



Cenovus Energy Inc.

PRELIMINARY RECONCILIATIONS BETWEEN PREVIOUS GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (unaudited)

2010

Note:

This preliminary financial information has been prepared in accordance with IFRS currently issued and effective. The Company's Consolidated Financial Statements for the year ending December 31, 2011 must use the standards in effect on December 31, 2011 and therefore the accounting policies and 2010 comparative financial information are subject to change. All amounts are in Canadian dollars unless otherwise noted.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

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RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

Introduction

Cenovus Energy Inc. (the "Company" or "Cenovus") prepared its Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("previous GAAP") for all periods prior to and including December 31, 2010. Effective January 1, 2011 Cenovus is required to prepare its financial statements in accordance with International Financial Reporting Standards ("IFRS"). The Company's first interim Consolidated Financial Statements prepared under IFRS will be for the period ended March 31, 2011 and its first annual Consolidated Financial Statements under IFRS will be for the year ended December 31, 2011, both of which will include comparative information for 2010. The Company's transition date to IFRS was January 1, 2010 ("Transition Date").

This document includes Cenovus's preliminary 2010 comparative information for the year ended December 31, 2010 and for each of the three month periods ended March 31, June 30, September 30, and December 31, 2010 under IFRS. Reconciliations between previous GAAP and IFRS are provided for the Consolidated Balance Sheets, Consolidated Statements of Earnings and Comprehensive Income and Consolidated Statements of Cash Flows.

This preliminary financial information has been prepared in accordance with IFRS currently issued and effective. The Company's Consolidated Financial Statements for the year ending December 31, 2011 must use the standards in effect on December 31, 2011 and therefore the accounting policies and 2010 comparative financial information are subject to change. All amounts are in Canadian dollars unless otherwise noted.

First Time Adoption of IFRS

On first-time adoption of IFRS, the general principle is that an entity retrospectively restates its results for all standards in force at the first reporting date. However, IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") provides certain exemptions from the general requirements of IFRS to assist with the transition process. Cenovus has applied the following exemptions in the preparation of its opening Balance Sheet dated January 1, 2010:

- **Fair Value as Deemed Cost** – The Company has elected to measure its Refining assets at their fair values at the Transition Date and use those fair values as their deemed cost at that date (see Note A).
- **Deemed Cost Election for Oil and Gas Assets** – Under previous GAAP, Cenovus accounted for its oil and gas properties in one cost centre using full cost accounting. The Company has elected to measure its oil and gas properties at the Transition Date on the following basis:
 - a) exploration and evaluation assets at the amount determined under the Company's previous GAAP; and
 - b) the remainder allocated to the underlying property, plant and equipment assets on a pro rata basis using proved reserve values discounted at 10 percent at the Transition Date (see Note B).

This basis was used to be consistent with the allocation used as part of the plan of arrangement involving Encana Corporation ("Encana") whereby Encana was split into two independent energy companies, Encana and Cenovus.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

- **Leases** – Cenovus has elected to assess lease arrangements using the facts and circumstances as of the Transition Date under International Financial Reporting Interpretations Committee Interpretation 4, “Determining whether an Arrangement contains a Lease” (“IFRIC 4”).
- **Employee Benefits** – The Company has elected not to apply International Accounting Standard (“IAS”) 19, “Employee Benefits” retrospectively and as such all cumulative actuarial gains and losses on the Company’s defined benefit plans were recognized at the Transition Date (see Note F).
- **Business Combinations** – IFRS 3, “Business Combinations” has not been applied to business combinations that occurred before the Transition Date.
- **Cumulative Currency Translation Differences** – Cumulative currency translation differences for all foreign operations are deemed to be zero at the Transition Date (see Note J).
- **Decommissioning Liabilities** – Cenovus applied the deemed cost election for oil and gas assets under IFRS 1 and as such decommissioning liabilities at the date of transition have been measured in accordance with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” (see Note D).
- **Borrowing Costs** – In accordance with IFRS 1, the Company has elected to apply IAS 23, “Borrowing Costs” to qualifying assets for which the commencement date for capitalization of borrowing costs occurred on or after the Transition Date. Borrowing costs have not been capitalized on qualifying assets under construction on or before the Transition Date.
- **Estimates** – Hindsight was not used to create or revise estimates and accordingly, the estimates made by the Company under previous GAAP are consistent with their application under IFRS.

Under IFRS 1, the opening Balance Sheet adjustments are recorded directly to retained earnings, or if appropriate, another category of equity. As Cenovus’s paid in surplus reflects the Company’s retained earnings prior to the split of Encana Corporation (“Encana”) into two independent energy companies, Encana and Cenovus, all opening Balance Sheet adjustments have been recorded to paid in surplus.

Preliminary Reconciliations between previous GAAP and IFRS

The impacts of applying the above noted IFRS 1 exemptions and the accounting policy differences between previous GAAP and IFRS are summarized in the following tables:

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE BALANCE SHEET UNDER PREVIOUS GAAP TO IFRS AS AT JANUARY 1, 2010

| As at January 1, 2010 (\$ millions) | Previous GAAP | Note A | Note B | Note C | Note D | Note E | Note F | Note G | Note H | Note I | Note J | Note K | IFRS |
|--|---------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Assets | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | |
| Cash and cash equivalents | 155 | - | - | - | - | - | - | - | - | - | - | - | 155 |
| Accounts receivable and accrued revenues | 978 | - | - | - | - | 4 | - | - | - | - | - | - | 982 |
| Income tax receivable | 40 | - | - | - | - | - | - | - | - | - | - | - | 40 |
| Current portion of Partnership Contribution Receivable | 345 | - | - | - | - | - | - | - | - | - | - | - | 345 |
| Inventories | 875 | - | - | - | - | - | - | - | - | - | - | - | 875 |
| Risk management | 60 | - | - | - | - | - | - | - | - | - | - | - | 60 |
| | 2,453 | - | - | - | - | 4 | - | - | - | - | - | - | 2,457 |
| Property, Plant and Equipment, net | 15,214 | (2,585) | - | - | - | - | - | - | - | - | - | (580) | 12,049 |
| Exploration and Evaluation Assets | - | - | - | - | - | - | - | - | - | - | - | 580 | 580 |
| Partnership Contribution Receivable | 2,621 | - | - | - | - | - | - | - | - | - | - | - | 2,621 |
| Risk Management | 1 | - | - | - | - | - | - | - | - | - | - | - | 1 |
| Other Assets | 320 | - | - | (121) | - | - | (7) | - | - | - | - | - | 192 |
| Goodwill | 1,146 | - | - | - | - | - | - | - | - | - | - | - | 1,146 |
| Deferred Income Tax | - | - | - | - | - | - | - | - | - | - | - | 3 | 3 |
| | 21,755 | (2,585) | - | (121) | - | 4 | (7) | - | - | - | - | 3 | 19,049 |
| Liabilities and Shareholders' Equity | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | 1,574 | - | - | - | - | 31 | - | - | - | - | - | - | 1,605 |
| Current portion of Partnership Contribution Payable | 340 | - | - | - | - | - | - | - | - | - | - | - | 340 |
| Risk management | 70 | - | - | - | - | - | - | - | - | - | - | - | 70 |
| | 1,984 | - | - | - | - | 31 | - | - | - | - | - | - | 2,015 |
| Long-Term Debt | 3,656 | - | - | - | - | - | - | - | - | - | - | - | 3,656 |
| Partnership Contribution Payable | 2,650 | - | - | - | - | - | - | - | - | - | - | - | 2,650 |
| Risk Management | 4 | - | - | - | - | - | - | - | - | - | - | - | 4 |
| Decommissioning Liabilities | 1,147 | - | - | - | 38 | - | - | - | - | - | - | - | 1,185 |
| Other Liabilities | 239 | - | - | - | - | - | 7 | - | - | - | - | - | 246 |
| Deferred Income Tax | 2,467 | - | - | - | - | - | - | - | (986) | - | - | 3 | 1,484 |
| | 12,147 | - | - | - | 38 | 31 | 7 | - | (986) | - | - | 3 | 11,240 |
| Share Capital | 3,681 | - | - | - | - | - | - | - | - | - | - | - | 3,681 |
| Paid in Surplus | 5,896 | (2,585) | - | (121) | (38) | (27) | (14) | - | 986 | (14) | - | - | 4,083 |
| Accumulated Other Comprehensive Income (Loss) | (14) | - | - | - | - | - | - | - | - | 14 | - | - | - |
| Retained Earnings | 45 | - | - | - | - | - | - | - | - | - | - | - | 45 |
| Shareholders' Equity | 9,608 | (2,585) | - | (121) | (38) | (27) | (14) | - | 986 | - | - | - | 7,809 |
| | 21,755 | (2,585) | - | (121) | - | 4 | (7) | - | - | - | - | 3 | 19,049 |
| Debt to Capitalization Ratio ⁽¹⁾ | 28% | | | | | | | | | | | | 32% |

(1) Capitalization is a non-GAAP measure defined as Debt plus Shareholders' Equity. Debt includes the Company's short-term borrowings plus long-term debt including the current portion of long term debt.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE BALANCE SHEET UNDER PREVIOUS GAAP TO IFRS AS AT MARCH 31, 2010

| As at March 31, 2010 (\$ millions) | Previous GAAP | Note A | Note B | Note C | Note D | Note E | Note F | Note G | Note H | Note I | Note J | Note K | IFRS |
|--|---------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Assets | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | |
| Cash and cash equivalents | 397 | - | - | - | - | - | - | - | - | - | - | - | 397 |
| Accounts receivable and accrued revenues | 1,108 | - | - | - | - | 4 | - | - | - | - | - | - | 1,112 |
| Income tax receivable | 7 | - | - | - | - | - | - | - | - | - | - | - | 7 |
| Current portion of Partnership Contribution Receivable | 339 | - | - | - | - | - | - | - | - | - | - | - | 339 |
| Inventories | 845 | - | - | - | - | - | - | - | - | - | - | - | 845 |
| Risk management | 246 | - | - | - | - | - | - | - | - | - | - | - | 246 |
| | 2,942 | - | - | - | - | 4 | - | - | - | - | - | - | 2,946 |
| Property, Plant and Equipment, net | 15,171 | (2,559) | (35) | - | 25 | (2) | - | - | - | - | 76 | (586) | 12,090 |
| Exploration and Evaluation Assets | - | - | - | - | - | - | - | - | - | - | - | 586 | 586 |
| Partnership Contribution Receivable | 2,457 | - | - | - | - | - | - | - | - | - | - | - | 2,457 |
| Risk Management | 51 | - | - | - | - | - | - | - | - | - | - | - | 51 |
| Other Assets | 414 | - | - | (117) | - | - | (11) | - | - | - | 3 | - | 289 |
| Goodwill | 1,146 | - | - | - | - | - | - | - | - | - | - | - | 1,146 |
| Deferred Income Tax | - | - | - | - | - | - | - | - | - | - | - | 35 | 35 |
| | 22,181 | (2,559) | (35) | (117) | 25 | 2 | (11) | - | - | - | 79 | 35 | 19,600 |
| Liabilities and Shareholders' Equity | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | 1,823 | - | - | - | - | 25 | - | - | - | - | - | - | 1,848 |
| Current portion of Partnership Contribution Payable | 335 | - | - | - | - | - | - | - | - | - | - | - | 335 |
| Risk management | 67 | - | - | - | - | - | - | - | - | - | - | - | 67 |
| | 2,225 | - | - | - | - | 25 | - | - | - | - | - | - | 2,250 |
| Long-Term Debt | 3,494 | - | - | - | - | - | - | - | - | - | - | - | 3,494 |
| Partnership Contribution Payable | 2,486 | - | - | - | - | - | - | - | - | - | - | - | 2,486 |
| Risk Management | 6 | - | - | - | - | - | - | - | - | - | - | - | 6 |
| Decommissioning Liabilities | 1,165 | - | - | - | 63 | - | - | - | - | - | - | - | 1,228 |
| Other Liabilities | 335 | - | - | - | - | - | 2 | - | - | - | - | - | 337 |
| Deferred Income Tax | 2,569 | - | - | - | - | - | - | - | (986) | 28 | 35 | - | 1,646 |
| | 12,280 | - | - | - | 63 | 25 | 2 | - | (986) | 28 | 35 | - | 11,447 |
| Share Capital | 3,687 | - | - | - | - | - | - | - | - | - | - | - | 3,687 |
| Paid in Surplus | 5,896 | (2,585) | - | (121) | (38) | (27) | (14) | - | - | 986 | (14) | - | 4,083 |
| Accumulated Other Comprehensive Income (Loss) | (102) | - | - | - | - | - | - | - | - | - | 65 | - | (37) |
| Retained Earnings | 420 | 26 | (35) | 4 | - | 4 | 1 | - | - | - | - | - | 420 |
| Shareholders' Equity | 9,901 | (2,559) | (35) | (117) | (38) | (23) | (13) | - | - | 986 | 51 | - | 8,153 |
| | 22,181 | (2,559) | (35) | (117) | 25 | 2 | (11) | - | - | - | 79 | 35 | 19,600 |
| Debt to Capitalization Ratio ⁽¹⁾ | 26% | | | | | | | | | | | | 30% |

(1) Capitalization is a non-GAAP measure defined as Debt plus Shareholders' Equity. Debt includes the Company's short-term borrowings plus long-term debt including the current portion of long term debt.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE BALANCE SHEET UNDER PREVIOUS GAAP TO IFRS AS AT JUNE 30, 2010

| As at June 30, 2010 (\$ millions) | Previous GAAP | Note A | Note B | Note C | Note D | Note E | Note F | Note G | Note H | Note I | Note J | Note K | IFRS |
|--|---------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Assets | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | |
| Cash and cash equivalents | 409 | - | - | - | - | - | - | - | - | - | - | - | 409 |
| Accounts receivable and accrued revenues | 1,063 | - | - | - | - | 4 | - | - | - | - | - | - | 1,067 |
| Income tax receivable | 34 | - | - | - | - | - | - | - | - | - | - | - | 34 |
| Current portion of Partnership Contribution Receivable | 359 | - | - | - | - | - | - | - | - | - | - | - | 359 |
| Inventories | 809 | - | - | - | - | - | - | - | - | - | - | - | 809 |
| Risk management | 196 | - | - | - | - | - | - | - | - | - | - | - | 196 |
| | 2,870 | - | - | - | - | 4 | - | - | - | - | - | - | 2,874 |
| Property, Plant and Equipment, net | 15,469 | (2,534) | (69) | - | 51 | (1) | - | 22 | - | - | (35) | (645) | 12,258 |
| Exploration and Evaluation Assets | - | - | - | - | - | - | - | - | - | - | - | 645 | 645 |
| Partnership Contribution Receivable | 2,475 | - | - | - | - | - | - | - | - | - | - | - | 2,475 |
| Risk Management | 62 | - | - | - | - | - | - | - | - | - | - | - | 62 |
| Other Assets | 427 | - | - | (114) | - | - | (13) | - | - | - | - | - | 300 |
| Goodwill | 1,146 | - | - | - | - | - | - | - | - | - | - | - | 1,146 |
| Deferred Income Tax | - | - | - | - | - | - | - | - | - | - | - | 73 | 73 |
| | 22,449 | (2,534) | (69) | (114) | 51 | 3 | (13) | 22 | - | - | (35) | 73 | 19,833 |
| Liabilities and Shareholders' Equity | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | 1,547 | - | - | - | - | 28 | - | - | - | - | - | - | 1,575 |
| Income tax payable | 64 | - | - | - | - | - | - | - | - | - | - | - | 64 |
| Current portion of Partnership Contribution Payable | 355 | - | - | - | - | - | - | - | - | - | - | - | 355 |
| Short-term borrowings | - | - | - | - | - | - | - | - | - | - | - | 165 | 165 |
| Risk management | 8 | - | - | - | - | - | - | - | - | - | - | - | 8 |
| | 1,974 | - | - | - | - | 28 | - | - | - | - | - | 165 | 2,167 |
| Long-Term Debt | 3,821 | - | - | - | - | - | - | - | - | - | - | (165) | 3,656 |
| Partnership Contribution Payable | 2,506 | - | - | - | - | - | - | - | - | - | - | - | 2,506 |
| Risk Management | 4 | - | - | - | - | - | - | - | - | - | - | - | 4 |
| Decommissioning Liabilities | 1,175 | - | - | - | 89 | - | - | (1) | - | - | - | - | 1,263 |
| Other Liabilities | 353 | - | - | - | - | - | - | - | - | - | - | - | 353 |
| Deferred Income Tax | 2,561 | - | - | - | - | - | - | - | - | (982) | (12) | 73 | 1,640 |
| | 12,394 | - | - | - | 89 | 28 | - | (1) | - | (982) | (12) | 73 | 11,589 |
| Share Capital | 3,690 | - | - | - | - | - | - | - | - | - | - | - | 3,690 |
| Paid in Surplus | 5,896 | (2,585) | - | (121) | (38) | (27) | (14) | - | - | 986 | (14) | - | 4,083 |
| Accumulated Other Comprehensive Income (Loss) | 27 | - | - | - | - | - | - | - | - | - | (9) | - | 18 |
| Retained Earnings | 442 | 51 | (69) | 7 | - | 2 | 1 | 23 | - | (4) | - | - | 453 |
| Shareholders' Equity | 10,055 | (2,534) | (69) | (114) | (38) | (25) | (13) | 23 | - | 982 | (23) | - | 8,244 |
| | 22,449 | (2,534) | (69) | (114) | 51 | 3 | (13) | 22 | - | - | (35) | 73 | 19,833 |
| Debt to Capitalization Ratio ⁽¹⁾ | 28% | | | | | | | | | | | | 32% |

(1) Capitalization is a non-GAAP measure defined as Debt plus Shareholders' Equity. Debt includes the Company's short-term borrowings plus long-term debt including the current portion of long term debt.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE BALANCE SHEET UNDER PREVIOUS GAAP TO IFRS AS AT SEPTEMBER 30, 2010

| As at September 30, 2010 (\$ millions) | Previous GAAP | Note A | Note B | Note C | Note D | Note E | Note F | Note G | Note H | Note I | Note J | Note K | IFRS |
|--|---------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Assets | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | |
| Cash and cash equivalents | 464 | - | - | - | - | - | - | - | - | - | - | - | 464 |
| Accounts receivable and accrued revenues | 1,051 | - | - | - | - | 4 | - | - | - | - | - | - | 1,055 |
| Income tax receivable | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Current portion of Partnership Contribution Receivable | 353 | - | - | - | - | - | - | - | - | - | - | - | 353 |
| Inventories | 862 | - | - | - | - | - | - | - | - | - | - | - | 862 |
| Risk management | 262 | - | - | - | - | - | - | - | - | - | - | - | 262 |
| | 2,992 | - | - | - | - | 4 | - | - | - | - | - | - | 2,996 |
| Property, Plant and Equipment, net | 15,258 | (2,507) | (105) | - | 133 | (2) | - | 136 | - | - | 41 | (696) | 12,258 |
| Exploration and Evaluation Assets | - | - | - | - | - | - | - | - | - | - | - | 696 | 696 |
| Partnership Contribution Receivable | 2,313 | - | - | - | - | - | - | - | - | - | - | - | 2,313 |
| Risk Management | 79 | - | - | - | - | - | - | - | - | - | - | - | 79 |
| Other Assets | 411 | - | - | (108) | - | - | (13) | - | - | - | 2 | - | 292 |
| Goodwill | 1,146 | - | - | - | - | - | - | (14) | - | - | - | - | 1,132 |
| Deferred Income Tax | - | - | - | - | - | - | - | - | - | - | - | 103 | 103 |
| | 22,199 | (2,507) | (105) | (108) | 133 | 2 | (13) | 122 | - | - | 43 | 103 | 19,869 |
| Liabilities and Shareholders' Equity | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | 1,692 | - | - | - | - | 24 | - | - | - | - | - | - | 1,716 |
| Income tax payable | 99 | - | - | - | - | - | - | - | - | - | - | - | 99 |
| Current portion of Partnership Contribution Payable | 350 | - | - | - | - | - | - | - | - | - | - | - | 350 |
| Short-term borrowings | - | - | - | - | - | - | - | - | - | - | - | 22 | 22 |
| Risk management | 22 | - | - | - | - | - | - | - | - | - | - | - | 22 |
| | 2,163 | - | - | - | - | 24 | - | - | - | - | - | 22 | 2,209 |
| Long-Term Debt | 3,574 | - | - | - | - | - | - | - | - | - | - | (22) | 3,552 |
| Partnership Contribution Payable | 2,344 | - | - | - | - | - | - | - | - | - | - | - | 2,344 |
| Risk Management | 11 | - | - | - | - | - | - | - | - | - | - | - | 11 |
| Decommissioning Liabilities | 1,125 | - | - | - | 171 | - | - | (6) | - | - | - | - | 1,290 |
| Other Liabilities | 351 | - | - | - | - | - | - | - | - | - | - | - | 351 |
| Deferred Income Tax | 2,472 | - | - | - | - | - | - | - | - | (949) | 15 | 103 | 1,641 |
| | 12,040 | - | - | - | 171 | 24 | - | (6) | - | (949) | 15 | 103 | 11,398 |
| Share Capital | 3,693 | - | - | - | - | - | - | - | - | - | - | - | 3,693 |
| Paid in Surplus | 5,896 | (2,585) | - | (121) | (38) | (27) | (14) | - | - | 986 | (14) | - | 4,083 |
| Accumulated Other Comprehensive Income (Loss) | 55 | - | - | - | - | - | - | - | - | - | 42 | - | 97 |
| Retained Earnings | 515 | 78 | (105) | 13 | - | 5 | 1 | 128 | - | (37) | - | - | 598 |
| Shareholders' Equity | 10,159 | (2,507) | (105) | (108) | (38) | (22) | (13) | 128 | - | 949 | 28 | - | 8,471 |
| | 22,199 | (2,507) | (105) | (108) | 133 | 2 | (13) | 122 | - | - | 43 | 103 | 19,869 |
| Debt to Capitalization Ratio ⁽¹⁾ | 26% | | | | | | | | | | | | 30% |

(1) Capitalization is a non-GAAP measure defined as Debt plus Shareholders' Equity. Debt includes the Company's short-term borrowings plus long-term debt including the current portion of long term debt.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE BALANCE SHEET UNDER PREVIOUS GAAP TO IFRS AS AT DECEMBER 31, 2010

| As at December 31, 2010 (\$ millions) | Previous GAAP | Note A | Note B | Note C | Note D | Note E | Note F | Note G | Note H | Note I | Note J | Note K | IFRS |
|--|---------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Assets | | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | | |
| Cash and cash equivalents | 300 | - | - | - | - | - | - | - | - | - | - | - | 300 |
| Accounts receivable and accrued revenues | 1,055 | - | - | - | - | 4 | - | - | - | - | - | - | 1,059 |
| Income tax receivable | 31 | - | - | - | - | - | - | - | - | - | - | - | 31 |
| Current portion of Partnership Contribution Receivable | 346 | - | - | - | - | - | - | - | - | - | - | - | 346 |
| Inventories | 880 | - | - | - | - | - | - | - | - | - | - | - | 880 |
| Risk management | 163 | - | - | - | - | - | - | - | - | - | - | - | 163 |
| Assets held for sale | - | - | - | - | - | - | - | - | - | - | - | 65 | 65 |
| | 2,775 | - | - | - | - | 4 | - | - | - | - | - | 65 | 2,844 |
| Assets Held for Sale | 65 | - | - | - | - | - | - | - | - | - | - | (65) | - |
| Property, Plant and Equipment, net | 15,530 | (2,459) | (135) | - | 154 | (4) | (1) | 133 | - | - | 125 | (716) | 12,627 |
| Exploration and Evaluation Assets | - | - | - | - | - | - | - | - | (3) | - | - | 716 | 713 |
| Partnership Contribution Receivable | 2,145 | - | - | - | - | - | - | - | - | - | - | - | 2,145 |
| Risk Management | 43 | - | - | - | - | - | - | - | - | - | - | - | 43 |
| Other Assets | 391 | - | - | (104) | - | - | (11) | - | - | - | 5 | - | 281 |
| Goodwill | 1,146 | - | - | - | - | - | - | (14) | - | - | - | - | 1,132 |
| Deferred Income Tax | - | - | - | - | - | - | - | - | - | - | - | 55 | 55 |
| | 22,095 | (2,459) | (135) | (104) | 154 | - | (12) | 119 | (3) | - | 130 | 55 | 19,840 |
| Liabilities and Shareholders' Equity | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | 1,825 | - | - | - | - | 18 | - | - | - | - | - | - | 1,843 |
| Income tax payable | 154 | - | - | - | - | - | - | - | - | - | - | - | 154 |
| Current portion of Partnership Contribution Payable | 343 | - | - | - | - | - | - | - | - | - | - | - | 343 |
| Short-term borrowings | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Risk management | 163 | - | - | - | - | - | - | - | - | - | - | - | 163 |
| Liabilities related to assets held for sale | - | - | - | - | - | - | - | - | - | - | - | 7 | 7 |
| | 2,485 | - | - | - | - | 18 | - | - | - | - | - | 7 | 2,510 |
| Liabilities Related to Assets Held for Sale | 7 | - | - | - | - | - | - | - | - | - | - | (7) | - |
| Long-Term Debt | 3,432 | - | - | - | - | - | - | - | - | - | - | - | 3,432 |
| Partnership Contribution Payable | 2,176 | - | - | - | - | - | - | - | - | - | - | - | 2,176 |
| Risk Management | 10 | - | - | - | - | - | - | - | - | - | - | - | 10 |
| Decommissioning Liabilities | 1,213 | - | - | - | 192 | - | - | (6) | - | - | - | - | 1,399 |
| Other Liabilities | 346 | - | - | - | - | - | - | - | - | - | - | - | 346 |
| Deferred Income Tax | 2,404 | - | - | - | - | - | - | - | - | (933) | 46 | 55 | 1,572 |
| | 12,073 | - | - | - | 192 | 18 | - | (6) | - | (933) | 46 | 55 | 11,445 |
| Share Capital | 3,716 | - | - | - | - | - | - | - | - | - | - | - | 3,716 |
| Paid in Surplus | 5,896 | (2,585) | - | (121) | (38) | (27) | (14) | - | - | 986 | (14) | - | 4,083 |
| Accumulated Other Comprehensive Income (Loss) | (27) | - | - | - | - | - | - | - | - | - | 98 | - | 71 |
| Retained Earnings | 437 | 126 | (135) | 17 | - | 9 | 2 | 125 | (3) | (53) | - | - | 525 |
| Shareholders' Equity | 10,022 | (2,459) | (135) | (104) | (38) | (18) | (12) | 125 | (3) | 933 | 84 | - | 8,395 |
| | 22,095 | (2,459) | (135) | (104) | 154 | - | (12) | 119 | (3) | - | 130 | 55 | 19,840 |
| Debt to Capitalization Ratio ⁽¹⁾ | 26% | | | | | | | | | | | | 29% |

(1) Capitalization is a non-GAAP measure defined as Debt plus Shareholders' Equity. Debt includes the Company's short-term borrowings plus long-term debt including the current portion of long term debt.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME UNDER PREVIOUS GAAP TO IFRS FOR THE THREE MONTHS ENDED MARCH 31, 2010

| For the three months ended March 31, 2010 (\$ millions) | Previous GAAP | Note A | Note B | Note C | Note D | Note E | Note F | Note G | Note H | Note I | Note J | Note K | IFRS |
|---|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------------|
| Gross Sales | 3,602 | - | - | - | - | - | - | - | - | - | - | (269) | 3,333 |
| Less: Royalties | 111 | - | - | - | - | - | - | - | - | - | - | - | 111 |
| Revenues | 3,491 | - | - | - | - | - | - | - | - | - | - | (269) | 3,222 |
| Expenses | | | | | | | | | | | | | |
| Purchased product | 1,765 | - | - | - | - | - | - | - | - | - | - | - | 1,765 |
| Transportation and blending | 291 | - | - | - | - | - | - | - | - | - | - | - | 291 |
| Operating | 348 | - | - | - | - | (2) | - | - | - | - | - | (7) | 339 |
| Production and mineral taxes | 12 | - | - | - | - | - | - | - | - | - | - | - | 12 |
| (Gain) loss on risk management | - | - | - | - | - | - | - | - | - | - | - | (262) | (262) |
| Depreciation, depletion and amortization | 324 | (26) | 35 | (4) | - | - | - | - | - | - | - | - | 329 |
| Exploration expense | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 751 | 26 | (35) | 4 | - | 2 | - | - | - | - | - | - | 748 |
| General and administrative | 52 | - | - | - | - | (2) | (1) | - | - | - | - | - | 49 |
| Interest, net | 65 | - | - | - | - | - | - | - | - | - | - | (65) | - |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | (38) | (38) |
| Finance costs | - | - | - | - | - | - | - | - | - | - | - | 125 | 125 |
| Accretion of asset retirement obligation | 22 | - | - | - | - | - | - | - | - | - | - | (22) | - |
| Foreign exchange (gain) loss, net | (27) | - | - | - | - | - | - | - | - | - | - | - | (27) |
| (Gain) loss on divestiture of assets | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other (income) loss, net | (1) | - | - | - | - | - | - | - | - | - | - | - | (1) |
| Earnings Before Income Tax | 640 | 26 | (35) | 4 | - | 4 | 1 | - | - | - | - | - | 640 |
| Income tax expense | 115 | - | - | - | - | - | - | - | - | - | - | - | 115 |
| Net Earnings | 525 | 26 | (35) | 4 | - | 4 | 1 | - | - | - | - | - | 525 |
| Other Comprehensive Income (Loss), Net of Tax | | | | | | | | | | | | | |
| Foreign currency translation adjustment | (88) | - | - | - | - | - | - | - | - | - | 51 | - | (37) |
| Comprehensive Income (Loss) | 437 | 26 | (35) | 4 | - | 4 | 1 | - | - | - | 51 | - | 488 |
| Net Earnings per Common Share | | | | | | | | | | | | | |
| Basic | 0.70 | - | - | - | - | - | - | - | - | - | - | - | 0.70 |
| Diluted | 0.70 | - | - | - | - | - | - | - | - | - | - | - | 0.70 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME UNDER PREVIOUS GAAP TO IFRS FOR THE THREE MONTHS ENDED JUNE 30, 2010

| For the three months ended June 30, 2010 (\$ millions) | Previous GAAP | Note A | Note B | Note C | Note D | Note E | Note F | Note G | Note H | Note I | Note J | Note K | IFRS |
|--|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|--------------|
| Gross Sales | 3,318 | - | - | - | - | - | - | - | - | - | - | (101) | 3,217 |
| Less: Royalties | 123 | - | - | - | - | - | - | - | - | - | - | - | 123 |
| Revenues | 3,195 | - | - | - | - | - | - | - | - | - | - | (101) | 3,094 |
| Expenses | | | | | | | | | | | | | |
| Purchased product | 1,888 | - | - | - | - | - | - | - | - | - | - | 9 | 1,897 |
| Transportation and blending | 291 | - | - | - | - | - | - | - | - | - | - | - | 291 |
| Operating | 322 | - | - | - | - | - | - | - | - | - | - | 3 | 325 |
| Production and mineral taxes | 6 | - | - | - | - | - | - | - | - | - | - | - | 6 |
| (Gain) loss on risk management | - | - | - | - | - | - | - | - | - | - | - | (113) | (113) |
| Depreciation, depletion and amortization | 325 | (25) | 34 | (3) | - | - | - | - | - | - | - | - | 331 |
| Exploration expense | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 363 | 25 | (34) | 3 | - | - | - | - | - | - | - | - | 357 |
| General and administrative | 59 | - | - | - | - | 2 | - | - | - | - | - | - | 61 |
| Interest, net | 66 | - | - | - | - | - | - | - | - | - | - | (66) | - |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | (37) | (37) |
| Finance costs | - | - | - | - | - | - | - | - | - | - | - | 121 | 121 |
| Accretion of asset retirement obligation | 18 | - | - | - | - | - | - | - | - | - | - | (18) | - |
| Foreign exchange (gain) loss, net | 28 | - | - | - | - | - | - | - | - | - | - | - | 28 |
| (Gain) loss on divestiture of assets | 9 | - | - | - | - | - | - | (23) | - | - | - | - | (14) |
| Other (income) loss, net | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Earnings Before Income Tax | 183 | 25 | (34) | 3 | - | (2) | - | 23 | - | - | - | - | 198 |
| Income tax expense | 11 | - | - | - | - | - | - | - | - | 4 | - | - | 15 |
| Net Earnings | 172 | 25 | (34) | 3 | - | (2) | - | 23 | - | (4) | - | - | 183 |
| Other Comprehensive Income (Loss), Net of Tax | | | | | | | | | | | | | |
| Foreign currency translation adjustment | 129 | - | - | - | - | - | - | - | - | - | (74) | - | 55 |
| Comprehensive Income (Loss) | 301 | 25 | (34) | 3 | - | (2) | - | 23 | - | (4) | (74) | - | 238 |
| Net Earnings per Common Share | | | | | | | | | | | | | |
| Basic | 0.23 | - | - | - | - | - | - | - | - | - | - | Note L 0.01 | 0.24 |
| Diluted | 0.23 | - | - | - | - | - | - | - | - | - | - | 0.01 | 0.24 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME UNDER PREVIOUS GAAP TO IFRS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010

| For the three months ended September 30, 2010 (\$ millions) | Previous GAAP | Note A | Note B | Note C | Note D | Note E | Note F | Note G | Note H | Note I | Note J | Note K | IFRS |
|---|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|--------------|
| Gross Sales | 3,222 | - | - | - | - | - | - | - | - | - | - | (153) | 3,069 |
| Less: Royalties | 107 | - | - | - | - | - | - | - | - | - | - | - | 107 |
| Revenues | 3,115 | - | - | - | - | - | - | - | - | - | - | (153) | 2,962 |
| Expenses | | | | | | | | | | | | | |
| Purchased product | 1,849 | - | - | - | - | - | - | - | - | - | - | - | 1,849 |
| Transportation and blending | 213 | - | - | - | - | - | - | - | - | - | - | - | 213 |
| Operating | 322 | - | - | - | - | (1) | - | - | - | - | - | (6) | 315 |
| Production and mineral taxes | 8 | - | - | - | - | - | - | - | - | - | - | - | 8 |
| (Gain) loss on risk management | - | - | - | - | - | - | - | - | - | - | - | (147) | (147) |
| Depreciation, depletion and amortization | 315 | (27) | 36 | (6) | - | - | - | - | - | - | - | - | 318 |
| Exploration expense | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 408 | 27 | (36) | 6 | - | 1 | - | - | - | - | - | - | 406 |
| General and administrative | 49 | - | - | - | - | (2) | - | - | - | - | - | - | 47 |
| Interest, net | 79 | - | - | - | - | - | - | - | - | - | - | (79) | - |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | (35) | (35) |
| Finance costs | - | - | - | - | - | - | - | - | - | - | - | 132 | 132 |
| Accretion of asset retirement obligation | 18 | - | - | - | - | - | - | - | - | - | - | (18) | - |
| Foreign exchange (gain) loss, net | (24) | - | - | - | - | - | - | - | - | - | - | - | (24) |
| (Gain) loss on divestiture of assets | - | - | - | - | - | - | - | (105) | - | - | - | - | (105) |
| Other (income) loss, net | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Earnings Before Income Tax | 286 | 27 | (36) | 6 | - | 3 | - | 105 | - | - | - | - | 391 |
| Income tax expense | 63 | - | - | - | - | - | - | - | - | 33 | - | - | 96 |
| Net Earnings | 223 | 27 | (36) | 6 | - | 3 | - | 105 | - | (33) | - | - | 295 |
| Other Comprehensive Income (Loss), Net of Tax | | | | | | | | | | | | | |
| Foreign currency translation adjustment | 28 | - | - | - | - | - | - | - | - | - | 51 | - | 79 |
| Comprehensive Income (Loss) | 251 | 27 | (36) | 6 | - | 3 | - | 105 | - | (33) | 51 | - | 374 |
| Net Earnings per Common Share | | | | | | | | | | | | | |
| Basic | 0.30 | - | - | - | - | - | - | - | - | - | - | Note L 0.09 | 0.39 |
| Diluted | 0.30 | - | - | - | - | - | - | - | - | - | - | 0.09 | 0.39 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME UNDER PREVIOUS GAAP TO IFRS FOR THE THREE MONTHS ENDED DECEMBER 31, 2010

| For the three months ended December 31, 2010 (\$ millions) | Previous GAAP | Note A | Note B | Note C | Note D | Note E | Note F | Note G | Note H | Note I | Note J | Note K | IFRS |
|--|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------------|
| Gross Sales | 3,280 | - | - | - | - | - | - | - | - | - | - | 191 | 3,471 |
| Less: Royalties | 108 | - | - | - | - | - | - | - | - | - | - | - | 108 |
| Revenues | 3,172 | - | - | - | - | - | - | - | - | - | - | 191 | 3,363 |
| Expenses | | | | | | | | | | | | | |
| Purchased product | 2,047 | - | - | - | - | - | - | - | - | - | - | (7) | 2,040 |
| Transportation and blending | 270 | - | - | - | - | - | - | - | - | - | - | - | 270 |
| Operating | 310 | - | - | - | - | (2) | (1) | - | - | - | - | - | 307 |
| Production and mineral taxes | 8 | - | - | - | - | - | - | - | - | - | - | - | 8 |
| (Gain) loss on risk management | - | - | - | - | - | - | - | - | - | - | - | 198 | 198 |
| Depreciation, depletion and amortization | 346 | (48) | 30 | (4) | - | - | - | - | - | - | - | - | 324 |
| Exploration expense | - | - | - | - | - | - | - | - | 3 | - | - | - | 3 |
| | 191 | 48 | (30) | 4 | - | 2 | 1 | - | (3) | - | - | - | 213 |
| General and administrative | 91 | - | - | - | - | (2) | - | - | - | - | - | - | 89 |
| Interest, net | 69 | - | - | - | - | - | - | - | - | - | - | (69) | - |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | (34) | (34) |
| Finance costs | - | - | - | - | - | - | - | - | - | - | - | 120 | 120 |
| Accretion of asset retirement obligation | 17 | - | - | - | - | - | - | - | - | - | - | (17) | - |
| Foreign exchange (gain) loss, net | (28) | - | - | - | - | - | - | - | - | - | - | - | (28) |
| (Gain) loss on divestiture of assets | - | - | - | - | - | - | - | 3 | - | - | - | - | 3 |
| Other (income) loss, net | (12) | - | - | - | - | - | - | - | - | - | - | - | (12) |
| Earnings Before Income Tax | 54 | 48 | (30) | 4 | - | 4 | 1 | (3) | (3) | - | - | - | 75 |
| Income tax expense | (19) | - | - | - | - | - | - | - | - | 16 | - | - | (3) |
| Net Earnings | 73 | 48 | (30) | 4 | - | 4 | 1 | (3) | (3) | (16) | - | - | 78 |
| Other Comprehensive Income (Loss), Net of Tax | | | | | | | | | | | | | |
| Foreign currency translation adjustment | (82) | - | - | - | - | - | - | - | - | - | 56 | - | (26) |
| Comprehensive Income (Loss) | (9) | 48 | (30) | 4 | - | 4 | 1 | (3) | (3) | (16) | 56 | - | 52 |
| Net Earnings per Common Share | | | | | | | | | | | | | |
| Basic | 0.10 | - | - | - | - | - | - | - | - | - | - | Note L | 0.10 |
| Diluted | 0.10 | - | - | - | - | - | - | - | - | - | - | - | 0.10 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME UNDER PREVIOUS GAAP TO IFRS FOR THE YEAR ENDED DECEMBER 31, 2010

| For the year ended December 31, 2010 (\$ millions) | Previous GAAP | Note A | Note B | Note C | Note D | Note E | Note F | Note G | Note H | Note I | Note J | Note K | IFRS |
|--|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|---------------|
| Gross Sales | 13,422 | - | - | - | - | - | - | - | - | - | - | (332) | 13,090 |
| Less: Royalties | 449 | - | - | - | - | - | - | - | - | - | - | - | 449 |
| Revenues | 12,973 | - | - | - | - | - | - | - | - | - | - | (332) | 12,641 |
| Expenses | | | | | | | | | | | | | |
| Purchased product | 7,549 | - | - | - | - | - | - | - | - | - | - | 2 | 7,551 |
| Transportation and blending | 1,065 | - | - | - | - | - | - | - | - | - | - | - | 1,065 |
| Operating | 1,302 | - | - | - | - | (5) | (1) | - | - | - | - | (10) | 1,286 |
| Production and mineral taxes | 34 | - | - | - | - | - | - | - | - | - | - | - | 34 |
| (Gain) loss on risk management | - | - | - | - | - | - | - | - | - | - | - | (324) | (324) |
| Depreciation, depletion and amortization | 1,310 | (126) | 135 | (17) | - | - | - | - | - | - | - | - | 1,302 |
| Exploration expense | - | - | - | - | - | - | - | - | 3 | - | - | - | 3 |
| | 1,713 | 126 | (135) | 17 | - | 5 | 1 | - | (3) | - | - | - | 1,724 |
| General and administrative | 251 | - | - | - | - | (4) | (1) | - | - | - | - | - | 246 |
| Interest, net | 279 | - | - | - | - | - | - | - | - | - | - | (279) | - |
| Interest income | - | - | - | - | - | - | - | - | - | - | - | (144) | (144) |
| Finance costs | - | - | - | - | - | - | - | - | - | - | - | 498 | 498 |
| Accretion of asset retirement obligation | 75 | - | - | - | - | - | - | - | - | - | - | (75) | - |
| Foreign exchange (gain) loss, net | (51) | - | - | - | - | - | - | - | - | - | - | - | (51) |
| (Gain) loss on divestiture of assets | 9 | - | - | - | - | - | - | (125) | - | - | - | - | (116) |
| Other (income) loss, net | (13) | - | - | - | - | - | - | - | - | - | - | - | (13) |
| Earnings Before Income Tax | 1,163 | 126 | (135) | 17 | - | 9 | 2 | 125 | (3) | - | - | - | 1,304 |
| Income tax expense | 170 | - | - | - | - | - | - | - | - | 53 | - | - | 223 |
| Net Earnings | 993 | 126 | (135) | 17 | - | 9 | 2 | 125 | (3) | (53) | - | - | 1,081 |
| Other Comprehensive Income (Loss), Net of Tax | | | | | | | | | | | | | |
| Foreign currency translation adjustment | (13) | - | - | - | - | - | - | - | - | - | 84 | - | 71 |
| Comprehensive Income (Loss) | 980 | 126 | (135) | 17 | - | 9 | 2 | 125 | (3) | (53) | 84 | - | 1,152 |
| Net Earnings per Common Share | | | | | | | | | | | | | |
| Basic | 1.32 | - | - | - | - | - | - | - | - | - | - | Note L 0.12 | 1.44 |
| Diluted | 1.32 | - | - | - | - | - | - | - | - | - | - | 0.11 | 1.43 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE STATEMENT OF CASH FLOWS UNDER PREVIOUS GAAP TO IFRS FOR THE THREE MONTHS ENDED MARCH 31, 2010

| For the three months ended March 31, 2010 (\$ millions) | Previous GAAP | Reclassification Note K | Other Adjustments | IFRS |
|---|------------------|----------------------------|----------------------|--------------|
| Operating Activities | | | | |
| Net earnings | 525 | - | - | 525 |
| Depreciation, depletion and amortization | 324 | - | 5 | 329 |
| Deferred income taxes | 100 | - | - | 100 |
| Unrealized (gain) loss on risk management | (237) | - | - | (237) |
| Unrealized foreign exchange (gain) loss | (32) | - | - | (32) |
| Unwinding of discount on decommissioning liabilities | 22 | - | - | 22 |
| (Gain) loss on divestitures of assets | - | - | - | - |
| Other | 19 | - | (5) | 14 |
| | 721 | - | - | 721 |
| Net change in other assets and liabilities | (15) | - | - | (15) |
| Net change in non-cash working capital | 114 | - | - | 114 |
| Cash From Operating Activities | 820 | - | - | 820 |
| Investing Activities | | | | |
| Capital expenditures – property, plant and equipment | (493) | 74 | - | (419) |
| Capital expenditures – exploration and evaluation assets | - | (72) | - | (72) |
| Proceeds from divestitures | 72 | - | - | 72 |
| Net change in investments and other | 2 | - | - | 2 |
| Net change in non-cash working capital | 47 | (2) | - | 45 |
| Cash (Used in) Investing Activities | (372) | - | - | (372) |
| Net Cash Provided before Financing Activities | 448 | - | - | 448 |
| Cash (Used in) Financing Activities | (203) | - | - | (203) |
| Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency | (3) | - | - | (3) |
| Increase (Decrease) in Cash and Cash Equivalents | 242 | - | - | 242 |
| Cash and Cash Equivalents, Beginning of Period | 155 | - | - | 155 |
| Cash and Cash Equivalents, End of Period | 397 | - | - | 397 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE STATEMENT OF CASH FLOWS UNDER PREVIOUS GAAP TO IFRS FOR THE THREE MONTHS ENDED JUNE 30, 2010

| For the three months ended June 30, 2010 (\$ millions) | Previous GAAP | Reclassification Note K | Other Adjustments | IFRS |
|---|------------------|----------------------------|----------------------|--------------|
| Operating Activities | | | | |
| Net earnings | 172 | - | 11 | 183 |
| Depreciation, depletion and amortization | 325 | - | 6 | 331 |
| Deferred income taxes | (4) | - | 4 | - |
| Unrealized (gain) loss on risk management | (22) | - | - | (22) |
| Unrealized foreign exchange (gain) loss | 31 | - | - | 31 |
| Unwinding of discount on decommissioning liabilities | 18 | - | - | 18 |
| (Gain) loss on divestitures of assets | 9 | - | (23) | (14) |
| Other | 8 | - | 2 | 10 |
| | 537 | - | - | 537 |
| Net change in other assets and liabilities | (13) | - | - | (13) |
| Net change in non-cash working capital | (53) | - | - | (53) |
| Cash From Operating Activities | 471 | - | - | 471 |
| Investing Activities | | | | |
| Capital expenditures – property, plant and equipment | (477) | 58 | - | (419) |
| Capital expenditures – exploration and evaluation assets | - | (59) | - | (59) |
| Proceeds from divestitures | 72 | - | - | 72 |
| Net change in investments and other | - | - | - | - |
| Net change in non-cash working capital | (63) | 1 | - | (62) |
| Cash (Used in) Investing Activities | (468) | - | - | (468) |
| Net Cash Provided before Financing Activities | 3 | - | - | 3 |
| Cash (Used in) Financing Activities | 16 | - | - | 16 |
| Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency | (7) | - | - | (7) |
| Increase (Decrease) in Cash and Cash Equivalents | 12 | - | - | 12 |
| Cash and Cash Equivalents, Beginning of Period | 397 | - | - | 397 |
| Cash and Cash Equivalents, End of Period | 409 | - | - | 409 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE STATEMENT OF CASH FLOWS UNDER PREVIOUS GAAP TO IFRS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010

| For the three months ended September 30, 2010 (\$ millions) | Previous GAAP | Reclassification Note K | Other Adjustments | IFRS |
|---|------------------|----------------------------|----------------------|--------------|
| Operating Activities | | | | |
| Net earnings | 223 | - | 72 | 295 |
| Depreciation, depletion and amortization | 315 | - | 3 | 318 |
| Deferred income taxes | 33 | - | 33 | 66 |
| Unrealized (gain) loss on risk management | (62) | - | - | (62) |
| Unrealized foreign exchange (gain) loss | (38) | - | - | (38) |
| Unwinding of discount on decommissioning liabilities | 18 | - | - | 18 |
| (Gain) loss on divestitures of assets | - | - | (105) | (105) |
| Other | 20 | - | (3) | 17 |
| Net change in other assets and liabilities | 509 | - | - | 509 |
| Net change in non-cash working capital | (13) | - | - | (13) |
| Cash From Operating Activities | 645 | - | - | 645 |
| Investing Activities | | | | |
| Capital expenditures – property, plant and equipment | (484) | 61 | - | (423) |
| Capital expenditures – exploration and evaluation assets | - | (60) | - | (60) |
| Proceeds from divestitures | 168 | - | - | 168 |
| Net change in investments and other | 1 | - | - | 1 |
| Net change in non-cash working capital | 16 | (1) | - | 15 |
| Cash (Used in) Investing Activities | (299) | - | - | (299) |
| Net Cash Provided before Financing Activities | 346 | - | - | 346 |
| Cash (Used in) Financing Activities | (288) | - | - | (288) |
| Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency | (3) | - | - | (3) |
| Increase (Decrease) in Cash and Cash Equivalents | 55 | - | - | 55 |
| Cash and Cash Equivalents, Beginning of Period | 409 | - | - | 409 |
| Cash and Cash Equivalents, End of Period | 464 | - | - | 464 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE STATEMENT OF CASH FLOWS UNDER PREVIOUS GAAP TO IFRS FOR THE THREE MONTHS ENDED DECEMBER 31, 2010

| For the three months ended December 31, 2010 (\$ millions) | Previous GAAP | Reclassification Note K | Other Adjustments | IFRS |
|---|------------------|----------------------------|----------------------|--------------|
| Operating Activities | | | | |
| Net earnings | 73 | - | 5 | 78 |
| Depreciation, depletion and amortization | 346 | - | (22) | 324 |
| Deferred income taxes | (41) | - | 16 | (25) |
| Unrealized (gain) loss on risk management | 275 | - | - | 275 |
| Unrealized foreign exchange (gain) loss | (30) | - | - | (30) |
| Unwinding of discount on decommissioning liabilities | 17 | - | - | 17 |
| (Gain) loss on divestitures of assets | - | - | 3 | 3 |
| Other | 8 | - | (5) | 3 |
| | 648 | - | (3) | 645 |
| Net change in other assets and liabilities | (14) | - | - | (14) |
| Net change in non-cash working capital | 24 | - | - | 24 |
| Cash From Operating Activities | 658 | - | (3) | 655 |
| Investing Activities | | | | |
| Capital expenditures – property, plant and equipment | (754) | 161 | 3 | (590) |
| Capital expenditures – exploration and evaluation assets | - | (159) | - | (159) |
| Proceeds from divestitures | (3) | - | - | (3) |
| Net change in investments and other | 1 | - | - | 1 |
| Net change in non-cash working capital | 99 | (2) | - | 97 |
| Cash (Used in) Investing Activities | (657) | - | 3 | (654) |
| Net Cash Provided before Financing Activities | 1 | - | - | 1 |
| Cash (Used in) Financing Activities | (156) | - | - | (156) |
| Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency | (9) | - | - | (9) |
| Increase (Decrease) in Cash and Cash Equivalents | (164) | - | - | (164) |
| Cash and Cash Equivalents, Beginning of Period | 464 | - | - | 464 |
| Cash and Cash Equivalents, End of Period | 300 | - | - | 300 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

RECONCILIATION OF THE STATEMENT OF CASH FLOWS UNDER PREVIOUS GAAP TO IFRS FOR THE YEAR ENDED DECEMBER 31, 2010

| For the year ended December 31, 2010 (\$ millions) | Previous GAAP | Reclassification Note K | Other Adjustments | IFRS |
|---|------------------|----------------------------|----------------------|----------------|
| Operating Activities | | | | |
| Net earnings | 993 | - | 88 | 1,081 |
| Depreciation, depletion and amortization | 1,310 | - | (8) | 1,302 |
| Deferred income taxes | 88 | - | 53 | 141 |
| Unrealized (gain) loss on risk management | (46) | - | - | (46) |
| Unrealized foreign exchange (gain) loss | (69) | - | - | (69) |
| Unwinding of discount on decommissioning liabilities | 75 | - | - | 75 |
| (Gain) loss on divestitures of assets | 9 | - | (125) | (116) |
| Other | 55 | - | (11) | 44 |
| | 2,415 | - | (3) | 2,412 |
| Net change in other assets and liabilities | (55) | - | - | (55) |
| Net change in non-cash working capital | 234 | - | - | 234 |
| Cash From Operating Activities | 2,594 | - | (3) | 2,591 |
| Investing Activities | | | | |
| Capital expenditures – property, plant and equipment | (2,208) | 354 | 3 | (1,851) |
| Capital expenditures – exploration and evaluation assets | - | (350) | - | (350) |
| Proceeds from divestitures | 309 | - | - | 309 |
| Net change in investments and other | 4 | - | - | 4 |
| Net change in non-cash working capital | 99 | (4) | - | 95 |
| Cash (Used in) Investing Activities | (1,796) | - | 3 | (1,793) |
| Net Cash Provided before Financing Activities | 798 | - | - | 798 |
| Cash (Used in) Financing Activities | (631) | - | - | (631) |
| Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency | (22) | - | - | (22) |
| Increase (Decrease) in Cash and Cash Equivalents | 145 | - | - | 145 |
| Cash and Cash Equivalents, Beginning of Year | 155 | - | - | 155 |
| Cash and Cash Equivalents, End of Year | 300 | - | - | 300 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

Notes to Reconciliations

All amounts are in \$ millions unless otherwise noted.

A) Refining Property, Plant and Equipment

At January 1, 2010, Cenovus elected to measure its refining assets at fair value and to use that fair value as its deemed cost on transition to IFRS. The fair value of the refining assets was determined to be US\$4,543 million, US\$2,272 million net to Cenovus, which resulted in the carrying value of the refining assets exceeding the fair value. Therefore the carrying value of property, plant and equipment was reduced by \$2,585 million at the Transition Date which represents Cenovus's share of the reduction to fair value. The decrease in paid in surplus represents the difference between the above fair value and the carrying value under previous GAAP.

The lower carrying value under IFRS resulted in lower DD&A expense for all periods as follows:

| Increase (Decrease) | March 31, 2010 | For the three months ended | | December 31, 2010 | For the year ended December 31, 2010 |
|---------------------|-------------------|----------------------------|-----------------------|----------------------|---|
| | | June 30, 2010 | September 30, 2010 | | |
| DD&A expense | (26) | (25) | (27) | (48) | (126) |

In December 2010, under previous GAAP it was determined that a processing unit at the Borger refinery was a redundant asset and would not be used in future operations at the refinery. The fair value of the unit was determined to be negligible based on market prices for refining assets of similar age and condition. Accordingly an impairment of \$37 million was recorded under previous GAAP. Under IFRS, however, the impairment was only \$14 million, a reduction to DD&A expense of \$23 million, due to the IFRS 1 election to use the fair value as deemed cost. The year-to-date impact on refining property, plant and equipment of the IFRS 1 election, impairment and the subsequent impact on DD&A expense was as follows:

| As at Increase (Decrease) | January 1, 2010 | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 |
|-------------------------------|--------------------|-------------------|------------------|-----------------------|----------------------|
| Property, plant and equipment | (2,585) | (2,559) | (2,534) | (2,507) | (2,459) |

B) Oil and Gas Property, Plant and Equipment

Under previous GAAP, costs accumulated within each cost centre for oil and gas properties were depleted using the unit-of-production method based on estimated proved reserves determined using estimated future prices and costs on a country-by-country cost centre basis (full cost accounting). Under IFRS, costs accumulated within each area are depleted using the unit-of-production method based on estimated proved reserves determined using estimated future prices and costs on an area-by-area basis. This resulted in an increase in DD&A expense for all periods as follows:

| Increase (Decrease) | March 31, 2010 | For the three months ended | | December 31, 2010 | For the year ended December 31, 2010 |
|---------------------|-------------------|----------------------------|-----------------------|----------------------|---|
| | | June 30, 2010 | September 30, 2010 | | |
| DD&A expense | 35 | 34 | 36 | 30 | 135 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

There was no impact on the opening balance sheet as a result of this allocation. However, the year-to-date impact on property, plant and equipment was as follows:

| As at Increase (Decrease) | January 1, 2010 | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 |
|-------------------------------|--------------------|-------------------|------------------|-----------------------|----------------------|
| Property, plant and equipment | - | (35) | (69) | (105) | (135) |

C) Impairment of Deferred Asset

Under previous GAAP, other assets included a deferred asset, which represented the disproportionate interest received in 2007 and 2008 (15% in 2007 and 35% in 2008) that arose from the acquisition of the Borger Refinery in 2007. On transition to IFRS, it was determined that as a result of the reduction in the carrying value of the refineries due to the fair value election the deferred asset was impaired and therefore was written off. Paid in surplus was decreased by the carrying value of the asset under previous GAAP of \$121 million.

Under previous GAAP, the deferred asset was being amortized over 10 years. As such DD&A expense under IFRS decreased for all periods as follows:

| Increase (Decrease) | March 31, 2010 | For the three months ended June 30, 2010 | September 30, 2010 | December 31, 2010 | For the year ended December 31, 2010 |
|---------------------|-------------------|--|-----------------------|----------------------|---|
| DD&A expense | (4) | (3) | (6) | (4) | (17) |

The year-to-date impact on other assets due to the January 1, 2010 impairment and subsequent change in DD&A expense was as follows:

| As at Increase (Decrease) | January 1, 2010 | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 |
|------------------------------|--------------------|-------------------|------------------|-----------------------|----------------------|
| Other assets | (121) | (117) | (114) | (108) | (104) |

D) Decommissioning Liabilities

As discussed above, the Company elected to apply the exemption to measure decommissioning liabilities at the Transition Date in accordance with IAS 37. As such, the Company re-measured the decommissioning liabilities as at the Transition Date using the period end credit-adjusted risk-free discount rate and recognized an increase of \$38 million to the decommissioning liability.

Consistent with IFRS, decommissioning liabilities under previous GAAP were measured based on the estimated costs of decommissioning, discounted to their net present value upon initial recognition. However, changes to the discount rate were not reflected in the decommissioning liability or the related asset under previous GAAP. Under IFRS, the discount rate is adjusted each reporting period to reflect the current market rate. The impact of this adjustment and the IFRS 1 election on the Consolidated Balance Sheets was as follows:

| As at Increase (Decrease) | January 1, 2010 | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 |
|-------------------------------|--------------------|-------------------|------------------|-----------------------|----------------------|
| Property, Plant and Equipment | - | 25 | 51 | 133 | 154 |
| Decommissioning Liabilities | 38 | 63 | 89 | 171 | 192 |
| Paid in Surplus | (38) | (38) | (38) | (38) | (38) |

There was minimal impact to the unwinding of the discount on decommissioning liabilities for all periods in 2010.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

E) Stock-Based Compensation

Under previous GAAP, obligations for payments under Cenovus's stock option plan (with associated tandem stock appreciation rights) were accrued for using the intrinsic method. Under IFRS, these obligations are accrued for using the fair value method. As a result of the re-measurement of the liability as at January 1, 2010 a charge of \$27 million was recognized in paid in surplus with an increase to accounts payable and accrued liabilities of \$31 million and an increase to accounts receivable and accrued revenues of \$4 million. The decrease in net earnings after January 1, 2010 is a result of the differences in the measurement basis under IFRS and previous GAAP as follows:

| Increase (Decrease) | For the three months ended | | | | For the year ended December 31, 2010 |
|----------------------------|----------------------------|------------------|-----------------------|----------------------|--|
| | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 | |
| Operating | (2) | - | (1) | (2) | (5) |
| General and administrative | (2) | 2 | (2) | (2) | (4) |

A portion of the compensation costs have been capitalized in property, plant and equipment as the costs are directly attributable to the asset. The impact on the Balance Sheets was as follows:

| As at Increase (Decrease) | January 1, 2010 | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 |
|--|--------------------|-------------------|------------------|-----------------------|----------------------|
| Accounts receivable and accrued revenues | 4 | 4 | 4 | 4 | 4 |
| Property, Plant and Equipment | - | (2) | (1) | (2) | (4) |
| Accounts payable and accrued liabilities | 31 | 25 | 28 | 24 | 18 |
| Paid in Surplus | (27) | (27) | (27) | (27) | (27) |

F) Employee Benefits

Cenovus elected under IFRS 1 to recognize all unamortized actuarial gains and losses on the defined benefit pension and other post-employment benefits plans at the Transition Date resulting in a \$7 million increase to other liabilities, a \$7 million decrease to other assets and a \$14 million charge to paid in surplus. Under previous GAAP, the actuarial losses continued to be amortized and as such had an impact on all periods as follows:

| Increase (Decrease) | For the three months ended | | | | For the year ended December 31, 2010 |
|----------------------------|----------------------------|------------------|-----------------------|----------------------|--|
| | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 | |
| Operating | - | - | - | (1) | (1) |
| General and administrative | (1) | - | - | - | (1) |

Due to the January 1, 2010 recognition of all unamortized actuarial gains and losses, it was necessary to reclassify the pension asset under IFRS to a liability. The year-to-date impacts on the Consolidated Balance Sheets were as follows:

| As at Increase (Decrease) | January 1, 2010 | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 |
|-------------------------------|--------------------|-------------------|------------------|-----------------------|----------------------|
| Property, plant and equipment | - | - | - | - | (1) |
| Other assets | (7) | (11) | (13) | (13) | (11) |
| Other liabilities | 7 | 2 | - | - | - |
| Paid in surplus | (14) | (14) | (14) | (14) | (14) |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

G) Gains/Losses on Divestiture of Assets

Under previous GAAP, proceeds on the divestiture of oil and gas properties were credited to the full cost pool and no gain or loss was recognized unless the effect of the sale would have changed the DD&A rate by 20% or more. Under IFRS, all gains and losses are recognized on oil and gas property divestitures and calculated as the difference between net proceeds and the carrying value of the net assets disposed. Accordingly, gains were recognized on the divestiture of assets as follows:

| Increase (Decrease) | March 31, 2010 | For the three months ended | | December 31, 2010 | For the year ended December 31, 2010 |
|----------------------------|-------------------|----------------------------|-----------------------|----------------------|---|
| | | June 30, 2010 | September 30, 2010 | | |
| (Gain) loss on disposition | - | (23) | (105) | 3 | (125) |

The year-to-date impact on the Consolidated Balance Sheets was as follows:

| As at Increase (Decrease) | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 |
|-------------------------------|-------------------|------------------|-----------------------|----------------------|
| Property, plant and equipment | - | 22 | 136 | 133 |
| Goodwill | - | - | (14) | (14) |
| Decommissioning liabilities | - | (1) | (6) | (6) |

H) Pre-Exploration Expense

Under IFRS, costs incurred prior to obtaining the legal right to explore must be expensed whereas under previous GAAP these costs were capitalized in the full cost pool. For the year ended December 31, 2010, \$3 million of pre-exploration costs were expensed under IFRS. The accounting policy difference has resulted in cash from operating activities decreasing by \$3 million and cash from investing activities increasing by a corresponding amount for the year ended December 31, 2010.

I) Deferred Income Taxes

The increase in paid in surplus of \$986 million at the Transition Date related to deferred income taxes reflects the change in temporary differences resulting from the IFRS 1 exemptions applied. The change in deferred income tax expense as a result of the changes in temporary differences resulting from the IFRS adjustments described above, plus a reduction in deferred income tax of \$9 million in December 2010 to recognize the deferred tax benefit on an intercompany transfer of oil and gas properties, is as follows:

| Increase (Decrease) | March 31, 2010 | For the three months ended | | December 31, 2010 | For the year ended December 31, 2010 |
|-----------------------------|-------------------|----------------------------|-----------------------|----------------------|---|
| | | June 30, 2010 | September 30, 2010 | | |
| Deferred income tax expense | - | 4 | 33 | 16 | 53 |

The year-to-date impact on the Consolidated Balance Sheets was as follows:

| As at Increase (Decrease) | January 1, 2010 | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 |
|-------------------------------|--------------------|-------------------|------------------|-----------------------|----------------------|
| Deferred income tax liability | (986) | (986) | (982) | (949) | (933) |
| Paid in surplus | 986 | 986 | 986 | 986 | 986 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

J) Currency Translation Adjustments

As previously noted, Cenovus elected to deem all cumulative currency translation differences for all foreign operations to be zero at the Transition Date. In addition, AOCI is affected by the revaluation of the adjustments noted above that reside in a foreign operation, notably the reduction in the carrying value of the Refining property, plant and equipment, the impairment of the deferred assets and the associated deferred income tax payable. The table below identifies the year-to-date impact on the Consolidated Balance Sheets:

| As at Increase (Decrease) | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 |
|---|-------------------|------------------|-----------------------|----------------------|
| Assets | | | | |
| Refining property, plant and equipment | 76 | (35) | 41 | 125 |
| Other assets | 3 | - | 2 | 5 |
| Liabilities and Equity | | | | |
| Deferred income tax liability | 28 | (12) | 15 | 46 |
| Accumulated other comprehensive income (loss) | 51 | (23) | 28 | 84 |

K) Reclassifications

Exploration and evaluation ("E&E") assets

Under previous GAAP, E&E costs were included in property, plant and equipment whereas under IFRS E&E assets are separately disclosed. Therefore at January 1, 2010 the Company reclassified \$580 million from property, plant and equipment to E&E assets. At March 31, June 30, September 30, and December 31, 2010, \$586 million, \$645 million, \$696 million and \$716 million, respectively, were reclassified.

Interest income and finance costs

Under previous GAAP interest was reported on a net basis. Under IFRS interest expense is included in finance costs and interest income is reported separately.

In addition, under previous GAAP, the unwinding of the discount on decommissioning liabilities was included as accretion expense in the Consolidated Statements of Earnings and Comprehensive Income. Under IFRS this amount has been reclassified to finance costs.

Short-term borrowings

Under previous GAAP, commercial paper for which capacity under our committed credit facility was reserved, was classified as a non-current obligation. Under IFRS, this liability does not meet the definition of a non-current obligation and therefore has been reclassified from long-term debt to short-term borrowings.

Gains/losses on risk management

Under previous GAAP, gains and losses from crude oil and natural gas commodity price risk management activities were recorded in gross revenues. Under IFRS, these activities do not meet the definition of revenue and therefore have been reclassified to (gain) loss on risk management in the Consolidated Statements of Earnings and Comprehensive Income.

Assets and Liabilities Classified as Held for Sale

Under previous GAAP, assets held for sale and liabilities related to assets held for sale were included as part of non-current assets and liabilities. Under IFRS, non-current assets that meet the definition of held for sale are required to be classified as current.

Deferred Income Tax

A net deferred income tax asset has arisen related to the U.S. foreign operations, due to the adjustments noted above. Consistent with previous GAAP, a deferred income tax asset may not be offset against a deferred income tax liability in a different tax jurisdiction.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

L) Earnings Per Share

Basic earnings per share

Basic earnings per share under IFRS was impacted by the IFRS earnings adjustments discussed above.

Diluted earnings per share

Under previous GAAP, Cenovus's stock options with associated tandem stock appreciation rights ("TSARs"), which may be cash or equity settled at the option of the holder, had no dilutive effect on diluted earnings per share. Under IFRS, the more dilutive of cash settlement and share settlement is required to be used in calculating diluted earnings per share. The following tables identify the difference between previous GAAP and IFRS:

| For the three months ended March 31, 2010 | Previous GAAP | | | IFRS | | |
|--|---------------|-------------------|--------------------|--------------|-------------------|--------------------|
| | Net Earnings | Shares (millions) | Earnings per Share | Net Earnings | Shares (millions) | Earnings per Share |
| Net earnings per share - basic | 525 | 751.5 | \$0.70 | 525 | 751.5 | \$0.70 |
| Dilutive effect of exercised Cenovus TSARs | - | 0.2 | | - | 0.2 | |
| Dilutive effect of outstanding Cenovus TSARs | - | - | | - | 0.7 | |
| Net earnings per share - diluted | 525 | 751.7 | \$0.70 | 525 | 752.4 | \$0.70 |

| For the three months ended June 30, 2010 | Previous GAAP | | | IFRS | | |
|--|---------------|-------------------|--------------------|--------------|-------------------|--------------------|
| | Net Earnings | Shares (millions) | Earnings per Share | Net Earnings | Shares (millions) | Earnings per Share |
| Net earnings per share - basic | 172 | 751.7 | \$0.23 | 183 | 751.7 | \$0.24 |
| Dilutive effect of exercised Cenovus TSARs | - | 0.1 | | - | 0.1 | |
| Dilutive effect of outstanding Cenovus TSARs | - | - | | - | 2.0 | |
| Net earnings per share - diluted | 172 | 751.8 | \$0.23 | 183 | 753.8 | \$0.24 |

| For the three months ended September 30, 2010 | Previous GAAP | | | IFRS | | |
|---|---------------|-------------------|--------------------|--------------|-------------------|--------------------|
| | Net Earnings | Shares (millions) | Earnings per Share | Net Earnings | Shares (millions) | Earnings per Share |
| Net earnings per share - basic | 223 | 751.9 | \$0.30 | 295 | 751.9 | \$0.39 |
| Dilutive effect of exercised Cenovus TSARs | - | 0.1 | | - | 0.1 | |
| Dilutive effect of outstanding Cenovus TSARs | - | - | | - | 1.8 | |
| Net earnings per share - diluted | 223 | 752.0 | \$0.30 | 295 | 753.8 | \$0.39 |

| For the three months ended December 31, 2010 | Previous GAAP | | | IFRS | | |
|--|---------------|-------------------|--------------------|--------------|-------------------|--------------------|
| | Net Earnings | Shares (millions) | Earnings per Share | Net Earnings | Shares (millions) | Earnings per Share |
| Net earnings per share - basic | 73 | 752.2 | \$0.10 | 78 | 752.2 | \$0.10 |
| Dilutive effect of exercised Cenovus TSARs | - | 0.5 | | - | 0.5 | |
| Dilutive effect of outstanding Cenovus TSARs | - | - | | - | 2.2 | |
| Net earnings per share - diluted | 73 | 752.7 | \$0.10 | 78 | 754.9 | \$0.10 |

| For the year ended December 31, 2010 | Previous GAAP | | | IFRS | | |
|--|---------------|-------------------|--------------------|--------------|-------------------|--------------------|
| | Net Earnings | Shares (millions) | Earnings per Share | Net Earnings | Shares (millions) | Earnings per Share |
| Net earnings per share - basic | 993 | 751.9 | \$1.32 | 1,081 | 751.9 | \$1.44 |
| Dilutive effect of exercised Cenovus TSARs | - | 0.8 | | - | 0.8 | |
| Dilutive effect of outstanding Cenovus TSARs | - | - | | - | 1.3 | |
| Net earnings per share - diluted | 993 | 752.7 | \$1.32 | 1,081 | 754.0 | \$1.43 |

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

Significant Accounting Policies

Cenovus intends to adopt the accounting policies outlined below for its 2011 IFRS interim and annual Consolidated Financial Statements. These policies have been used in the preparation of the preliminary comparative financial information. The Company's Consolidated Financial Statements for the year ending December 31, 2011 must use the standards in effect on December 31, 2011 and therefore the accounting policies and 2010 comparative financial information are subject to change.

A) Principles of Consolidation

The Consolidated Financial Statements include the accounts of Cenovus and its subsidiaries and are presented in accordance with IFRS. 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.

Investments in jointly controlled partnerships and unincorporated joint ventures carry on certain of Cenovus's development, production and crude oil refining businesses and are accounted for using the proportionate consolidation method, whereby Cenovus's proportionate share of revenues, expenses, assets and liabilities are included in the accounts.

B) Foreign Currency Translation

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 at the average rate over the period for revenues and expenses. Translation gains and losses relating to the foreign operations are included in Accumulated Other Comprehensive Income ("AOCI") as a separate component of Shareholders' Equity.

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 other comprehensive income related to the foreign operation are recognized in net earnings. When the Company disposes of part of an interest in a foreign operation which continues to be a subsidiary, a proportionate amount of gains and losses accumulated in other comprehensive income is allocated between controlling and non-controlling interests.

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 and Comprehensive Income.

C) Significant Accounting Judgments, Estimates and Assumptions

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. Significant judgments, estimates and assumptions made by Management in the preparation of these Consolidated Financial Statements are outlined below.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

Carrying Value of Property, Plant and Equipment

Development and production assets within property, plant and equipment are depreciated, depleted and amortized using the unit-of-production method based on estimated proved reserves determined using estimated future prices and costs. There are a number of inherent uncertainties associated with estimating reserves. By their nature, these estimates of reserves, including the estimates of future prices and costs, and related future cash flows are subject to measurement uncertainty, and the impact on the Consolidated Financial Statements of future periods could be material.

Refining, marketing, other upstream and corporate assets are depreciated on a straight-line basis and are subject to Management's estimate of useful life and salvage value and therefore the impact on the Consolidated Financial Statements of future periods could be material.

Exploration and Evaluation Assets

The application of the Company's accounting policy for exploration and evaluation 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 and when technical feasibility and commercial viability have been reached. Estimates and assumptions may change as new information becomes available.

Decommissioning Costs

Decommissioning costs are incurred when certain of the Company's tangible long-lived assets are retired. Assumptions, based on current economic factors which Management believes are reasonable, have been made to estimate the future liability. However, the actual cost of decommissioning 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. The impact to net earnings over the remaining economic life of the assets could be significant due to the changes in cost estimates as new information becomes available. In addition, the Company 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.

Impairment of Assets

The recoverable amounts of cash-generating units ("CGUs") and individual assets have been determined as the higher of the CGU's or the asset's fair value less costs to sell and its value-in-use. These calculations require the use of estimates and assumptions and are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves and discount rates as well as future development and operating costs. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the related assets and CGUs.

Employee Benefit Plans and Post-Employment Benefits

The values of pension assets and obligations and the amount of pension costs charged to net earnings depend on certain actuarial and economic assumptions which, by their nature, are subject to measurement uncertainty.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

Compensation Plans

The amount of compensation expense accrued for long-term performance-based compensation arrangements is subject to Management's best estimate of whether or not the performance criteria will be met and what the ultimate payout will be. Obligations for payments under the Cenovus compensation plans are measured at fair value and therefore fluctuations in the fair value will affect the accrued compensation expense that is recognized. The fair value of the obligation is based on several assumptions including the risk-free interest rate, dividend yield, and the expected volatility of the share price and therefore is subject to measurement uncertainty.

Income Tax Provisions

Tax regulations and legislation and the interpretations thereof in the various jurisdictions in which Cenovus operates are subject to change. As such, income taxes are subject to measurement uncertainty.

Deferred income tax assets are recognized 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. 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.

Contingencies

Contingencies, by their nature, are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgment including assessing whether a present obligation exists and providing a reliable estimate of the amount of cash outflow required to settle the obligation. The uncertainty involved with the timing and amount at which a contingency will be settled may have a material impact on the Consolidated Financial Statements of future periods to the extent that the amount provided for differs from the actual outcome.

Financial Instruments

The estimated fair values of financial assets and liabilities, by their very nature, are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks. Furthermore, the Company may use derivative instruments to manage commodity price, foreign currency and interest rate exposures. The fair values of these derivatives are determined using valuation models which require assumptions concerning the amount and timing of future cash flows and discount rates. Management's assumptions rely on external observable market data including quoted commodity prices and volatility, interest rate yield curves and foreign exchange rates. The resulting fair value estimates may not be indicative of the amounts realized or settled in current market transactions and as such are subject to measurement uncertainty.

D) Revenue and Interest Income Recognition

Sales of Product

Revenues associated with the sales of Cenovus's crude oil, natural gas, NGLs and petroleum and refined products are recognized when title passes from the Company to its customer.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

Revenues and purchased product are recorded on a gross basis when the title to product passes and the risks and rewards of ownership have been transferred. 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.

Interest Income

Interest income is recognized as the interest accrues using the effective interest method.

E) Production and Mineral Taxes

Costs paid to non-mineral interest owners based on production of crude oil, natural gas and NGLs are recognized when the product is produced.

F) Transportation and Blending

The costs associated with the transportation of crude oil, natural gas and NGLs, including the cost of diluent used in blending, are recognized when the product is delivered and the services provided.

G) Employee Benefit Plans

Accruals for obligations under the employee benefit plans and the related costs are recorded net of plan assets.

The cost of pensions and other post-employment benefits is actuarially determined using the accrued benefit method based on length of service, and reflects Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected future health care costs. The expected return on plan assets is based on the fair value of those assets. The accrued benefit obligation is discounted using the market interest rate on high quality corporate debt instruments as at the measurement date.

Pension expense for the defined benefit pension plan includes the cost of pension benefits earned during the current year, the interest cost on pension obligations, the expected return on pension plan assets, the amortization of adjustments arising from pension plan amendments and the amortization of the excess of the net actuarial gain or loss over ten percent of the greater of the benefit obligation and the fair value of plan assets. Amortization is calculated on a straight-line basis over a period covering the non-vested expected average remaining service lives of employees and recognized immediately for vested benefits covered by the plans.

Pension expense for the defined contribution pension plans is recorded as the benefits are earned by the employees covered by the plans.

H) Income Taxes

Current and deferred income taxes are provided for at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted at the 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

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

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, in which case the deferred income tax is also recorded in equity.

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.

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.

I) Earnings Per Share Amounts

Basic net earnings per common share is computed by dividing the net earnings by the weighted average number of common shares outstanding during the period. Diluted net earnings per share amounts are 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.

J) 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.

K) Inventories

Product inventories, including petroleum and refined products, 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.

L) Non-Current Assets (Disposal Group) Held for Sale

Non-current assets or disposal groups are classified as held for sale when their carrying amount will principally be recovered through a sales transaction rather than through continued use and a sales transaction is highly probable. Assets held for sale are recorded at the lower of carrying value and fair value less cost to sell.

M) Pre-Exploration Costs

Pre-exploration costs are those costs incurred prior to obtaining the legal right to explore and are expensed in the period in which they are incurred as exploration expense.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

N) Exploration and Evaluation ("E&E") Assets

Costs incurred after the legal right to explore an area has been obtained and before technical feasibility and commercial viability of the 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/area/project is determined or the assets are determined to be impaired.

Once technical feasibility and commercial viability have been established for a field/area/project the carrying value of the E&E assets associated with that field/area/project is tested for impairment as discussed below. The carrying value, net of any impairment loss, is then reclassified as property, plant and equipment.

If it is determined that the field/area/project is not technically feasible or commercially viable or if the Company decides not to continue the exploration and evaluation activity, then the accumulated costs are expensed to exploration expense in the period in which the event occurs.

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Any impairment loss is recognized in the Consolidated Statements of Earnings and Comprehensive Income as additional exploration expense and separately disclosed. E&E assets are allocated to a related CGU containing development and production assets. The aggregate carrying amount is compared to the expected recoverable amount of the CGU generally by reference to the present value of the future cash flows from the production of reserves.

Any gains or losses from the divestiture of E&E assets are recognized in net earnings.

O) Property, Plant and Equipment

Development and Production Assets

Development and production assets are stated at cost less accumulated depreciation, depletion, amortization and net impairment losses. Development and production assets are capitalized on an area-by-area basis and include all costs associated with the development and production of the crude oil and natural gas properties as well as any E&E expenditures incurred in finding commercial reserves transferred from E&E assets. These costs include 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 estimated future prices and costs. For purposes of this calculation, natural gas is converted to 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.

Repairs and maintenance are expensed when incurred.

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Any gains or losses from the divestiture of development and production assets are recognized in net earnings.

Development and production assets are assessed for impairment at least annually or when facts and circumstances suggest that the carrying amount of the development and production assets may exceed its recoverable amount. Recoverable amount is determined as the greater of an asset's or CGU's value-in-use ("VIU") and fair value less costs to sell ("FVLCTS"). VIU is estimated as the discounted present value of the future cash flows expected to arise from the continuing use of a CGU or asset. The impairment test is performed at the CGU for development and production assets. Impairment losses are recognized in the Consolidated Statements of Earnings and Comprehensive Income as additional depreciation and are separately disclosed.

Impairment losses recognized in prior periods 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.

Other Upstream

Other Upstream assets include pipelines and information technology assets used to support the upstream business. These assets are depreciated on a straight-line basis over their useful lives of three to 35 years and are included in the CGUs to which they relate and tested for impairment.

Refining

The refining assets are stated at cost less accumulated depreciation and net impairment losses.

The initial acquisition costs of refining property, plant and equipment 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. Routine maintenance and repair costs are expensed in the period in which they are incurred. The costs of major refining turnarounds are capitalized as incurred and are depreciated over the estimated timeframe between two consecutive turnarounds.

Capitalized costs are not subject to depreciation until the asset is available for use, after which they are depreciated on a straight-line basis over the estimated service lives of each component of the refineries. The major components are depreciated as follows:

| | |
|---------------------------------|----------------|
| Land Improvements and Buildings | 25 to 40 years |
| Office Equipment and Vehicles | 3 to 20 years |
| Refining Equipment | 5 to 35 years |

Refining assets are tested for impairment when facts and circumstances suggest that their carrying amount may exceed their recoverable amount. The impairment test is performed for each refinery independently. Any impairment loss is recognized in the Consolidated Statements of Earnings and Comprehensive Income as additional depreciation and separately disclosed.

RECONCILIATIONS BETWEEN PREVIOUS GAAP AND IFRS

Impairment losses recognized in prior periods 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.

Corporate

Costs associated with 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 25 years. Assets under construction are not subject to depreciation until they are available for use. 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.

Corporate assets are allocated on a reasonable and consistent manner to the CGUs to which they contribute to the future cash flows for the purposes of testing for impairment. An impairment test is performed when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Any impairment loss is recognized in the Consolidated Statements of Earnings and Comprehensive Income as additional depreciation and is separately disclosed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment loss may no longer exist or may have decreased.

P) Borrowing Costs

Borrowing costs directly associated with the acquisition, construction or production of a qualifying asset are capitalized when a substantial period of time is required to make the asset ready for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Q) Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as an expense as they are incurred.

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases.

R) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method of accounting in which the identifiable assets acquired, liabilities assumed and any non-controlling interest 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.

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Goodwill is assessed for impairment at least annually. To assess impairment, the recoverable amount of the CGU to which the goodwill relates is compared to the carrying amount. 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.

S) 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects 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 and Comprehensive Income.

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, crude oil and natural gas processing facilities and refining facilities. 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 estimated liability is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing or future decommissioning cost estimates are recognized as a change in the decommissioning liability and the related long-lived asset. The amount capitalized in property, plant and equipment is depreciated over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the Consolidated Statements of Earnings and Comprehensive Income.

Actual expenditures incurred are charged against the accumulated liability.

T) Stock-Based Compensation

Cenovus has a number of cash and stock-based compensation plans which include stock options with associated tandem stock appreciation rights, stock options with associated net settlement rights, performance share units and deferred share units.

Stock options with associated tandem stock appreciation rights are accounted for as liability instruments which are measured at the fair value at each period end using the Black-Scholes-Merton valuation model. At each period end date, the liability is adjusted to the current period fair value. 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.

Stock options with associated net settlement rights are accounted for as equity instruments which are measured at the grant date fair value using the Black-Scholes-Merton valuation model and are not revalued each reporting date. The fair value is recognized as compensation costs over the vesting period of the options, with a corresponding increase recorded as paid in

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surplus in Shareholders' Equity. On exercise, the consideration received by the Company and the associated paid in surplus are recorded as share capital.

Performance share units and deferred share units are accounted for as liability instruments and are measured at fair value based on the market value of the Cenovus common shares at each period end. Fluctuations in the fair values are recognized as compensation costs in the period they occur.

U) Financial Instruments

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 legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

Financial instruments are classified as either "fair value through profit and loss", "loans and receivables", "held-to-maturity investments", "available for sale financial assets" or "financial liabilities measured at amortized cost". The Company determines the classification of its financial assets at initial recognition. Financial instruments are initially measured at fair value except in the case of "loans and receivables" and "financial liabilities measured at amortized cost" which are initially measured at fair value plus transaction costs.

The Company's financial assets include cash and cash equivalents, accounts receivable and accrued revenues, partner loans receivables, the Partnership Contribution Receivable and derivative financial instruments. The Company's financial liabilities include accounts payable and accrued liabilities, partner loans payable, the Partnership Contribution Payable, derivative financial instruments, short-term borrowings and long-term debt.

Fair Value through Profit or Loss

Financial assets and financial liabilities at "fair value through profit or loss" are either "held-for-trading" or have been "designated at fair value through profit or loss". In both cases the financial assets and financial liabilities are measured at fair value with changes in fair value recognized in net earnings. Risk management assets and liabilities are classified as "held-for-trading" unless designated for hedge accounting. Cash and cash equivalents are classified as "held-for-trading".

Loans and Receivables

"Loans and receivables" are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these assets are measured at amortized cost at the settlement date using the effective interest method of amortization. "Loans and receivables" comprise accounts receivable and accrued revenue, partner loans receivable and the Partnership Contribution Receivable. Gains and losses on "loans and receivables" are recognized in net earnings when the "loans and receivables" are derecognized or impaired.

Held to Maturity Investments

"Held-to-Maturity Investments" are measured at amortized cost at the settlement date using the effective interest method of amortization.

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Available for Sale Financial Assets

“Available for sale financial assets” are measured at fair value at the settlement date, with changes in the fair value recognized in other comprehensive income.

Financial Liabilities Measured at Amortized Cost

These financial liabilities are measured at amortized cost at the settlement date using the effective interest method of amortization. Financial liabilities measured at amortized cost comprise accounts payable and accrued liabilities, partner loans payable, the Partnership Contribution Payable, short-term borrowings and long-term debt. Long-term debt transaction costs, premiums and discounts are capitalized within long-term debt and amortized using the effective interest method.

Impairment of Financial Assets

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 and the loss event has an impact on future cash flow and can be reliably estimated.

Derivative Financial Instruments

Risk management assets and liabilities are derivative financial instruments classified as “held-for-trading” 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) 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.

Derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. Derivative financial instruments are not used for speculative purposes. Policies and procedures are in place with respect to the 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.

V) 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 tax.

W) Dividends

Dividends are accrued when declared by the Board of Directors.