.

We have total commitments not included on our balance sheet of $26 billion, of which $23 billion are for various transportation commitments, including $5 billion in new contracts primarily related to Keystone XL, expanded freight and rail terminal and tank contracts. Transportation commitments include $14 billion that are subject to regulatory approval or have been approved but are not yet in service (December 31, 2017 – $9 billion). These agreements are for terms up to 20 years subsequent to the date of commencement and should help align our future transportation requirements with anticipated production growth.

We continue to focus on near and mid-term strategies to broaden market access for our crude oil production. We continue to support proposed new pipeline projects that would connect us to new markets in the U.S. and globally, moving our crude oil production to market by rail, and assessing options to maximize the value of our crude oil.

As at December 31, 2018, there were outstanding letters of credit aggregating $336 million issued as security for performance under certain contracts (December 31, 2017 – $376 million).

Legal Proceedings

We are involved in a limited number of legal claims associated with the normal course of operations. We believe that any liabilities that might arise from such matters, to the extent not provided for, are not likely to have a material effect on our Consolidated Financial Statements.

Contingent Payment

In connection with the Acquisition and related to oil sands production, we agreed to make quarterly payments to ConocoPhillips during the five years subsequent to May 17, 2017 for quarters in which the average WCS crude oil price exceeds $52 per barrel during the quarter. As at December 31, 2018, the estimated fair value of the contingent payment was $132 million. See the Corporate and Eliminations section of this MD&A for more details.

RISK MANAGEMENT AND RISK FACTORS

Cenovus is exposed to a number of risks through the pursuit of our strategic objectives. Some of these risks impact the oil and gas industry as a whole and others are unique to our operations. The impact of any risk or a combination of risks may adversely affect, among other things, Cenovus's business, reputation, financial condition, results of operations and cash flows, which may reduce or restrict our ability to pay a dividend to our shareholders and may materially affect the market price of our securities.

Our Enterprise Risk Management ("ERM") program drives the identification, measurement, prioritization, and management of risk across Cenovus and is integrated with the Cenovus Operations Management System ("COMS"). In addition, we continuously monitor our risk profile as well as industry best practices.

Risk Governance

The ERM Policy, approved by our Board, outlines our risk management principles and expectations, as well as the roles and responsibilities of all staff. Building on the ERM Policy, we have established Risk Management Standards, a Risk Management Framework and Risk Assessment Tools. Our Risk Management Framework contains the key attributes recommended by the International Standards Organization ("ISO") in its *ISO 31000 – Risk Management Guidelines (2017)*. The results of our ERM program are documented in an Annual Risk Report presented to the Board as well as through regular updates.



Risk Assessment

All risks are assessed for their potential impact on the achievement of Cenovus's strategic objectives as well as their likelihood of occurring. Risks are analyzed through the use of a Risk Matrix and other standardized risk assessment tools and each risk is classified on a continuum ranging fro "Low" to "Extreme". Management determines what, if any, additional risk treatment is required based on the residual risk ranking. There are prescribed actions for escalating an communicating risk to the right decision makers.

Significant Risk Factors

The following discussion describes the financial, operational, regulatory, environmental, reputational and other risks related to Cenovus. Each risk identified in this MD&A may individually, or in combination with other risks, have a material impact on our business, financial condition, results of operations, cash flows, or reputation.

Financial Risk

Financial risk is the risk of loss or lost opportunity resulting from financial management and market conditions. Financial risks include, but are not limited to: fluctuations in commodity prices; development and operating costs; risks related to Cenovus's hedging activities; exposure to counterparties; availability of capital and access to sufficient liquidity; risks related to Cenovus's credit ratings; fluctuations in foreign exchange and interest rates. In addition, we identify risks related to our ability to pay a dividend to shareholders; and risks related to internal controls for financial reporting. Changes in financial management and/or market 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 our existing operations and business plans, financial strength of our counterparties, access to capital and cost of borrowing.

Commodity Prices

Our financial performance is significantly dependent on the prevailing prices of crude oil, natural gas and refined products. Crude oil prices are impacted by a number of factors including, but not limited to: the supply of and demand for crude oil; global economic conditions; the actions of OPEC including, without limitation, compliance or non-compliance with quotas agreed upon by OPEC members and decisions by OPEC not to impose production quotas on its members; actions by the Government of Alberta including, without limitation, imposing, amending, or lifting crude oil production curtailments, and compliance or non-compliance with imposed crude oil production curtailments; enforcement of government or environmental regulations; political stability; market access constraints and transportation interruptions (pipeline, marine or rail); the availability of alternate fuel sources; and weather conditions. Natural gas prices 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; prices of alternate sources of energy; government or environmental regulations; and economic conditions. Refined product prices are impacted by a number of factors including, but not limited to: global supply and demand for refined products; market competitiveness; levels of refined product inventories; refinery availability; planned and unplanned refinery maintenance; weather conditions; and the availability of alternate fuel sources. All of these factors are beyond our 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.

Our financial performance is also impacted by discounted or reduced commodity prices for our oil production relative to certain international benchmark prices, due, in part, to constraints on the ability to transport and sell products to international markets and the quality of oil produced. Of particular importance to us are diluent cost and supply and the price differentials between bitumen and both light to medium crude oil and heavy crude oil. Bitumen is more expensive for refineries to process and therefore trades at a discount to the market price for light and medium crude oil and heavy crude oil.

The financial performance of our refining operations is impacted by the relationship, or margin, between refined product prices and the prices of refinery feedstock. 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 our business.

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

The commodity price risks noted above, as well as the other risks such as market access constraints and transportation restrictions, reserves replacement and reserves estimates, and cost management that are more fully described herein, that may have a material impact on our business, financial condition, results of operations, cash flows or reputation, may be considered to be indicators of impairment. Another indication of impairment is the comparison of the carrying value of our assets to our market capitalization.

As discussed in this MD&A, we conduct an annual assessment of the carrying value of our assets in accordance with IFRS. If crude oil and natural gas prices decline significantly and remain at low levels for an extended period of time, the carrying value of our assets may be subject to impairment and our net earnings could be adversely affected.

Development and Operating Costs

Our financial performance is significantly affected by the cost of developing and operating our assets. Development and operating costs are affected by a number of factors including, but not limited to: development, adoption and success of new technologies; 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, crude oil differentials, diluent or condensate supply prices and differentials, refining margins, power prices, as well as fluctuations in foreign exchange rates and interest rates. Cenovus also uses derivative instruments in various operational markets to help optimize our supply costs or sales of our production.

The use of such hedging activities exposes us 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; change in price of the underlying commodity; insufficient counterparties to transact with; counterparty default; deficiency in systems or controls; human error; and the unenforceability of contracts.

There is risk that the consequences of hedging to protect against unfavourable market conditions may limit the benefit to us of commodity price increases or changes in interest rates and foreign exchange rates. We may also suffer financial loss due to hedging arrangements if we are unable to produce oil, natural gas or refined products to fulfill our delivery obligations related to the underlying physical transaction.

We partially mitigate our exposure to commodity price risk through the integration of our business, financial instruments, physical contracts and market access commitments. Financial instruments utilized within the refining business are primarily for purchased product. For details of our financial instruments, including classification, assumptions made in the calculation of fair value and additional discussion on exposure of risks and the management of those risks, see Notes 3, 33 and 34 to the Consolidated Financial Statements.

Impact of Financial Risk Management Activities

($ millions)	2018 Realized	2018 Unrealized	2018 Total	2017 Realized	2017 Unrealized	2017 Total
Crude Oil (1)	**1,577**	**(1,219)**	**358**	307	716	1,023
Refining	**(1)**	**(5)**	**(6)**	6	-	6
Interest Rate	**(23)**	**(26)**	**(49)**	-	13	13
Foreign Exchange	**1**	**1**	**2**	(146)	-	(146)
(Gain) Loss on Risk Management	**1,554**	**(1,249)**	**305**	167	729	896
Income Tax Expense (Recovery)	**(422)**	**336**	**(86)**	(60)	(197)	(257)
(Gain) Loss on Risk Management, After Tax	**1,132**	**(913)**	**219**	107	532	639

(1) 2017 excludes $33 million of realized risk management losses on crude oil contracts from our Conventional segment, which have been classified as a discontinued operation.

In 2018, we incurred realized losses on crude oil risk management activities as the settlement prices exceeded our contract prices. The majority of thesehedging contracts were established to provide downside protection and support financial resilience following the Acquisition. These hedging contracts have now expired.

Unrealized gains were recorded on our crude oil financial instruments in the twelve months ended December 31, 2018 primarily due to the realization of settled positions, while partially offset by losses due to WTI and Brent benchmark price increases.

Sensitivities – Risk Management Positions

The following table summarizes the sensitivities of the fair value of our risk management positions to independent fluctuations in commodity prices, interest rates, and foreign exchange rates with all other variables held constant. Management believes the price fluctuations identified in the table below are a reasonable measure of volatility. The impact of fluctuations in commodity prices and interest rates on risk management positions as at December 31, 2018 could have resulted in unrealized gains (losses) for the year as follows:

	Sensitivity Range	Increase	Decrease
Crude Oil Commodity Price	± US$5.00 per bbl Applied to WTI and Condensate Hedges	**(78)**	**80**
Crude Oil Differential Price	± US$2.50 per bbl Applied to Differential Hedges Tied to Production	**4**	**(4)**
Interest Rate Swaps	± 50 Basis Points	**12**	**(13)**
Foreign Exchange	± $0.05 U.S. per Canadian Dollar Foreign Exchange Rate	**4**	**(4)**

For further information on our risk management positions, see Notes 33 and 34 to the Consolidated Financial Statements.

Risks Associated with Derivative Financial Instruments

Financial instruments expose Cenovus to the risk that a counterparty will default on its contractual obligations. This risk is partially mitigated through credit exposure limits, frequent assessment of counterparty credit ratings and netting arrangements, as outlined in our Credit Policy.

Exposure to Counterparties

In the normal course of business, we enter 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, we may suffer financial losses, delays of our development plans or we may have to forego other opportunities which could materially impact our financial condition or operational results.

Credit, Liquidity and Availability of Future Financing

The future development of our business may be dependent on our ability to obtain additional capital including, but not limited to, debt and equity financing. Among other things, unpredictable financial markets, a sustained commodity price downturn, a change in market fundamentals, business operations or credit rating, or significant unanticipated expenses, may impede our ability to secure and maintain cost-effective financing. An inability to access capital could affect our ability to make future capital expenditures and to meet all of our financial obligations as they come due, potentially creating a material adverse effect on our financial condition, results of operations, ability to comply with various financial and operating covenants, credit ratings and reputation.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic, business, market and other conditions, some of which are beyond our control. If our operating and financial results are not sufficient to service current or future indebtedness, Cenovus may take actions such as reducing dividends, reducing or delaying business activities, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital.

We mitigate our liquidity risk through the active management of cash and debt by ensuring that we have access to multiple sources of capital.

We are required to comply with various financial and operating covenants under our credit facility and the indentures governing our debt securities. We routinely review our covenants and we may make changes to development plans or dividend policy, or take alternative actions to ensure compliance. In the event that we do not comply with such covenants, our access to capital could be restricted or repayment could be accelerated.

Credit Ratings

Our company and our long-term and short-term debt are regularly evaluated by the credit rating agencies. Credit ratings are based on our financial and operational strength and a number of factors not entirely within our control, including conditions affecting the oil and gas industry generally, and the state of the economy. There can be no assurance that one or more of our credit ratings will not be downgraded or withdrawn entirely by a rating agency.

A reduction in any of our credit ratings could adversely affect the cost and availability of borrowing, and access to sources of liquidity and capital. A failure by Cenovus to maintain current credit ratings could affect our business relationships with counterparties, operating partners and suppliers.

If one or more of our credit ratings falls below certain ratings floors we may be obligated to post collateral in the form of cash, letters of credit or other financial instruments in order to establish or maintain business arrangements. Additional collateral may be required due to further downgrades below certain ratings floors. Failure to provide adequate credit risk assurance to counterparties and suppliers may result in foregoing or having contractual business arrangements terminated.

Foreign Exchange Rates

Fluctuations in foreign exchange rates may affect our results as global prices for crude oil, natural gas and refined products are generally set in U.S. dollars, while many of our operating and capital costs are in Canadian dollars. A change in the value of the Canadian dollar relative to the U.S. dollar will increase or decrease revenues, as expressed in Canadian dollars, received from the sale of oil and refined products, and from some of our natural gas sales. In addition, we have chosen to borrow U.S. dollar long-term debt. A change in the value of the Canadian dollar against the U.S. dollar will result in an increase or decrease in our U.S. dollar denominated debt and related interest expense, as expressed in Canadian dollars.

We may periodically enter into transactions to manage our exposure to exchange rate fluctuations. Exchange rate fluctuations could have a material adverse effect on our financial condition, results of operations and cash flows.

Interest Rates

We 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 our net interest expense and affect how certain liabilities are recorded, both of which could negatively impact financial results. Additionally, we are exposed to interest rate fluctuations upon the refinancing of maturing long-term debt and potential future financings at prevailing interest rates.

We may periodically enter into transactions to manage our exposure to interest rate fluctuations.

Ability to Pay Dividends

The payment of dividends is at the discretion of the Board. Dividend payments are regularly reviewed by the Board and may be increased, reduced or suspended from time to time. Our ability to pay dividends and the actual amount of such dividends is dependent upon, among other things, financial performance, debt covenants, satisfying solvency testing, ability to meet financial obligations as they come due, working capital requirements, future tax obligations, future capital requirements, commodity prices and the risk factors set forth in this MD&A.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Based on their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Failure to adequately prevent, detect and correct misstatements could have a material adverse effect on our business, financial condition, results of operations, cash flows, and our reputation.

Operational Risk

Operational risks are those risks that affect our ability to continue operations in the ordinary course of business. Our operations are subject to risks generally affecting the oil and gas and refining industries. To partially mitigate our risks, we have a system of standards, practices and procedures called COMS to identify, assess and mitigate safety, operational and environmental risk across our operations. In addition to leveraging COMS, we attempt to partially mitigate operational risks by maintaining a comprehensive insurance program in respect of our assets and operations.

Health and Safety

The operation of our 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; acts of vandalism and terrorism; and other accidents or hazards that may occur at or during transport to or from commercial or industrial sites. Any of these hazards can interrupt operations, impact our 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, cause environmental damage that may include polluting water, land or air, and may result in fines, civil suits, or criminal charges against Cenovus, any of which may have a material adverse effect on our business, financial condition, results of operations, cash flows, and our reputation.

Market Access Constraints and Transportation Restrictions

Our production is transported through various pipelines and our refineries are reliant on various pipelines to receive feedstock. Disruptions in, or restricted availability of, pipeline service and/or marine or rail transport, could adversely affect crude oil and natural gas sales, projected production growth, upstream or refining operations and cash flows.

Interruptions or restrictions in the availability of these pipeline systems may also limit the ability to deliver production volumes and could adversely impact commodity prices, sales volumes and/or the prices received for our 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 an increase in 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, or that any such approvals will result in the construction of the pipeline project. 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 our production will be sufficient to address any gaps caused by operational constraints on the pipeline system. In addition, our crude-by-rail and marine shipments may be impacted by service delays, inclement weather, railcar availability, railcar derailment or other rail or marine transport incidents and could adversely impact crude oil sales volumes or the price received for product or impact our reputation or result in legal liability, loss of life or personal injury, loss of equipment or property, or environmental damage. In addition, new regulations, which will be phased in over time until 2025, will require tank cars used to transport crude oil by rail to be replaced with newer 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 our ability to transport crude-by-rail or the economics associated with rail transportation. Finally, planned or unplanned shutdowns or closures of our refinery customers may limit our ability to deliver product with negative implications on sales and cash from operating activities.

On January 30, 2018, the British Columbia Minister of Environment and Climate Change Strategy announced proposed regulatory measures that would limit increases of diluted bitumen being transported through the province while an advisory panel studies if and how heavy oil can be transported safely. It is not clear at this time how or when the restrictions will be implemented, but they could have a material adverse impact on our ability to transport diluted bitumen through British Columbia.

Insufficient transportation capacity for our production will impact our ability to efficiently access end markets. This may negatively impact our financial performance by way of higher transportation costs, wider price differentials, lower sales prices at specific locations or for specific grades of crude oil, and, in extreme situations, production curtailment.

Operational Considerations

Our 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; fires; explosions; blowouts; gaseous leaks; power outages; migration of harmful substances into water systems; oil spills; uncontrollable flows of crude oil, natural gas or well fluids; failure to follow operating procedures or operate within established operating parameters; equipment failures and other accidents; adverse weather conditions; pollution; and other environmental risks.

Producing and refining oil requires high levels of investment and involves particular risks and uncertainties. Our oil operations are susceptible to loss of production, slowdowns, shutdowns, or restrictions on our ability to produce higher value products due to the interdependence of our 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.

Although we are not the operator of the two U.S. refineries in which we have a 50 percent interest, the refining andmarketing 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; failure to follow operating procedures or operate within established operating parameters; slowdowns due to equipment failure or transportation disruptions; railcar incidents or derailments; marine transport incidents; weather; fires and/or explosions; unavailability of feedstock; and price and quality of feedstock.

We do not insure against all potential occurrences and disruptions and it cannot be guaranteed that insurance will be sufficient to cover any such occurrences or disruptions. Our operations could also be interrupted by natural disasters or other events beyond our control.

Reserves Replacement and Reserve Estimates

If we fail to acquire, develop or find additional crude oil and natural gas reserves, our reserves and production will decline materially from their current levels. Our financial condition, results of operations and cash flows are highly dependent upon successfully producing from current reserves and acquiring, discovering or developing additional reserves.

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond our 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 on 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 environmental regulations and 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 cause actual results to vary materially from estimated results.

All such estimates are to some degree uncertain and classifications of reserves are only attempts to define the degree of uncertainty involved. For those reasons, estimates of the economically recoverable crude oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenue expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. Our actual production, revenues, taxes and development and operating expenditures with respect to our 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 on volumetric calculations and upon analogy to similar types of reserves, rather than upon actual production history. Subsequent evaluation of the same reserves based on production history will result in variations, which may be material, in the estimated reserves.

The production rate of oil and gas properties tends to decline as reserves are depleted while the associated operating costs increase. Maintaining an inventory of developable projects to support future production of crude oil and natural gas depends on, among other things: obtaining and renewing rights to explore, developing and producing oil and natural gas; drilling success; completing long-lead time capital intensive projects on budget and on schedule; and the application of successful exploitation techniques on mature properties. Our business, financial condition, results of operations and cash flows are highly dependent upon successfully producing current reserves and adding additional reserves.

Cost Management

Our operating costs could escalate and become uncompetitive due to inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, higher steam-to-oil ratios in our oil sands operations, and additional government or environmental regulations. Our inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on our financial condition, results of operations and cash flows.

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 refining, distribution and marketing of petroleum products. We compete with other producers and refiners, some of which may have lower operating costs or greater resources than our company does. Competing producers may develop and implement recovery techniques and technologies which are superior to those we employ. 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 our input costs for and constrain the supply of skilled labour and materials.

Project Execution

There are risks associated with the execution and operation of our upstream growth and development projects. These risks include, but are not limited to: our ability to obtain the necessary environmental and regulatory approvals; our ability to obtain favourable terms or to be granted access within land-use agreements; 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 and conventional development on the environment. The commissioning and integration of new facilities within our existing asset base could cause delays in achieving performance 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 our assets are not operated by us or are held in partnership with others. Therefore, our results of operations and cash flows may be affected by the actions of third-party operators or partners. Our refining assets are held in a partnership with Phillips 66 and operated by Phillips 66. The success of the refining operations is dependent on the ability of Phillips 66 to successfully operate this business and maintain the refining assets. We rely on the judgment and operating expertise of Phillips 66 in respect of the operation of such refining assets and we also rely on Phillips 66 to provide information on the status of such refining assets and related results of operations.

Phillips 66 may have objectives and interests that do not align with or may conflict with our interests. Major capital decisions affecting these refining assets require agreement between each respective partner, while certain operational decisions may be made by the operator of the assets. While we generally seek consensus with respect to major decisions concerning the direction and operation of these 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 our participation in the operation of such assets, our ability to obtain or maintain necessary licences or approvals or affect the timing of undertaking various activities.

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 our business, financial condition, results of operations and cash flows. 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.

Information Systems

We rely heavily on information technology, such as computer hardware and software systems, in order to properly operate our business. In the event we are unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data.

In the ordinary course of business, we collect, use and store sensitive data, including intellectual property, proprietary business information and personal information of our employees and third parties. Despite our security measures, our information systems, technology and infrastructure may be vulnerable to attacks by hackers and/or cyberterrorists or breaches due to employee error, malfeasance or other disruptions, including natural disasters and acts of war. Any such breach could compromise information used or stored on our systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operational disruption, site shut-down, leaks or other negative consequences, including damage to our reputation, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Leadership and Talent

Our success is dependent upon our Management, our leadership capabilities and the quality and competency of our talent. If we are unable to retain critical talent or to attract and retain new talent with the necessary leadership, professional and technical competencies, it could have a material adverse effect on our financial condition, results of operations and pace of growth.

Litigation

From time to time, we may be the subject of litigation arising out of our operations. Claims under such litigation may be material or may be indeterminate. Various types of claims may be made including, without limitation, environmental damages, breach of contract, negligence, product liability, antitrust, bribery and other forms of corruption, tax, patent infringement and employment matters. The outcome of such litigation is uncertain and may materially impact our financial condition or results of operations. Moreover, unfavorable outcomes or settlements of litigation could encourage the commencement of additional litigation. We may also be subject to adverse publicity associated with such matters, regardless of whether we are ultimately found responsible. We may be required to incur significant expenses or devote significant resources in defense against any such litigation.

Aboriginal Land and Rights Claims

Aboriginal groups have claimed aboriginal treaty, title and rights to portions of western Canada, including British Columbia and Alberta, and such claims, if successful, could have a material negative impact on our operations or pace of growth. There exist outstanding Aboriginal and treaty rights claims, which may include Aboriginal title claims, on lands where we operate. 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.

The federal and provincial governments have a duty to consult with Aboriginal people on actions and decisions that may affect the asserted Aboriginal or treaty rights and, in certain cases, accommodate their concerns. The scope of the duty to consult by federal and provincial governments is subject to ongoing litigation. The fulfillment of the duty to consult, and where required accommodate, Aboriginal people may adversely affect our ability to, or increase the timeline to, obtain or renew, permits, leases, licenses and other approvals, or to meet the terms and conditions of those approvals. Opposition by Aboriginal groups may also negatively impact us in terms of public perception, diversion of Management's time and resources, legal and other advisory expenses, potential blockades or other interference by third parties in our operations, or court-ordered relief impacting operations. Challenges by Aboriginal groups could adversely impact our progress and ability to explore and develop properties.

In May 2016, Canada announced its support for the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP"). The principles and objectives of UNDRIP have also been endorsed by the Government of Alberta and the Government of British Columbia. The means of implementation of UNDRIP by government bodies are uncertain and may include an increase in consultation obligations and processes associated with project development, posing risks and creating uncertainty with respect to project regulatory approval timelines and requirements.

Regulatory Risk

Regulatory risk is the risk of loss or lost opportunity resulting from the introduction of, or changes in, regulatory requirements or the failure to secure regulatory approval for upstream or downstream development projects. The implementation of new regulations or the modification of existing regulations could impact our existing and planned projects as well as result in compliance costs, adversely impacting our financial condition, results of operations and cash flows.

The oil and gas industry in general and our operations in particular are subject to regulation and intervention under federal, provincial, territorial, 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 gases ("GHGs") 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 our existing and planned projects or increase capital investment or operating expenses, adversely impacting our financial condition, results of operations and cash flows.

Regulatory Approvals

Our operations require us to obtain approvals from various regulatory authorities and there are no guarantees that we will be able to obtain all necessary licences, permits and other approvals that may be required to carry out certain exploration and development activities on our 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; ongoing regulatory oversight of projects; 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.

Abandonment and Reclamation Cost Risk

As a general rule, the current oil and gas asset abandonment, reclamation and remediation ("A&R") liability regime in Alberta limits each party's liability to its proportionate ownership of an asset. In the case where one joint owner of an oil and gas asset becomes insolvent and is unable to fund its required A&R activities associated with such asset, the solvent counterparties can claim the insolvent party's share of the remediation costs against the Orphan Well Association (the "OWA"). The OWA administers orphaned assets and is funded through a levy imposed on licensees, including Cenovus, based on their proportionate share of deemed A&R liabilities for oil and gas facilities, wells and unreclaimed sites in Alberta. British Columbia has a similar liability management regime.

On January 31, 2019, the Supreme Court of Canada released its decision in the case of Redwater Energy Corporation ("Redwater"). Reversing the lower court decisions, the Supreme Court of Canada held that the AER may use the provincial legislative scheme to prevent a trustee in bankruptcy from renouncing a debtor's uneconomic oil and gas assets and require a trustee to satisfy certain environmental obligations in priority to the claims of secured and unsecured creditors.

While it is not yet clear how market participants will respond to the Supreme Court of Canada's decision in Redwater, the decision is anticipated to reduce the availability and increase the cost of credit for borrowers with relatively high levels of A&R obligations within their asset bases, thereby negatively affecting the financial capacity of such borrowers, including potential counterparties to Cenovus, result in additional or more stringent A&R related covenants being imposed on borrowers, and result in increased scrutiny of oil and gas assets and associated A&R liabilities.

Following the lower court decisions in Redwater, changes were made to the regulatory regimes in Alberta and British Columbia. The AER released Bulletin 2016-16 which, among other things, implements important changes to the AER's procedures relating to liability management ratings, licence eligibility and licence transfers. In addition, changes with respect to licence eligibility were codified in amendments to AER *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals ("Directive 067").* Among other things, *Directive 067* provides the AER with broad discretion to determine if a party poses an "unreasonable risk" such that it should not be eligible to hold AER licences. The Government of British Columbia has announced similar policies and the British Columbia Oil and Gas Commission is exploring the development of a comprehensive liability management strategy, driven in part by the proliferation of orphan assets. The imposition of timelines for inactive sites is among the measures under consideration. These changes may impact Cenovus's ability to transfer our licences, approvals or permits, and may result in increased costs and delays or require changes to or abandonment of projects and transactions.

The aggregate value of the A&R liabilities assumed by the OWA has increased in recent years following the lower court decisions in Redwater and as a result of the current economic environment. To the extent the Supreme Court of Canada's decision in Redwater makes the transfer of oil and gas assets from insolvent parties more challenging because a trustee in bankruptcy is unable to separate economic assets from uneconomic assets within the insolvent party's estate in order to facilitate a sale process, the result could be additional assets being placed upon the OWA.

While the Supreme Court of Canada's decision in Redwater may reduce the A&R liabilities assumed by the OWA in the long-term, the OWA's A&R liabilities will remain at elevated levels until a significant number of orphaned wells are decommissioned by the OWA. As a result, the OWA may seek additional funding for such liabilities from industry participants, including Cenovus through an increase in its annual levy, further changes to regulations or other means. While the impact on Cenovus of any legislative, regulatory or policy decisions cannot be reliably or accurately estimated, any cost recovery or other measures taken by applicable regulatory bodies may impact Cenovus and materially and adversely affect, among other things, our business, financial condition, results of operations and cash flows.

Royalty Regimes

Our cash flows may be directly affected by changes to royalty regimes. The governments of Alberta and British Columbia receive royalties on the production of hydrocarbons from lands in which they respectively own the mineral rights. Government regulation of Crown royalties is subject to change for a number of reasons, including, among other things, political factors. Royalties are typically calculated based on benchmark prices, productivity per well, location, date of discovery, recovery method, well depth and the nature and quality of petroleum product produced. There is also a mineral tax in each province levied on hydrocarbon production from lands in which the Crown does not own the mineral rights. The potential for changes in the royalty and mineral tax regimes applicable in the provinces in which Cenovus operates creates uncertainty relating to the ability to accurately estimate future Crown burdens and could have a significant impact on our business, financial condition, results of operations and cash flows.

The Government of Alberta has implemented a new Royalty Regime, Alberta's Modernized Royalty Framework ("MRF") which applies to all conventional wells spud on or after January 1, 2017. The MRF does not apply to oil sands production, which has its own separate royalty framework. Wells spud prior to July 13, 2016 will continue to operate under the previous royalty framework. Wells spud between July 13, 2016 and January 1, 2017 may elect to opt-in to the MRF if certain criteria are met. After December 31, 2026, all wells will be subject to the MRF. As part of the MRF, the Government of Alberta announced two new strategic royalty programs to encourage oil and

gas producers to boost production and explore resources in new areas: the Enhanced Hydrocarbon Recovery Program and the Emerging Resources Program. These programs will take into account the higher costs associated with development of emerging resources and enhanced recovery methods when calculating royalty rates. The royalty structure and rates for oil sands production in Alberta remain generally unchanged following the royalty review. The Government of Alberta has indicated that it plans to modernize the process of calculating costs and collecting oil sands royalties, and has recently implemented public disclosure of cost, revenue and collection information relating to oil sands projects and royalties.

Further changes to any of the royalty regimes in Alberta, changes to the existing royalty regimes in British Columbia, changes to how existing royalty regimes are interpreted and applied by the applicable governments, or an increase in disclosure obligations for Cenovus could have a significant impact on our business, financial condition, results of operations and cash flows. An increase in the royalty rates in Alberta or British Columbia would reduce our earnings and could make, in the respective province, future capital expenditures or existing operations uneconomic. A material increase in royalties or mineral taxes may reduce the value of our associated assets.

Environmental Regulatory Risk

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, the "environmental regulations"). Environmental regulations provide that wells, facility sites, refineries and other properties and practices associated with our operations be constructed, operated, maintained, abandoned, reclaimed and undertaken in accordance with the requirements 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, costs, 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 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 requires significant expenditures. Our future capital expenditures and operating expenses could continue to increase as a result of, among other things, developments in our business, operations, plans and objectives and changes to existing, or implementation of new, environmental regulations. Failure to comply with environmental regulations may result in, among other things, the imposition of fines, penalties, environmental protection orders, suspension of operations, and could adversely effect our reputation. The costs of complying with environmental regulations may have a material adverse effect on our business, 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 compliance costs, and have an adverse effect on our business, financial condition, results of operations and cash flows.

Climate Change Regulation

Various federal, provincial and state governments have announced intentions to regulate GHG emissions. Some of these regulations are in effect while others remain in various phases of review, discussion or implementation in the U.S. and Canada.

In 2016, the Government of Canada ratified the international Paris Agreement on climate change and announced a new national carbon pricing regime (the "Carbon Strategy"). In 2018, the federal government finalized the *Greenhouse Gas Pollution Pricing Act* under the Carbon Strategy, which specifies (i) a carbon price on fossil fuels of $20 per tonne of carbon dioxide equivalent ("CO2e") in 2019, rising by $10 per year to $50 per tonne CO2e in 2022 and (ii) an Output-Based Pricing System ("OBPS") for industrial facilities with annual emissions of 50 kilotonnes of GHG per year or more. OBPS facilities will be subject to the carbon price on the portion of emissions that exceed an annual output-based emissions limit, which can be satisfied by paying a charge, applying federally issued surplus credits or eligible offset credits. The federal carbon pricing system will apply only in jurisdictions that do not have equivalent measures in place.

The Alberta Climate Leadership Plan, sets forth several commitments relevant to the oil and gas sector: (1) the implementation of an economy-wide carbon levy; (2) limiting of 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 (3) a goal to reduce methane emissions from oil and gas activities by 45 percent by 2025. The economy-wide carbon levy is based on a rate of $30 per tonne for 2018 and exempts activities integral to oil and gas production processes until 2023.

The *Alberta Carbon Competitiveness Incentive Regulation* ("CCIR", effective January 1, 2018) applies to facilities that emit greater than 100,000 tonnes of GHG per year. Facilities are exempt from the carbon levy, but are required to meet an emissions intensity benchmark which is set based on industry performance. Where emissions exceed the benchmark, the facility must reduce its net emissions by applying emissions offsets, emissions

performance credits or fund credits against its actual emissions level. The benchmarks are subject to future adjustment.

The British Columbia *Carbon Tax Act* sets a carbon price of $30 per tonne of CO2e on fuel combustion. Beginning April 1, 2018, the provincial carbon tax is expected to increase by $5 per tonne of CO2e per year, reaching the federal target carbon price of $50 on April 1, 2021. The tax may also be expanded to fugitive and vented emissions from the oil and gas sector. The Government of British Columbia has also introduced measures to reduce upstream methane emissions by 45 percent and establish separate sector-level benchmarks to reduce carbon tax costs for industrial facilities.

In 2018, the federal government finalized regulations to limit the release of methane and volatile organic compounds with staged implementation over the 2020 to 2023 time period. Provinces may establish their own methane reduction regulations and set up equivalency agreements with the federal government. Alberta and British Columbia have developed methane reduction rules that are expected to align with the federal government's proposed regulations.

It is expected that the carbon pricing systems in Alberta and British Columbia will meet the requirements of the federal *Greenhouse Gas Pollution Pricing Act*. Our operating oil sands assets and two of our natural gas processing facilities are subject to the CCIR and are therefore exempt from the Alberta carbon levy. The carbon levy exemption for activities integral to oil and gas production processes applies to the vast majority of emissions related to activities in our Deep Basin assets. In 2023, when the current exemptions are expected to end, we expect that our conventional oil and gas production facilities will be eligible to opt-in to the CCIR thereby mitigating a portion of the cost associated with the carbon levy.

Uncertainties exist relating to the timing and effects of these emerging regulations, other contemplated legislation, including how they may be harmonized, making it difficult to accurately determine the cost impacts and effects on our suppliers. Additional changes to climate change legislation may adversely affect our business, financial condition, results of operations and cash flows, which cannot be reliably or accurately estimated at this time.

Other possible effects from emerging regulations may also include, but are not limited to: increased compliance costs; permitting delays; substantial costs to generate or purchase emission credits or allowances, all of which may increase operating expenses. Further, 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 have access to such resources or technology to meet such emission reduction requirements or other compliance mechanisms may have a material adverse effect on our business resulting in, among other things, fines, permitting delays, penalties and the suspension of operations.

The extent and magnitude of any adverse impacts of current or additional programs or regulations beyond reasonably foreseeable requirements cannot be reliably or accurately estimated at this time, in part 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. Consequently, no assurances can be given that the effect of future climate change regulations will not be significant to Cenovus. There is also risk that we could face claims initiated by third parties relating to climate change or other environmental regulations. These claims could, among other things, result in litigation targeted against Cenovus and the oil and gas industry generally, and should any such litigation claims arise, they may have a material adverse effect on our business.

Low Carbon Fuel Standards

Existing and proposed environmental legislation and regulation developed by certain U.S. states, Canadian provinces, the Canadian federal government and members of 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 us to purchase emissions credits in order to affect sales in such jurisdictions.

Environment and Climate Change Canada has published a regulatory framework on its proposed clean fuel standard regulation to be adopted under the *Canadian Environmental Protection Act, 1999*. The clean fuel standard regulation will establish lifecycle carbon intensity requirements separately for liquid, gaseous and solid fuels that are used in transportation, industry and buildings. The stated purpose of the clean fuel standard is to incent the use of a broad range of low carbon fuels, energy sources and technologies. The clean fuel standard regulation has the potential to impact our business, financial condition, results of operations and cash flows, though at this time it is difficult to predict or quantify any such impacts.

The states of California and Oregon, and the province of British Columbia have implemented the Low Carbon Fuel Standard, the Clean Fuels Program, and the Renewable and Low Carbon Fuel Requirements Regulation, respectively. The regulations require the reduction of life cycle carbon emissions from transportation fuels. As an oil sands producer, we are not directly regulated and are not expected to have a compliance obligation. Refiners, importers, and fuel distributors in these jurisdictions are required to comply with the legislation.

Renewable Fuel Standards

Our 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 renewable fuels such as ethanol and advanced biofuels to be blended with gasoline by the obligated party. 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 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.

Our refineries do not blend renewable fuels into the motor fuel products they produce and, consequently, we are obligated, through WRB, 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. Our financial condition, results of operations, and cash flows may be materially adversely impacted as a result.

Marine Fuel Oil Sulphur Specification

As a specialized agency of the United Nations and the main regulatory body for the shipping industry, the International Maritime Organization ("IMO") is the global standard-setting authority for the safety, security and environmental performance of international shipping. IMO has set a global limit for sulphur in fuel oil used on board ships of 0.5 weight percent from January 1, 2020, drastically changed from the current upper limit of 3.5 weight percent. The IMO's goal is to significantly reduce the amount of sulphur oxide emanating from ships and it expects major health and environmental benefits for the world, particularly for populations living close to ports and coasts.

Refineries worldwide currently blend around three million barrels per day of high sulphur Residual Fuel Oil ("RFO") with lighter oil to make bunker fuel oil for the shipping industry. RFO is an outlet at the refinery for difficult to process crude components, usually high sulphur residuum. Sulphur reduction for RFO is more difficult than for lighter distillates as the asphaltene content in RFO requires more costly and complex processing.

Cenovus crude production contains a large amount of high sulphur residuum. Most of Cenovus's crude is processed by complex refineries. However, after 2020, the availability of complex refining capacity may become scarce. This coming IMO sulphur regulation has the potential to materially adversely impact our crude marketing and may materially contribute to increased widening of the light to heavy crude oil differential, distressing pricing for heavier crude oils including bitumen. The severity of the impact depends on the enforcement of the regulation, the ability of ship owners to install scrubbers, worldwide heavy sour crude production and additional heavy processing availability.

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 or activity in areas identified as critical habitat for species of concern, such as woodland caribou. Recent petitions and litigation against the federal government in relation to their obligations under 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, a suite of initiatives have been undertaken to support caribou recovery, including: a) the Alberta Caribou Action and Range Planning Project to develop long term habitat management plans such that ranges may return to self-sustaining status, b) development of methods for long term Regional Access Management Plans c) mineral development deferral agreements, and, d) negotiation of conservation agreements under Section 11 of the *Species at Risk Act*, which seek to codify concrete measures to support the conservation of the species and the protection of its critical habitat.

If plans and actions undertaken by the provinces are deemed not to provide sufficient likelihood of caribou recovery, the federal legislation includes the ability to implement measures that would preclude further development or modify existing operations. For example, the federal government is undertaking an imminent threat assessment for a portion of caribou herd range in West Central Alberta which may compel further intervention (this range does not overlap Cenovus's lands or operations), a habitat protection order under Section 58 of the *Species at Risk Act* is pending for federally administered lands (including the Saskatchewan side of the Cold Lake Air Weapons Range to the east of Cenovus operations), and is the subject of an application for a protection order for the critical habitat of five sub-populations of woodland caribou. On January 24, 2019, the Athabasca Chipewyan and Mikisew Cree First Nations in northern Alberta, together with the Alberta Wilderness Association and the David Suzuki Foundation, filed an application for judicial review in federal court arguing that the Minister has failed to protect the habitat of five boreal woodland caribou herds. The applicants claim that although the Minister acknowledges that provincial recovery plans for the threatened species are inadequate, the federal government has not fulfilled its duty to issue a protective order under the *Species at Risk Act.*

Federal Air Quality Management System

The Multi-sector Air Pollutants Regulations ("MSAPR"), issued under the *Canadian Environmental Protection Act, 1999*, seek to protect the environment and health of Canadians by setting mandatory, nationally-consistent air pollutant emission standards. The MSAPR are aimed at equipment-specific Base-Level Industrial Emissions Requirements ("BLIERs"). Nitrogen oxide BLIERs from our non-utility boilers, heaters and reciprocating engines are regulated in accordance with specified performance standards. We do not anticipate a material impact to existing or future operations as a result of the MSAPR.

Canadian Ambient Air Quality Standards ("CAAQS") for nitrogen dioxide, sulphur dioxide, fine particulate matter ("PM2.5") and ozone were introduced as part of a national Air Quality Management System. Provincial level implementation of the CAAQS may occur at the regional air zone level and air zone management actions may include more stringent emissions standards applicable to industrial sources from approval holders in regions where Cenovus operates that may result in adverse impacts such as but not limited to increased operating costs.

Federal Review of Environmental and Regulatory Processes

In 2016, the Government of Canada commenced a review of the environmental and regulatory processes administered under the *National Energy Board Act*, *Canadian Environmental Assessment Act*, *Fisheries Act*, and the *Navigation Protection Act*. In February 2018, the Government of Canada proposed amendments to the *Fisheries Act* and the *Navigation Protection Act*, and proposed the enactment of the *Impact Assessment Act*, and the *Canadian Energy Regulator Act*.

The proposed *Fisheries Act* amendments restore the previous prohibition against "harmful alteration, disruption or destruction of fish habitat" ("HADD") and introduce several new requirements to expand the act's scope of protection and role of Aboriginal groups and interests. The HADD requirement may result in increased permitting requirements where our operations potentially impact fish habitat.

The proposed changes to the *Navigation Protection Act*, including renaming the Act to the *Canadian Navigable Waters Act*, will expand the scope to all navigable waters, create greater oversight for navigable waters and, consistent with the *Fisheries Act*, introduces requirements to expand the Act's scope of protection and the role of Aboriginal groups and interests.

The proposed *Impact Assessment Act*, will replace the *Canadian Environmental Assessment Act* and, if passed, will establish the Impact Assessment Agency of Canada, which will lead and coordinate impact assessments for all designated projects, including those previously administered by the National Energy Board. The proposed legislation expands the assessment considerations beyond the environment to include health, economy, social, gender and impacts on Aboriginal peoples. The proposed *Canadian Energy Regulator Act* is intended to replace the National Energy Board with the Canadian Energy Regulator and modify the regulator's role.

The regulatory proposals are subject to change as they work through the Parliamentary process. The extent and magnitude of any adverse impacts resulting from these proposed legislative changes on project development and operations cannot be reliably or accurately estimated at this time as uncertainty exists with respect to their implementation and what the accompanying regulations, including the types of projects that will be assessed under the new legislation. Increased environmental assessment obligations and reporting obligations may create risk of increased costs and project development delays.

British Columbia Review of Environmental and Regulatory Processes

In 2018, the Government of British Columbia continued progressing their commitments to reviewing the province's environmental assessment process and other regulatory processes, including enacting an endangered species law and harmonizing other laws related to the environment. The *Environmental Assessment Act* was passed in the Fall of 2018 and allows wide discretionary powers to the Minister to designate a project for review on request from the public. The government has also implemented its commitment to proceed with a scientific review of hydraulic fracturing to determine impacts on water and the relationship to seismic activity for which the report will be released in 2019.

In January 2018, the Government of British Columbia proposed restrictions on the increase of diluted bitumen transportation as part of the second phase of regulations to improve preparedness, response and recovery from potential oil spills. In March of 2018, the Government of British Columbia submitted a court reference to the British Columbia Court of Appeal to confirm whether or not it is within their jurisdiction to regulate transportation of bitumen within the province, as set out in the proposed regulation. The court reference has not yet been heard.

The extent and magnitude of any adverse impacts of changes to the legislation or policies on project development and operations cannot be estimated at this time as uncertainty exists with respect to recommendations being considered or to be developed. Increased environmental assessment obligations or transportation restrictions may create risk of increased costs and project development delays.

Water Licences

In Alberta, we utilize fresh water in certain operations, which is obtained under licences issued pursuant to the *Water Act* to provide domestic and utility water at our SAGD facilities and for our bitumen delineation programs and our activities in the Deep Basin. Currently, we are not required to pay for the water we use under these

licenses. There can be no assurance that we will not have to pay a fee for the use of water in the future or that any such fees will be reasonable. If a change under these licences reduces the amount of water available for our use, production could decline or operating expenses could increase, both of which may have a material adverse effect on our business and financial performance. There can be no assurance that the licences to withdraw water will not be rescinded or that additional conditions will not be added to these licences. In addition, the expansion of our projects rely on securing licences for additional water withdrawal, and there can be no assurance that these licences will be granted on terms favourable to us, or at all, or that such additional water will in fact be available to divert under such licences.

In British Columbia, groundwater use is regulated with the coming into force of the *Water Sustainability Act*. Most groundwater use (other than domestic use) requires a water licence to divert water from an aquifer. There is a three year period for existing non-domestic groundwater users to transition into the current water licensing scheme and its first-in-time, first-in-right priority system. There are annual water rental fees established by the regulations to the *Water Sustainability Act*. Additional supporting regulations continue to be proposed and brought into force.

Water use fees may increase and licence terms and conditions may be amended in the future, which may adversely affect our business including ability to operate. In addition, there is no assurance that if we require new licences or amendments to existing licences, that these licences or amendments will be granted on favourable terms.

Alberta Wetland Policy

Wetland management within Alberta is regulated by Section 36 of the *Water Act,* together with the Alberta Wetland Policy and the Provincial Wetland Restoration and Compensation Guide.

Pursuant to the Alberta Wetland Policy, developers of oil and gas assets in wetlands areas may be required to avoid the wetlands or mitigate the development's effects on wetlands.

The Alberta Wetland Policy is not expected to affect Cenovus's existing operations in Foster Creek, Christina Lake and Narrows Lake, as projects approved prior to July 4, 2016 are exempted from the policy. However, new project developments and future phase expansions that have not yet been approved are expected to be subject to this policy. As our oil sands leases are in areas where wetlands cover over 50 percent of the landscape, avoidance of wetlands is not possible. In addition, Deep Basin development activities are subject to the policy if they occur in wetlands. In these cases we are required to comply with requirements for wetland reclamation or, where permanent wetland loss will occur, payment to an in-lieu fee program, or permittee-responsible replacement action.

Based on the *Alberta Wetland Mitigation Directive, 2018* and consultation with Alberta Environment and Parks as well as the AER, we do not anticipate a material impact of the policy on our oil sands or unconventional assets in the Deep Basin.

Hydraulic Fracturing

Certain stakeholders have made claims that hydraulic fracturing techniques are harmful to surface water and drinking water sources and suggest that additional federal, provincial, territorial and/or municipal laws and regulations may be needed to more closely regulate the hydraulic fracturing process.

The Canadian federal government and certain provincial governments continue to review certain aspects of the existing scientific, regulatory and policy framework under which hydraulic fracturing operations are conducted. Further, certain governments in jurisdictions where the Company does not currently operate have considered or implemented moratoriums on hydraulic fracturing until further studies can be completed and some governments have adopted, and others have considered adopting, regulations that could impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing operations.

Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to limitations or restrictions to oil and gas development activities, operational delays, additional operating requirements, or increased third-party or governmental claims that could increase our cost of compliance and doing business as well as reduce the amount of natural gas and oil that Cenovus is ultimately able to produce from its reserves.

Seismic Activity

Some areas of British Columbia and Alberta are experiencing increasing localized frequency of seismic activity which has been associated with oil and gas operations. Although the occurrence of seismicity in relation to oil and gas operations is generally very low, it has been linked to deep disposal of wastewater in the U.S. and has been correlated with hydraulic fracturing in western Canada which has prompted legislative and regulatory initiatives intended to address these concerns.

These initiatives have the potential to require additional monitoring, restrict the injection of produced water in certain disposal wells and/or modify or curtail hydraulic fracturing operations which could lead to operational delays, increase compliance costs or otherwise adversely impact Cenovus's operations.

Reputation Risk

We rely on our reputation to build and maintain positive relationships with stakeholders, to recruit and retain staff, and to be a credible, trusted company. Any actions we take that cause negative public opinion have the potential to

negatively impact our reputation which may adversely affect our share price, development plans and our ability to continue operations.

Public Perception of Alberta Oil Sands

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, water and land use practices and indigenous engagement in oil sands developments specifically may, directly or indirectly, impair the profitability of our current oil sands projects, and the viability of future oil sands projects, by creating significant regulatory uncertainty leading to uncertainty in 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 Risks

Risks Related to the Acquisition

Unexpected Costs or Liabilities Related to the Acquisition

Acquisitions of crude oil and natural gas properties are based largely on engineering, environmental and economic assessments made by the acquirer, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of crude oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of crude oil and natural gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond our control. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

In connection with the Acquisition, there may be liabilities that we failed to discover or were unable to quantify in our due diligence conducted prior to the execution of the purchase and sale agreement between ConocoPhillips and Cenovus dated March 29, 2017, as amended (the “Acquisition Agreement”), and we may not be indemnified for some or all of these liabilities. The discovery or quantification of any material liabilities could have a material adverse effect on our business, financial condition or future prospects. In addition, the Acquisition Agreement limits the amount for which we are indemnified, such that liabilities in respect of the Acquisition may be greater than the amounts for which we are indemnified under the Acquisition Agreement.

Realization of Acquisition Benefits

We believe that the Acquisition will provide a number of benefits to Cenovus. However, there is a risk that some or all of the expected benefits of the Acquisition may fail to materialize, may cost more to achieve or may not occur within the time periods that we anticipate. The realization of such benefits may be affected by a number of factors, many of which are beyond our control.

Amount of Contingent Payments

In connection with the Acquisition, we have agreed to make contingent payments under certain circumstances. The amount of contingent payments will vary depending on the Canadian dollar WCS price from time to time during the five year period following the closing of the Acquisition, and such payments may be significant. In addition, in the event that such payments are made, this could have an adverse impact on our reported results and other metrics.

Effect on Market Price from Future Sales of common shares of Cenovus by ConocoPhillips

The future sales of common shares of Cenovus into the market held by ConocoPhillips, either through open market trades on the Toronto and New York stock exchanges, through privately arranged block trades, or pursuant to prospectus offerings made in accordance with the registration rights agreement, could adversely affect prevailing market prices for the common shares. In addition, market perception regarding ConocoPhillips' intention to make sales of Cenovus common shares may have a negative impact on the trading price of these common shares.

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 we calculate our tax liabilities such that its provision for income taxes may not be sufficient, or such authorities could change their administrative practices to Cenovus’s detriment or the

detriment of its shareholders. In addition, all of our 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.

United States Tax Risk

In the U.S., the *Tax Cuts and Jobs Act* was signed into law on December 22, 2017. The legislation reduces the federal corporate tax rate from 35 percent to 21 percent; allows immediate expensing of qualified property acquired prior to 2023; imposes a limitation on the utilization of post-2017 net operating losses to 80 percent of taxable income; revises the previous limitation on the deductibility of interest expense; and introduces new provisions imposing a minimum tax in certain circumstances when a company has payments to a related foreign entity. There are significant gaps in the legislation that will be filled through Treasury regulations. While Treasury has released a number of proposed regulations as of December 31, 2018, there is a possibility that public input during the regulatory comment period may cause Treasury to change its interpretation of certain provisions when the regulations are finalized. Negative consequences may arise as a result of continued developments associated with this legislation and accompanying regulations.

Arrangement Related Risk

We have 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 Corporation ("Encana"), 7050372 Canada Inc. and Cenovus Energy Inc. (formerly, Encana Finance Ltd.), 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, we cannot determine whether we will have to indemnify Encana for any substantial obligations under the terms of the Arrangement. We also cannot assure that if Encana has to indemnify us and our 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 MD&A, which may impact our business, prospects, financial condition, results of operation and cash flows, and in some cases our reputation, can be found in our subsequently filed MD&A, available on SEDAR at sedar.com, on EDGAR at sec.gov and cenovus.com.

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTIES AND ACCOUNTING POLICIES

Management is required to make estimates and assumptions, and use judgment in the application of accounting policies that could have a significant impact on our financial results. Actual results may differ from estimates and those differences may be material. The estimates and assumptions used are subject to updates based on experience and the application of new information. Our critical accounting policies and estimates are reviewed annually by the Audit Committee of the Board. Further details on the basis of preparation and our significant accounting policies can be found in the notes to the Consolidated Financial Statements.

Critical Judgments in Applying Accounting Policies

Critical judgments are those judgments made by Management in the process of applying accounting policies that have the most significant effect on the amounts recorded in our Consolidated Financial Statements.

Joint Arrangements

The classification of a joint arrangement as either a joint operation or a joint venture requires judgment. Cenovus holds a 50 percent interest in WRB, a jointly controlled entity. It was determined that Cenovus has the rights to the assets and obligations for the liabilities of WRB. As a result, the joint arrangement is classified as a joint operation and the Company's share of the assets, liabilities, revenues and expenses are recorded in the Consolidated Financial Statements.

Prior to May 17, 2017, Cenovus held a 50 percent interest in FCCL, which was jointly controlled with ConocoPhillips and met the definition of a joint operation under IFRS 11. As such, Cenovus recognized its share of the assets, liabilities, revenues and expenses in its consolidated results. Subsequent to the Acquisition, Cenovus controls FCCL, as defined under IFRS 10, and, accordingly, FCCL has been consolidated.

In determining the classification of our joint arrangements under IFRS 11, we considered the following:

- The intention of the transaction creating FCCL and WRB was to form an integrated North American heavy oil business. The integrated business was structured, initially on a tax neutral basis, through two partnerships due to the assets residing in different tax jurisdictions. Partnerships are "flow-through" entities which have a limited life.
- The partnership agreements require the partners (Cenovus and ConocoPhillips or Phillips 66 or respective subsidiaries) to make contributions if funds are insufficient to meet the obligations or liabilities of the

partnerships. The past and future development of FCCL and WRB is dependent on funding from the partners by way of partnership notes payable and loans. The partnerships do not have any third-party borrowings.

- FCCL operated like most typical western Canadian working interest relationships where the operating partner takes product on behalf of the participants. WRB has a very similar structure modified only to account for the operating environment of the refining business.
- Cenovus and Phillips 66, as operators, either directly or through wholly-owned subsidiaries, provide marketing services, purchase necessary feedstock, and arrange for transportation and storage on the partners' behalf as the agreements prohibit the partnerships from undertaking these roles themselves. In addition, the partnerships do not have employees and, as such, are not capable of performing these roles.
- In each arrangement, output is taken by one of the partners, indicating that the partners have rights to the economic benefits of the assets and the obligation for funding the liabilities of the arrangements.

Exploration and Evaluation Assets

The application of Cenovus's accounting policy for E&E expenditures requires judgment in determining whether it is likely that future economic benefit exists when activities have not reached a stage where technical feasibility and commercial viability can be reasonably determined. Factors such as drilling results, future capital programs, future operating expenses, as well as estimated reserves and resources are considered. In addition, Management uses judgment to determine when E&E assets are reclassified to PP&E. In making this determination, various factors are considered, including the existence of reserves, and whether the appropriate approvals have been received from regulatory bodies and the Company's internal approval process.

Identification of CGUs

CGUs are defined as the lowest level of integrated assets for which there are separately identifiable cash flows that are largely independent of cash flows from other assets or groups of assets. The classification of assets and allocation of corporate assets into CGUs requires significant judgment and interpretation. Factors considered in the classification include the integration between assets, shared infrastructures, the existence of common sales points, geography, geologic structure, and the manner in which Management monitors and makes decisions about its operations. The recoverability of the Company's upstream, refining, crude-by-rail and corporate assets are assessed at the CGU level. As such, the determination of a CGU could have a significant impact on impairment losses and reversals.

Key Sources of Estimation Uncertainty

Critical accounting estimates are those estimates that require Management to make particularly subjective or complex judgments about matters that are inherently uncertain. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recorded in the period in which the estimates are revised. The following are the key assumptions about the future and other key sources of estimation at the end of the reporting period. Changes to these assumptions and key sources of estimation could result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Crude Oil and Natural Gas Reserves

There are a number of inherent uncertainties associated with estimating crude oil and natural gas reserves. Reserves estimates are dependent upon variables including the recoverable quantities of hydrocarbons, the cost of the development of the required infrastructure to recover the hydrocarbons, production costs, estimated selling price of the hydrocarbons produced, royalty payments and taxes. Changes in these variables could significantly impact the reserves estimates which would affect the impairment test and DD&A expense of our crude oil and natural gas assets in the Oil Sands and Deep Basin segments. Cenovus's crude oil and natural gas reserves are evaluated annually and reported to Cenovus by our IQREs. Refer to the Outlook section of this MD&A for more details on future commodity prices.

Recoverable Amounts

Determining the recoverable amount of a CGU or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. For our upstream assets, these estimates include forward commodity prices, expected production volumes, quantity of reserves and resources, discount rates, future development and operating expenses, and income tax rates. Recoverable amounts for the refining assets and crude-by-rail terminal use assumptions such as throughput, forward commodity prices,
operating expenses, transportation capacity, supply and demand conditions, and income tax rates. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the related assets. Refer to the Reportable Segments section of this MD&A for more details on impairments and reversals.

As at December 31, 2018, 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. The fair values for producing properties were calculated based on discounted after-tax cash flows of proved and probable reserves using forward prices and cost estimates, prepared by Cenovus's IQREs. 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, 2018 by our IQREs.

Crude Oil, NGLs and Natural Gas Prices

The forward prices as at December 31, 2018, used to determine future cash flows from crude oil, NGLs and natural gas reserves were:

	2019	2020	2021	2022	2023	Average Annual Increase Thereafter (percent)
WTI (US$/barrel)	58.58	64.60	68.20	71.00	72.81	2.0
WCS (C$/barrel)	51.55	59.58	65.89	68.61	70.53	2.1
Edmonton C5+ (C$/barrel)	70.10	79.21	83.33	86.20	88.16	2.0
AECO (C$/Mcf) (1)	1.88	2.31	2.74	3.05	3.21	2.0

(1) Assumes gas heating value of one MMBtu per thousand cubic feet.

Discount and Inflation Rates

Discounted future cash flows are determined by applying a discount rate between 10 percent and 15 percent, based on the individual characteristics of the CGU and other economic and operating factors. Inflation is estimated at two percent, which is common industry practice and used by Cenovus's IQREs in preparing their reserves reports.

Decommissioning Costs

Provisions are recorded for the future decommissioning and restoration of our upstream crude oil and natural gas assets, refining assets and crude-by-rail terminal at the end of their economic lives. Management uses judgment to assess the existence and to estimate the future liability. The actual cost of decommissioning and restoration is uncertain and cost estimates may change in response to numerous factors including changes in legal requirements, technological advances, inflation and the timing of expected decommissioning and restoration. In addition, Management determines the appropriate discount rate at the end of each reporting period. This discount rate, which is credit-adjusted, is used to determine the present value of the estimated future cash outflows required to settle the obligation and may change in response to numerous market factors. Refer to Note 25 of the Consolidated Financial Statements for more details on changes to decommissioning costs.

Onerous Contract Provisions

A contract is considered to be onerous when the unavoidable cost of meeting the obligations of the contract exceed the economic benefits expected to be derived from the contract. Determining when to record a provision for an onerous contract requires Management judgement and the use of estimates and assumptions, including the nature, extent and timing of future cash flows and discount rates related to the contract.

Fair Value of Assets Acquired and Liabilities Assumed in a Business Combination

The fair value of assets acquired and liabilities assumed in a business combination, including contingent consideration and goodwill, is estimated based on information available at the date of acquisition. Various valuation techniques are applied for measuring fair value including market comparables and discounted cash flows which rely on assumptions such as forward prices, reserve and resources estimates, production costs, volatility, Canadian-U.S. foreign exchange rates and discount rates. Changes in these variables could significantly impact the carrying value of the net assets.

Income Tax Provisions

Tax regulations and legislation and the interpretations thereof in the various jurisdictions in which Cenovus operates are subject to change. There are usually a number of tax matters under review; therefore, income taxes are subject to measurement uncertainty.

Deferred income tax assets are recorded to the extent that it is probable that the deductible temporary differences will be recoverable in future periods. The recoverability assessment involves a significant amount of estimation including an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable earnings, the availability of cash flow to offset the tax assets when the reversal occurs and the application of tax laws. There are some transactions for which the ultimate tax determination is uncertain. To the extent that assumptions used in the recoverability assessment change, there may be a significant impact on the Consolidated Financial Statements of future periods. Refer to the Corporate and Eliminations section of this MD&A for more details on changes to estimates related to income taxes.

Changes in Accounting Policies

Effective January 1, 2018, Cenovus adopted IFRS 9, "*Financial Instruments*" ("IFRS 9") replacing IAS 39, "*Financial Instruments: Recognition and Measurement*" ("IAS 39"). The adoption of IFRS 9 did not have a material impact on our Consolidated Financial Statements.

Effective January 1, 2018, Cenovus adopted IFRS 15, *"Revenue From Contracts With Customers"* ("IFRS 15") replacing IAS 11, *"Construction Contracts",* IAS 18, *"Revenue"* and several revenue-related interpretations. The adoption of IFRS 15 did not have a material impact on our Consolidated Financial Statements.

Further information about changes to our accounting policies resulting from the adoption of IFRS 9 and IFRS 15 can be found in Note 4 to the Consolidated Financial Statements.

New Accounting Standards and Interpretations not yet Adopted

A number of new accounting standards, amendments to accounting standards and interpretations are effective for annual periods beginning on or after January 1, 2019 and have not been applied in preparing the Consolidated Financial Statements for the year ended December 31, 2018. The standards applicable to Cenovus are as follows and will be adopted on their respective effective dates.

Leases

On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the above recognition requirements, and may continue to be treated as operating leases.

Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

IFRS 16 is effective for years beginning on or after January 1, 2019 and may be applied retrospectively or using a modified retrospective approach. We have selected to use the modified retrospective approach which does not require restatement of prior period financial information as the cumulative effect of applying the standard to prior periods is recorded as an adjustment to opening retained earnings. On initial adoption, we have elected to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use ("ROU") asset if the underlying asset is of low dollar value;
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease; and
- Use the Company's previous assessment under IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37"), for onerous contracts instead of reassessing the ROU asset for impairment on January 1, 2019.

On adoption of IFRS 16, we will recognize lease liabilities in relation to leases under the principles of the new standard measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or our incremental borrowing rate as at January 1, 2019. The associated ROU assets will be measured at the amount equal to the lease liability on January 1, 2019 less any amount previously recognized under IAS 37 for onerous contracts with no impact on retained earnings.

Adoption of the new standard will result in the recognition of additional lease liabilities and ROU assets of approximately $1.5 billion and $0.9 billion, respectively. We have identified ROU assets and lease liabilities primarily related to office space, railcars, storage tanks, drilling rigs and other field equipment. The impact on the consolidated statement of earnings will be as follows:

- Lower general and administrative expenses, transportation and blending costs, operating costs, purchased product and property, plant and equipment expenditures;
- Higher finance expenses due to the interest recognized on the lease obligations; and
- Higher depreciation expense related to the ROU assets.

We have reviewed office space contracts where the Company is the lessor and as a result of these assessments will recognize a $16 million net investment from these leases on January 1, 2019.

Uncertain Tax Positions

In June 2017, the IASB issued International Financial Reporting Interpretation Committee ("IFRIC") 23, *"Uncertainty over Income Tax Treatments"*. The interpretation provides clarity on how to account for a tax position when there is uncertainty over income tax treatments. In determining the likely resolution of the uncertain tax positions, a position may be considered separately or as a group. In addition, an assessment is required to determine the probability that the tax authority will accept the tax position taken in income tax filings. If the uncertain income tax treatment is unlikely to be accepted, the accounting tax position must reflect an appropriate level of uncertainty. An uncertain tax position may be reassessed if new information changes the original assessment. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 using either a modified or full retrospective approach. IFRIC 23 will not have a significant impact on the Consolidated Financial Statements.

CONTROL ENVIRONMENT

Management, including our President & Chief Executive Officer and Executive Vice-President & Chief Financial Officer, assessed the design and effectiveness of internal control over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") as at December 31, 2018. In making its assessment, Management used the Committee of Sponsoring Organizations of the Treadway Commission Framework in Internal Control – Integrated Framework (2013) to evaluate the design and effectiveness of internal control over financial reporting. Based on our evaluation, Management has concluded that both ICFR and DC&P were effective as at December 31, 2018.

The Company previously limited the scope and design of ICFR and DC&P to exclude the controls, policies and procedures of the Deep Basin Assets, acquired by the Company through a business combination on May 17, 2017. During the second quarter of 2018, the Company completed the evaluation and integration of the controls, policies and procedures of the Deep Basin Assets. No material weaknesses or significant deficiencies were noted during the integration. There have been no changes during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect ICFR.

The effectiveness of our ICFR was audited as at December 31, 2018 by PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, as stated in their Report of Independent Registered Public Accounting Firm, which is included in our audited Consolidated Financial Statements for the year ended December 31, 2018.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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 2017 CR report in August 2018 to report on our management efforts and performance across the above noted areas within our CR policy, as well as other environment, social and governance topics that are important to our stakeholders. Our CR report also lists external recognition we received for our commitment to corporate responsibility, and is available on our website at cenovus.com.

OUTLOOK

In 2019 we expect to see continued commodity price volatility and market access constraints for heavy oil exiting Alberta. On December 2, 2018, the Government of Alberta announced a temporary mandatory oil production cut for Alberta producers to address the record-high light-heavy crude oil differentials impacting our industry. We had already begun voluntarily reducing production levels at our Foster Creek and Christina Lake facilities during the third and fourth quarters of 2018 in response to limited takeaway capacity and discounted heavy oil pricing, and continue to work with the AER to determine the impact that the mandatory production curtailment will have on Cenovus. While our production levels will be impacted due to the curtailment, the expected improvement to the oil price is anticipated to have a positive impact on our cash flows.

We continue to look for ways to increase our margins through operating performance and cost leadership, while focusing on safe and reliable operations. Proactively managing our market access commitments and opportunities should assist with our goal of reaching a broader customer base to secure a higher sales price for our liquids production. In 2018, we strengthened our long-term market access position by signing rail agreements to transport approximately 100,000 barrels per day of heavy crude oil to various destinations on the U.S. Gulf Coast, providing a means to move our volumes out of Alberta and to a customer base in other market centres, as well as mitigating some of the price impact of pipeline congestion on those barrels. We also recently increased our committed capacity on the proposed Keystone XL Pipeline by 100,000 barrels per day. We expect that transportation challenges faced by our industry will continue to negatively impact heavy oil prices, demonstrating the need for increased utilization of rail within the industry, and for approved pipeline projects in North America to proceed as soon as possible.

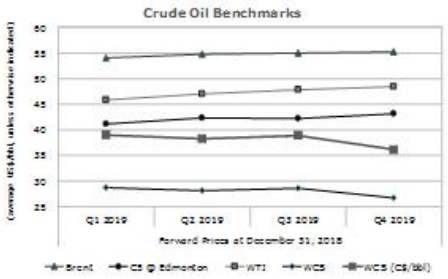
Through a continued focus on capital discipline and cost reductions, we have reduced the amount of capital needed to sustain our base business and expand our projects, which we believe will further help support our financial resilience.

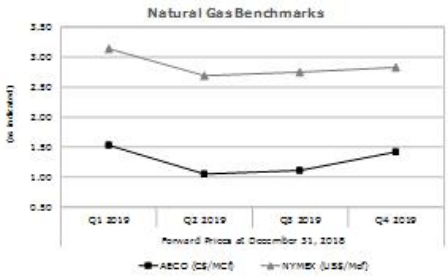
The following outlook commentary is focused on the next twelve months.

Commodity Prices Underlying our Financial Results

Our crude oil pricing outlook is influenced by the following:

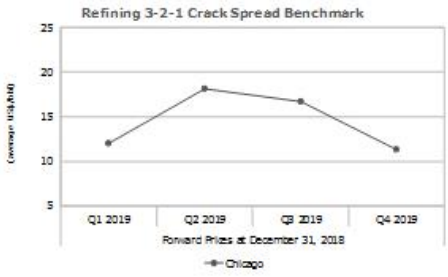
- We expect the general outlook for light crude oil prices to remain constructive and largely tied to the extent to which OPEC curtails production, as agreed to at their December 2018 meeting, the degree to which the U.S. enforces export sanctions on Iranian crude oil, and the degree to which global demand growth continues;
- Overall, crude oil price volatility is expected to decrease as inventories return to historical levels;
- We anticipate the Brent-WTI and the WTI-WTS differentials will narrow once additional pipeline capacity out of the Permian basin becomes available in the second half of 2019;
- Continuous OPEC cuts, enforcement of Iranian sanctions, and Venezuelan production declines will be supportive of the recent narrowing of global light-heavy crude oil price differentials;
- We expect that the WTI-WCS differential will remain largely tied to the extent to which mandatory temporary production curtailments in Alberta, the potential start-up of Enbridge Inc.'s Line 3 Replacement Project, and increasing crude-by-rail activity will reduce storage levels and support a narrower differential relative to recent highs;
- We anticipate that the pending International Maritime Organization (IMO) regulations will cause light-heavy crude oil price differentials to widen, although the magnitude of the widening remains uncertain; and
- We expect refining crack spreads will likely continue to fluctuate, adjusting for seasonal trends, and will narrow once the Brent-WTI differential narrows.

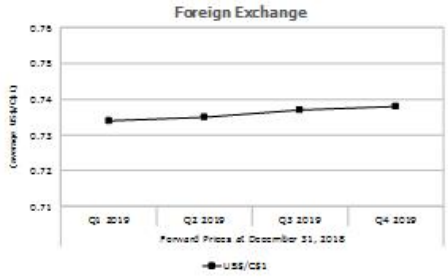




Natural gas prices are anticipated to remain challenged with North American supply continuing to grow as a result of U.S. shale gas drilling and associated natural gas from oil plays. The AECO basis differential is expected to remain wide as increasing supply is anticipated to exceed the limits of existing pipeline capacity.

We expect the Canadian dollar to continue to be tied to crude oil prices, the pace at which the U.S. Federal Reserve Board and the Bank of Canada raise benchmark lending rates relative to each other, and emerging macro-economic factors. The Bank of Canada raised its benchmark lending rate twice in 2017 and three times again in 2018, marking a notable shift for Canada towards a tighter monetary policy.





Our exposure to the light-heavy crude oil price differentials is composed of both a global light-heavy component as well as Canadian transportation constraints. While we expect to see volatility in crude oil prices, we have the ability to partially mitigate the impact of light-heavy crude oil price differentials through the following:

- Integration – having heavy oil refining capacity capable of processing Canadian heavy oil. From a value perspective, our refining business positions us to capture value from both the WTI-WCS differential for Canadian crude oil and the Brent-WTI differential from the sale of refined products;
- Transportation commitments and arrangements – supporting transportation projects that move crude oil from our production areas to consuming markets, including tidewater markets, as well as utilizing our crude-by-rail terminal and entering into agreements with third parties to move additional rail volumes to alleviate a portion of near-term takeaway capacity constraints;
- Marketing agreements – limiting the impact of fluctuations in upstream crude oil prices by entering into physical supply transactions with fixed price components directly with refiners;
- Dynamic storage – our ability to use the significant storage capacity in our oil sands reservoirs provides us flexibility on timing of production and sales of our inventory. We will continue to manage our production well rates in response to pipeline capacity constraints, crude-by-rail export capacity and crude oil price differentials; and
- Financial hedge transactions – limiting the impact of fluctuations in upstream crude oil prices by entering into financial transactions that fix the WTI-WCS differential.

Natural gas and NGLs production associated with our Deep Basin Assets provide improved upstream integration for the fuel, solvent and blending requirements at our oil sands operations.

Key Priorities For 2019

Deleveraging and Disciplined Capital Investment

In 2019, our focus will be on further deleveraging our balance sheet and maintaining capital discipline in an effort to position Cenovus to have the flexibility to balance increasing returns to shareholders with disciplined investment in high-return growth projects. Maintaining our financial resilience and flexibility while continuing to deliver safe and reliable operations remains a top priority.

In 2019, we anticipate capital investment to be between $1.2 billion and $1.4 billion. We plan to direct the majority of our 2019 capital budget towards sustaining oil sands production, while supporting the completion of the Christina Lake phase G expansion, which is ahead of schedule and expected to be completed in the second quarter of 2019. We have flexibility on when we start production from Christina Lake phase G, and will take into consideration whether mandated production curtailments have been lifted and there is sustained improvement in market access and heavy oil benchmark prices. In response to the current commodity price environment and our continued focus on near-term debt reduction, we are taking a very disciplined approach in the Deep Basin, with the goal of reducing costs, improving efficiencies and maximizing value. With integration remaining an important part of our overall strategy, capital investment is also allocated for scheduled maintenance and reliability work at the Refineries.

As at December 31, 2018, our net debt position was $8.4 billion. Through a combination of cash on hand and available capacity on our committed credit facility, we have approximately $5.3 billion of liquidity as at December 31, 2018.

Over the long-term, we continue to target a Net Debt to Adjusted EBIDTA ratio of less than 2.0 times. Our objective is to maintain a high level of capital discipline and manage our capital structure to help ensure sufficient liquidity through all stages of the economic cycle.

We remain committed to increasing shareholder value through cost leadership, capital discipline and safe and reliable operations. These commitments, in combination with our high-quality upstream assets and joint ownership in strong refining assets, are expected to strengthen our ability to generate free funds flow and continue to deleverage our balance sheet in 2019.

Market Access

Market access constraints for Canadian crude oil production continue to be a challenge. Our strategy is to maintain firm transportation commitments through a combination of pipelines, rail and marine access to support our growth plans, but leave capacity for optimization. In 2018, we made significant progress in strengthening our long-term market access position through three-year strategic agreements with major rail companies to transport approximately 100,000 barrels per day of heavy crude oil from northern Alberta to various destinations on the U.S. Gulf Coast. We have already begun shipping under these contracts, and anticipate ramping up to 100,000 barrels per day through 2019. While we remain confident that new pipeline capacity will be constructed, these rail agreements will help get our oil to higher-price markets. We expect to supplement firm capacity with active blending, storage, sourcing and destination optimization to ensure we are maximizing the margin on every barrel we produce.

In addition to our rail agreements, we recently increased our committed capacity on the proposed Keystone XL Pipeline. Between Keystone XL and the Trans Mountain Expansion Project, we now have 275,000 barrels per day of potential future pipeline capacity to the West Coast and U.S. Gulf Coast.

Cost Leadership

Over the past four years, we have achieved significant improvements in our operating and sustaining capital costs. We will continue to look for ways to improve efficiencies across Cenovus to drive incremental capital, operating and general and administrative cost reductions. We expect to realize additional savings through improvements in areas such as drilling performance, development planning and optimized scheduling of oil sands well start-ups. Our ability to drive structural and sustainable cost and margin improvements will further support our business plan, financial resilience and our ability to generate shareholder value.

We believe growth in cash flows and further cost reductions will help us reach our Net Debt to Adjusted EBITDA target of less than 2.0 times.

Advance Focused Technology and Innovation to Achieve Margin Improvement

We have always believed that technology and innovation are differentiating factors in our industry. We focus our innovation efforts on accelerating the adoption of technology solutions and methods of operating to enhance safety, reduce costs, improve margins and lower emissions. We expect innovation at Cenovus to mean significant improvements and game-changing developments that are implemented to generate value. We aim to complement our internal technology development efforts with external collaboration in an effort to leverage our technology spend.

ADVISORY

Oil and Gas Information

The estimates of reserves were prepared effective December 31, 2018 by independent qualified reserves evaluators, based on the Canadian Oil and Gas Evaluation Handbook and in compliance with the requirements of National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities. Estimates are presented using an average of three independent qualified reserves evaluators January 1, 2019 price forecasts. For additional information about our reserves and other oil and gas information, see “Reserves Data and Other Oil and Gas Information” in our AIF for the year ended December 31, 2018.

Barrels of Oil Equivalent – natural gas volumes have been converted to barrels of oil equivalent (BOE) on the basis of six Mcf to one barrel (bbl). BOE may be misleading, particularly if used in isolation. A conversion ratio of one bbl to six Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil compared with natural gas is significantly different from the energy equivalency conversion ratio of 6:1, utilizing a conversion on a 6:1 basis is not an accurate reflection of value.

Forward-looking Information

This document contains certain forward-looking statements and forward-looking information (collectively referred to as “forward-looking information”) within the meaning of applicable securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995, about our current expectations, estimates and projections about the future, based on certain assumptions made by us in light of our experience and perception of historical trends. Although we believe that the expectations represented by such forward looking information are reasonable, there can be no assurance that such expectations will prove to be correct.

Forward-looking information in this document is identified by words such as “aim”, “anticipate”, “believe”, “can be”, “capacity”, “committed”, “commitment”, “could”, “expect”, “estimate”, “focus”, “forecast”, “forward”, “future”, “guidance”, “may”, “on track”, “outlook”, “plan”, “position”, “potential”, “priority”, “projection”, “pursue”, “schedule”, “strategy”, “should”, “target”, “will”, or similar expressions and includes suggestions of future outcomes, including statements about: strategy and related milestones; schedules and plans; focus on maximizing shareholder value through cost leadership; desire to realize the best margins for our products; plans to maintain and demonstrate financial discipline while balancing growth and shareholder return; continuing to advance our operational performance and upholding our trusted reputation; expected timing for oil sands expansion phases and associated expected production capacities; projections for 2019 and future years and our plans and strategies to realize such projections; forecast exchange rates and trends; future opportunities for oil and natural gas development; forecast operating and financial results, including forecast sales prices, costs and cash flows; our commitment to continue reducing debt, including our long-term target Net Debt to Adjusted EBITDA ratio; our ability to satisfy payment obligations as they become due; priorities for and approach to capital investment decisions or capital allocation; planned capital expenditures, including the amount, timing and funding sources thereof; all statements with respect to our 2018 guidance estimates; expected future production, including the timing, stability or growth thereof; the impact of the Alberta Government’s mandatory production curtailment; our ability to take steps to partially mitigate against wider WTI and WCS price differentials; our expectation that our capital investment and any cash dividends for 2019 will be funded from internally generated cash flows and cash balance on hand; expected reserves; capacities, including for projects, transportation and refining; all statements related to government royalty regimes applicable to Cenovus, which regimes are subject to change; our ability to preserve our financial resilience and various plans and strategies with respect thereto; forecast cost reductions and

sustainability thereof; our priorities, including for 2019; future impact of regulatory measures; forecast commodity prices, differentials and trends and expected impact; potential impacts of various risks, including those related to commodity prices and climate change; the potential effectiveness of our risk management strategies; new accounting standards, the timing for the adoption thereof, and anticipated impact on the Consolidated Financial Statements; the availability and repayment of our credit facilities; potential asset sales; expected impacts of the contingent payment; future use and development of technology and associated future outcomes; our ability to access and implement all technology necessary to efficiently and effectively operate our assets and achieve expected future cost reductions; and projected growth and projected shareholder return. Readers are cautioned not to place undue reliance on forward-looking information as our 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 generally. The factors or assumptions on which our forward-looking information is based include: forecast oil and natural gas, natural gas liquids, condensate and refined products prices, light-heavy crude oil price differentials and other assumptions identified in Cenovus's 2019 guidance, available at cenovus.com; projected capital investment levels, the flexibility of capital spending plans and associated sources of funding; achievement of further cost reductions and sustainability thereof; applicable royalty regimes, including expected royalty rates; future improvements in availability of product transportation capacity; increase to our share price and market capitalization over the long-term; future narrowing of crude oil differentials; realization of expected capacity to store within our oil sands reservoirs barrels not yet produced, including that we will be able to time production and sales of our inventory at later dates when pipeline capacity has improved and crude oil differentials have narrowed; the Government of Alberta's mandatory production curtailment will narrow the differential between WTI and WCS crude oil prices thereby positively impacting cash flows for Cenovus; the ability of our refining capacity, dynamic storage, existing pipeline commitments, financial hedge transactions and plans to ramp up crude-by-rail loading capacity to partially mitigate a portion of our WCS crude oil volumes against wider differentials; estimates of quantities of oil, bitumen, natural gas and liquids from properties and other sources not currently classified as proved; accounting estimates and judgements; future use and development of technology and associated expected future results; our ability to obtain necessary regulatory and partner approvals; the successful and timely implementation of capital projects or stages thereof; our ability to generate sufficient cash flow to meet our current and future obligations; estimated abandonment and reclamation costs, including associated levies and regulations applicable thereto; achievement of expected impacts of the Acquisition; successful completion of the integration of the Deep Basin Assets; our ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner; our ability to access sufficient capital to pursue our development plans; our ability to complete asset sales, including with desired transaction metrics and the timelines we expect; forecast inflation and other assumptions inherent in our current guidance set out below; expected impacts of the contingent payment to ConocoPhillips; alignment of realized WCS and WCS prices used to calculate the contingent payment to ConocoPhillips; our ability to access and implement all technology necessary to achieve expected future results; our ability to implement capital projects or stages thereof in a successful and timely manner; and other risks and uncertainties described from time to time in the filings we make with securities regulatory authorities.

2019 guidance, as updated December 10, 2018, assumes: Brent prices of US$66.50/bbl, WTI prices of US$57.00/bbl; WCS of US$30.00/bbl; AECO natural gas prices of $1.75/GJ; Chicago 3-2-1 crack spread of US$16.50/bbl; and an exchange rate of $0.76 US$/C$.

The risk factors and uncertainties that could cause our actual results to differ materially, include: our ability to realize the anticipated benefits of and synergies from the Acquisition; our ability to access or implement some or all of the technology necessary to efficiently and effectively operate our assets and achieve expected future results; volatility of and other assumptions regarding commodity prices; our ability to realize the expected impacts of our capacity to store within our oil sands reservoirs barrels not yet produced, including possible inability to time production and sales at later dates when pipeline capacity and crude oil differentials have improved; failure of the Government of Alberta's mandatory production curtailment to cause the differential between the WTI and the WCS crude oil prices to narrow or to narrow sufficiently to positively impact our cash flows; the effectiveness of our risk management program, including the impact of derivative financial instruments, the success of our hedging strategies and the sufficiency of our liquidity position; the accuracy of cost estimates, commodity prices, currency and interest rates; lack of alignment of realized WCS prices and WCS prices used to calculate the contingent payment to ConocoPhillips; product supply and demand; accuracy of our share price and market capitalization assumptions; market competition, including from alternative energy sources; risks inherent in our 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 the operation of our crude-by-rail terminal, including health, safety and environmental risks; our ability to maintain desirable ratios of Net Debt to Adjusted EBITDA as well as Net Debt to Capitalization; our ability to access various sources of debt and equity capital, generally, and on terms acceptable to us; our ability to finance growth and sustaining capital expenditures; changes in credit ratings applicable to us or any of our securities; changes to our dividend plans or strategy, including the dividend reinvestment plan; accuracy of our reserves, future production and future net revenue estimates; accuracy of our accounting estimates and judgements; our ability to replace and expand oil and gas reserves; potential requirements under applicable accounting standards for impairment or reversal of estimated

recoverable amounts of some or all of our assets or goodwill from time to time; our ability to maintain our relationship with our partners and to successfully manage and operate our integrated business; reliability of our 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, materials, natural gas and other energy sources used in oil sands processes; potential failure of products to achieve or maintain acceptance in the market; risks associated with fossil fuel industry reputation; unexpected cost increases or technical difficulties in constructing or modifying manufacturing or refining facilities; unexpected difficulties in producing, transporting or refining of bitumen and/or crude oil into petroleum and chemical products; risks associated with technology and its application to our business; risks associated with climate change and our assumptions relating thereto; the timing and the costs of well and pipeline construction; our 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 our ability to attract and retain, critical talent; possible failure to obtain and retain qualified staff and equipment in a timely and cost efficient manner; changes in labour relationships; changes in the regulatory framework in any of the locations in which we operate, including changes to the regulatory approval process and land-use designations, royalty, tax, environmental, greenhouse gas, 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 our business, our financial results and our Consolidated Financial Statements; changes in general economic, market and business conditions; the political and economic conditions in the countries in which we operate or supply; 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 us.

Statements relating to “reserves” are deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future.

Readers are cautioned that the foregoing lists are not exhaustive and are made as at the date hereof. Events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking information. For a full discussion of our material risk factors, see “Risk Management and Risk Factors” in this MD&A for the period ended December 31, 2018, available on SEDAR at sedar.com, on EDGAR at sec.gov, and on our website at cenovus.com.

ABBREVIATIONS

The following abbreviations have been used in this document:

Crude Oil		Natural Gas	
bbl	Barrel	Mcf	thousand cubic feet
Mbbls/d	thousand barrels per day	MMcf	million cubic feet
MMbbls	million barrels	Bcf	billion cubic feet
BOE	barrel of oil equivalent	MMBtu	million British thermal units
MMBOE	million barrel of oil equivalent	GJ	gigajoule
WTI	West Texas Intermediate	AECO	Alberta Energy Company
WCS	Western Canadian Select	NYMEX	New York Mercantile Exchange
CDB	Christina Dilbit Blend		
MSW	Mixed Sweet Blend		
WTS	West Texas Sour		

NETBACK RECONCILIATIONS

The following tables provide a reconciliation of the items comprising Netbacks to Operating Margin found in our Consolidated Financial Statements.

Total Production From Continuing Operations

Continuing Upstream Financial Results

Year Ended December 31, 2018 ($ millions)	Per Consolidated Financial Statements			Adjustments				Basis of Netback Calculation
	Oil Sands(1)	Deep Basin(1)	Continuing Operations	Condensate	Inventory	Internal Usage(2)	Other	Continuing Operations
Gross Sales	10,026	904	10,930	(4,993)	-	(179)	(69)	5,689
Royalties	473	72	545	-	-	-	-	545
Transportation and Blending	5,879	90	5,969	(4,993)	-	-	(4)	972
Operating	1,037	403	1,440	-	-	(179)	(37)	1,224
Production and Mineral Taxes	-	1	1	-	-	-	-	1
Netback	2,637	338	2,975	-	-	-	(28)	2,947
(Gain) Loss on Risk Management	1,551	26	1,577	-	-	-	-	1,577
Operating Margin	1,086	312	1,398	-	-	-	(28)	1,370

Year Ended December 31, 2017 ($ millions)	Per Consolidated Financial Statements			Adjustments				Basis of Netback Calculation
	Oil Sands(1)	Deep Basin(1)	Continuing Operations	Condensate	Inventory	Internal Usage(2)	Other	Continuing Operations
Gross Sales	7,362	555	7,917	(3,050)	-	-	(45)	4,822
Royalties	230	41	271	-	-	-	-	271
Transportation and Blending	3,704	56	3,760	(3,050)	-	-	(1)	709
Operating	934	250	1,184	-	-	-	(77)	1,107
Production and Mineral Taxes	-	1	1	-	-	-	-	1
Netback	2,494	207	2,701	-	-	-	33	2,734
(Gain) Loss on Risk Management	307	-	307	-	-	-	-	307
Operating Margin	2,187	207	2,394	-	-	-	33	2,427

Year Ended December 31, 2016 ($ millions)	Per Consolidated Financial Statements			Adjustments				Basis of Netback Calculation
	Oil Sands(1)	Deep Basin(1)	Continuing Operations	Condensate	Inventory	Internal Usage(2)	Other	Continuing Operations
Gross Sales	2,929	-	2,929	(1,402)	-	-	(2)	1,525
Royalties	9	-	9	-	-	-	-	9
Transportation and Blending	1,721	-	1,721	(1,402)	44	-	-	363
Operating	501	-	501	-	-	-	(4)	497
Production and Mineral Taxes	-	-	-	-	-	-	-	-
Netback	698	-	698	-	(44)	-	2	656
(Gain) Loss on Risk Management	(179)	-	(179)	-	-	-	-	(179)
Operating Margin	877	-	877	-	(44)	-	2	835

(1) Found in Note 1 of the Consolidated Financial Statements.
(2) Represents natural gas volumes produced by the Deep Basin segment used for internal consumption by the Oil Sands segment.

Three Months Ended December 31, 2018 ($ millions)	Per Interim Consolidated Financial Statements			Adjustments				Basis of Netback Calculation
	Oil Sands(3)	Deep Basin(3)	Continuing Operations	Condensate	Inventory	Internal Usage(4)	Other	Continuing Operations
Gross Sales	1,380	190	1,570	(1,026)	-	(48)	(20)	476
Royalties	(39)	10	(29)	-	-	-	-	(29)
Transportation and Blending	1,263	18	1,281	(1,026)	-	-	-	255
Operating	248	100	348	-	-	(48)	(9)	291
Production and Mineral Taxes	-	-	-	-	-	-	-	-
Netback	(92)	62	(30)	-	-	-	(11)	(41)
(Gain) Loss on Risk Management	86	-	86	-	-	-	-	86
Operating Margin	(178)	62	(116)	-	-	-	(11)	(127)

(3) Found in Note 1 of the interim Consolidated Financial Statements.
(4) Represents natural gas volumes produced by the Deep Basin segment used for internal consumption by the Oil Sands segment.

Three Months Ended December 31, 2017 ($ millions)	Per Interim Consolidated Financial Statements			Adjustments				Basis of Netback Calculation
	Oil Sands[1]	Deep Basin[1]	Continuing Operations	Condensate	Inventory	Internal Usage[2]	Other	Continuing Operations
Gross Sales	2,424	231	2,655	(990)	-	-	(15)	1,650
Royalties	113	20	133	-	-	-	-	133
Transportation and Blending	1,193	24	1,217	(990)	(1)	-	2	228
Operating	271	94	365	-	-	-	(15)	350
Production and Mineral Taxes	-	1	1	-	-	-	-	1
Netback	847	92	939	-	1	-	(2)	938
(Gain) Loss on Risk Management	235	-	235	-	-	-	-	235
Operating Margin	612	92	704	-	1	-	(2)	703

(1) Found in Note 1 of the interim Consolidated Financial Statements.
(2) Represents natural gas volumes produced by the Deep Basin segment used for internal consumption by the Oil Sands segment.

Oil Sands

Year Ended December 31, 2018 ($ millions)	Basis of Netback Calculation				Adjustments			Per Consolidated Financial Statements[3]
	Foster Creek	Christina Lake	Total Crude Oil	Natural Gas	Condensate	Inventory	Other	Total Oil Sands
Gross Sales	2,531	2,489	5,020	1	4,993	-	12	10,026
Royalties	371	102	473	-	-	-	-	473
Transportation and Blending	495	391	886	-	4,993	-	-	5,879
Operating	532	492	1,024	2	-	-	11	1,037
Netback	1,133	1,504	2,637	(1)	-	-	1	2,637
(Gain) Loss on Risk Management	683	868	1,551	-	-	-	-	1,551
Operating Margin	450	636	1,086	(1)	-	-	1	1,086

Year Ended December 31, 2017 ($ millions)	Basis of Netback Calculation				Adjustments			Per Consolidated Financial Statements[3]
	Foster Creek	Christina Lake	Total Crude Oil	Natural Gas	Condensate	Inventory	Other	Total Oil Sands
Gross Sales	1,945	2,345	4,290	8	3,050	-	14	7,362
Royalties	178	52	230	-	-	-	-	230
Transportation and Blending	387	266	653	-	3,050	-	1	3,704
Operating	465	403	868	9	-	-	57	934
Netback	915	1,624	2,539	(1)	-	-	(44)	2,494
(Gain) Loss on Risk Management	131	176	307	-	-	-	-	307
Operating Margin	784	1,448	2,232	(1)	-	-	(44)	2,187

Year Ended December 31, 2016 ($ millions)	Basis of Netback Calculation				Adjustments			Per Consolidated Financial Statements[3]
	Foster Creek	Christina Lake	Total Crude Oil	Natural Gas	Condensate	Inventory	Other	Total Oil Sands
Gross Sales	773	736	1,509	16	1,402	-	2	2,929
Royalties	-	9	9	-	-	-	-	9
Transportation and Blending	225	137	362	1	1,402	(44)	-	1,721
Operating	269	217	486	11	-	-	4	501
Netback	279	373	652	4	-	44	(2)	698
(Gain) Loss on Risk Management	(90)	(89)	(179)	-	-	-	-	(179)
Operating Margin	369	462	831	4	-	44	(2)	877

(3) Found in Note 1 of the Consolidated Financial Statements.

Three Months Ended December 31, 2018 ($ millions)	Basis of Netback Calculation				Adjustments			Per Interim Consolidated Financial Statements[1]
	Foster Creek	Christina Lake	Total Crude Oil	Natural Gas	Condensate	Inventory	Other	Total Oil Sands
Gross Sales	265	84	349	-	1,026	-	5	1,380
Royalties	(5)	(34)	(39)	-	-	-	-	(39)
Transportation and Blending	141	96	237	-	1,026	-	-	1,263
Operating	123	121	244	1	-	-	3	248
Netback	6	(99)	(93)	(1)	-	-	2	(92)
(Gain) Loss on Risk Management	45	41	86	-	-	-	-	86
Operating Margin	(39)	(140)	(179)	(1)	-	-	2	(178)

Three Months Ended December 31, 2017 ($ millions)	Basis of Netback Calculation				Adjustments			Per Interim Consolidated Financial Statements[1]
	Foster Creek	Christina Lake	Total Crude Oil	Natural Gas	Condensate	Inventory	Other	Total Oil Sands
Gross Sales	626	804	1,430	1	990	-	3	2,424
Royalties	91	22	113	-	-	-	-	113
Transportation and Blending	106	96	202	-	990	1	-	1,193
Operating	137	123	260	3	-	-	8	271
Netback	292	563	855	(2)	-	(1)	(5)	847
(Gain) Loss on Risk Management	98	137	235	-	-	-	-	235
Operating Margin	194	426	620	(2)	-	(1)	(5)	612

(1) Found in Note 1 of the interim Consolidated Financial Statements.

Deep Basin

Year Ended December 31, 2018 ($ millions)	Basis of Netback Calculation	Adjustments	Per Consolidated Financial Statements[2]
	Total	Other[3]	Total Deep Basin
Gross Sales	847	57	904
Royalties	72	-	72
Transportation and Blending	86	4	90
Operating	377	26	403
Production and Mineral Taxes	1	-	1
Netback	311	27	338
(Gain) Loss on Risk Management	26	-	26
Operating Margin	285	27	312

Year Ended December 31, 2017 ($ millions)	Basis of Netback Calculation	Adjustments	Per Consolidated Financial Statements[2]
	Total	Other[3]	Total Deep Basin
Gross Sales	524	31	555
Royalties	41	-	41
Transportation and Blending	56	-	56
Operating	230	20	250
Production and Mineral Taxes	1	-	1
Netback	196	11	207
(Gain) Loss on Risk Management	-	-	-
Operating Margin	196	11	207

(2) Found in Note 1 of the Consolidated Financial Statements.
(3) Reflects operating margin from processing facility.

Three Months Ended December 31, 2018 ($ millions)	Basis of Netback Calculation Total	Adjustments Other(2)	Per Interim Consolidated Financial Statements(1) Total Deep Basin
Gross Sales	175	15	190
Royalties	10	-	10
Transportation and Blending	18	-	18
Operating	94	6	100
Production and Mineral Taxes	-	-	-
Netback	53	9	62
(Gain) Loss on Risk Management	-	-	-
Operating Margin	53	9	62

Three Months Ended December 31, 2017 ($ millions)	Basis of Netback Calculation Total	Adjustments Other(2)	Per Interim Consolidated Financial Statements(1) Total Deep Basin
Gross Sales	219	12	231
Royalties	20	-	20
Transportation and Blending	26	(2)	24
Operating	87	7	94
Production and Mineral Taxes	1	-	1
Netback	85	7	92
(Gain) Loss on Risk Management	-	-	-
Operating Margin	85	7	92

(1) Found in Note 1 of the interim Consolidated Financial Statements.
(2) Reflects operating margin from processing facility.

The following table provides the sales volumes used to calculate Netback.

Sales Volumes

(barrels per day, unless otherwise stated)	Three Months Ended December 31, 2018	December 31, 2017	Year Ended December 31 2018	2017	2016
Oil Sands					
Foster Creek	**143,928**	143,586	**162,685**	121,806	69,647
Christina Lake	**186,530**	193,734	**204,016**	161,514	79,481
Total Oil Sands Crude Oil	**330,458**	337,320	**366,701**	283,320	149,128
Natural Gas (MMcf per day)	**-**	7	**1**	10	17
Total Oil Sands (BOE per day)	**330,458**	338,524	**366,905**	284,984	151,961
Deep Basin					
Total Liquids	**28,111**	33,147	**32,454**	20,850	-
Natural Gas (MMcf per day)	**469**	509	**527**	316	-
Total Deep Basin (BOE per day)	**106,232**	117,931	**120,258**	73,492	-
Less: Internal Consumption (3) (MMcf per day)	**(310)**	-	**(306)**	-	-
Sales From Continuing Operations (3) (BOE per day)	**385,023**	456,455	**436,163**	358,476	151,962

(3) Less natural gas volumes used for internal consumption by the Oil Sands segment.

Exhibit 99.3



Cenovus Energy Inc.

Consolidated Financial Statements

For the Year Ended December 31, 2018

(Canadian Dollars)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

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REPORT OF MANAGEMENT

Management's Responsibility for the Consolidated Financial Statements

The accompanying Consolidated Financial Statements of Cenovus Energy Inc. are the responsibility of Management. The Consolidated Financial Statements have been prepared by Management in Canadian dollars in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect Management's best judgments.

The Board of Directors has approved the information contained in the Consolidated Financial Statements. The Board of Directors fulfills its responsibility regarding the financial statements mainly through its Audit Committee which is made up of five independent directors. The Audit Committee has a written mandate that complies with the current requirements of Canadian securities legislation and the United States *Sarbanes – Oxley Act of 2002* and voluntarily complies, in principle, with the Audit Committee guidelines of the New York Stock Exchange. The Audit Committee meets with Management and the independent auditors on at least a quarterly basis to review and approve interim Consolidated Financial Statements and Management's Discussion and Analysis prior to their public release as well as annually to review the annual Consolidated Financial Statements and Management's Discussion and Analysis and recommend their approval to the Board of Directors.

Management's Assessment of Internal Control Over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over financial reporting. The internal control system was designed to provide reasonable assurance to Management regarding the preparation and presentation of the Consolidated Financial Statements.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the design and effectiveness of internal control over financial reporting as at December 31, 2018. In making its assessment, Management has used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework in Internal Control – Integrated Framework (2013) to evaluate the design and effectiveness of internal control over financial reporting. Based on our evaluation, Management has concluded that internal control over financial reporting was effective as at December 31, 2018.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, was appointed to audit and provide independent opinions on both the Consolidated Financial Statements and internal control over financial reporting as at December 31, 2018, as stated in their Report of Independent Registered Public Accounting Firm dated February 12, 2019. PricewaterhouseCoopers LLP has provided such opinions.

/s/ Alexander J. Pourbaix

Alexander J. Pourbaix
President &
Chief Executive Officer
Cenovus Energy Inc.

/s/ Jonathan M. McKenzie

Jonathan M. McKenzie
Executive Vice-President &
Chief Financial Officer
Cenovus Energy Inc.

February 12, 2019



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Cenovus Energy Inc.

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying Consolidated Balance Sheets of Cenovus Energy Inc. and its subsidiaries, (together, the "Company") as of December 31, 2018 and 2017, and the related Consolidated Statements of Earnings (Loss), Comprehensive Income (Loss), Shareholders' Equity, and Cash Flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2018 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants
Calgary, Alberta, Canada

February 12, 2019

We have served as the Company's auditor since 2008.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the years ended December 31,
($ millions, except per share amounts)

	Notes	2018	2017	2016
Revenues	1			
Gross Sales		**21,389**	17,314	11,015
Less: Royalties		**545**	271	9
		20,844	17,043	11,006
Expenses	1			
Purchased Product		**8,744**	8,033	6,978
Transportation and Blending		**5,942**	3,748	1,715
Operating		**2,184**	1,949	1,239
Production and Mineral Taxes		**1**	1	-
(Gain) Loss on Risk Management	33	**305**	896	401
Depreciation, Depletion and Amortization	10,18	**2,131**	1,838	931
Exploration Expense	10,17	**2,123**	888	2
General and Administrative		**391**	300	318
Onerous Contract Provisions	24	**629**	8	8
Finance Costs	6	**627**	645	390
Interest Income		**(19)**	(62)	(52)
Foreign Exchange (Gain) Loss, Net	7	**854**	(812)	(198)
Revaluation (Gain)	9	**-**	(2,555)	-
Transaction Costs	9	**-**	56	-
Re-measurement of Contingent Payment	23	**50**	(138)	-
Research Costs		**25**	36	36
(Gain) Loss on Divestiture of Assets	8	**795**	1	6
Other (Income) Loss, Net		**(12)**	(5)	34
Earnings (Loss) From Continuing Operations Before Income Tax		**(3,926)**	2,216	(802)
Income Tax Expense (Recovery)	12	**(1,010)**	(52)	(343)
Net Earnings (Loss) From Continuing Operations		**(2,916)**	2,268	(459)
Net Earnings (Loss) From Discontinued Operations	11	**247**	1,098	(86)
Net Earnings (Loss)		**(2,669)**	3,366	(545)
Basic and Diluted Earnings (Loss) Per Share ($)	13			
Continuing Operations		**(2.37)**	2.06	(0.55)
Discontinued Operations		**0.20**	0.99	(0.10)
Net Earnings (Loss) Per Share		**(2.17)**	3.05	(0.65)

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31,
($ millions)

	Notes	**2018**	2017	2016
Net Earnings (Loss)		**(2,669)**	3,366	(545)
Other Comprehensive Income (Loss), Net of Tax	29			
Items That Will Not be Reclassified to Profit or Loss:				
Actuarial Gain (Loss) Relating to Pension and Other Post-Retirement Benefits		**(3)**	9	(3)
Changes in the Fair Value of Equity Instruments at FVOCI (1)		**1**	(1)	(1)
Items That May be Reclassified to Profit or Loss:				
Foreign Currency Translation Adjustment		**397**	(275)	(106)
Total Other Comprehensive Income (Loss), Net of Tax		**395**	(267)	(110)
Comprehensive Income (Loss)		**(2,274)**	3,099	(655)

(1) Fair Value through Other Comprehensive Income ("FVOCI").

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

As at December 31,
($ millions)

	Notes	2018	2017
Assets			
Current Assets			
Cash and Cash Equivalents	14	**781**	610
Accounts Receivable and Accrued Revenues	15	**1,238**	1,830
Income Tax Receivable		**-**	68
Inventories	16	**1,013**	1,389
Risk Management	33,34	**163**	63
Assets Held for Sale	11	**-**	1,048
Total Current Assets		**3,195**	5,008
Exploration and Evaluation Assets	1,17	**785**	3,673
Property, Plant and Equipment, Net	1,18	**28,698**	29,596
Income Tax Receivable		**160**	311
Risk Management	33,34	**-**	2
Other Assets	19	**64**	71
Goodwill	1,20	**2,272**	2,272
Total Assets		**35,174**	40,933
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Liabilities	21	**1,833**	2,627
Current Portion of Long-Term Debt	22	**682**	-
Contingent Payment	23	**15**	38
Onerous Contract Provisions	24	**50**	8
Income Tax Payable		**17**	129
Risk Management	33,34	**3**	1,031
Liabilities Related to Assets Held for Sale	11	**-**	603
Total Current Liabilities		**2,600**	4,436
Long-Term Debt	22	**8,482**	9,513
Contingent Payment	23	**117**	168
Onerous Contract Provisions	24	**613**	37
Risk Management	33,34	**-**	20
Decommissioning Liabilities	25	**875**	1,029
Other Liabilities	26	**158**	136
Deferred Income Taxes	12	**4,861**	5,613
Total Liabilities		**17,706**	20,952
Shareholders' Equity		**17,468**	19,981
Total Liabilities and Shareholders' Equity		**35,174**	40,933
Commitments and Contingencies	36		

See accompanying Notes to Consolidated Financial Statements.

Approved by the Board of Directors

/s/ Patrick D. Daniel

Patrick D. Daniel
Director
Cenovus Energy Inc.

/s/ Colin Taylor

Colin Taylor
Director
Cenovus Energy Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

($ millions)

	Share Capital	Paid in Surplus	Retained Earnings	AOCI (1)	**Total**
	(Note 28)	(Note 28)		(Note 29)	
As at December 31, 2015	5,534	4,330	1,507	1,020	12,391
Net Earnings (Loss)	-	-	(545)	-	(545)
Other Comprehensive Income (Loss)	-	-	-	(110)	(110)
Total Comprehensive Income (Loss)	-	-	(545)	(110)	(655)
Stock-Based Compensation Expense	-	20	-	-	20
Dividends on Common Shares	-	-	(166)	-	(166)
As at December 31, 2016	5,534	4,350	796	910	11,590
Net Earnings (Loss)	-	-	3,366	-	3,366
Other Comprehensive Income (Loss)	-	-	-	(267)	(267)
Total Comprehensive Income (Loss)	-	-	3,366	(267)	3,099
Common Shares Issued	5,506	-	-	-	5,506
Stock-Based Compensation Expense	-	11	-	-	11
Dividends on Common Shares	-	-	(225)	-	(225)
As at December 31, 2017	**11,040**	**4,361**	**3,937**	**643**	**19,981**
Net Earnings (Loss)	**-**	**-**	**(2,669)**	**-**	**(2,669)**
Other Comprehensive Income (Loss)	**-**	**-**	**-**	**395**	**395**
Total Comprehensive Income (Loss)	**-**	**-**	**(2,669)**	**395**	**(2,274)**
Stock-Based Compensation Expense	**-**	**6**	**-**	**-**	**6**
Dividends on Common Shares	**-**	**-**	**(245)**	**-**	**(245)**
As at December 31, 2018	**11,040**	**4,367**	**1,023**	**1,038**	**17,468**

(1) Accumulated Other Comprehensive Income (Loss).

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,
($ millions)

	Notes	2018	2017	2016
Operating Activities				
Net Earnings (Loss)		**(2,669)**	3,366	(545)
Depreciation, Depletion and Amortization	18	**2,131**	2,030	1,498
Exploration Expense	17	**2,123**	890	2
Deferred Income Taxes	12	**(794)**	583	(209)
Unrealized (Gain) Loss on Risk Management	33	**(1,249)**	729	554
Unrealized Foreign Exchange (Gain) Loss	7	**649**	(857)	(189)
Revaluation (Gain)	9	**-**	(2,555)	-
Re-measurement of Contingent Payment	23	**50**	(138)	-
(Gain) Loss on Discontinuance	11	**(301)**	(1,285)	-
(Gain) Loss on Divestiture of Assets	8	**795**	1	6
Unwinding of Discount on Decommissioning Liabilities	25	**63**	128	130
Onerous Contract Provisions, Net of Cash Paid	24	**618**	(8)	53
Other Asset Impairments	10	**-**	-	30
Realized Foreign Exchange (Gain) Loss on Non-Operating Items		**206**	(18)	1
Other		**52**	48	92
Net Change in Other Assets and Liabilities		**(72)**	(107)	(91)
Net Change in Non-Cash Working Capital		**552**	252	(471)
Cash From (Used in) Operating Activities		**2,154**	3,059	861
Investing Activities				
Acquisition, Net of Cash Acquired	9	**-**	(14,565)	-
Capital Expenditures – Exploration and Evaluation Assets	17	**(55)**	(147)	(67)
Capital Expenditures – Property, Plant and Equipment	18	**(1,322)**	(1,523)	(967)
Proceeds From Divestitures	8,11	**1,050**	3,210	8
Net Change in Investments and Other		**9**	-	(1)
Net Change in Non-Cash Working Capital		**(295)**	159	(52)
Cash From (Used in) Investing Activities		**(613)**	(12,866)	(1,079)
Net Cash Provided (Used) Before Financing Activities		**1,541**	(9,807)	(218)
Financing Activities	35			
Issuance of Long-Term Debt	22	**-**	3,842	-
(Repayment) of Long-Term Debt	22	**(1,144)**	-	-
Net Issuance (Repayment) of Revolving Long-Term Debt	22	**(20)**	32	-
Issuance of Debt Under Asset Sale Bridge Facility	22	**-**	3,569	-
(Repayment) of Debt Under Asset Sale Bridge Facility	22	**-**	(3,600)	-
Common Shares Issued, Net of Issuance Costs	28	**-**	2,899	-
Dividends Paid on Common Shares	13	**(245)**	(225)	(166)
Other		**(1)**	(2)	(2)
Cash From (Used in) Financing Activities		**(1,410)**	6,515	(168)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency		**40**	182	1
Increase (Decrease) in Cash and Cash Equivalents		**171**	(3,110)	(385)
Cash and Cash Equivalents, Beginning of Year		**610**	3,720	4,105
Cash and Cash Equivalents, End of Year		**781**	610	3,720

See accompanying Notes to Consolidated Financial Statements.

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 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 margin. The Company's reportable segments are:

- **Oil Sands**, which includes the development and production of bitumen in northeast Alberta. Cenovus's bitumen assets include Foster Creek, Christina Lake and Narrows Lake as well as other projects in the early stages of development. The Company's interest in certain of its operated oil sands properties, notably Foster Creek, Christina Lake and Narrows Lake, increased from 50 percent to 100 percent on May 17, 2017.
- **Deep Basin**, which includes approximately 2.8 million net acres of land primarily in the Elmworth-Wapiti, Kaybob-Edson, and Clearwater operating areas, rich in natural gas and NGLs. The assets reside in Alberta and British Columbia and include interests in numerous natural gas processing facilities. These assets were acquired on May 17, 2017.
- **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 reportable segment to which the derivative instrument relates. Eliminations include adjustments for internal usage of natural gas production between segments, transloading services provided to the Oil Sands segment by the Company's rail terminal, crude oil production used as feedstock by the Refining and Marketing segment, and unrealized intersegment profits in inventory. Eliminations are recorded at transfer prices based on current market prices. 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.

In 2017, the Company announced its intention to divest of its Conventional segment that included its heavy oil assets at Pelican Lake, the CO_2 enhanced oil recovery project at Weyburn and conventional crude oil, NGLs and natural gas assets in the Suffield and Palliser areas in southern Alberta. As such, the associated results of operations have been reported as a discontinued operation (see Note 11). As at January 5, 2018, all of the Company's Conventional assets were sold.

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

A) Results of Operations – Segment and Operational Information

	Oil Sands			Deep Basin			Refining and Marketing		
For the years ended December 31,	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016
Revenues									
Gross Sales	**10,026**	7,362	2,929	**904**	555	-	**11,183**	9,852	8,439
Less: Royalties	**473**	230	9	**72**	41	-	**-**	-	-
	9,553	7,132	2,920	**832**	514	-	**11,183**	9,852	8,439
Expenses									
Purchased Product	**-**	-	-	**-**	-	-	**9,261**	8,476	7,325
Transportation and Blending	**5,879**	3,704	1,721	**90**	56	-	**-**	-	-
Operating	**1,037**	934	501	**403**	250	-	**927**	772	742
Production and Mineral Taxes	**-**	-	-	**1**	1	-	**-**	-	-
(Gain) Loss on Risk Management	**1,551**	307	(179)	**26**	-	-	**(1)**	6	26
Operating Margin	**1,086**	2,187	877	**312**	207	-	**996**	598	346
Depreciation, Depletion and Amortization	**1,439**	1,230	655	**412**	331	-	**222**	215	211
Exploration Expense	**6**	888	2	**2,117**	-	-	**-**	-	-
Segment Income (Loss)	**(359)**	69	220	**(2,217)**	(124)	-	**774**	383	135

	Corporate and Eliminations			Consolidated		
For the years ended December 31,	**2018**	2017	2016	**2018**	2017	2016
Revenues						
Gross Sales	**(724)**	(455)	(353)	**21,389**	17,314	11,015
Less: Royalties	**-**	-	-	**545**	271	9
	(724)	(455)	(353)	**20,844**	17,043	11,006
Expenses						
Purchased Product	**(517)**	(443)	(347)	**8,744**	8,033	6,978
Transportation and Blending	**(27)**	(12)	(6)	**5,942**	3,748	1,715
Operating	**(183)**	(7)	(4)	**2,184**	1,949	1,239
Production and Mineral Taxes	**-**	-	-	**1**	1	-
(Gain) Loss on Risk Management	**(1,271)**	583	554	**305**	896	401
Depreciation, Depletion and Amortization	**58**	62	65	**2,131**	1,838	931
Exploration Expense	**-**	-	-	**2,123**	888	2
Segment Income (Loss)	**1,216**	(638)	(615)	**(586)**	(310)	(260)
General and Administrative	**391**	300	318	**391**	300	318
Onerous Contract Provisions	**629**	8	8	**629**	8	8
Finance Costs	**627**	645	390	**627**	645	390
Interest Income	**(19)**	(62)	(52)	**(19)**	(62)	(52)
Foreign Exchange (Gain) Loss, Net	**854**	(812)	(198)	**854**	(812)	(198)
Revaluation (Gain)	**-**	(2,555)	-	**-**	(2,555)	-
Transaction Costs	**-**	56	-	**-**	56	-
Re-measurement of Contingent Payment	**50**	(138)	-	**50**	(138)	-
Research Costs	**25**	36	36	**25**	36	36
(Gain) Loss on Divestiture of Assets	**795**	1	6	**795**	1	6
Other (Income) Loss, Net	**(12)**	(5)	34	**(12)**	(5)	34
	3,340	(2,526)	542	**3,340**	(2,526)	542
Earnings (Loss) From Continuing Operations Before Income Tax				**(3,926)**	2,216	(802)
Income Tax Expense (Recovery)				**(1,010)**	(52)	(343)
Net Earnings (Loss) From Continuing Operations				**(2,916)**	2,268	(459)

B) Revenues by Product

For the years ended December 31,	2018	2017	2016
Upstream			
Crude Oil	**9,662**	7,184	2,902
Natural Gas	**321**	235	16
NGLs	**333**	184	-
Other	**69**	43	2
Refined Product	**9,032**	7,312	5,972
Market Optimization	**2,151**	2,540	2,467
Corporate and Eliminations	**(724)**	(455)	(353)
Revenues From Continuing Operations	**20,844**	17,043	11,006

C) Geographical Information

	Revenues		
For the years ended December 31,	2018	2017	2016
Canada	**11,695**	9,723	4,978
United States	**9,149**	7,320	6,028
Consolidated	**20,844**	17,043	11,006

	Non-Current Assets (1)	
As at December 31,	2018	2017
Canada (2)	**27,644**	31,756
United States	**4,175**	3,856
Consolidated	**31,819**	35,612

(1) Includes exploration and evaluation ("E&E") assets,property, plant and equipment ("PP&E"), other assets and goodwill.
(2) Certain crude oil and natural gas properties of the Deep Basin segment, which reside in Canada, were reclassified in 2018 to PP&E and E&E from assets held for sale in current assets.

Export Sales

Sales of crude oil, NGLs and natural gas produced or purchased in Canada that have been delivered to customers outside of Canada were $2,500 million (2017 – $1,713 million; 2016 – $974 million).

Major Customers

In connection with the marketing and sale of Cenovus's own and purchased crude oil, NGLs, natural gas and refined products for the year ended December 31, 2018, Cenovus had three customers (2017 – two; 2016 – three) that individually accounted for more than 10 percent of its consolidated gross sales. Sales to these customers, recognized as major international energy companies with investment grade credit ratings, were approximately $7,840 million, $2,285 million and $2,263 million, respectively (2017 – $5,655 million and $1,964 million; 2016 – $4,742 million, $1,623 million and $1,400 million), which are included in all of the Company's operating segments.

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

	E&E Assets		PP&E	
As at December 31,	2018	2017	2018	2017
Oil Sands	**639**	617	**21,646**	22,320
Deep Basin	**146**	3,056	**2,482**	3,019
Refining and Marketing	**-**	-	**4,284**	3,967
Corporate and Eliminations	**-**	-	**286**	290
Consolidated	**785**	3,673	**28,698**	29,596

	Goodwill		Total Assets	
As at December 31,	2018	2017	2018	2017
Oil Sands	**2,272**	2,272	**25,373**	26,799
Deep Basin	**-**	-	**2,742**	6,694
Conventional	**-**	-	**14**	644
Refining and Marketing	**-**	-	**5,621**	5,432
Corporate and Eliminations	**-**	-	**1,424**	1,364
Consolidated	**2,272**	2,272	**35,174**	40,933

E) Capital Expenditures [1]

For the years ended December 31,	**2018**	2017	2016
Capital Investment			
Oil Sands	**887**	973	604
Deep Basin	**211**	225	-
Conventional	**-**	206	171
Refining and Marketing	**208**	180	220
Corporate and Eliminations	**57**	77	31
	1,363	1,661	1,026
Acquisition Capital			
Oil Sands [2]	**332**	11,614	11
Deep Basin	**9**	6,774	-
Total Capital Expenditures	**1,704**	20,049	1,037

(1) Includes expenditures on PP&E, E&E assets and assets held for sale.

(2) In connection with the acquisition discussed in Note 9, Cenovus was deemed to have disposed of its pre-existing interest in FCCL Partnership ("FCCL") and re-acquired it at fair value as required by International Financial Reporting Standard 3, "Business Combinations" ("IFRS 3"), which is not reflected in the table above. The carrying value of the pre-existing interest was $9,081 million and the estimated fair value was $11,605 million as at May 17, 2017.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

In these 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 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These Consolidated Financial Statements have been prepared in compliance with IFRS.

These Consolidated Financial Statements have been prepared on a historical cost basis, except as detailed in the Company's accounting policies disclosed in Note 3.

These Consolidated Financial Statements were approved by the Board of Directors on February 12, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Principles of Consolidation

The Consolidated Financial Statements include the accounts of Cenovus and its subsidiaries. Subsidiaries are entities over which the Company has control. Subsidiaries are consolidated from the date of acquisition of control and continue to be consolidated until the date that there is a loss of control. All intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Interests in joint arrangements are classified as either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangement. Joint operations arise when the Company has rights to the assets and obligations for the liabilities of the arrangement. The Company's Refining activities are conducted through the joint operation WRB Refining LP ("WRB") and, accordingly, the accounts reflect the Company's share of the assets, liabilities, revenues and expenses. Prior to May 17, 2017, FCCL was accounted for as a joint operation. Subsequent to the acquisition discussed in Note 9, Cenovus controls FCCL, and accordingly, FCCL has been consolidated.

B) Foreign Currency Translation

Functional and Presentation Currency

The Company's presentation currency is Canadian dollars. The accounts of the Company's foreign operations that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency at period-end exchange rates for assets and liabilities, and using average rates over the period for revenues and expenses. Translation gains and losses relating to the foreign operations are recognized in other comprehensive income ("OCI") as cumulative translation adjustments.

When the Company disposes of an entire interest in a foreign operation or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in OCI related to the foreign operation are recognized in net earnings. When the Company disposes of part of an interest in a foreign operation that continues to be a subsidiary, a proportionate amount of gains and losses accumulated in OCI is allocated between controlling and non-controlling interests.

Transactions and Balances

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities of Cenovus that are denominated in foreign currencies are translated into its functional currency at the rates of exchange in effect at the period-end date. Any gains or losses are recorded in the Consolidated Statements of Earnings (Loss).

C) Revenue Recognition

Policy Applicable From January 1, 2018

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Cenovus recognizes revenue when it transfers control of the product or service to a customer, which is generally when title passes from the Company to its customer.

Purchases and sales of products that are entered into in contemplation of each other with the same counterparty are recorded on a net basis. Revenues associated with services provided as agent are recorded as the services are provided.

Cenovus recognizes revenue from the following major products and services:

- Sale of crude oil, natural gas and NGLs;
- Sale of petroleum and refined products;
- Marketing and transportation services; and
- Fee-for-service hydrocarbon trans-loading services.

The Company satisfies its performance obligations in contracts with customers upon the delivery of crude oil, natural gas, NGLs and petroleum and refined products, which is generally at a point in time. Performance obligations for marketing, transportation services and trans-loading services are satisfied over time as the service is provided. Cenovus sells its production of crude oil, natural gas, NGLs and petroleum and refined products pursuant to variable price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location and other factors. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period. Fees associated with marketing, transportation services and trans-loading services are based on fixed price contracts.

Cenovus's revenue transactions do not contain significant financing components and payments are typically due within 30 days of revenue recognition. The Company does not adjust transaction prices for the effects of a significant financing component when the period between the transfer of the promised goods or services to the customer and payment by the customer is less than one year. The Company does not disclose or quantify information about remaining performance obligations that have an original expected duration of one year or less and it does not have any long-term contracts with unfulfilled performance obligations.

Policy Applicable Before January 1, 2018

Revenues associated with the sales of Cenovus's crude oil, NGLs, natural gas, and petroleum and refined products are recognized when the significant risks and rewards of ownership have been transferred to the customer, the sales price and costs can be measured reliably and it is probable that the economic benefits will flow to the Company. This is generally met when title passes from the Company to its customer. Revenues from the production of crude oil, NGLs and natural gas represent the Company's share, net of royalty payments to governments and other mineral interest owners.

Processing income and revenue from fee-for-service hydrocarbon trans-loading services is recognized in the period the service is provided.

Purchases and sales of products that are entered into in contemplation of each other with the same counterparty are recorded on a net basis. Revenues associated with the services provided as agent are recorded as the services are provided.

D) Transportation and Blending

The costs associated with the transportation of crude oil, NGLs and natural gas, including the cost of diluent used in blending, are recognized when the product is sold.

E) Exploration Expense

Costs incurred prior to obtaining the legal right to explore (pre-exploration costs) are expensed in the period in which they are incurred as exploration expense.

Costs incurred after the legal right to explore is obtained are initially capitalized. If it is determined that the field/project/area is not technically feasible and commercially viable or if the Company decides not to continue the exploration and evaluation activity, the unrecoverable accumulated costs are expensed as exploration expense.

F) Employee Benefit Plans

The Company provides employees with a pension plan that includes either a defined contribution or defined benefit component and an other post-employment benefit plan ("OPEB").

Pension expense for the defined contribution pension is recorded as the benefits are earned.

The cost of the defined benefit pension and OPEB plans are actuarially determined using the projected unit credit method. The amount recognized in other liabilities on the Consolidated Balance Sheets for the defined benefit pension and OPEB plans is the present value of the defined benefit obligation less the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Changes in the defined benefit obligation from service costs, net interest and remeasurements are recognized as follows:

- Service costs, including current service costs, past service costs, gains and losses on curtailments, and settlements, are recorded with pension benefit costs.
- Net interest is calculated by applying the same discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset or liability measured. Interest expense and interest income on net post-employment benefit liabilities and assets are recorded with pension benefit costs in operating, and general and administrative expenses, as well as PP&E and E&E assets.
- Remeasurements, composed of actuarial gains and losses, the effect of changes to the asset ceiling (excluding interest) and the return on plan assets (excluding interest income), are charged or credited to equity in OCI in the period in which they arise. Remeasurements are not reclassified to net earnings in subsequent periods.

Pension benefit costs are recorded in operating, and general and administrative expenses, as well as PP&E and E&E assets, corresponding to where the associated salaries of the employees rendering the service are recorded.

G) Income Taxes

Income taxes comprise current and deferred taxes. Income taxes are provided for on a non-discounted basis at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted at the Consolidated Balance Sheet date.

Cenovus follows the liability method of accounting for income taxes, where deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates expected to apply when the assets are realized or liabilities are settled. Deferred income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted with the adjustment being recognized in net earnings in the period that the change occurs, except when it relates to items charged or credited directly to equity or OCI, in which case the deferred income tax is also recorded in equity or OCI, respectively.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries except in the case where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future or when distributions can be made without incurring income taxes.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction. Deferred income tax assets and liabilities are presented as non-current.

H) Net Earnings per Share Amounts

Basic net earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted net earnings per share is calculated giving effect to the potential dilution that would occur if stock options or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price. For those contracts that may be settled in cash or in shares at the holder's option, the more dilutive of cash settlement and share settlement is used in calculating diluted earnings per share.

I) Cash and Cash Equivalents

Cash and cash equivalents include short-term investments, such as money market deposits or similar type instruments, with a maturity of three months or less.

J) Inventories

Product inventories are valued at the lower of cost and net realizable value on a first-in, first-out or weighted average cost basis. The cost of inventory includes all costs incurred in the normal course of business to bring each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any expected selling costs. If the carrying amount exceeds net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if circumstances which caused it no longer exist and the inventory is still on hand.

K) Exploration and Evaluation Assets

Costs incurred after the legal right to explore an area has been obtained, and before technical feasibility and commercial viability of the field/project/area have been established, are capitalized as E&E assets. These costs include license acquisition, geological and geophysical, drilling, sampling, decommissioning and other directly attributable internal costs. E&E assets are not depreciated and are carried forward until technical feasibility and commercial viability of the field/project/area is established or the assets are determined to be impaired or the future economic value has decreased. E&E costs are subject to regular technical, commercial and Management review to confirm the continued intent to develop the resources.

Once technical feasibility and commercial viability have been established, the carrying value of the E&E asset is tested for impairment. The carrying value, net of any impairment loss, is then reclassified as PP&E.

Any gains or losses from the divestiture of E&E assets are recognized in net earnings.

L) Property, Plant and Equipment

General

PP&E is stated at cost less accumulated depreciation, depletion and amortization ("DD&A"), and net of any impairment losses. Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred. Land is not depreciated.

Any gains or losses from the divestiture of PP&E are recognized in net earnings.

Development and Production Assets

Development and production assets are capitalized on an area-by-area basis and include all costs associated with the development and production of crude oil and natural gas properties, as well as any E&E expenditures incurred in finding reserves of crude oil, NGLs or natural gas transferred from E&E assets. Capitalized costs include directly attributable internal costs, decommissioning liabilities and, for qualifying assets, borrowing costs directly associated with the acquisition of, the exploration for, and the development of crude oil and natural gas reserves.

Costs accumulated within each area are depleted using the unit-of-production method based on estimated proved reserves determined using forward prices and costs. For the purpose of this calculation, natural gas is converted to crude oil on an energy equivalent basis. Costs subject to depletion include estimated future costs to be incurred in developing proved reserves.

Exchanges of development and production assets are measured at fair value unless the transaction lacks commercial substance or the fair value of neither the asset received, nor the asset given up, can be reliably measured. When fair value is not used, the carrying amount of the asset given up is used as the cost of the asset acquired.

Other Upstream Assets

Other upstream assets include information technology assets used to support the upstream business. These assets are depreciated on a straight-line basis over their useful lives of three years.

Refining Assets

The initial acquisition costs of refining PP&E are capitalized when incurred. Costs include the cost of constructing or otherwise acquiring the equipment or facilities, the cost of installing the asset and making it ready for its intended use, the associated decommissioning costs and, for qualifying assets, borrowing costs.

Refining assets are depreciated on a straight-line basis over the estimated service life of each component of the refinery. The major components are depreciated as follows:

- Land improvements and buildings 25 to 40 years
- Office equipment and vehicles 5 to 20 years
- Refining equipment 5 to 35 years

The residual value, method of amortization and the useful life of each component are reviewed annually and adjusted on a prospective basis, if appropriate.

Other Assets

Costs associated with the crude-by-rail terminal, infrastructure, office furniture, fixtures, leasehold improvements, information technology and aircraft are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets, which range from three to 60 years.

The residual value, method of amortization and the useful lives of the assets are reviewed annually and adjusted on a prospective basis, if appropriate.

M) Impairment of Non-Financial Assets

PP&E and E&E assets are reviewed separately for indicators of impairment quarterly or when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Goodwill is tested for impairment at least annually.

If indicators of impairment exist, the recoverable amount of the cash-generating unit ("CGU") is estimated as the greater of value-in-use ("VIU") and fair value less costs of disposal ("FVLCOD"). VIU is estimated as the present value of the future cash flows expected to arise from the continuing use of a CGU or an asset. FVLCOD is determined by estimating the discounted after-tax future net cash flows. For Cenovus's upstream assets, FVLCOD is based on the discounted after-tax cash flows of reserves and resources using forward prices and costs, consistent with Cenovus's independent qualified reserves evaluators ("IQREs"), and may consider an evaluation of comparable asset transactions.

E&E assets are allocated to a related CGU containing development and production assets for the purposes of testing for impairment. Goodwill is allocated to the CGUs to which it contributes to the future cash flows.

If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. An impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU. Goodwill impairments are not reversed.

Impairment losses on PP&E and E&E assets are recognized in the Consolidated Statements of Earnings (Loss) as additional DD&A and exploration expense, respectively.

Impairment losses recognized in prior periods, other than goodwill impairments, are assessed at each reporting date for any indicators that the impairment losses may no longer exist or may have decreased. In the event that an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized on the asset in prior periods. The amount of the reversal is recognized in net earnings.

N) Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. At inception, a leased asset within PP&E and a corresponding lease obligation are recognized. The leased asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

O) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method of accounting in which the identifiable assets acquired, liabilities assumed and non-controlling interest, if any, are recognized and measured at their fair value at the date of acquisition. Any excess of the purchase price plus any non-controlling interest over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price over the fair value of the net assets acquired is credited to net earnings.

At acquisition, goodwill is allocated to each of the CGUs to which it relates. Subsequent measurement of goodwill is at cost less any accumulated impairment losses.

Contingent consideration transferred in a business combination is measured at fair value on the date of acquisition and classified as a financial liability or equity. Contingent consideration classified as a liability is re-measured at fair value at each reporting date, with changes in fair value recognized in net earnings. Payments are classified as cash used in investing activities until the cumulative payments exceed the acquisition date fair value of the liability. Cumulative payments in excess of the acquisition date fair value are classified as cash used in operating activities. Contingent consideration classified as equity are not re-measured and settlements are accounted for within equity.

When a business combination is achieved in stages, the Company re-measures its pre-existing interest at the acquisition date fair value and recognizes the resulting gain or loss, if any, in net earnings.

P) Provisions

General

A provision is recognized if, as a result of a past event, the Company has a present obligation, legal or constructive, that can be estimated reliably, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. Where applicable, provisions are determined by discounting the expected future cash flows at a pre-tax credit-adjusted rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as a finance cost in the Consolidated Statements of Earnings (Loss).

Decommissioning Liabilities

Decommissioning liabilities include those legal or constructive obligations where the Company will be required to retire tangible long-lived assets such as producing well sites, upstream processing facilities, refining facilities and the crude-by-rail terminal. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a credit-adjusted risk-free rate. A corresponding asset equal to the initial estimate of the liability is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to expected timing or future decommissioning costs are recognized as a change in the decommissioning liability and the related long-lived asset. The amount capitalized in PP&E is depreciated over the useful life of the related asset.

Actual expenditures incurred are charged against the accumulated liability.

Onerous Contract Provisions

Onerous contract provisions are recognized when the unavoidable costs of meeting the obligation exceed the economic benefit derived from the contract. The provision for onerous contracts is measured at the present value of estimated future cash flows underlying the obligations less any estimated recoveries, discounted at the credit-adjusted risk-free rate. Changes in the underlying assumptions are recognized in the Consolidated Statements of Earnings (Loss).

Q) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any income taxes.

R) Stock-Based Compensation

Cenovus has a number of stock-based compensation plans which include stock options with associated net settlement rights (“NSRs”), stock options with associated tandem stock appreciation rights (“TSARs”), performance share units (“PSUs”), restricted share units (“RSUs”) and deferred share units (“DSUs”). Stock-based compensation costs are recorded in general and administrative expense, or E&E and PP&E when directly related to exploration or development activities.

Net Settlement Rights

NSRs are accounted for as equity instruments, which are measured at fair value on the grant date using the Black-Scholes-Merton valuation model and are not revalued at each reporting date. The fair value is recognized as stock-based compensation costs over the vesting period, with a corresponding increase recorded as paid in surplus in Shareholders’ Equity. On exercise, the cash consideration received by the Company and the associated paid in surplus are recorded as share capital.

Tandem Stock Appreciation Rights

TSARs are accounted for as liability instruments, which are measured at fair value at each period end using the Black-Scholes-Merton valuation model. The fair value is recognized as stock-based compensation costs over the vesting period. When options are settled for cash, the liability is reduced by the cash settlement paid. When options are settled for common shares, the cash consideration received by the Company and the previously recorded liability associated with the option are recorded as share capital.

Performance, Restricted and Deferred Share Units

PSUs, RSUs and DSUs are accounted for as liability instruments and are measured at fair value based on the market value of Cenovus’s common shares at each period end. The fair value is recognized as stock-based compensation costs over the vesting period. Fluctuations in the fair values are recognized as stock-based compensation costs in the period they occur.

S) Financial Instruments

The Company's financial assets include cash and cash equivalents, accounts receivable and accrued revenues, risk management assets, investments in the equity of private companies and long-term receivables. The Company's financial liabilities include accounts payable and accrued liabilities, short-term borrowings, contingent payment, risk management liabilities, and long-term debt.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Classification and Measurement of Financial Assets

Policy Applicable From January 1, 2018

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- FVOCI: Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- Fair Value through Profit and Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial assets.

On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. There is no subsequent reclassification of fair value changes to earnings following the derecognition of the investment. However, dividends that reflect a return on investment continue to be recognized in net earnings. This election is made on an investment-by-investment basis.

At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Policy Applicable Before January 1, 2018

Prior to the adoption of IFRS 9, "*Financial Instruments*" ("IFRS 9") on January 1, 2018, the Company classified and measured financial assets under IAS 39, "Financial Instruments: *Recognition and Measurement*" ("IAS 39"). There were three measurement categories into which the Company classified its financial assets:

- FVTPL: Assets were either 'held-for-trading' or had been 'designated at fair value through profit or loss'. The assets were measured at fair value with changes in fair value recognized in net earnings;
- Loans and Receivables: Included assets with fixed or determinable payments that are not quoted in an active market. After initial measurements, these assets were measured at amortized cost at the settlement date using the effective interest rate method of amortization; and
- Available for Sale Financial Assets: Included investments in the equity of private companies that the Company did not have control or had significant influence over. These assets were measured at fair value, with changes in fair value recognized in OCI. When an active market was non-existent, fair value was determined using valuation techniques. When the fair value could not be reliably measured, such assets were carried at cost.

Impairment of Financial Assets

Policy Applicable From January 1, 2018

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, Cenovus measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

Policy Applicable Before January 1, 2018

At each reporting date, the Company assesses whether there are any indicators that its financial assets are impaired. An impairment loss is only recognized if there is objective evidence of impairment, the loss event has an impact on future cash flows and the loss can be reliably estimated.

Evidence of impairment may include default or delinquency by a debtor or indicators that the debtor may enter bankruptcy. For equity securities, a significant or prolonged decline in the fair value of the security below cost is evidence that the assets are impaired.

An impairment loss on a financial asset carried at amortized cost is calculated as the difference between the amortized cost and the present value of the future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed through net earnings in subsequent periods if the amount of the loss decreases.

Classification and Measurement of Financial Liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

Financial liabilities at FVTPL (other than financial liabilities designated at FVTPL) are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Derivatives

Derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. Policies and procedures are in place with respect to required documentation and approvals for the use of derivative financial instruments. Where specific financial instruments are executed, the Company assesses, both at the time of purchase and on an ongoing basis, whether the financial instrument used in the particular transaction is effective in offsetting changes in fair values or cash flows of the transaction.

Risk management assets and liabilities are derivative financial instruments classified as measured at FVTPL unless designated for hedge accounting. Derivative instruments that do not qualify as hedges, or are not designated as hedges, are recorded using mark-to-market accounting whereby instruments are recorded in the Consolidated Balance Sheets as either an asset or liability with changes in fair value recognized in net earnings as a gain or loss on risk management. The estimated fair value of all derivative instruments is based on quoted market prices or, in their absence, third-party market indications and forecasts.

T) Reclassification

Certain information provided for prior years has been reclassified to conform to the presentation adopted in 2018.

U) Recent Accounting Pronouncements

New Accounting Standards and Interpretations not yet Adopted

A number of new accounting standards, amendments to accounting standards and interpretations are effective for annual periods beginning on or after January 1, 2019 and have not been applied in preparing the Consolidated Financial Statements for the year ended December 31, 2018. The standards applicable to Cenovus are as follows and will be adopted on their respective effective dates:

Leases

On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the above recognition requirements, and may continue to be treated as operating leases.

Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

IFRS 16 is effective for years beginning on or after January 1, 2019 and may be applied retrospectively or using a modified retrospective approach. The Company has selected to use the modified retrospective approach which does not require restatement of prior period financial information as the cumulative effect of applying the standard to prior periods is recorded as an adjustment to opening retained earnings. On initial adoption, Management has elected to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a right-of-use ("ROU") asset if the underlying asset is of low dollar value;
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease; and
- Use the Company's previous assessment under IAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*" ("IAS 37"), for onerous contracts instead of reassessing the ROU asset for impairment on January 1, 2019.

On adoption of IFRS 16, the Company will recognize lease liabilities in relation to leases under the principles of the new standard measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate as at January 1, 2019. The associated ROU assets will be measured at the amount equal to the lease liability on January 1, 2019 less any amount previously recognized under IAS 37 for onerous contracts with no impact on retained earnings.

Adoption of the new standard will result in the recognition of additional lease liabilities and ROU assets of approximately $1.5 billion and $0.9 billion, respectively. Management has identified ROU assets and lease liabilities primarily related to office space, railcars, storage tanks, drilling rigs and other field equipment. The impact on the consolidated statement of earnings will be as follows:

- Lower general and administrative expenses, transportation and blending costs, operating costs, purchased product and property, plant and equipment expenditures;
- Higher finance expenses due to the interest recognized on the lease obligations; and
- Higher depreciation expense related to the ROU assets.

The Company has reviewed office space contracts where the Company is the lessor and as a result of these assessments will recognize a $16 million net investment from these leases on January 1, 2019.

Uncertain Tax Positions

In June 2017, the IASB issued International Financial Reporting Interpretation Committee 23, *"Uncertainty Over Income Tax Treatments"* ("IFRIC 23"). The interpretation provides clarity on how to account for a tax position when there is uncertainty over income tax treatments. In determining the likely resolution of the uncertain tax positions, a position may be considered separately or as a group. In addition, an assessment is required to determine the probability that the tax authority will accept the tax position taken in income tax filings. If the uncertain income tax treatment is unlikely to be accepted, the accounting tax position must reflect an appropriate level of uncertainty. An uncertain tax position may be reassessed if new information changes the original assessment. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 using either a modified or full retrospective approach. IFRIC 23 will not have a significant impact on the Consolidated Financial Statements.

4. CHANGES IN ACCOUNTING POLICIES

A) Adoption of IFRS 9, "Financial Instruments"

Effective January 1, 2018, the Company adopted IFRS 9, which replaced IAS 39. The Company applied the new standard retrospectively and, in accordance with the transitional provisions, comparative figures have not been restated. The adoption of IFRS 9 did not have a material impact on the Company's Consolidated Financial Statements.

The nature and effects of the key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarized below.

Classification of Financial Assets and Financial Liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI, and FVTPL. The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the Company's business model for managing the financial asset. Additionally, embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9. Instead, the entire hybrid contract is assessed for classification and measurement.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The differences between the two standards did not impact the Company at the time of transition.

Impairment of Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39.

Transition

On January 1, 2018, the Company:

- Identified the business model used to manage its financial assets and classified its financial instruments into the appropriate IFRS 9 category;
- Designated certain investments in private equity instruments, that were previously classified as available for sale, as FVOCI; and
- Applied the ECL model to financial assets classified as measured at amortized cost.

The classification and measurement of financial instruments under IFRS 9 did not have a material impact on the Company's opening retained earnings as at January 1, 2018. In addition, the application of the ECL model to financial assets classified as measured at amortized cost did not result in a material adjustment on transition.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company's financial assets and financial liabilities. The Company has no contract assets or debt investments measured at FVOCI.

	Measurement Category (1)	
Financial Instrument	**IAS 39**	**IFRS 9**
Cash and Cash Equivalents	Loans and Receivables	Amortized Cost
Accounts Receivable and Accrued Revenues	Loans and Receivables	Amortized Cost
Risk Management Assets	FVTPL	FVTPL
Equity Investments	Available for Sale Financial Assets	FVOCI
Long-Term Receivables	Loans and Receivables	Amortized Cost
Accounts Payable and Accrued Liabilities	Financial Liabilities Measured at Amortized Cost	Amortized Cost
Risk Management Liabilities	FVTPL	FVTPL
Contingent Payment	FVTPL	FVTPL
Short-Term Borrowings	Financial Liabilities Measured at Amortized Cost	Amortized Cost
Long-Term Debt	Financial Liabilities Measured at Amortized Cost	Amortized Cost

(1) There were no adjustments to the carrying amounts of financial instruments as a result of the change in classification from IAS 39 to IFRS 9.

B) Adoption of IFRS 15, "Revenues From Contracts With Customers"

Effective January 1, 2018, the Company adopted IFRS 15, *"Revenue From Contracts With Customers"* ("IFRS 15") replacing IAS 11, *"Construction Contracts",* IAS 18, *"Revenue"* and several revenue-related interpretations. Cenovus adopted IFRS 15 using the modified retrospective with cumulative effect approach using the following practical expedients:

- Electing to apply the standard retrospectively only to contracts that were not completed contracts on January 1, 2018; and
- For modified contracts, evaluating the original contract together with any contract modifications at the date of initial application.

The adoption of IFRS 15 did not materially impact the timing or measurement of revenue. However, IFRS 15 contains new disclosure requirements.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The timely preparation of the Consolidated Financial Statements in accordance with IFRS requires that Management make estimates and assumptions, and use judgment regarding the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the Consolidated Financial Statements. The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

A) Critical Judgments in Applying Accounting Policies

Critical judgments are those judgments made by Management in the process of applying accounting policies that have the most significant effect on the amounts recorded in the Company's Consolidated Financial Statements.

Joint Arrangements

The classification of a joint arrangement as either a joint operation or a joint venture requires judgment. Cenovus holds a 50 percent interest in WRB, a jointly controlled entity. It was determined that Cenovus has the rights to the assets and obligations for the liabilities of WRB. As a result, the joint arrangement is classified as a joint operation and the Company's share of the assets, liabilities, revenues and expenses are recorded in the Consolidated Financial Statements.

Prior to May 17, 2017, Cenovus held a 50 percent interest in FCCL, which was jointly controlled with ConocoPhillips and met the definition of a joint operation under IFRS 11, *"Joint Arrangements"*. As such, Cenovus recognized its share of the assets, liabilities, revenues and expenses in its consolidated results. Subsequent to the Acquisition, Cenovus controls FCCL, as defined under IFRS 10, "*Consolidated Financial Statements*" ("IFRS 10") and, accordingly, FCCL has been consolidated.

In determining the classification of its joint arrangements under IFRS 11, the Company considered the following:

- The intention of the transaction creating FCCL and WRB was to form an integrated North American heavy oil business. The integrated business was structured, initially on a tax neutral basis, through two partnerships due to the assets residing in different tax jurisdictions. Partnerships are "flow-through" entities which have a limited life.
- The partnership agreements require the partners (Cenovus and ConocoPhillips or Phillips 66 or respective subsidiaries) to make contributions if funds are insufficient to meet the obligations or liabilities of the partnerships. The past and future development of FCCL and WRB is dependent on funding from the partners by way of partnership notes payable and loans. The partnerships do not have any third-party borrowings.
- FCCL operated like most typical western Canadian working interest relationships where the operating partner takes product on behalf of the participants. WRB has a very similar structure modified only to account for the operating environment of the refining business.
- Cenovus and Phillips 66, as operators, either directly or through wholly-owned subsidiaries, provide marketing services, purchase necessary feedstock, and arrange for transportation and storage on the partners' behalf as the agreements prohibit the partnerships from undertaking these roles themselves. In addition, the partnerships do not have employees and, as such, are not capable of performing these roles.
- In each arrangement, output is taken by one of the partners, indicating that the partners have rights to the economic benefits of the assets and the obligation for funding the liabilities of the arrangements.

Exploration and Evaluation Assets

The application of the Company's accounting policy for E&E expenditures requires judgment in determining whether it is likely that future economic benefit exists when activities have not reached a stage where technical feasibility and commercial viability can be reasonably determined. Factors such as drilling results, future capital programs, future operating expenses, as well as estimated reserves and resources are considered. In addition, Management uses judgment to determine when E&E assets are reclassified to PP&E. In making this determination, various factors are considered, including the existence of reserves, and whether the appropriate approvals have been received from regulatory bodies and the Company's internal approval process.

Identification of Cash-Generating Units

CGUs are defined as the lowest level of integrated assets for which there are separately identifiable cash flows that are largely independent of cash flows from other assets or groups of assets. The classification of assets and allocation of corporate assets into CGUs requires significant judgment and interpretation. Factors considered in the classification

include the integration between assets, shared infrastructures, the existence of common sales points, geography, geologic structure, and the manner in which Management monitors and makes decisions about its operations. The recoverability of the Company's upstream, refining, crude-by-rail and corporate assets are assessed at the CGU level. As such, the determination of a CGU could have a significant impact on impairment losses and reversals.

B) Key Sources of Estimation Uncertainty

Critical accounting estimates are those estimates that require Management to make particularly subjective or complex judgments about matters that are inherently uncertain. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recorded in the period in which the estimates are revised. The following are the key assumptions about the future and other key sources of estimation at the end of the reporting period that changes to could result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Crude Oil and Natural Gas Reserves

There are a number of inherent uncertainties associated with estimating crude oil and natural gas reserves. Reserves estimates are dependent upon variables including the recoverable quantities of hydrocarbons, the cost of the development of the required infrastructure to recover the hydrocarbons, production costs, estimated selling price of the hydrocarbons produced, royalty payments and taxes. Changes in these variables could significantly impact the reserves estimates which would affect the impairment test fair value less costs to sell and DD&A expense of the Company's crude oil and natural gas assets in the Oil Sands and Deep Basin segments. The Company's reserves are evaluated annually and reported to the Company by its IQREs.

Recoverable Amounts

Determining the recoverable amount of a CGU or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. For the Company's upstream assets, these estimates include forward commodity prices, expected production volumes, quantity of reserves and resources, discount rates, future development and operating expenses, and income tax rates. Recoverable amounts for the Company's refining assets and crude-by-rail terminal use assumptions such as throughput, forward commodity prices, operating expenses, transportation capacity, supply and demand conditions and income tax rates. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the related assets.

Decommissioning Costs

Provisions are recorded for the future decommissioning and restoration of the Company's upstream assets, refining assets and crude-by-rail terminal at the end of their economic lives. Management uses judgment to assess the existence and to estimate the future liability. The actual cost of decommissioning and restoration is uncertain and cost estimates may change in response to numerous factors including changes in legal requirements, technological advances, inflation and the timing of expected decommissioning and restoration. In addition, Management determines the appropriate discount rate at the end of each reporting period. This discount rate, which is credit-adjusted, is used to determine the present value of the estimated future cash outflows required to settle the obligation and may change in response to numerous market factors.

Onerous Contract Provisions

A contract is considered to be onerous when the unavoidable cost of meeting the obligations of the contract exceed the economic benefits expected to be derived from the contract. Determining when to record a provision for an onerous contract requires Management judgment and the use of estimates and assumptions, including the nature, extent and timing of future cash flows and discount rates related to the contract.

Fair Value of Assets Acquired and Liabilities Assumed in a Business Combination

The fair value of assets acquired and liabilities assumed in a business combination, including contingent consideration and goodwill, is estimated based on information available at the date of acquisition. Various valuation techniques are applied for measuring fair value including market comparables and discounted cash flows which rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs, volatility, Canadian-U.S. foreign exchange rates and discount rates. Changes in these variables could significantly impact the carrying value of the net assets.

Income Tax Provisions

Tax regulations and legislation and the interpretations thereof in the various jurisdictions in which Cenovus operates are subject to change. There are usually a number of tax matters under review; therefore, income taxes are subject to measurement uncertainty.

Deferred income tax assets are recorded to the extent that it is probable that the deductible temporary differences will be recoverable in future periods. The recoverability assessment involves a significant amount of estimation including an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable earnings, the availability of cash flow to offset the tax assets when the reversal occurs and the application of tax

laws. There are some transactions for which the ultimate tax determination is uncertain. To the extent that assumptions used in the recoverability assessment change, there may be a significant impact on the Consolidated Financial Statements of future periods.

6. FINANCE COSTS

For the years ended December 31,	**2018**	2017	2016
Interest Expense – Short-Term Borrowings and Long-Term Debt	**516**	571	341
Premium (Discount) on Redemption of Long-Term Debt (Note 22)	**17**	-	-
Unwinding of Discount on Decommissioning Liabilities (Note 25)	**62**	48	28
Other	**32**	26	21
	627	645	390

7. FOREIGN EXCHANGE (GAIN) LOSS, NET

For the years ended December 31,	**2018**	2017	2016
Unrealized Foreign Exchange (Gain) Loss on Translation of:			
U.S. Dollar Debt Issued From Canada	**602**	(665)	(196)
Other	**47**	(192)	7
Unrealized Foreign Exchange (Gain) Loss	**649**	(857)	(189)
Realized Foreign Exchange (Gain) Loss	**205**	45	(9)
	854	(812)	(198)

8. DIVESTITURES

On September 6, 2018, the Company completed the sale of Cenovus Pipestone Partnership ("CPP"), a wholly-owned subsidiary, for cash proceeds of $625 million, before closing adjustments. CPP held the Company's Pipestone and Wembley natural gas and liquids business in northwestern Alberta and included the Company's 39 percent operated working interest in the Wembley gas plant. A before-tax loss of $797 million was recorded on the sale (after-tax – $557 million).

In 2016, the Company completed the sale of land to an unrelated third party for cash proceeds of $8 million, resulting in a loss of $5 million. The Company also sold equipment at a loss of $1 million. These assets, related liabilities and results of operations were reported in the Conventional segment.

For additional divestitures related to discontinued operations see Note 11.

9. ACQUISITION

FCCL and Deep Basin Acquisition

A) Summary of the Acquisition

On May 17, 2017, Cenovus acquired from ConocoPhillips Company and certain of its subsidiaries (collectively, "ConocoPhillips") a 50 percent interest in FCCL and the majority of ConocoPhillips' western Canadian conventional crude oil and natural gas assets (the "Deep Basin Assets"). The acquisition from ConocoPhillips (the "Acquisition") provided Cenovus with control over the Company's oil sands operations, doubled the Company's oil sands production, and almost doubled the Company's proved bitumen reserves. The Deep Basin Assets provide short-cycle development opportunities with high-return potential in Alberta and British Columbia.

The Acquisition has been accounted for using the acquisition method pursuant to IFRS 3. Under the acquisition method, assets and liabilities are recorded at their fair values on the date of acquisition and the total consideration is allocated to the tangible and intangible assets acquired and liabilities assumed. The excess of consideration given over the fair value of the net assets acquired has been recorded as goodwill.

B) Identifiable Assets Acquired and Liabilities Assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of the Acquisition.

	Notes	
100 Percent of the Identifiable Assets Acquired and Liabilities Assumed for FCCL		
Cash		**880**
Accounts Receivable and Accrued Revenues		**964**
Inventories		**345**
E&E Assets	17	**491**
PP&E	18	**22,717**
Other Assets		**27**
Accounts Payable and Accrued Liabilities		**(445)**
Decommissioning Liabilities	25	**(277)**
Other Liabilities		**(8)**
Deferred Income Taxes		**(2,506)**
		22,188
Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed for Deep Basin		
Accounts Receivable and Accrued Revenues		**16**
Inventories		**14**
E&E Assets	17	**3,117**
PP&E	18	**3,600**
Accounts Payable and Accrued Liabilities		**(6)**
Decommissioning Liabilities	25	**(667)**
		6,074
Total Identifiable Net Assets		**28,262**

C) Total Consideration

Total consideration for the Acquisition consisted of US$10.6 billion in cash and 208 million Cenovus common shares plus closing adjustments. At the same time, Cenovus agreed to make certain quarterly contingent payments to ConocoPhillips during the five years subsequent to May 17, 2017 if crude oil prices exceed a specific threshold. The following table summarizes the fair value of the considerations:

Common Shares	**2,579**
Cash	**15,005**
	17,584
Estimated Contingent Payment (Note 23)	**361**
Total Consideration	**17,945**

At the date of closing, the Company issued 208 million common shares to ConocoPhillips that were accounted for at $12.40 per share, the estimated fair value for accounting purposes.

Consideration paid in cash was US$10.6 billion, before closing adjustments, and was financed through a bought-deal common share offering (see Note 28) and an offering in the United States for senior unsecured notes (see Note 22). In addition, Cenovus borrowed $3.6 billion under a committed asset sale bridge credit facility (see Note 22). The remainder of the cash purchase price was funded with cash on hand and a draw on Cenovus's existing committed credit facility.

The estimated contingent payment related to oil sands production reflects that Cenovus agreed to make quarterly payments to ConocoPhillips during the five years subsequent to the closing date for quarters in which the average Western Canadian Select ("WCS") crude oil price exceeds $52.00 per barrel during the quarter. The quarterly payment will be $6 million for each dollar that the WCS price exceeds $52.00 per barrel. There are no maximum payment terms. The calculation of any contingent payment includes an adjustment mechanism related to certain significant production outages at Foster Creek and Christina Lake, which may reduce the amount of a contingent payment.

The contingent payment is accounted for as a financial option. The fair value of $361 million on May 17, 2017 was estimated by calculating the present value of the future expected cash flows using an option pricing model, which assumes the probability distribution for WCS is based on the volatility of West Texas Intermediate ("WTI") options, volatility of Canadian-U.S. foreign exchange rate options and WCS futures pricing, and discounted at a credit-adjusted risk-free rate of 2.9 percent. The contingent payment is re-measured at fair value at each reporting date with changes in fair value recognized in net earnings (see Note 23).

D) Goodwill

Goodwill arising from the Acquisition has been recognized as follows:

	Notes	
Total Purchase Consideration	9C	**17,945**
Fair Value of Pre-Existing 50 Percent Ownership Interest in FCCL		**12,347**
Fair Value of Identifiable Net Assets	9B	**(28,262)**
Goodwill		**2,030**

Fair Value of Pre-Existing 50 Percent Ownership Interest in FCCL

Prior to the Acquisition, Cenovus's 50 percent interest in FCCL was jointly controlled with ConocoPhillips and met the definition of a joint operation under IFRS 11 and as such Cenovus recognized its share of the assets, liabilities, revenues and expenses in its consolidated results. Subsequent to the Acquisition, Cenovus controls FCCL, as defined under IFRS 10 and, accordingly, FCCL has been consolidated from the date of acquisition. As required by IFRS 3, when an acquirer achieves control in stages, the previously held interest is re-measured to fair value at the acquisition date with any gain or loss recognized in net earnings. The acquisition-date fair value of the previously held interest was $12.3 billion and has been included in the measurement of the total consideration transferred. The carrying value of the FCCL assets was $9.7 billion. As a result, Cenovus recognized a non-cash revaluation gain of $2.6 billion ($1.9 billion, after-tax) on the re-measurement to fair value of its existing interest in FCCL.

Goodwill was recorded in connection with deferred tax liabilities arising from the difference between the purchase price allocated to the FCCL assets and liabilities based on fair value and the tax basis of these assets and liabilities. In addition, the consideration paid for FCCL included a control premium, which resulted in a higher value compared to the fair value of the net assets acquired.

E) Acquisition-Related Costs

In 2017, the Company incurred $56 million of Acquisition-related costs, excluding common share and debt issuance costs. These costs have been included in transaction costs in the Consolidated Statements of Earnings.

Debt issuance costs related to the Acquisition financing were $72 million. These costs are netted against the carrying amount of the debt and amortized using the effective interest method.

F) Transitional Services

Under the purchase and sales agreement, Cenovus and ConocoPhillips agreed to certain transitional services where ConocoPhillips provided certain day-to-day services required by Cenovus for a period of approximately nine months. These transactions were in the normal course of operations and have been measured at the exchange amounts.

In 2017, costs related to the transitional services of approximately $40 million were recorded in general and administrative expenses.

G) Revenue and Profit Contribution

The acquired business contributed revenues of $3.3 billion and net earnings of $172 million for the period from May 17, 2017 to December 31, 2017.

If the closing of the Acquisition had occurred on January 1, 2017, Cenovus's consolidated pro forma revenue and net earnings for the twelve months ended December 31, 2017 would have been $19.0 billion and $3.5 billion, respectively.

10. IMPAIRMENT CHARGES AND REVERSALS

A) Cash-Generating Unit Net Impairments

On a quarterly basis, the Company assesses its CGUs for indicators of impairment or when facts and circumstances suggest the carrying amount may exceed its recoverable amount. Goodwill is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the CGU to which it relates.

2018 Net Upstream Impairments

As at December 31, 2018, the book value of the Company's net assets was greater than its market capitalization; therefore, the Company tested its upstream CGUs for impairment. As at December 31, 2018, there was no impairment of goodwill or the Company's CGUs. However, the impairment test provided evidence that previously recognized impairment losses should be reversed.

As at December 31, 2018, the recoverable amount of the Clearwater CGU was estimated to be $761 million. Earlier in 2018 and 2017, impairment losses of $100 million and $56 million, respectively, were recorded due to a decline in forward prices. The impairment was recorded as additional DD&A in the Deep Basin segment. In the fourth quarter of 2018, the Company reversed $132 million of impairment losses, net of the DD&A that would have been recorded

had no impairments been recorded. The reversal was due to improved recovery, extensions, and well performance and changes to the development plan.

There were no goodwill impairments for the twelve months ended December 31, 2018.

Key Assumptions

The recoverable amounts of Cenovus's upstream CGUs were determined based on FVLCOD or an evaluation of comparable asset transactions. The fair values for producing properties were calculated based on discounted after-tax cash flows of proved and probable reserves using forward prices and cost estimates, prepared by Cenovus's IQREs (Level 3). 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, 2018 by the IQREs.

Crude Oil, NGLs and Natural Gas Prices

The forward prices as at December 31, 2018, used to determine future cash flows from crude oil, NGLs and natural gas reserves were:

	2019	2020	2021	2022	2023	Average Annual Increase Thereafter
WTI (US$/barrel)	58.58	64.60	68.20	71.00	72.81	2.0%
WCS (C$/barrel)	51.55	59.58	65.89	68.61	70.53	2.1%
Edmonton C5+ (C$/barrel)	70.10	79.21	83.33	86.20	88.16	2.0%
AECO (C$/Mcf) (1)	1.88	2.31	2.74	3.05	3.21	2.0%

(1) Alberta Energy Company ("AECO") natural gas.Assumes gas heating value of one million British thermal units ("MMBtu") per thousand cubic feet.

Discount and Inflation Rates

Discounted future cash flows are determined by applying a discount rate between 10 percent and 15 percent based on the individual characteristics of the CGU, and other economic and operating factors. Inflation is estimated at two percent.

2017 Upstream Impairments

As at December 31, 2017, the Company tested its Clearwater CGU for impairment due to a decline in forward commodity prices. As a result, an impairment loss of $56 million on the Clearwater CGU was recorded. The impairment was recorded as additional DD&A in the Deep Basin segment. As at December 31, 2017, the recoverable amount of the Clearwater CGU was estimated to be approximately $295 million, which excludes the Clearwater assets reclassified to assets held for sale.

There were no goodwill impairments for the twelve months ended December 31, 2017.

Key Assumptions

The fair values for producing properties were calculated based on discounted after-tax cash flows of proved and probable reserves using forward prices and cost estimates, prepared by Cenovus's IQREs (Level 3). Future cash flows were estimated using a two percent inflation rate and discounted using a rate between 10 percent and 15 percent based on the individual characteristics of the CGU, and other economic and operating factors. Forward prices as at December 31, 2017 used to determine future cash flows from crude oil and natural gas reserves were:

	2018	2019	2020	2021	2022	Average Annual Increase Thereafter
WTI (US$/barrel)	57.50	60.90	64.13	68.33	71.19	2.1%
WCS (C$/barrel)	50.61	56.59	60.86	64.56	66.63	2.1%
Edmonton C5+ (C$/barrel)	72.41	74.90	77.07	81.07	83.32	2.1%
AECO (C$/Mcf)	2.43	2.77	3.19	3.48	3.67	2.0%

2016 Net Upstream Impairments

As at December 31, 2016, the recoverable value of the Northern Alberta CGU was estimated to be $1.1 billion. Previously, impairment losses of $564 million were recorded primarily due to a decline in long-term heavy crude oil prices and a slowing of the development plan. In the fourth quarter of 2016, the Company reversed $400 million of impairment losses, net of the DD&A that would have been recorded had no impairments been recorded. The reversal arose due to the increase in the CGU's estimated recoverable amount caused by an average reduction in expected future operating costs of five percent and lower future development costs, partially offset by a decline in estimated reserves. The impairment losses and subsequent reversal were recorded as DD&A in the Conventional segment, which has been classified as a discontinued operation. The Northern Alberta CGU included the Pelican Lake and Elk Point producing assets and other emerging assets in the exploration and evaluation stage.

As at December 31, 2016, the recoverable amount of the Suffield CGU was estimated to be $548 million. Earlier in 2016, an impairment loss of $65 million was recognized due to lower long-term forward natural gas and heavy crude oil prices. In the fourth quarter of 2016, the Company reversed the full amount of the impairment losses, net of the DD&A that would have been recorded had no impairment been recorded ($62 million). The reversal arose due to a decline in expected future royalties increasing the estimated recoverable amount of the CGU. The impairment loss and the subsequent reversal were recorded as DD&A in the Conventional segment. The Suffield CGU includes production of natural gas and heavy crude oil in Alberta on the Canadian Forces Base.

There were no goodwill impairments for the twelve months ended December 31, 2016.

B) Asset Impairments and Write-downs

Exploration and Evaluation Assets

In the fourth quarter of 2018, Management completed a comprehensive review of the Deep Basin development plan considering factors such as well inventory, pace of development, infrastructure constraints, economic thresholds and limited capital spending on the assets going forward. As such, previously capitalized E&E costs of $2.1 billion were written off as exploration expense in the Elmworth, Wapiti, Kaybob, Edson and Clearwater areas within the Deep Basin segment.

For the year ended December 31, 2017, Management wrote off certain E&E assets, as their carrying values were not considered to be recoverable. As a result, $888 million of previously capitalized E&E costs were written off and recorded as exploration expense. These assets reside primarily in the Borealis CGU within the Oil Sands segment. Management's decision was based on a comprehensive review of spending to date, decisions to limit spending on these assets in recent years and the current business plan spending on the assets going forward. At this point, Management is not committing further material funding beyond that required to retain ownership of this significant resource. In addition, regulatory changes to the Oil Sands Royalty application process impact the economic viability of these projects.

In 2016, $2 million of previously capitalized E&E costs were written off and recorded as exploration expense in the Oil Sands segment.

Property, Plant and Equipment, Net

For the year ended December 31, 2018, the Company recorded an impairment loss of $6 million in the Oil Sands segment for information technology assets that were written down to their recoverable amounts.

In 2017, the Company recorded an impairment loss of $21 million related to equipment that was written down to its recoverable amount. The impairment loss relates to the Oil Sands segment.

In 2016, the Company recorded an impairment loss of $20 million primarily related to equipment that was written down to its recoverable amount. This impairment was recorded as additional DD&A in the Conventional segment, which has been classified as a discontinued operation. The Company also recorded an impairment loss of $16 million related to preliminary engineering costs associated with a project that was cancelled and equipment that was written down to its recoverable amount. This impairment loss was recorded as additional DD&A in the Oil Sands segment. Leasehold improvements of $4 million were also written off and recorded as additional DD&A in the Corporate and Eliminations segment.

11. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2017, the Company announced its intention to divest of its Conventional segment and market for sale a package of the Company's non-core Deep Basin assets in the East Clearwater and a portion of the West Clearwater area. The Conventional segment included the Company's heavy oil assets at Pelican Lake, the CO_2 enhanced oil recovery project at Weyburn and conventional crude oil, NGLs and natural gas assets in the Suffield and Palliser areas in southern Alberta. The associated assets and liabilities were reclassified as held for sale. The results of operations from the Conventional segment have been reported as a discontinued operation.

A) Assets and Liabilities Held for Sale

The Conventional segment and non-core Deep Basin assets were classified as held for sale and recorded at the lesser of their carrying amount and their fair value less cost to sell. Assets and liabilities held for sale also include the Suffield operations which were sold on January 5, 2018. No impairments were recorded on the assets held for sale as at December 31, 2017.

In December 2018, Management decided to discontinue the Clearwater assets sale process. While discussions with prospective purchasers have occurred, an offer that meets Management's expectations has not been received. As a result of this decision, as at December 31, 2018, the assets and associated decommissioning liabilities were reclassified from held for sale to PP&E, E&E and decommissioning liabilities, at their carrying amounts. Depletion, calculated on a per-unit of production basis, was recorded in the fourth quarter. There was no impairment of the assets prior to reclassification.

As at December 31, 2018, no assets were classified as held for sale.

As at December 31, 2017	E&E Assets	PP&E	Decommissioning Liabilities
Conventional	-	568	454
Deep Basin	46	434	149
	46	1,002	603

B) Results of Discontinued Operations

On January 5, 2018, the Company completed the sale of its Suffield crude oil and natural gas operations in southern Alberta for cash proceeds of $512 million, before closing adjustments. A before-tax gain on discontinuance of $343 million was recorded on the sale. The agreement includes a deferred purchase price adjustment ("DPPA") that could provide Cenovus with purchase price adjustments of up to $36 million if the average crude oil and natural gas prices meet certain thresholds over the two years following the close of the disposition.

The DPPA is a two year agreement that commenced on close. Under the purchase and sale agreement, Cenovus is entitled to receive cash for each month in which the average daily price of WTI is above US$55 per barrel or the price of Henry Hub natural gas is above US$3.50 per MMBtu. Monthly cash payments are capped at $375 thousand and $1.125 million for crude oil and natural gas, respectively. The DPPA will be accounted for as a financial option and fair valued at each reporting date. The fair value of the DPPA on the date of close was $7 million.

In 2017, the Company sold the majority of its Conventional segment assets for total gross cash proceeds of $3.2 billion before closing adjustments. A before-tax gain on discontinuance of $1.3 billion was recorded on the sale.

The following table presents the results of discontinued operations, including asset sales:

For the years ended December 31,	2018	2017	2016
Revenues			
Gross Sales	**14**	1,309	1,267
Less: Royalties	**3**	174	139
	11	1,135	1,128
Expenses			
Transportation and Blending	**1**	167	186
Operating	**(28)**	426	444
Production and Mineral Taxes	**1**	18	12
(Gain) Loss on Risk Management	**-**	33	(58)
Operating Margin	**37**	491	544
Depreciation, Depletion and Amortization	**-**	192	567
Exploration Expense	**-**	2	-
Finance Costs	**1**	80	102
Earnings (Loss) From Discontinued Operations Before Income Tax	**36**	217	(125)
Current Tax Expense (Recovery)	**-**	24	86
Deferred Tax Expense (Recovery)	**9**	33	(125)
After-tax Earnings (Loss) From Discontinued Operations	**27**	160	(86)
After-tax Gain (Loss) on Discontinuance (1)	**220**	938	-
Net Earnings (Loss) From Discontinued Operations	**247**	1,098	(86)

(1) Net of deferred tax expense of $81 million in 2018 (2017 – $347 million).

C) Cash Flows From Discontinued Operations

Cash flows from discontinued operations reported in the Consolidated Statement of Cash Flows are:

For the years ended December 31,	**2018**	2017	2016
Cash From (Used in) Operating Activities	**36**	448	435
Cash From (Used in) Investing Activities	**404**	2,993	(168)
Net Cash Flow	**440**	3,441	267

12. INCOME TAXES

The provision for income taxes is:

For the years ended December 31,	**2018**	2017	2016
Current Tax			
Canada	**(128)**	(217)	(260)
United States	**2**	(38)	1
Current Tax Expense (Recovery)	**(126)**	(255)	(259)
Deferred Tax Expense (Recovery)	**(884)**	203	(84)
Tax Expense (Recovery) From Continuing Operations	**(1,010)**	(52)	(343)

In 2018, 2017 and 2016, the Company recorded a current tax recovery due to the carryback of losses for income tax purposes and prior year adjustments. The maximum recovery was reached in 2018.

In 2018, the Company recorded a deferred tax recovery related to current period losses, including the write-down of the Deep Basin E&E assets, and $78 million arising from an adjustment to the tax basis of the Company's refining assets. The increase in tax basis was a result of the Company's partner recognizing a taxable gain on its interest in WRB, which due to an election filed with the U.S. tax authorities, was added to the tax basis of WRB's assets. A deferred tax expense was recorded in 2017 due to the revaluation gain of our pre-existing interest in connection with the Acquisition, net of a reduction of the U.S. federal corporate income tax rate from 35 percent to 21 percent reducing the Company's deferred income tax liability and the impact of E&E asset write-downs.

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

For the years ended December 31,	**2018**	2017	2016
Earnings (Loss) From Continuing Operations Before Income Tax	**(3,926)**	2,216	(802)
Canadian Statutory Rate	**27.0%**	27.0%	27.0%
Expected Income Tax Expense (Recovery) From Continuing Operations	**(1,060)**	598	(217)
Effect of Taxes Resulting From:			
Foreign Tax Rate Differential	**(57)**	(17)	(46)
Non-Taxable Capital (Gains) Losses	**82**	(129)	(26)
Non-Recognition of Capital (Gains) Losses	**99**	(99)	(26)
Adjustments Arising From Prior Year Tax Filings	**3**	(41)	(46)
Recognition of Previously Unrecognized Capital Losses	**-**	(68)	-
Recognition of U.S. Tax Basis	**(78)**	-	-
Change in Statutory Rate	**-**	(275)	-
Non-Deductible Expenses	**2**	(5)	5
Other	**(1)**	(16)	13
Total Tax Expense (Recovery) From Continuing Operations	**(1,010)**	(52)	(343)
Effective Tax Rate	**25.7%**	(2.3)%	42.8%

The analysis of deferred income tax liabilities and deferred income tax assets is as follows:

For the years ended December 31,	2018	2017
Deferred Income Tax Liabilities		
Deferred Income Tax Liabilities to be Settled Within 12 Months	**47**	186
Deferred Income Tax Liabilities to be Settled After More Than 12 Months	**5,498**	6,229
	5,545	6,415
Deferred Income Tax Assets		
Deferred Income Tax Assets to be Recovered Within 12 Months	**(57)**	(374)
Deferred Income Tax Assets to be Recovered After More Than 12 Months	**(627)**	(428)
	(684)	(802)
Net Deferred Income Tax Liability	**4,861**	5,613

The deferred income tax assets and liabilities to be settled within 12 months represents Management's estimate of the timing of the reversal of temporary differences and may not correlate to the current income tax expense of the subsequent year.

The movement in deferred income tax liabilities and assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, is:

Deferred Income Tax Liabilities	PP&E	Timing of Partnership Items	Risk Management	Other	Total
As at December 31, 2016	3,146	-	6	1	3,153
Charged (Credited) to Earnings	625	164	11	1	801
Charged (Credited) to Purchase Price Allocation	2,506	-	-	-	2,506
Charged (Credited) to OCI	(45)	-	-	-	(45)
As at December 31, 2017	**6,232**	**164**	**17**	**2**	**6,415**
Charged (Credited) to Earnings	**(836)**	**(164)**	**27**	**49**	**(924)**
Charged (Credited) to OCI	**54**	**-**	**-**	**-**	**54**
As at December 31, 2018	**5,450**	**-**	**44**	**51**	**5,545**

Deferred Income Tax Assets	Unused Tax Losses	Timing of Partnership Items	Risk Management	Other	Total
As at December 31, 2016	(270)	-	(85)	(213)	(568)
Charged (Credited) to Earnings	67	-	(198)	(87)	(218)
Charged (Credited) to Share Capital	-	-	-	(28)	(28)
Charged (Credited) to OCI	12	-	-	-	12
As at December 31, 2017	**(191)**	**-**	**(283)**	**(328)**	**(802)**
Charged (Credited) to Earnings	**(159)**	**-**	**282**	**8**	**131**
Charged (Credited) to OCI	**(7)**	**-**	**-**	**(6)**	**(13)**
As at December 31, 2018	**(357)**	**-**	**(1)**	**(326)**	**(684)**

Net Deferred Income Tax Liabilities	Total
Net Deferred Income Tax Liabilities as at December 31, 2016	2,585
Charged (Credited) to Earnings	583
Charged (Credited) to Purchase Price Allocation	2,506
Charged (Credited) to Share Capital	(28)
Charged (Credited) to OCI	(33)
Net Deferred Income Tax Liabilities as at December 31, 2017	**5,613**
Charged (Credited) to Earnings	**(793)**
Charged (Credited) to OCI	**41**
Net Deferred Income Tax Liabilities as at December 31, 2018	**4,861**

No deferred tax liability has been recognized as at December 31, 2018 and 2017 on temporary differences associated with investments in subsidiaries and joint arrangements where the Company can control the timing of the reversal of the temporary difference and the reversal is not probable in the foreseeable future.

The approximate amounts of tax pools available, including tax losses, are:

As at December 31,	**2018**	2017
Canada	**7,935**	8,317
United States	**1,391**	1,714
	9,326	10,031

As at December 31, 2018, the above tax pools included $1,375 million (2017 – $73 million) of Canadian federal non-capital losses and $nil (2017 – $593 million) of U.S. federal net operating losses. These losses expire no earlier than 2033.

Also included in the December 31, 2018 tax pools are Canadian net capital losses totaling $8 million (2017 – $8 million), which are available for carry forward to reduce future capital gains. All of these net capital losses are unrecognized as a deferred income tax asset as at December 31, 2018 (2017 – $8 million). Recognition is dependent on future capital gains. The Company has not recognized $661 million (2017 – $293 million) of net capital losses associated with unrealized foreign exchange losses on its U.S. denominated debt.

13. PER SHARE AMOUNTS

A) Net Earnings (Loss) Per Share — Basic and Diluted

For the years ended December 31,	**2018**	2017	2016
Earnings (Loss) From:			
Continuing Operations	**(2,916)**	2,268	(459)
Discontinued Operations	**247**	1,098	(86)
Net Earnings (Loss)	**(2,669)**	3,366	(545)
Basic - Weighted Average Number of Shares (millions)	**1,228.8**	1,102.5	833.3
Dilutive Effect of Cenovus NSRs	**0.4**	-	-
Diluted - Weighted Average Number of Shares	**1,229.2**	1,102.5	833.3
Basic and Diluted Earnings (Loss) Per Share From: ($)			
Continuing Operations	**(2.37)**	2.06	(0.55)
Discontinued Operations	**0.20**	0.99	(0.10)
Net Earnings (Loss) Per Share	**(2.17)**	3.05	(0.65)

As at December 31, 2018, 34 million NSRs (2017 – 43 million; 2016 – 42 million) and no TSARs (2017 – 81 thousand; 2016 – 3 million) were excluded from the diluted weighted average number of shares as their effect would have been anti-dilutive or their exercise prices exceed the market price of Cenovus's common shares. These instruments could potentially dilute earnings per share in the future. For further information on the Company's stock-based compensation plans, see Note 30.

B) Dividends Per Share

For the year ended December 31, 2018, the Company paid cash dividends of $245 million or $0.20 per share, all of which were paid in cash (2017 – $225 million or $0.20 per share; 2016 – $166 million or $0.20 per share). The Cenovus Board of Directors declared a first quarter dividend of $0.05 per share, payable on March 29, 2019, to common shareholders of record as of March 15, 2019.

14. CASH AND CASH EQUIVALENTS

As at December 31,	**2018**	2017
Cash	**155**	547
Short-Term Investments	**626**	63
	781	610

15. ACCOUNTS RECEIVABLE AND ACCRUED REVENUES

As at December 31,	**2018**	2017
Accruals	**614**	1,379
Prepaids and Deposits	**45**	64
Partner Advances	**237**	94
Trade	**251**	193
Joint Operations Receivables	**37**	51
Other	**54**	49
	1,238	1,830

16. INVENTORIES

As at December 31,	**2018**	2017
Product		
Refining and Marketing	**703**	894
Oil Sands	**223**	414
Deep Basin	**-**	2
Conventional	**-**	2
Parts and Supplies	**87**	77
	1,013	1,389

During the year ended December 31, 2018, approximately $15,664 million of produced and purchased inventory was recorded as an expense (2017 – $12,856 million; 2016 – $9,964 million).

As a result of a decline in refined product prices, Cenovus recorded a write-down of its product inventory of $47 million from cost to net realizable value as at December 31, 2018.

17. EXPLORATION AND EVALUATION ASSETS

	Total
As at December 31, 2016	1,585
Additions	147
Acquisition (Note 9) (1)	3,608
Transfers to Assets Held for Sale (Note 11)	(316)
Transfers to PP&E (Note 18)	(6)
Exploration Expense (Note 10)	(890)
Change in Decommissioning Liabilities	5
Other	19
Divestitures (1)	(479)
As at December 31, 2017	**3,673**
Additions	**374**
Transfers to Assets Held for Sale (Note 11)	**(1)**
Transfers from Assets Held for Sale (Note 11)	**46**
Exploration Expense (Note 10)	**(2,123)**
Change in Decommissioning Liabilities	**(8)**
Divestitures	**(1,176)**
As at December 31, 2018	**785**

(1) In connection with the Acquisition, Cenovus was deemed to have disposed of its pre-existing interest in FCCL and re-acquired it at fair value as required by IFRS 3.

18. PROPERTY, PLANT AND EQUIPMENT, NET

	Upstream Assets				
	Development & Production	Other Upstream	Refining Equipment	Other (1)	Total
COST					
As at December 31, 2016	31,941	333	5,259	1,074	38,607
Additions	1,324	-	168	89	1,581
Acquisitions (Note 9) (2)	26,317	-	-	-	26,317
Transfers from E&E Assets (Note 17)	6	-	-	-	6
Transfers to Assets Held for Sale (Note 11)	(19,719)	-	-	-	(19,719)
Change in Decommissioning Liabilities	(67)	-	-	3	(64)
Exchange Rate Movements and Other	(28)	-	(364)	1	(391)
Divestitures (Notes 8 and 11) (2)	(12,333)	-	(2)	-	(12,335)
As at December 31, 2017	**27,441**	**333**	**5,061**	**1,167**	**34,002**
Additions	**1,065**	**-**	**204**	**61**	**1,330**
Transfers from Assets Held for Sale (Note 11)	**469**	**-**	**-**	**-**	**469**
Change in Decommissioning Liabilities	**(279)**	**-**	**(3)**	**(3)**	**(285)**
Exchange Rate Movements and Other	**(6)**	**-**	**370**	**-**	**364**
Divestitures (Note 8)	**(644)**	**-**	**-**	**(12)**	**(656)**
As at December 31, 2018	**28,046**	**333**	**5,632**	**1,213**	**35,224**
ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION					
As at December 31, 2016	20,088	308	1,076	709	22,181
DD&A	1,653	23	209	68	1,953
Impairment Losses (Note 10)	77	-	-	-	77
Transfers to Assets Held for Sale (Note 11)	(16,120)	-	-	-	(16,120)
Exchange Rate Movements and Other	17	-	(91)	1	(73)
Divestitures (Notes 8 and 11) (2)	(3,611)	-	(1)	-	(3,612)
As at December 31, 2017	**2,104**	**331**	**1,193**	**778**	**4,406**
DD&A	**1,874**	**2**	**217**	**64**	**2,157**
Transfers from Assets Held for Sale (Note 11)	**35**	**-**	**-**	**-**	**35**
Impairment Losses (Note 10)	**106**	**-**	**-**	**-**	**106**
Impairment Reversals (Note 10)	**(132)**	**-**	**-**	**-**	**(132)**
Exchange Rate Movements and Other	**(31)**	**-**	**32**	**-**	**1**
Divestitures (Note 8)	**(38)**	**-**	**-**	**(9)**	**(47)**
As at December 31, 2018	**3,918**	**333**	**1,442**	**833**	**6,526**
CARRYING VALUE					
As at December 31, 2016	11,853	25	4,183	365	16,426
As at December 31, 2017	25,337	2	3,868	389	29,596
As at December 31, 2018	**24,128**	**-**	**4,190**	**380**	**28,698**

(1) Includes crude-by-rail terminal, office furniture, fixtures, leasehold improvements, information technology and aircraft.
(2) In connection with the Acquisition, Cenovus was deemed to have disposed of its pre-existing interest in FCCL and re-acquired it at fair value as required by IFRS 3. The carrying value of the pre-existing interest in FCCL was $8,602 million.

PP&E includes the following amounts in respect of assets under construction and not subject to DD&A:

As at December 31,	2018	2017
Development and Production	**1,818**	1,809
Refining Equipment	**181**	131
	1,999	1,940

19. OTHER ASSETS

As at December 31,	2018	2017
Equity Investments	**38**	37
Long-Term Receivables	**12**	11
Prepaids	**8**	9
Other	**6**	14
	64	71

20. GOODWILL

As at December 31,	2018	2017
Carrying Value, Beginning of Year	**2,272**	242
Goodwill Recognized on Acquisition (Note 9)	**-**	2,030
Carrying Value, End of Year	**2,272**	2,272

As at December 31, 2018 and 2017, the carrying amount of goodwill was associated with the Company's Primrose (Foster Creek) CGU and Christina Lake CGU was $1,171 million and $1,101 million, respectively.

For the purposes of impairment testing, goodwill is allocated to the CGU to which it relates. The assumptions used to test Cenovus's goodwill for impairment as at December 31, 2018 are consistent to those disclosed in Note 10.

21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31,	2018	2017
Accruals	**675**	2,006
Trade	**767**	337
Interest	**80**	86
Partner Advances	**237**	94
Employee Long-Term Incentives	**36**	52
Joint Operations Payable	**3**	12
Other	**35**	40
	1,833	2,627

22. LONG-TERM DEBT AND CAPITAL STRUCTURE

As at December 31,	Notes	2018	2017
Revolving Term Debt (1)	A	**-**	-
U.S. Dollar Denominated Unsecured Notes	B	**9,241**	9,597
Total Debt Principal		**9,241**	9,597
Debt Discounts and Transaction Costs		**(77)**	(84)
Long-Term Debt		**9,164**	9,513
Less: Current Portion		**682**	-
Long-Term Portion		**8,482**	9,513

(1) Revolving term debt may include Bankers' Acceptances, London Interbank Offered Rate ("LIBOR") based loans, prime rate loans and U.S. base rate loans.

The weighted average interest rate on outstanding debt for the year ended December 31, 2018 was 5.1 percent (2017 – 4.9 percent).

A) Revolving Term Debt

Cenovus has in place a committed credit facility that consists of a $1.2 billion tranche and a $3.3 billion tranche. On October 17, 2018, the Company extended the maturity date of the $1.2 billion tranche from November 30, 2020 to November 30, 2021 and the maturity date of the $3.3 billion tranche from November 30, 2021 to November 30, 2022. Borrowings are available by way of Bankers' Acceptances, LIBOR based loans, prime rate loans or U.S. base rate loans. As at December 31, 2018, there were no amounts drawn on Cenovus's committed credit facility (2017 – $nil).

B) Unsecured Notes

Unsecured notes are composed of:

	2018		2017	
As at December 31,	**US$ Principal Amount**	**Total C$ Equivalent**	US$ Principal Amount	Total C$ Equivalent
5.70% due October 15, 2019	**500**	**682**	1,300	1,631
3.00% due August 15, 2022	**500**	**682**	500	627
3.80% due September 15, 2023	**450**	**614**	450	565
4.25% due April 15, 2027	**1,171**	**1,597**	1,200	1,505
5.25% due June 15, 2037	**700**	**955**	700	878
6.75% due November 15, 2039	**1,400**	**1,910**	1,400	1,756
4.45% due September 15, 2042	**744**	**1,015**	750	941
5.20% due September 15, 2043	**350**	**477**	350	439
5.40% due June 15, 2047	**959**	**1,309**	1,000	1,255
	6,774	**9,241**	7,650	9,597

On October 29, 2018, the Company redeemed US$800 million of its US$1,300 million unsecured notes due October 15, 2019. A redemption premium of US$20 million and associated unamortized discount and debt issue costs of $1 million were recognized in 2018.

In December 2018, the Company paid US$69 million to repurchase a portion of its unsecured notes with a principal amount of US$76 million. A gain on the repurchase of $9 million was recorded in finance costs. Subsequent to December 31, 2018, the Company repurchased a further US$324 million of its unsecured notes for cash of US$300 million (see Note 37).

In connection with the Acquisition, the Company completed an offering in the U.S. on April 7, 2017 for US$2.9 billion of senior unsecured notes issued in three tranches, US$1.2 billion 4.25 percent senior unsecured notes due April 2027, US$700 million 5.25 percent senior unsecured notes due June 2037, and US$1.0 billion 5.40 percent senior unsecured notes due June 2047 (collectively, the “2017 Notes”). In the fourth quarter of 2017, the Company completed an exchange offer (“Exchange Offering”) whereby substantially all of the 2017 Notes were exchanged for notes registered under the Securities Act of 1933 with essentially the same terms and provisions as the 2017 Notes. The Exchange Offering has been treated as a modification for accounting purposes and not an extinguishment.

The Company has in place a base shelf prospectus that allows the Company to offer from time to time up to US$7.5 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 is available to ConocoPhillips to offer, should they so choose from time to time, the common shares they acquired in connection with the Acquisition. The base shelf prospectus will expire in November 2019. As at December 31, 2018, US$4.6 billion remains available under the base shelf prospectus. Offerings under the base shelf prospectus are subject to market conditions.

As at December 31, 2018, the Company is in compliance with all of the terms of its debt agreements.

C) Asset Sale Bridge Credit Facility

In connection with the Acquisition, Cenovus borrowed $3.6 billion under a committed asset sale bridge credit facility. Net proceeds from the sale of the Company’s Conventional segment assets (see Note 11) and cash on hand were used to repay and retire the committed asset bridge credit facility prior to December 31, 2017.

D) Mandatory Debt Payments as at December 31, 2018

	US$ Principal Amount	Total C$ Equivalent
2019	500	**682**
2020	-	**-**
2021	-	**-**
2022	500	**682**
2023	450	**614**
Thereafter	5,324	**7,263**
	6,774	**9,241**

E) Capital Structure

Cenovus's capital structure objectives remain unchanged from previous periods. Cenovus's capital structure consists of shareholders' equity plus Net 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 conducts its business and makes decisions consistent with that of an investment grade company. The Company'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. To ensure financial resilience, Cenovus may, among other actions, adjust capital and operating spending, draw down on its credit facility or repay existing debt, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new debt, or issue new shares.

Cenovus monitors its capital structure and financing requirements using, among other things, non-GAAP financial metrics consisting of Net Debt to Adjusted Earnings Before Interest, Taxes and DD&A ("Adjusted EBITDA") and Net Debt to Capitalization. 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 Net Debt to Adjusted EBITDA ratio of less than 2.0 times. At different points within the economic cycle, Cenovus expects this ratio may periodically be above the target. Cenovus also manages its Net Debt to Capitalization ratio to ensure compliance with the associated covenant as defined in its committed credit facility agreement.

Net Debt to Adjusted EBITDA

As at December 31,	**2018**	2017	2016
Current Portion of Long-Term Debt	**682**	-	-
Long-Term Debt	**8,482**	9,513	6,332
Less: Cash and Cash Equivalents	**(781)**	(610)	(3,720)
Net Debt	**8,383**	8,903	2,612
Net Earnings (Loss)	**(2,669)**	3,366	(545)
Add (Deduct):			
Finance Costs	**628**	725	492
Interest Income	**(19)**	(62)	(52)
Income Tax Expense (Recovery)	**(920)**	352	(382)
DD&A	**2,131**	2,030	1,498
E&E Write-Down	**2,123**	890	2
Unrealized (Gain) Loss on Risk Management	**(1,249)**	729	554
Foreign Exchange (Gain) Loss, Net	**854**	(812)	(198)
Revaluation (Gain)	**-**	(2,555)	-
Re-measurement of Contingent Payment	**50**	(138)	-
(Gain) Loss on Discontinuance	**(301)**	(1,285)	-
(Gain) Loss on Divestitures of Assets	**795**	1	6
Other (Income) Loss, Net	**(12)**	(5)	34
Adjusted EBITDA	**1,411**	3,236	1,409
Net Debt to Adjusted EBITDA	**5.9x**	2.8x	1.9x

Net Debt to Capitalization

As at December 31,	**2018**	2017	2016
Net Debt	**8,383**	8,903	2,612
Shareholders' Equity	**17,468**	19,981	11,590
	25,851	28,884	14,202
Net Debt to Capitalization	**32%**	31%	18%

Under the terms of Cenovus's committed credit facility, the Company is required to maintain a debt to capitalization ratio, as defined in the agreement, not to exceed 65 percent. The Company is well below this limit.

23. CONTINGENT PAYMENT

	2018	2017
Contingent Payment, Beginning of Year	**206**	-
Initial Recognition on Acquisition (Note 9)	**-**	361
Re-measurement (1)	**50**	(138)
Liabilities Settled or Payable	**(124)**	(17)
Contingent Payment, End of Year	**132**	206
Less: Current Portion	**15**	38
Long-Term Portion	**117**	168

(1) Contingent payment is carried at fair value. Changes in fair value are recorded in net earnings.

For the year ended December 31, 2018, $124 million was payable under the contingent payment agreement (2017 – $17 million).

24. ONEROUS CONTRACT PROVISIONS

	2018	2017
Onerous Contract Provisions, Beginning of Year	**45**	53
Liabilities Incurred	**684**	8
Liabilities Settled	**(21)**	(16)
Change in Assumptions	**2**	-
Change in Discount Rate	**(57)**	-
Unwinding of Discount on Onerous Contract Provisions	**10**	-
Onerous Contract Provisions, End of Year	**663**	45
Less: Current Portion	**50**	8
Long-Term Portion	**613**	37

The provision for onerous contracts relates to onerous operating leases and operating costs for office space in Calgary, Alberta. The provision represents the present value of the difference between the future lease payments that Cenovus is obligated to make under the non-cancellable lease contracts and the estimated sublease recoveries, discounted at the credit-adjusted risk-free rate of between 4.0 and 5.7 percent (2017 – 3.5 and 4.4 percent). The onerous contract provision is expected to be settled in periods up to and including the year 2040. The estimate may vary as a result of changes in the use of the leased office space and sublease arrangements, where applicable.

Sensitivities

Changes to the credit-adjusted risk-free rate or the estimated sublease recoveries would have the following impact on the provision:

As at December 31, 2018	**Sensitivity Range**	**Increase**	**Decrease**
Credit-Adjusted Risk-Free Rate	± one percent	**(46)**	**52**
Estimated Sublease Recovery	± five percent	**(40)**	**40**

25. 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:

	2018	2017
Decommissioning Liabilities, Beginning of Year	**1,029**	1,847
Liabilities Incurred	**8**	20
Liabilities Acquired (Note 9) (1)	**-**	944
Liabilities Settled	**(44)**	(70)
Liabilities Disposed (1)	**(30)**	(139)
Transfers (to) from Liabilities Related to Assets Held for Sale (Note 11)	**149**	(1,621)
Change in Estimated Future Cash Flows	**(136)**	(155)
Change in Discount Rate	**(165)**	76
Unwinding of Discount on Decommissioning Liabilities	**63**	128
Foreign Currency Translation	**1**	(1)
Decommissioning Liabilities, End of Year	**875**	1,029

(1) In connection with the Acquisition, Cenovus was deemed to have disposed of its pre-existing interest in FCCL and reacquired it at fair value as required by IFRS.

As at December 31, 2018, the undiscounted amount of estimated future cash flows required to settle the obligation is $5,163 million (2017 – $3,360 million), which has been discounted using a credit-adjusted risk-free rate of 6.5 percent (2017 – 5.3 percent) and an inflation rate of two percent (2017 – two percent). Most of these obligations are not expected to be paid for several years, or decades, and are expected to be funded from general resources at that time. The Company expects to settle approximately $50 million to $55 million of decommissioning liabilities over the next year. Revisions in estimated future cash flows resulted from a change in the timing of decommissioning liabilities over the estimated life of the reserves, partially offset by an increase in cost estimates.

Sensitivities

Changes to the credit-adjusted risk-free rate or the inflation rate would have the following impact on the decommissioning liabilities:

	2018		2017	
As at December 31,	**Credit-Adjusted Risk-Free Rate**	**Inflation Rate**	Credit-Adjusted Risk-Free Rate	Inflation Rate
One Percent Increase	**(138)**	**196**	(98)	197
One Percent Decrease	**188**	**(145)**	192	(103)

26. OTHER LIABILITIES

As at December 31,	**2018**	2017
Employee Long-Term Incentives	**41**	43
Pension and Other Post-Employment Benefit Plan (Note 27)	**75**	62
Other	**42**	31
	158	136

27. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Company provides employees with a pension that includes either a defined contribution or defined benefit component and other post-employment benefit plan. Most of the employees participate in the defined contribution pension. Employees who meet certain criteria may elect to move from the current defined contribution component to a defined benefit component for their future service.

The defined benefit pension provides pension benefits at retirement based on years of service and final average earnings. Future enrollment is limited to eligible employees who meet certain criteria. The Company's OPEB provides certain retired employees with health care and dental benefits until age 65 and life insurance benefits.

The Company is required to file an actuarial valuation of its registered defined benefit pension with the provincial regulator at least every three years. The most recently filed valuation was dated December 31, 2017 and the next required actuarial valuation will be as at December 31, 2020.

A) Defined Benefit and OPEB Plan Obligation and Funded Status

Information related to defined benefit pension and OPEB plans, based on actuarial estimations, is:

	Pension Benefits		OPEB	
As at December 31,	**2018**	2017	**2018**	2017
Defined Benefit Obligation				
Defined Benefit Obligation, Beginning of Year	**181**	173	**22**	23
Current Service Costs	**13**	14	**1**	2
Interest Costs (1)	**6**	7	**1**	1
Benefits Paid	**(33)**	(8)	**(2)**	(1)
Plan Participant Contributions	**2**	2	**-**	-
Past Service Costs – Curtailments	**(2)**	(6)	**-**	(1)
Re-measurements:				
(Gains) Losses from Experience Adjustments	**-**	1	**-**	-
(Gains) Losses from Changes in Demographic Assumptions	**-**	-	**-**	(1)
(Gains) Losses from Changes in Financial Assumptions	**-**	(2)	**(1)**	(1)
Defined Benefit Obligation, End of Year	**167**	181	**21**	22
Plan Assets				
Fair Value of Plan Assets, Beginning of Year	**141**	125	**-**	-
Employer Contributions	**6**	9	**-**	-
Plan Participant Contributions	**2**	2	**-**	-
Benefits Paid	**(33)**	(8)	**-**	-
Interest Income (1)	**4**	4	**-**	-
Re-measurements:				
Return on Plan Assets (Excluding Interest Income)	**(7)**	9	**-**	-
Fair Value of Plan Assets, End of Year	**113**	141	**-**	-
Pension and OPEB (Liability) (2)	**(54)**	(40)	**(21)**	(22)

(1) Based on the discount rate of the defined benefit obligation at the beginning of the year.
(2) Pension and OPEB liabilities are included in other liabilities on the Consolidated Balance Sheets.

The weighted average duration of the defined benefit pension and OPEB obligations are 15 years and 10 years, respectively.

B) Pension and OPEB Costs

	Pension Benefits			OPEB		
For the years ended December 31,	**2018**	2017	2016	**2018**	2017	2016
Defined Benefit Plan Cost						
Current Service Costs	**13**	14	14	**1**	2	(3)
Past Service Costs – Curtailments	**(2)**	(6)	-	**-**	(1)	-
Net Settlement Costs	**-**	-	-	**-**	-	-
Net Interest Costs	**3**	3	4	**1**	1	1
Re-measurements:						
Return on Plan Assets (Excluding Interest Income)	**7**	(9)	(3)	**-**	-	-
(Gains) Losses from Experience Adjustments	**-**	1	-	**-**	-	-
(Gains) Losses from Changes in Demographic Assumptions	**-**	-	-	**-**	(1)	-
(Gains) Losses from Changes in Financial Assumptions	**-**	(2)	7	**(1)**	(1)	-
Defined Benefit Plan Cost (Recovery)	**21**	1	22	**1**	-	(2)
Defined Contribution Plan Cost	**22**	27	25	**-**	-	-
Total Plan Cost	**43**	28	47	**1**	-	(2)

C) Investment Objectives and Fair Value of Plan Assets

The objective of the asset allocation is to manage the funded status of the plan at an appropriate level of risk, giving consideration to the security of the assets and the potential volatility of market returns and the resulting effect on both contribution requirements and pension expense. The long-term return is expected to achieve or exceed the return from a composite benchmark comprised of passive investments in appropriate market indices. The asset allocation structure is subject to diversification requirements and constraints which reduce risk by limiting exposure to individual equity investment and credit rating categories.

The allocation of assets between the various types of investment funds is monitored quarterly and is re-balanced as necessary. The asset allocation structure targets an investment of 50 to 75 percent in equity securities, 25 to 35 percent in fixed income assets, zero to 15 percent in real estate assets and zero to 10 percent in cash and cash equivalents.

The Company does not use derivative instruments to manage the risks of its plan assets. There has been no change in the process used by the Company to manage these risks from prior periods.

The fair value of the plan assets is:

As at December 31,	**2018**	2017
Equity Funds	**70**	89
Bond Funds	**29**	29
Non-Invested Assets	**12**	11
Real Estate Funds	**-**	9
Cash and Cash Equivalents	**2**	3
	113	141

Fair value of equities and bonds are based on the trading price of the underlying funds. The fair value of the non-invested assets is the discounted value of the expected future payments. The fair value of the real estate funds reflects the market value and the fund manager's appraisal value of the assets.

Equity funds do not include any direct investments in Cenovus shares.

D) Funding

The defined benefit pension is funded in accordance with federal and provincial government pension legislation, where applicable. Contributions are made to trust funds administered by an independent trustee. The Company's contributions to the defined benefit pension plan are based on the most recent actuarial valuation as at December 31, 2017, and direction of the Management Pension Committee and Human Resources and Compensation Committee of the Board of Directors.

Employees participating in the defined benefit pension are required to contribute four percent of their pensionable earnings, up to an annual maximum, and the Company provides the balance of the funding necessary to ensure benefits will be fully provided for at retirement. The expected employer contributions for the year ended December 31, 2019 are $6 million for the defined benefit pension plan. The OPEB is funded on an as required basis.

E) Actuarial Assumptions and Sensitivities

Actuarial Assumptions

The principal weighted average actuarial assumptions used to determine benefit obligations and expenses are as follows:

	Pension Benefits			**OPEB**		
For the years ended December 31,	**2018**	2017	2016	**2018**	2017	2016
Discount Rate	**3.50%**	3.50%	3.75%	**3.50%**	3.25%	3.75%
Future Salary Growth Rate	**3.88%**	3.81%	3.80%	**5.08%**	5.08%	5.15%
Average Longevity (years)	**88.2**	88.0	87.9	**88.1**	88.0	87.9
Health Care Cost Trend Rate	**N/A**	N/A	N/A	**6.00%**	6.00%	7.00%

The discount rates are determined with reference to market yields on high quality corporate debt instruments of similar duration to the benefit obligations at the end of the reporting period.

Sensitivities

The sensitivity of the defined benefit and OPEB obligation to changes in relevant actuarial assumptions is:

	2018		2017	
As at December 31,	**Increase**	**Decrease**	Increase	Decrease
One Percent Change:				
Discount Rate	**(25)**	**31**	(28)	36
Future Salary Growth Rate	**3**	**(2)**	3	(3)
Health Care Cost Trend Rate	**1**	**(1)**	1	(1)
One Year Change in Assumed Life Expectancy	**3**	**(3)**	4	(4)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant; however, the changes in some assumptions may be correlated. The same methodologies have been used to calculate the sensitivity of the defined benefit obligation to significant actuarial assumptions as have been applied when calculating the defined benefit pension liability recorded on the Consolidated Balance Sheets.

F) Risks

Through its defined benefit pension and OPEB plans, the Company is exposed to actuarial risks, such as longevity risk, interest rate risk, investment risk and salary risk.

Longevity Risk

The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of participants will increase the defined benefit plan obligation.

Interest Rate Risk

A decrease in corporate bond yields will increase the defined benefit plan obligation, although this will be partially offset by an increase in the return on debt holdings.

Investment Risk

The present value of the defined benefit plan obligation is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on plan assets is below this rate, a plan deficit will result. Due to the long-term nature of the plan liabilities, a higher portion of the plan assets are invested in equity securities than in debt instruments and real estate.

Salary Risk

The present value of the defined benefit plan obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the defined benefit obligation.

28. 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

	2018		2017	
As at December 31,	**Number of Common Shares** (thousands)	**Amount**	Number of Common Shares (thousands)	Amount
Outstanding, Beginning of Year	**1,228,790**	**11,040**	833,290	5,534
Common Shares Issued, Net of Issuance Costs and Tax	-	-	187,500	2,927
Common Shares Issued to ConocoPhillips	-	-	208,000	2,579
Outstanding, End of Year	**1,228,790**	**11,040**	1,228,790	11,040

In connection with the Acquisition (see Note 9), Cenovus closed a bought-deal common share financing on April 6, 2017 for 187.5 million common shares, raising gross proceeds of $3.0 billion ($2.9 billion net of $101 million of share issuance costs).

In addition, the Company issued 208 million common shares to ConocoPhillips on May 17, 2017 as partial consideration for the Acquisition. ConocoPhillips is restricted from nominating new members to Cenovus's Board of Directors and must vote its Cenovus common shares in accordance with Management's recommendations or abstain from voting until such time ConocoPhillips owns 3.5 percent or less of the then outstanding common shares of Cenovus. As at December 31, 2018, ConocoPhillips continued to hold these common shares.

There were no preferred shares outstanding as at December 31, 2018 (2017 – nil).

As at December 31, 2018, there were 23 million (2017 – 15 million) common shares available for future issuance under the stock option plan.

C) Paid in Surplus

Cenovus's paid in surplus reflects the Company's retained earnings prior to the split of Encana Corporation ("Encana") under the plan of arrangement into two independent energy companies, Encana and Cenovus (pre-arrangement earnings). In addition, paid in surplus includes stock-based compensation expense related to the Company's NSRs discussed in Note 30A.

	Pre-Arrangement Earnings	Stock-Based Compensation	Total
As at December 31, 2016	4,086	264	4,350
Stock-Based Compensation Expense	-	11	11
As at December 31, 2017	**4,086**	**275**	**4,361**
Stock-Based Compensation Expense	**-**	**6**	**6**
As at December 31, 2018	**4,086**	**281**	**4,367**

29. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Defined Benefit Pension Plan	Foreign Currency Translation Adjustment	Private Equity Instruments	Total
As at December 31, 2016	(13)	908	15	910
Other Comprehensive Income (Loss), Before Tax	12	(275)	(1)	(264)
Income Tax	(3)	-	-	(3)
As at December 31, 2017	**(4)**	**633**	**14**	**643**
Other Comprehensive Income (Loss), Before Tax	**(5)**	**397**	**1**	**393**
Income Tax	**2**	**-**	**-**	**2**
As at December 31, 2018	**(7)**	**1,030**	**15**	**1,038**

30. STOCK-BASED COMPENSATION PLANS

A) Employee Stock Option Plan

Cenovus has an Employee Stock Option Plan that provides employees with the opportunity to exercise an option to purchase a common share of the Company. Option exercise prices approximate the market value 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 expire after seven years.

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

The NSRs vest and expire under the same terms and conditions as the underlying options.

NSRs

The weighted average unit fair value of NSRs granted during the year ended December 31, 2018 was $2.43 before considering forfeitures, which are considered in determining total cost for the period. The fair value of each NSR was estimated on its grant date using the Black-Scholes-Merton valuation model with weighted average assumptions as follows:

Risk-Free Interest Rate	**1.90%**
Expected Dividend Yield	**1.66%**
Expected Volatility (1)	**28.47%**
Expected Life (years)	**4.50**

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

The following tables summarize information related to the NSRs:

As at December 31, 2018	**Number of NSRs** (thousands)	**Weighted Average Exercise Price** ($)
Outstanding, Beginning of Year	**42,727**	**29.40**
Granted	**3,950**	**9.76**
Forfeited	**(8,281)**	**29.34**
Expired	**(3,912)**	**37.17**
Outstanding, End of Year	**34,484**	**26.29**

	Outstanding NSRs			**Exercisable NSRs**	
As at December 31, 2018 **Range of Exercise Price** ($)	**Number of NSRs** (thousands)	**Weighted Average Remaining Contractual Life** (years)	**Weighted Average Exercise Price** ($)	**Number of NSRs** (thousands)	**Weighted Average Exercise Price** ($)
5.00 to 9.99	**3,190**	**6.2**	**9.48**	**-**	**-**
10.00 to 14.99	**3,449**	**5.6**	**14.03**	**827**	**14.77**
15.00 to 19.99	**2,869**	**4.3**	**19.49**	**1,723**	**19.49**
20.00 to 24.99	**3,202**	**3.1**	**22.26**	**3,202**	**22.26**
25.00 to 29.99	**9,255**	**2.1**	**28.39**	**9,255**	**28.39**
30.00 to 34.99	**7,669**	**1.2**	**32.64**	**7,669**	**32.64**
35.00 to 39.99	**4,850**	**0.1**	**38.67**	**4,850**	**38.67**
	34,484	**2.6**	**26.29**	**27,526**	**29.71**

B) Performance Share Units

Cenovus has granted PSUs to certain employees under its Performance Share Unit Plan for Employees. PSUs are whole share units and entitle employees to receive, upon vesting, either a common share of Cenovus or a cash payment equal to the value of a Cenovus common share. For PSUs prior to 2018, the number of PSUs eligible for payment is determined over three years based on the units granted multiplied by 30 percent after year one, 30 percent after year two and 40 percent after year three. The number of PSUs eligible for payment on and after 2018 is based on four performance periods over three years and the units granted are multiplied by 20 percent after year one, 20 percent after year two, 20 percent after year three and 40 percent after the fourth performance period through years one to three. All PSUs are eligible to vest based on the Company achieving key pre-determined performance measures. PSUs vest after three years.

The Company has recorded a liability of $32 million as at December 31, 2018 (2017 – $37 million) in the Consolidated Balance Sheets for PSUs based on the market value of Cenovus's common shares at the end of the year. As PSUs are paid out upon vesting, the intrinsic value of vested PSUs was $nil as at December 31, 2018 and 2017.

The following table summarizes the information related to the PSUs held by Cenovus employees:

As at December 31, 2018	**Number of PSUs** (thousands)
Outstanding, Beginning of Year	**7,018**
Granted	**3,089**
Cancelled	**(4,155)**
Units in Lieu of Dividends	**111**
Outstanding, End of Year	**6,063**

C) Restricted Share Units

Cenovus has granted RSUs to certain employees under its Restricted Share Unit Plan for Employees. RSUs are whole-share units and entitle employees to receive, upon vesting, either a common share of Cenovus or a cash payment equal to the value of a Cenovus common share. RSUs generally vest after three years.

RSUs are accounted for as liability instruments and are measured at fair value based on the market value of Cenovus's common shares at each period end. The fair value is recognized as stock-based compensation costs over the vesting period. Fluctuations in the fair value are recognized as stock-based compensation costs in the period they occur.

The Company has recorded a liability of $32 million as at December 31, 2018 (2017 – $41 million) in the Consolidated Balance Sheets for RSUs based on the market value of Cenovus's common shares at the end of the year. As RSUs are paid out upon vesting, the intrinsic value of vested RSUs was $nil as at December 31, 2018 and 2017.

The following table summarizes the information related to the RSUs held by Cenovus employees:

As at December 31, 2018	**Number of RSUs** (thousands)
Outstanding, Beginning of Year	**6,785**
Granted	**4,400**
Vested and Paid Out	**(1,777)**
Cancelled	**(2,074)**
Units in Lieu of Dividends	**127**
Outstanding, End of Year	**7,461**

D) Deferred Share Units

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

The Company has recorded a liability of $13 million as at December 31, 2018 (2017 – $17 million) in the Consolidated Balance Sheets for DSUs based on the market value of Cenovus's common shares at the end of the year. The intrinsic value of vested DSUs equals the carrying value as DSUs vest at the time of grant.

The following table summarizes the information related to the DSUs held by Cenovus directors, officers and employees:

As at December 31, 2018	**Number of DSUs** (thousands)
Outstanding, Beginning of Year	**1,440**
Granted to Directors	**215**
Granted	**24**
Units in Lieu of Dividends	**27**
Redeemed	**(346)**
Outstanding, End of Year	**1,360**

E) Total Stock-Based Compensation

For the years ended December 31,	**2018**	2017	2016
NSRs	**6**	9	15
TSARs	**-**	-	(1)
PSUs	**(6)**	(7)	13
RSUs	**9**	3	13
DSUs	**-**	(11)	7
Stock-Based Compensation Expense (Recovery)	**9**	(6)	47
Stock-Based Compensation Costs Capitalized	**4**	3	12
Total Stock-Based Compensation	**13**	(3)	59

31. EMPLOYEE SALARIES AND BENEFIT EXPENSES

For the years ended December 31,	**2018**	2017	2016
Salaries, Bonuses and Other Short-Term Employee Benefits	**580**	606	500
Defined Contribution Pension Plan	**18**	19	16
Defined Benefit Pension Plan and OPEB	**12**	8	11
Stock-Based Compensation Expense (Note 30)	**9**	(6)	47
Termination Benefits	**63**	19	19
	682	646	593

32. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management includes Directors (executive and non-executive), Executive Officers, Senior Vice-Presidents and Vice-Presidents. The compensation paid or payable to key management is:

For the years ended December 31,	**2018**	2017	2016
Salaries, Director Fees and Short-Term Benefits	**34**	26	27
Termination Benefits	**9**	4	-
Post-Employment Benefits	**3**	4	4
Stock-Based Compensation	**5**	6	4
	51	40	35

Post-employment benefits represent the present value of future pension benefits earned during the year. Stock-based compensation includes the costs recorded during the year associated with stock options, NSRs, TSARs, PSUs, RSUs and DSUs.

33. FINANCIAL INSTRUMENTS

Cenovus's financial assets and financial liabilities consist of cash and cash equivalents, accounts receivable and accrued revenues, private equity instruments, long-term receivables, accounts payable and accrued liabilities, risk management assets and liabilities, contingent payment, 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 December 31, 2018, the carrying value of Cenovus's debt was $9,164 million and the fair value was $8,431 million (2017 carrying value – $9,513 million; fair value – $10,061 million).

Equity investments classified at FVOCI comprise equity investments in private companies. The Company classified certain private equity instruments at FVOCI as they are not held for trading and fair value changes are not reflective of the Company's operations. 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. There was an increase of $1 million in the fair value of the Company's private equity instruments in the twelve months ended December 31, 2018. The following table provides a reconciliation of changes in the fair value of equity investments classified at FVOCI:

As at December 31,	**2018**	2017
Fair Value, Beginning of Year	**37**	35
Net Acquisition of Investments	**-**	3
Change in Fair Value (1)	**1**	(1)
Fair Value, End of Year	**38**	37

(1) Changes in fair value are recorded in OCI.

B) Fair Value of Risk Management Assets and Liabilities

The Company's risk management assets and liabilities consist of crude oil swaps and options, as well as condensate, foreign exchange and interest rate swaps. Crude oil, condensate and, if entered into, 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 foreign exchange swaps are calculated using external valuation models which incorporate observable market data, including foreign exchange forward curves (Level 2) and the fair value of interest rate swaps are calculated using external valuation models which incorporate observable market data, including interest rate yield curves (Level 2).

Summary of Unrealized Risk Management Positions

	2018			2017		
	Risk Management			Risk Management		
As at December 31,	Asset	Liability	Net	Asset	Liability	Net
Crude Oil	**156**	**2**	**154**	63	1,031	(968)
Foreign Exchange	**-**	**1**	**(1)**	-	-	-
Interest Rate	**7**	**-**	**7**	2	20	(18)
Total Fair Value	**163**	**3**	**160**	65	1,051	(986)

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

As at December 31,	2018	2017
Level 2 – Prices Sourced From Observable Data or Market Corroboration	**160**	(986)

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.

The following table provides a reconciliation of changes in the fair value of Cenovus's risk management assets and liabilities:

	2018	2017
Fair Value of Contracts, Beginning of Year	**(986)**	(291)
Fair Value of Contracts Realized During the Year (1)	**1,554**	200
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered Into During the Year	**(305)**	(929)
Unamortized (Amortized) Premium on Put Options	**(16)**	16
Unrealized Foreign Exchange Gain (Loss) on U.S. Dollar Contracts	**(87)**	18
Fair Value of Contracts, End of Year	**160**	(986)

(1) Includes a realized loss of $nil million (2017 – $33 million gain) related to the Conventional segment which is included in discontinued operations.

Financial assets and liabilities are offset only if Cenovus has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. Cenovus offsets risk management assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same. No additional unrealized risk management positions are subject to an enforceable master netting arrangement or similar agreement that are not otherwise offset.

The following table provides a summary of the Company's offsetting risk management positions:

	2018			2017		
	Risk Management			Risk Management		
As at December 31,	Asset	Liability	Net	Asset	Liability	Net
Recognized Risk Management Positions						
Gross Amount	**277**	**117**	**160**	135	1,121	(986)
Amount Offset	**(114)**	**(114)**	**-**	(70)	(70)	-
Net Amount per Consolidated Financial Statements	**163**	**3**	**160**	65	1,051	(986)

The derivative liabilities do not have credit risk-related contingent features. Due to credit practices that limit transactions according to counterparties' credit quality, the change in fair value through profit or loss attributable to changes in the credit risk of financial liabilities is immaterial.

Cenovus pledges cash collateral with respect to certain of these risk management contracts, which is not offset against the related financial liability. The amount of cash collateral required will vary daily over the life of these risk management contracts as commodity prices change. Additional cash collateral is required if, on a net basis, risk management payables exceed risk management receivables on a particular day. There were no amounts pledged as collateral as at December 31, 2018. As at December 31, 2017, $26 million was pledged as collateral and was not able to be withdrawn.

C) Fair Value of Contingent Payment

The contingent payment is carried at fair value on the Consolidated Balance Sheets. Fair value is estimated by calculating the present value of the future expected cash flows using an option pricing model (Level 3), which assumes the probability distribution for WCS is based on the volatility of WTI options, volatility of Canadian-U.S. foreign exchange rate options and WCS futures pricing, and discounted at a credit-adjusted risk-free rate of 3.9 percent. Fair value of the contingent payment has been calculated by Cenovus's internal valuation team which consists of individuals who are knowledgeable and have experience in fair value techniques. As at December 31, 2018, the fair value of the contingent payment was estimated to be $132 million.

As at December 31, 2018, average WCS forward pricing for the remaining term of the contingent payment is C$38.87 per barrel. The average volatility of WTI options and the Canadian-U.S. foreign exchange rates used to value the contingent payment was 32 percent and eight percent, respectively. Changes in the following inputs to the option pricing model, with fluctuations in all other variables held constant, could have resulted in unrealized gains (losses) impacting earnings before income tax as follows:

As at December 31, 2018	Sensitivity Range	Increase	Decrease
WCS Forward Prices	± $5.00 per bbl	**(104)**	**71**
WTI Option Volatility	± five percent	**(57)**	**51**
Canadian per U.S. Dollar Foreign Exchange Rate Option Volatility	± five percent	**1**	**(12)**

As at December 31, 2017	Sensitivity Range	Increase	Decrease
WCS Forward Prices	± $5.00 per bbl	(167)	111
WTI Option Volatility	± five percent	(95)	85
Canadian per U.S. Dollar Foreign Exchange Rate Option Volatility	± five percent	2	(27)

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

For the years ended December 31,	2018	2017	2016
Realized (Gain) Loss (1)	**1,554**	167	(153)
Unrealized (Gain) Loss (2)	**(1,249)**	729	554
(Gain) Loss on Risk Management From Continuing Operations	**305**	896	401

(1) Realized gains and losses on risk management are recorded in the reportable segment to which the derivative instrument relates. Excludes realized risk management loss of $nil in 2018 (2017 – $33 million loss; 2016 – $58 million gain) that were classified as discontinued operations.

(2) Unrealized gains and losses on risk management are recorded in the Corporate and Eliminations segment.

34. RISK MANAGEMENT

Cenovus 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. To manage exposure to interest rate volatility, the Company entered into interest rate swap contracts related to expected future debt issuances. As at December 31, 2018, Cenovus had a notional amount of US$150 million in interest rate swaps. To mitigate the Company's exposure to foreign exchange rate fluctuations, the Company periodically enters into foreign exchange contracts. As at December 31, 2018, there were US$45 million in foreign exchange contracts outstanding.

Net Fair Value of Risk Management Positions

As at December 31, 2018	Notional Volumes	Terms	Average Price	Fair Value Asset (Liability)
Crude Oil Contracts				
WTI Collars	19,000 bbls/d	January – December 2019	US$50.00-US$62.08/bbl	**52**
Other Financial Positions (1)				**102**
Crude Oil Fair Value Position				**154**
Foreign Exchange Contracts				**(1)**
Interest Rate Swaps				**7**
Total Fair Value				**160**

(1) Other financial positions are part of ongoing operations to market the Company's production. In 2018, other financial positions consist of WCS and condensate futures, WTI fixed priced contracts and basis swaps.

A) Commodity Price Risk

Commodity price risk arises from the effect that fluctuations of forward commodity prices may have on the fair value or future cash flows of financial assets and liabilities. To partially mitigate exposure to commodity price risk, the Company has entered into various financial derivative instruments.

The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors. The Company's policy does not allow the use of derivative instruments for speculative purposes.

Crude Oil – The Company has used fixed price and basis swaps, put options and costless collars to partially mitigate its exposure to the commodity price risk on its crude oil sales. In addition, Cenovus has entered into a number of transactions to help protect against widening light/heavy crude oil price differentials.

Condensate – The Company has used fixed price and basis swaps to partially mitigate its exposure to the commodity price risk on its condensate purchases.

Natural Gas – The Company may enter into transactions to partially mitigate its natural gas commodity price risk. To help protect against widening natural gas price differentials in various production areas, Cenovus may also enter into transactions to manage the price differentials between production areas and various sales points.

Sensitivities

The following table summarizes the sensitivity of the fair value of Cenovus's risk management positions to independent fluctuations in commodity prices, with all other variables held constant. Management believes the 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 as follows:

As at December 31, 2018	Sensitivity Range	Increase	Decrease
Crude Oil Commodity Price	± US$5.00 per bbl Applied to WTI and Condensate Hedges	**(78)**	**80**
Crude Oil Differential Price	± US$2.50 per bbl Applied to Differential Hedges Tied to Production	**4**	**(4)**

As at December 31, 2017	Sensitivity Range	Increase	Decrease
Crude Oil Commodity Price	± US$5.00 per bbl Applied to Brent, WTI and Condensate Hedges	(529)	507
Crude Oil Differential Price	± US$2.50 per bbl Applied to Differential Hedges Tied to Production	11	(11)

B) Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of Cenovus's financial assets or liabilities. As Cenovus operates in North America, fluctuations in the exchange rate between the U.S./Canadian dollar can have a significant effect on reported results.

As disclosed in Note 7, Cenovus's foreign exchange (gain) loss primarily includes unrealized foreign exchange gains and losses on the translation of the U.S. dollar debt issued from Canada. As at December 31, 2018, Cenovus had US$6,774 million in U.S. dollar debt issued from Canada (2017 – US$7,650 million). In respect of these financial instruments, the impact of changes in the U.S. to Canadian dollar exchange rate would have resulted in a change to the foreign exchange (gain) loss as follows:

For the years ended December 31,	**2018**	2017
$0.05 Increase in the Canadian per U.S. Dollar Foreign Exchange Rate	**339**	383
$0.05 Decrease in the Canadian per U.S. Dollar Foreign Exchange Rate	**(339)**	(383)

As at December 31, 2018, the increase or decrease in net earnings for a $0.05 change in the U.S. per Canadian foreign exchange rate on the Company's foreign exchange contracts amounts to $4 million (2017 – $nil).

C) Interest Rate Risk

Interest rate risk arises from changes in market interest rates that may affect earnings, cash flows and valuations. Cenovus has the flexibility to partially mitigate its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt. In addition, to manage exposure to interest rate volatility, the Company entered into interest rate swap contracts. As at December 31, 2018, Cenovus had a notional amount of US$150 million (2017 – US$400 million) in interest rate swaps. In the fourth quarter of 2018, the Company unwound US$250 million of interest rate swaps, resulting in a risk management gain of $23 million. In respect of these financial instruments, the impact of changes in the interest rate would have resulted in a change to unrealized gains (losses) impacting earnings before income tax as follows:

For the years ended December 31,	**2018**	2017
50 Basis Points Increase	**12**	44
50 Basis Points Decrease	**(13)**	(50)

The Company does not have any floating rate debt as at December 31, 2018.

D) Credit Risk

Credit risk arises from the potential that the Company may incur a financial loss if a counterparty to a financial instrument fails to meet its financial or performance obligations in accordance with agreed terms. Cenovus has in place a Credit Policy approved by the Audit Committee of the Board of Directors designed to ensure that its credit exposures are within an acceptable risk level as determined by the Company's Enterprise Risk Management Policy. The Credit Policy outlines the roles and responsibilities related to credit risk, sets a framework for how credit exposures will be measured, monitored and mitigated, and sets parameters around credit concentration limits.

Cenovus assesses the credit risk of new counterparties and continues risk-based monitoring of all counterparties on an ongoing basis. A substantial portion of Cenovus's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. Cenovus's exposure to its counterparties is within credit policy tolerances.

In 2018, the Company applied IFRS 9's simplified approach to measuring ECL which uses a lifetime expected loss allowance for all account receivable and accrued revenue. As at December 31, 2018, approximately 90 percent of the Company's accruals, joint operations and trade receivables were investment grade (2017 – 89 percent), and as of December 31, 2018 and 2017, substantially all of the Company's accounts receivable were outstanding less than 60 days. The average expected credit loss on the Company's accruals, joint operations and trade receivable were 0.4 percent as at December 31, 2018. As at December 31, 2018, Cenovus had one counterparty (2017 – three counterparties) whose net settlement position individually accounted for more than 10 percent of the fair value of the outstanding in-the-money net financial and physical contracts. The maximum credit risk exposure associated with accounts receivable and accrued revenues, risk management assets, and long-term receivables is the total carrying value.

E) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all of its financial obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. Cenovus manages its liquidity risk through the active management of cash and debt and by maintaining appropriate access to credit, which may be impacted by the Company's credit ratings. As disclosed in Note 22, over the long term, Cenovus targets a Net Debt to Adjusted EBITDA of less than 2.0 times to manage the Company's overall debt position.

Cenovus manages its liquidity risk by ensuring that it has access to multiple sources of capital including: cash and cash equivalents, cash from operating activities, undrawn credit facility capacity and availability under its shelf prospectus. As at December 31, 2018, Cenovus had $781 million in cash and cash equivalents, and $4.5 billion available on its committed credit facility. In addition, Cenovus has unused capacity of US$4.6 billion under a base shelf prospectus, the availability of which is dependent on market conditions.

Undiscounted cash outflows relating to financial liabilities are:

As at December 31, 2018	Less than 1 Year	Years 2 and 3	Years 4 and 5	Thereafter	**Total**
Accounts Payable and Accrued Liabilities	1,833	-	-	-	**1,833**
Risk Management Liabilities (1)	3	-	-	-	**3**
Long-Term Debt (2)	1,152	862	2,138	13,256	**17,408**
Contingent Payment (3)	15	113	15	-	**143**
Other	-	1	1	2	**4**

As at December 31, 2017	Less than 1 Year	Years 2 and 3	Years 4 and 5	Thereafter	Total
Accounts Payable and Accrued Liabilities	2,627	-	-	-	2,627
Risk Management Liabilities (1)	1,031	20	-	-	1,051
Long-Term Debt (2)	494	2,527	1,429	13,309	17,759
Contingent Payment (3)	38	116	67	-	221
Other	-	1	1	2	4

(1) Risk management liabilities subject to master netting agreements.
(2) Principal and interest, including current portion.
(3) Refer to Note 33C for fair value assumptions.

35. SUPPLEMENTARY CASH FLOW INFORMATION

For the years ended December 31,	**2018**	2017	2016
Interest Paid	**564**	538	350
Interest Received	**19**	31	32
Income Taxes Paid	**116**	12	11

The following table provides a reconciliation of cash flows arising from financing activities:

	Dividends Payable	**Current Portion of Long-Term Debt**	**Long-Term Debt**
As at December 31, 2016	-	-	6,332
Changes From Financing Cash Flows:			
Issuance of Long-Term Debt	-	-	3,842
Net Issuance (Repayment) of Revolving Long-Term Debt	-	-	32
Issuance of Debt Under Asset Sale Bridge Facility	-	892	2,677
(Repayment) of Debt Under Asset Sale Bridge Facility	-	(900)	(2,700)
Dividends Paid	(225)	-	-
Non-Cash Changes:			
Dividends Declared	225	-	-
Foreign Exchange (Gain) Loss	-	-	(697)
Finance costs	-	8	28
Other	-	-	(1)
As at December 31, 2017	**-**	**-**	**9,513**
Changes From Financing Cash Flows:			
Dividends Paid	**(245)**	**-**	**-**
(Repayment) of Long-Term Debt	**-**	**-**	**(1,144)**
Net Issuance (Repayment) of Revolving Long-Term Debt	**-**	**-**	**(20)**
Non-Cash Changes:			
Dividends Declared	**245**	**-**	**-**
Current Portion of Long-Term Debt	**-**	**682**	**(682)**
Foreign Exchange (Gain) Loss	**-**	**-**	**817**
Finance Costs	**-**	**-**	**(2)**
As at December 31, 2018	**-**	**682**	**8,482**

36. COMMITMENTS AND CONTINGENCIES

A) Commitments

Future payments for the Company's commitments are below. A commitment is an enforceable and legally binding agreement to make a payment in the future for the purchase of goods and services. These items exclude amounts recorded in the Consolidated Balance Sheets.

As at December 31, 2018	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter	**Total**
Transportation and Storage (1)	1,040	1,104	1,335	1,491	1,562	16,809	**23,341**
Operating Leases (Building Leases) (2)	104	73	78	74	77	1,425	**1,831**
Capital Commitments	21	2	1	-	-	-	**24**
Other Long-Term Commitments	148	81	45	37	32	147	**490**
Total Payments (3)	1,313	1,260	1,459	1,602	1,671	18,381	**25,686**

As at December 31, 2017	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter	**Total**
Transportation and Storage (1)	899	886	919	1,123	1,223	13,260	18,310
Operating Leases (Building Leases) (2)	155	146	142	141	140	2,305	3,029
Capital Commitments	16	2	-	-	-	-	18
Other Long-Term Commitments	109	39	32	28	25	122	355
Total Payments (3)	1,179	1,073	1,093	1,292	1,388	15,687	21,712

(1) Includes transportation commitments of $14 billion (2017 – $9 billion) that are subject to regulatory approval or have been approved, but are not yet in service.
(2) Excludes committed payments for which a provision has been provided.
(3) Contracts undertaken on behalf of WRB are reflected at Cenovus's 50 percent interest.

Commitments for various transportation arrangements increased $5 billion from 2017 primarily due to new contracts related to the Keystone XL pipeline, expanded freight and rail terminal and tank contracts, partially offset by a decrease in operating leases due to the provision recorded for onerous leases in 2018. Terms are up to 20 years subsequent to the date of commencement.

As at December 31, 2018, there were outstanding letters of credit aggregating $336 million issued as security for performance under certain contracts (2017 – $376 million).

In addition to the above, Cenovus's commitments related to its risk management program are disclosed in Note 34.

B) Contingencies

Legal Proceedings

Cenovus is involved in a limited number of legal claims associated with the normal course of operations. Cenovus believes that any liabilities that might arise from such matters, to the extent not provided for, are not likely to have a material effect on its Consolidated Financial Statements.

Decommissioning Liabilities

Cenovus is responsible for the retirement of long-lived assets at the end of their useful lives. Cenovus has recorded a liability of $875 million, based on current legislation and estimated costs, related to its upstream properties, refining facilities and midstream facilities. Actual costs may differ from those estimated due to changes in legislation and changes in costs.

Income Tax Matters

The tax regulations and legislation and interpretations thereof in the various jurisdictions in which Cenovus operates are continually changing. As a result, there are usually a number of tax matters under review. Management believes that the provision for taxes is adequate.

Contingent Payment

In connection with the Acquisition, Cenovus agreed to make quarterly payments to ConocoPhillips during the five years subsequent to May 17, 2017 for quarters in which the average WCS crude oil price exceeds $52.00 per barrel during the quarter. As at December 31, 2018, the estimated fair value of the contingent payment was $132 million (see Note 23).

37. SUBSEQUENT EVENT

Subsequent to December 31, 2018, the Company repurchased a further US$324 million of its unsecured notes for cash of US$300 million. The remaining principal amounts of the Company's unsecured notes as at January 31, 2019 are:

As at January 31, 2019	US$ Principal Amount
5.70% due October 15, 2019	500
3.00% due August 15, 2022	500
3.80% due September 15, 2023	450
4.25% due April 15, 2027	1,061
5.25% due June 15, 2037	666
6.75% due November 15, 2039	1,400
4.45% due September 15, 2042	722
5.20% due September 15, 2043	300
5.40% due June 15, 2047	851
	6,450

Exhibit 99.4

Cenovus Energy Inc.

Supplementary Information – Oil and Gas Activities (unaudited)

For the Year Ended December 31, 2018

(Canadian Dollars)

DISCLOSURES ABOUT OIL AND GAS PRODUCING ACTIVITIES TOPIC 932 "EXTRACTIVE ACTIVITIES – OIL AND GAS" (unaudited)

The following select disclosures of Cenovus Energy Inc.'s ("Cenovus" or the "Company") reserves and other oil and gas information have been prepared in accordance with United States ("U.S.") Financial Accounting Standards Board ("FASB") Topic 932, "*Extractive Activities – Oil and Gas*" and the U.S. disclosure requirements of the Securities and Exchange Commission ("SEC").

All amounts pertaining to Cenovus's audited Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted, all dollars are in millions of Canadian dollars. All references to C$ or $ are to Canadian dollars and references to US$ are to U.S. dollars.

RESERVES DATA

The SEC Modernization of Oil and Gas Reporting final rules require that proved after royalty reserves be estimated using existing economic conditions (constant pricing). Cenovus's results have been calculated using the average of the first-day-of-the-month prices for the prior twelve-month period. This same twelve-month average price is also used in calculating the aggregate amount of (and changes in) future cash inflows related to the standardized measure of discounted future net cash flows. Future fluctuations in prices, production rates, or changes in political or regulatory environments could cause Cenovus's share of future production from Canadian reserves to be materially different from that presented.

The reserves disclosed are effective December 31, 2018, and were prepared by the independent, qualified reserves evaluators McDaniel & Associates Consultants Ltd. and GLJ Petroleum Consultants Ltd. There are significant differences between reserves evaluated under the SEC requirements and those presented in the Company's Annual Information Form filed under National Instrument 51-101 "*Standards of Disclosure for Oil and Gas Activities*" ("NI 51-101"). NI 51-101 requires disclosure of before royalties reserves and the associated values using forecasted prices and costs.

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

All such estimates are to some degree uncertain and classifications of reserves are only attempts to define the degree of uncertainty involved. For those reasons, estimates of the economically recoverable bitumen, crude oil, natural gas liquids and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. Cenovus's actual production, sales, royalty payments, 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.

Canadian provincial royalties are determined based on a graduated percentage scale which varies with prices and production rates. Canadian reserves, as presented on a net basis, assume royalty rates in existence at the time the estimates were made.

The reserves data contained herein is dated February 12, 2019 with an effective date of December 31, 2018.

OIL AND GAS RESERVES INFORMATION

All of Cenovus's reserves are located in Alberta and British Columbia, Canada.

Net Proved Reserves (Cenovus Share After Royalties)[1][2]
Average Fiscal-Year Prices

	Bitumen	Crude Oil	Natural Gas Liquids	Natural Gas	Total
	(MMbbls) [3]	(MMbbls) [3]	(MMbbls) [3]	(Bcf) [3]	(MMBOE) [3]
2017					
Beginning of year	1,905	126	1	406	2,100
Revisions and improved recovery	73	5	-	102	95
Extensions and discoveries	129	-	1	33	135
Purchase of reserves in place	1,959	12	85	1,559	2,316
Sale of reserves in place	-	(104)	(1)	(73)	(117)
Production	(100)	(15)	(6)	(233)	(160)
End of year	3,966	24	80	1,794	4,369
Developed	664	23	51	1,390	970
Undeveloped	3,302	1	29	404	3,399
Total	3,966	24	80	1,794	4,369
2018					
Beginning of year	**3,966**	**24**	**80**	**1,794**	**4,369**
Revisions and improved recovery	**155**	**(2)**	**(10)**	**(170)**	**116**
Extensions and discoveries	**112**	**6**	**11**	**175**	**158**
Sale of reserves in place	**-**	**(14)**	**(27)**	**(553)**	**(133)**
Production	**(118)**	**(2)**	**(8)**	**(187)**	**(160)**
End of year	**4,115**	**12**	**46**	**1,059**	**4,350**
Developed	**667**	**8**	**37**	**860**	**856**
Undeveloped	**3,448**	**4**	**9**	**199**	**3,494**
Total	**4,115**	**12**	**46**	**1,059**	**4,350**

(1) Definitions:

(a) "Net" reserves are the remaining reserves attributable to Cenovus, after deduction of estimated royalties and including royalty interests.

(b) "Proved" oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations, i.e., prices and costs as of the date the estimate is made.

(c) "Developed" oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods in which the cost of the required equipment is relatively minor compared to the cost of a new well.

(d) "Undeveloped" reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(2) Estimates of total net proved bitumen, crude oil, natural gas liquids, or natural gas reserves are not filed by Cenovus with any U.S. federal authority or agency other than the SEC.

(3) "Million barrels" is abbreviated as MMbbls, "billion cubic feet" is abbreviated as Bcf, and "million barrel of oil equivalent" is abbreviated as MMBOE.

Changes to Reserves

The explanation of significant year-over-year changes in the Company's net proved reserves for the year ended December 31, 2017 and December 31, 2018 is set forth below.

Year ended December 31, 2017

The changes to the Company's net proved bitumen reserves in 2017 are explained as follows:

- *Purchase of reserves in place:* The Company concluded a material transaction to acquire its partner's 50 percent interest in the Christina Lake, Foster Creek, and Narrows Lake properties ("FCCL"), increasing net proved reserves by 1,959 million barrels.
- *Revisions and improved recovery:* The year-over-year increase in average bitumen price restored economic viability to the Narrows Lake property, increasing net proved reserves by 243 million barrels. The increase was partially offset by decreased net proved reserves of 144 million barrels, which resulted from increased royalty rates caused by higher WTI benchmark prices at the Company's Foster Creek and Christina Lake properties. The remaining difference is attributable to technical revisions.
- *Extensions and discoveries:* In 2017, the Alberta Energy Regulator approved development area expansions at the Foster Creek and Narrows Lake properties, increasing the Company's net proved reserves by 129 million barrels.

The changes to the Company's net proved crude oil, natural gas liquids and natural gas reserves in 2017 are explained as follows:

- *Purchase of reserves in place:* The Company acquired significant assets in Alberta and British Columbia (the "Deep Basin Assets"). This added net proved reserves of 12 million barrels of crude oil, 85 million barrels of natural gas liquids, and 1,559 billion cubic feet of natural gas.
- *Sale of reserves in place:* The Company sold its Palliser, Pelican Lake and Saskatchewan properties, reducing its net proved reserves of crude oil and natural gas by 104 million barrels and 73 billion cubic feet, respectively.
- *Revisions and improved recovery:* Improved performance at Suffield and Athabasca Gas identified net proved natural gas reserves additions of 102 billion cubic feet.

Year ended December 31, 2018

The changes to the Company's net proved bitumen reserves in 2018 are explained as follows:

- *Revisions and improved recovery:* Improved performance for the Christina Lake, Foster Creek, and Narrows Lake properties, increased net proved reserves by 69 million barrels. In addition, lower bitumen prices decreased royalties payable for the Company's Christina Lake, Foster Creek and Narrows Lake properties and resulted in increased net proved reserves of 86 million barrels.
- *Extensions and discoveries:* The recognition of lower continuous net pay thickness cut-offs for the Christina Lake, Foster Creek and Narrows Lake properties increased reserves by 98 million barrels. In 2018, the Alberta Energy Regulator approved an area expansion at the Foster Creek property, increasing the Company's net proved reserves by 14 million barrels.

The changes to the Company's net proved reserves of crude oil, natural gas liquids and natural gas in 2018 are explained as follows:

- *Sale of reserves in place:* The Company sold its Suffield property and Cenovus Pipestone Partnership, reducing its net proved reserves of crude oil, natural gas liquids and natural gas by 14 million barrels, 27 million barrels and 553 billion cubic feet, respectively.
- *Revisions and improved recovery:* The year-over-year decrease in natural gas price decreased reserves of natural gas and associated natural gas liquids by 82 billion cubic feet and three million barrels, respectively. Technical revisions attributable to the re-allocation of Deep Basin development spend decreased net proved reserves of natural gas liquids and natural gas of seven million barrels and 88 billion cubic feet, respectively.
- *Extensions and discoveries:* Successful Deep Basin development identified net proved reserves of natural gas liquids and natural gas of 11 million barrels and 175 billion cubic feet, respectively.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS AND CHANGES THEREIN

In calculating the standardized measure of discounted future net cash flows, the average of the first-day-of-the-month prices for the prior twelve-month period and cost assumptions were applied to Cenovus's annual future production from net proved reserves to determine cash inflows. Future production and development costs do not include any cost inflation and assume the continuation of existing economic, operating and regulatory conditions. Future income taxes are calculated by applying statutory income tax rates to future pre-tax cash flows after provision for the tax cost of the oil and natural gas properties based upon existing laws and regulations. The discount was computed by application of a 10 percent discount factor to the future net cash flows. The calculation of the standardized measure of discounted future net cash flows is based upon the discounted future net cash flows prepared by independent qualified reserves evaluators in relation to the reserves they respectively evaluated, and adjusted to the extent provided by contractual arrangements such as price risk management activities, in existence at year end and to account for asset retirement obligations and future income taxes.

Cenovus cautions that the discounted future net cash flows relating to proved oil and gas reserves are an indication of neither the fair market value of Cenovus's oil and gas properties, nor the future net cash flows expected to be generated from such properties. The discounted future net cash flows do not include the fair market value of exploratory properties and probable or possible oil and gas reserves, nor is consideration given to the effect of anticipated future changes in crude oil, natural gas liquids and natural gas prices, development, asset retirement and production costs and possible changes to tax and royalty regulations. The prescribed discount rate of 10 percent may not appropriately reflect future interest rates. The computation also excludes values attributable to Cenovus's enhancing the netback price of the Company's proprietary production.

Computation of the standardized measure of discounted future net cash flows relating to proved oil and gas reserves were based on the following average of the first-day-of-the-month benchmark prices for the twelve-month period before the end of the year:

	Crude Oil and Natural Gas Liquids				Natural Gas	
	WTI (1) Cushing Oklahoma	**WCS (2)**	**Edmonton MSW (3)**	**Edmonton C5+**	**Henry Hub Louisiana**	**AECO (4)**
	(US$/bbl)	(C$/bbl)	(C$/bbl)	(C$/bbl)	(US$/MMBtu)	(C$/MMBtu)
2018	**65.56**	**48.59**	**68.92**	**79.61**	**3.10**	**1.67**
2017	51.34	50.69	63.70	68.10	2.98	2.31

(1) WTI is an abbreviation for West Texas Intermediate.
(2) WCS is an abbreviation for Western Canadian Select.
(3) MSW is an abbreviation for Mixed Sweet Blend.
(4) AECO is an abbreviation for Alberta Energy Company Operations.

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

($ millions)	**2018**	2017
Future cash inflows	**106,744**	147,064
Less future:		
Production costs	**42,399**	48,064
Development costs	**24,895**	22,850
Asset retirement obligation payments (1)	**1,900**	2,464
Income taxes	**8,163**	17,713
Future net cash flows	**29,387**	55,973
Less 10 percent annual discount for estimated timing of cash flow	**18,436**	36,263
Discounted future net cash flow	**10,951**	19,710

(1) Includes future abandonment and reclamation costs associated with existing and future wells having attributed reserves. The estimate of future abandonment and reclamation costs excludes asset retirement obligations and reclamation costs relating to non-reserves wells and gathering systems, batteries, plants and processing facilities. The incremental asset retirement obligation not included in the disclosure of estimated future net revenue is $213 million (2017 - $459 million) on a discounted basis and $1,604 million (2017 - $1,428 million) on an undiscounted basis.

Changes in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

($ millions)	**2018**	2017
Balance, beginning of year	**19,710**	3,632
Changes resulting from:		
Sales of oil and gas produced during the period	**(1,435)**	(2,885)
Extensions, discoveries and improved recovery, net of related cost	**482**	826
Purchases of proved reserves in place	**-**	13,819
Sales of proved reserves in place	**(442)**	(571)
Net change in prices and production costs	**(13,221)**	8,060
Revisions to quantity estimates	**263**	1,293
Accretion of discount	**2,551**	420
Previously estimated development costs incurred net of change in future development costs	**405**	(5)
Other	**(638)**	354
Net change in income taxes	**3,276**	(5,233)
Balance, end of year	**10,951**	19,710

OTHER FINANCIAL INFORMATION

Results of Operations

($ millions)	2018	2017
Oil and gas sales to external customers, net of royalties, transportation and blending and realized risk management	**2,332**	4,071
Intersegment sales	**517**	443
	2,849	4,514
Less:		
Operating costs, production and mineral taxes, and accretion of asset retirement obligations	**1,474**	1,755
Depreciation, depletion and amortization	**1,851**	1,753
Exploration expense	**2,123**	890
Operating income	**(2,599)**	116
Income taxes	**(702)**	31
Results of operations	**(1,897)**	85

Capitalized Costs (1)

($ millions)	2018	2017
Proved oil and gas properties	**28,379**	28,776
Unproved oil and gas properties (2)	**785**	3,719
Total capital cost (3)	**29,164**	32,495
Accumulated depreciation, depletion and amortization	**4,251**	2,435
Net capitalized costs	**24,913**	30,060

(1) In connection with the acquisition of Cenovus's partner's 50 percent interest in FCCL in 2017, Cenovus was deemed to have disposed of its pre-existing interest (net capitalized cost of $9.7 billion) and re-acquired it at fair value ($12.3 billion) as required by IFRS 3, "Business Combinations" effectively resetting accumulated depreciation, depletion and amortization to zero.

(2) Unproved oil and gas properties include exploration and evaluation assets for which no proved reserves have been recognized.

(3) Includes assets held for sale.

Costs Incurred

($ millions)	2018	2017
Acquisitions		
Unproved (1)	**16**	3,372
Proved (2) (3)	**325**	15,016
Total acquisitions	**341**	18,388
Exploration costs	**55**	147
Development costs	**1,043**	1,257
Total costs incurred	**1,439**	19,792

(1) An unproved property is a property to which no proved or probable reserves have been specifically attributed.

(2) A proved property is a property to which proved and probable reserves have been specifically attributed.

(3) Asset retirement costs are included in the year of acquisition.

Exhibit 99.5

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934

I, Alex J. Pourbaix, certify that:

1. I have reviewed this annual report on Form 40-F of Cenovus Energy Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 13, 2019

/s/ Alex J. Pourbaix

Alex J. Pourbaix
President & Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.6

Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934

I, Jonathan M. McKenzie, certify that:

1. I have reviewed this annual report on Form 40-F of Cenovus Energy Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 13, 2019

/s/ Jonathan M. McKenzie

Jonathan M. McKenzie
Executive Vice-President & Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.7

Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002

In connection with the annual report of Cenovus Energy Inc. (the "Company") on Form 40–F for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alex J. Pourbaix, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2019

By: /s/ Alex J. Pourbaix
Alex J. Pourbaix
President & Chief Executive Officer

Exhibit 99.8

Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Cenovus Energy Inc. (the "Company") on Form 40–F for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan M. McKenzie, Executive Vice-President & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2019

By: /s/ Jonathan M. McKenzie
Jonathan M. McKenzie
Executive Vice-President & Chief Financial Officer

Exhibit 99.9

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Annual Report on Form 40-F for the year ended December 31, 2018 of Cenovus Energy Inc. of our report dated February 12, 2019, relating to the consolidated financial statements, and the effectiveness of internal control over financial reporting, which appears in the Exhibit 99.3 to this Annual Report on Form 40-F.

We also consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-163397), Form F-3D (File No. 333-202165), and Form F-10 (File No. 333-220700) of Cenovus Energy Inc. of our report dated February 12, 2019 referred to above. We also consent to reference to us under the heading “Interests of Experts,” which appears in the Annual Information Form included in Exhibit 99.1 to this Annual Report on Form 40-F, which is incorporated by reference in such Registration Statements.

/s/ PricewaterhouseCoopers LLP
Calgary, Alberta
February 13, 2019

Exhibit 99.10

CONSENT OF INDEPENDENT PETROLEUM ENGINEER

We hereby consent to the use and reference to our name and report evaluating a portion of Cenovus Energy Inc.'s oil and gas reserves data, including estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2018, estimated using forecast prices and costs, and the information derived from our reports, as described or incorporated by reference in Cenovus Energy Inc.'s annual report on Form 40-F for the year ended December 31, 2018 and Cenovus Energy Inc.'s registration statements on Form S-8 (File No. 333-163397), Form F-3D (File No. 333-202165) and Form F-10 (File No. 333-220700), filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended or the Securities Act of 1933, as amended, as applicable.

MCDANIEL & ASSOCIATES CONSULTANTS LTD.

/s/ Michael J. Verney
Michael J. Verney, P. Eng.
Executive Vice President

Calgary, Alberta
February 13, 2019

Exhibit 99.11

CONSENT OF INDEPENDENT PETROLEUM ENGINEER

We hereby consent to the use and reference to our name and report evaluating a portion of Cenovus Energy Inc.'s oil and gas reserves data, including estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2018, estimated using forecast prices and costs, and the information derived from our reports, as described or incorporated by reference in Cenovus Energy Inc.'s annual report on Form 40-F for the year ended December 31, 2018 and Cenovus Energy Inc.'s registration statements on Form S-8 (File No. 333-163397), Form F-3D (File No. 333-202165) and Form F-10 (File No. 333-220700), filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended or the Securities Act of 1933, as amended, as applicable.

GLJ PETROLEUM CONSULTANTS LTD.

/s/ Keith M. Braaten
Keith M. Braaten, P.Eng.
President and Chief Executive Officer

Calgary, Alberta
February 13, 2019