ANNUAL MEETING OF SHAREHOLDERS

QUESTION & ANSWER

Question: I see that Cenovus launched its first ever share buyback program for the purchase of up to 146.5 million Cenovus common shares. I believe the use of the company earnings to repurchase its own shares is a poor use of capital and does not demonstrate a vision of long-term growth for Cenovus. There's no way that anyone can predict what the market believes any company might be worth in the future, as such, at worst when such purchases are made the shares may be purchased at over-value market prices which therefore destroys shareholder value. Doesn't it make more sense to deploy this capital in ways that will actually grow the company or to return these earnings directly to shareholders in the form of higher or special dividends? Why was this policy adopted?

Answer: Well that's a good question, and thanks Jeff for that.

I think I would say in talking about buybacks, buybacks are one of the shareholder value tools that we use to return value to shareholders. We accompany that, as you mentioned in your question, in our case both a base dividend, we've now added variable dividends. So that the share repurchases is really just one leg of that stool.

And in our case, we've always viewed that as a very opportunistic tool. We will not do it at any share price. I think one of the challenges that our industry has had in years past is companies tended to buy back shares when they had money to do so, and then turned around and tended to issue equity when they had no money, undoing any benefit they might have create through the share buybacks.

In our case, we're very disciplined about it. Our strategy is to only buy back shares when we can buy them back at below the net asset value of the share as measured at a sort of middle of the road commodity price environment. For example, that would be around US$60 WTI. When we have those opportunities, the advantage of the share buyback is that it is permanent accretion and at those price levels, the share price levels or below that I've been talking about, the returns on those share repurchases investments, I would argue, would compete favourably with just about any project we could find and they would do so with next to no, or no, risk.

So that's really why we use that strategy, but as I said, it is only one part of the strategy going forward, and if you take a look at what we've announced today, with respect to the tripling of the dividend and the implementation of the variable dividend, at these kind of prices, you can see pretty easily that this company is going to deliver very, very compelling value for shareholders in this kind of commodity price environment.