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In our first full year as an independent company, we achieved a number of milestones and delivered on our commitment to develop energy resources safely and responsibly. We met production targets while maintaining safe, disciplined operations. We accelerated expansions at our core oil sands operations, Foster Creek and Christina Lake. Cenovus is well positioned for future success.

KEY MILESTONES ACHIEVED + STRONG RESULTS = A YEAR TO BE PROUD OF

STRONG 2010 RESULTS

- Enterprise value: \$28.5 billion⁽¹⁾
- Shares outstanding: 752.7 million⁽¹⁾
- Oil & NGLs production: 129 Mbbls/d
- Natural gas production: 737 MMcf/d
- Proved & probable reserves: 2.4 billion BOE⁽¹⁾
- Total acreage: 7.2 million net acres⁽¹⁾
- Bitumen acreage: 1.4 million net acres⁽¹⁾⁽²⁾
- Refining capacity: 226 Mbbls/d

All numbers shown are net to Cenovus on a before royalties basis.

(1) As at December 31, 2010.

(2) Includes exclusive rights to lease 0.6 million net acres on our behalf and/or our assignee's behalf.

CONFIRMED OUR VAST OIL SANDS POTENTIAL

An independent evaluation was completed in the spring of 2010 that confirmed 5.4 billion barrels of best estimate bitumen economic contingent resources on Cenovus's lands. A subsequent independent evaluation was completed at the end of 2010 that confirmed 6.1 billion barrels of best estimate bitumen economic contingent resources – an increase of 13 percent. The information from these independent evaluations is supported by a great deal of data, including thousands of kilometres of seismic data and a high number of well penetrations.

Our proved bitumen reserves, also based on independent evaluations, grew from 866 million barrels at year-end 2009 to 1,154 million barrels at year-end 2010, an increase of 33 percent.

These numbers – both proved reserves and contingent resources – reflect the high quality of our assets and the great work being done by our teams. For the company as a whole, the increase in our reserves, combined with highly competitive proved finding and development costs* for 2010 of \$3.65 per barrel of oil equivalent confirms the wealth of opportunity we have on our lands.

COMMITTED TO TECHNOLOGY DEVELOPMENT

As part of our business plan, we have committed to implement at least one new commercial innovation each year. We have more than 50 research and development projects underway at any given time – about three-quarters of which should result in environmental improvements.

DEVELOPED OUR 10-YEAR BUSINESS PLAN

Approved June 2010 by our Board of Directors. See the *Strategy snapshot* on page 16.

CHANGED OUR ORGANIZATIONAL STRUCTURE

We replaced our operating divisions with a centralized operations team. It took effect December 1, 2010.



PROGRESSED OUR ENVIRONMENTAL OPPORTUNITY FUND

We committed to invest in three new opportunities in 2010, bringing the number of current environmental investments to seven. The fund invests in companies and external research groups developing emerging or early-stage technologies that focus on water treatment and management, energy efficiency, alternative energy, emissions reduction, environmental remediation and land disturbance mitigation. Information about how to apply is on our website.

*Without changes in future development costs. See our Additional Advisory on page 132.

REACHED ROYALTY PAYOUT AT FOSTER CREEK

In February 2010, our Foster Creek project became Alberta's largest producing SAGD project to reach payout for royalty purposes, which means higher royalties are now paid to the government. This milestone reflects Foster Creek's strong financial and operational performance. Foster Creek started as a pilot project in 1996 and, in 2001, became the first commercial SAGD project in the industry.

ACCELERATED EXPANSIONS AT OUR MAJOR SAGD OIL SANDS PROJECTS

Foster Creek In September 2010, we received regulatory approval to build three new expansion phases (F, G & H) at Foster Creek. Current gross production capacity at Foster Creek is 120,000 barrels per day, and each one of the three phases is expected to add 30,000 gross barrels per day, bringing total production capacity up to 210,000 gross barrels per day. Work on phase F is underway.

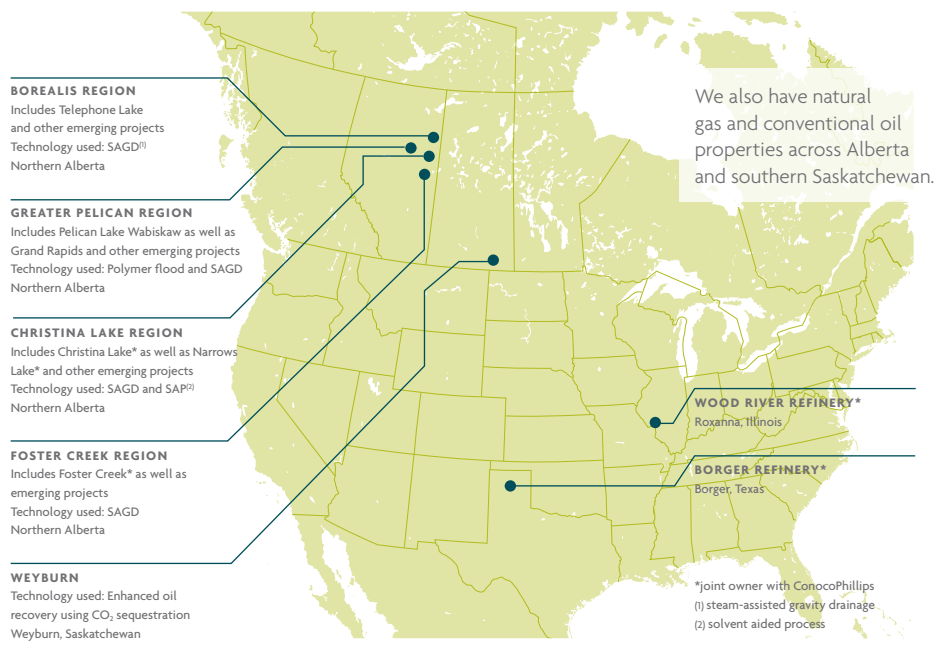
Christina Lake We're advancing expansion phases C and D at Christina Lake, which received regulatory approval in 2008. We continued construction of phase C in 2010 and began constructing phase D. Phase C will add about 40,000 barrels per day of gross production capacity with first production expected in Q3 of 2011. Phase D will also add about 40,000 gross barrels per day of production capacity with first production expected in 2013. We expect to bring these phases on stream at an industry-leading capital efficiency of about \$22,000 per flowing barrel. These two expansions will bring the production capacity to 98,000 barrels per day on a gross basis from its current 18,000 barrels per day. We're currently awaiting regulatory approval for three more expansion phases (E, F & G), which would add an additional 120,000 barrels per day of gross production capacity.

BROUGHT TWO EMERGING OIL SANDS PROJECTS CLOSER TO DEVELOPMENT

Narrows Lake In June 2010, we applied for regulatory approval of a project at Narrows Lake, located northwest of our Christina Lake project. As part of that application, we have consulted with the communities located near the project to explain our plans. Narrows Lake will be developed in phases up to a gross production capacity of about 130,000 barrels per day. The application is the first commercial project to include the option to use SAP, a solvent aided process that increases oil recovery.

Grand Rapids We're taking steps to develop a future oil sands project in the Greater Pelican Region, about 300 kilometres north of Edmonton. In December 2010, we received regulatory approval for a SAGD pilot in the Grand Rapids formation. Drilling of the SAGD well pair is complete, and in late 2010 we began injecting steam into the formation. If the pilot is successful, we plan to file a regulatory application for a 180,000 barrels-per-day commercial operation.

OIL IS OUR GROWTH DRIVER



“We’re excited about the way we’re able to transfer knowledge from one area to another. We’re applying horizontal drilling and completion techniques from our Saskatchewan, Lower Shaunavon and Bakken developments to our Drumheller, Brooks North and Langevin oil development programs.”

KEVIN KELLY
TEAM LEAD, DRUMHELLER/BOYER

DEVELOPED MULTI-YEAR GROWTH PLAN FOR PELICAN LAKE WABISKAW

We have plans for significant growth of our existing Pelican Lake Wabiskaw production as we expand our polymer enhanced oil recovery project. Our multi-year growth plan involves more than doubling existing production to 40,000 to 50,000 barrels per day.

MAINTAINED A STRONG FINANCIAL POSITION

Both our debt to capitalization ratio of 26 percent and debt to adjusted EBITDA ratio of 1.2 times were at or below the low end of our target ranges. Our cash flow was strong in 2010 at \$2.4 billion and aligned with our expectations. The majority of the cash required to fund our oil sands growth is generated by our conventional oil and gas properties. In 2010, these properties contributed about \$1.3 billion of operating cash flow in excess of the capital spent on them.

EXPLORED SHAUNAVON AND BAKKEN FOR NEW OPPORTUNITIES

Our Lower Shaunavon and Bakken medium and light oil assets in Saskatchewan are early stage development opportunities for Cenovus. We had

25 wells producing at year-end 2010 with plans to drill an additional 36 horizontal wells in the area in 2011. We anticipate production at the end of 2011 could reach 5,700 barrels per day.

OPTIMIZED COAL BED METHANE (CBM) PRODUCTION FROM ESTABLISHED SHALLOW GAS OPERATIONS

In 2010, we undertook a 900 well recompletion program in our shallow gas operation to further assess CBM potential on our lands. Total CBM production from our Brooks and Langevin properties was approximately 30 MMcf/d from about 1,400 recompleted shallow gas wells. The long-range plan calls for over 6,500 CBM recompletions in existing shallow gas wellbores.

GREW OIL SANDS
PRODUCTION BY

33%
OVER 2009

“We’re a company that follows through on our commitments.”

ADRIAN MITCHELL
RESERVOIR ANALYST



OPERATOR ADJUSTING VALVES AT THE WEYBURN FACILITY

CELEBRATED TENTH ANNIVERSARY OF OUR WEYBURN CO₂ PROJECT

In September 2010, we celebrated the tenth anniversary of our Weyburn carbon dioxide (CO₂) enhanced oil recovery project, which uses technology to improve both oil recovery and our environmental performance. Since CO₂ was first injected into the reservoir in 2000, more than 16 million tonnes of CO₂ have been stored at Weyburn, which otherwise would have been vented into the atmosphere. The Weyburn oil field is located in southern Saskatchewan.

TOLD OUR STORY

Presenting to investors and government officials, doing media interviews, meeting with community leaders, groups and landowners, working with Aboriginal communities, and communicating with our employees – we remain committed to telling our story to all our stakeholders to help them understand our company, the quality of our asset base, the strength and expertise of our teams, our solid financial position and our commitment to operating safely and responsibly.

AS PART OF TELLING OUR STORY, WE CREATED ADS IN THE FALL OF 2010, FOCUSED ON THE VALUE OIL AND NATURAL GAS BRING TO OUR LIVES. A SECOND SET OF ADS, WHICH LAUNCHED IN EARLY 2011, ILLUSTRATE WHAT A SAGD OPERATION LOOKS LIKE. THE ADS CAN BE VIEWED ON OUR WEBSITE.

DIVESTED NON-CORE ASSETS

In 2010, we sold some non-core assets in southeastern Alberta and southwestern Saskatchewan for net proceeds of \$156 million. Our total divestitures for the year were \$307 million. As part of maximizing shareholder value, we continually look to improve our asset base and sell non-core assets as long as market conditions are favourable. We believe it’s good business practice to sell assets that aren’t part of our core business and use those funds to invest in assets that are in our area of focus.

**OUR COMMITMENTS:
RIGOROUS
RESPECTFUL
READY**

“I’m really proud of the focus we have on developing technologies that will reduce the impact our operations have on the environment even further.”

SUBODH GUPTA
TECHNOLOGY ENHANCEMENT ADVISOR



WEDGE WELLS AT FOSTER CREEK





CENOVUS VICE-PRESIDENTS JOIN THE CONKLIN RESOURCE DEVELOPMENT ADVISORY COMMITTEE TO SIGN A LONG-TERM AGREEMENT WITH THE COMMUNITY OF CONKLIN.

ESTABLISHED LONG-TERM AGREEMENT WITH CONKLIN COMMUNITY

We signed a long-term agreement with the Aboriginal community of Conklin, which is located less than 20 kilometres from our Christina Lake project in northern Alberta. The agreement will provide mutual benefits for as many as 40 years and outlines our commitment to working and engaging with the Conklin community on the following matters:

- ▶ providing benefits such as employment, community investment, business development, education and training

- ▶ determining how we'll engage with the community as our projects grow and how we'll work together to address any issues that arise
- ▶ protecting the environment and protecting Christina Lake
- ▶ providing financial and other resources that will help Conklin residents adapt to change in their area

ADVANCED CORPORATE RESPONSIBILITY AT CENOVUS: NEW POLICY, NEW MEASURES

At Cenovus, corporate responsibility (CR) is integrated into the way we do business. In 2010, we created a policy that reflects our company and our commitment to CR. It sets out our guiding principles relating to leadership, corporate governance and business practices, people, environmental performance, stakeholder and Aboriginal engagement, and community involvement and investment. Additionally, in July 2010, we released our first set of CR performance measures. These measures set a firm foundation for future public reporting on our company's non-financial performance. In developing these measures we used the Global Reporting Initiative guidelines as a framework for reporting and have begun to align our performance metrics with the standards set out by the Canadian Association of Petroleum Producers' *Responsible Canadian Energy* program.

MADE A DIFFERENCE IN THE COMMUNITIES WHERE WE LIVE AND WORK

Company giving In 2010 Cenovus worked with 427 organizations, providing both monetary and in-kind assistance in the communities where we live and work. We also became an Imagine Canada Caring company, which means we give one percent of our pre-tax profits to charitable or non-profit organizations. In 2010 that resulted in \$13.5 million in donations.

Employee giving Our employees contributed more than \$3.2 million (including the company match) through our annual giving campaign, matching gifts and volunteer programs. The money benefited nearly 700 charitable organizations across Canada. During the annual campaign, which runs every October, employees designate their donation amount to charities of choice, with Cenovus matching donations dollar for dollar.



AT CENOVUS WE BELIEVE IN BEING A PART OF THE COMMUNITIES WHERE WE LIVE AND WORK. IT'S ABOUT BEING INVOLVED AND MAKING A POSITIVE DIFFERENCE INCLUDING COMING TOGETHER IN THE SPIRIT OF GIVING TO DONATE GIFTS FOR CHILDREN AND TEENS DURING THE HOLIDAYS.

"It was great to have the Executive Team visit us in the field."

ART LAURIN
PRODUCTION COORDINATOR



THE EXECUTIVE TEAM VISITS OUR PELICAN LAKE SITE

CENOVUS NAMED TO DOW JONES SUSTAINABILITY INDEX (DJSI) AND CARBON DISCLOSURE LEADERSHIP INDEX

The DJSI North America Index recognizes companies from Canada and the United States for their sustainability performance. Companies are selected based on an annual assessment of economic, social, environmental and corporate governance performance. The Carbon Disclosure Leadership Index recognizes companies for their leadership in the reporting of greenhouse gas emissions.

