

December 9, 2009

### EnCana: Topical Questions Addressed

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#### Transaction Background

On November 30, 2009, EnCana Corporation split into two separate energy companies:

- Cenovus Energy Inc. (CVE), an integrated oil company
- EnCana Corporation (ECA), a pure play natural gas company
- Trading began on December 3<sup>rd</sup> on the TSX and will commence trading on December 9 on the NYSE
- For each share of EnCana held, shareholders effectively received one share of Cenovus and one share of the new EnCana

Company Details (from Scotia Capital's commentary on Thursday, December 3, 2009)

#### **EnCana Corporation**

- We view EnCana as a pre-eminent North American gas company. In addition to being the 2nd largest North American gas producer, EnCana has substantial positions in several of the continent's best resource plays, which offers the potential for significant growth in production, reserves, and NAV. The company is targeting annual growth of 9%-12%. With a drilling inventory of more than 25,000 wells on 10.5 million net undeveloped acres we believe EnCana has the asset base to support this.
- Most importantly, it has a leading track record of successfully discovering and developing new resource plays. This early mover advantage positions EnCana on the low end of the industry's cost curve, which is key in the new environment of plentiful supply.
- Scotia Capital ranks the new ECA 1-Sector Outperform with a one-year target of US\$33

#### **Cenovus Energy Inc.**

- Cenovus has more than 40 billion barrels of top quartile quality bitumen in place. Foster Creek and Christina Lake have demonstrated industry leading steam oil ratios and have a decade of growth to go, in our opinion. Current gas production is more than 15x current consumption, a situation that should be remedied through production declines and ~\$500 million per year of dispositions over the next several years.
- Industry leading resource quality and operating experience means the lowest capital intensities. These resources can be developed in an integrated fashion with expansions and upgrades at the Borger and Wood River refineries for much lower costs than Alberta upgraders.
- Scotia Capital ranks CVE 2-Sector Perform with a one-year target of US\$28

### Frequently Asked Questions

*What will happen to dividends going forward?*

- Following the completion of the corporate reorganization, both Cenovus and the new EnCana will pay dividends of US\$0.80 per share per annum (US\$0.20 per share per quarter).

*Does the exchange in shares and options trigger any tax obligations for shareholders?*

- The corporate reorganization is not expected to trigger any tax obligations for shareholders in Canada or the United States. Similarly, the exchange of options by employee option holders is expected to be generally tax-free for Canadian and U.S. tax purposes.

*Calculating the adjusted cost base (from company reports)*

- The aggregate adjusted cost base of the old EnCana common shares held by a shareholder at the time of the exchange is allocated between the new EnCana Common Shares and Cenovus.
- This allocation is in proportion to the relative fair market value of such shares immediately after the share exchange. For this purpose, it is assumed to be reasonable to expect that the fair market value of the EnCana Special Shares were the same as the market value of the Cenovus Common Shares trading on a “when issued” basis immediately prior to the exchange.
- EnCana’s estimate of the allocation of an EnCana Shareholder’s adjusted cost base immediately after the exchange is: new EnCana Common Shares at 51.5% and Cenovus at 48.5%
- Example:
  - An investor purchased 100 shares of EnCana at US\$40 per share at the beginning of 2009
  - Aggregate cost base = US\$4,000 (100 shares x US\$40)
  - Adjusted cost base for the new EnCana = US\$2,060 (US\$4,000 x 51.5%)
  - Adjusted cost base for Cenovus = US\$1,940 (US\$4,000 x 48.5%)
- As per company filings, “This allocation and estimate of fair market value is not binding on the CRA or any particular EnCana Shareholder. However, it is recommended that the allocations made by EnCana Shareholders for Canadian tax purposes be consistent with that estimated by EnCana.
- Neither EnCana nor Cenovus has the information to determine your adjusted cost base in the EnCana Common Shares; you must determine your adjusted cost using your records. If you require assistance please contact your tax advisor.”

*For more details on EnCana and Cenovus, please contact your ScotiaMcLeod advisor.*

## Definition of Scotia Capital Equity Research Ratings & Risk Rankings

We have a three-tiered rating system, with ratings of 1-Sector Outperform, 2-Sector Perform, and 3-Sector Underperform. Each analyst assigns a rating that is relative to his or her coverage universe.

Our risk ranking system provides transparency as to the underlying financial and operational risk of each stock covered. Statistical and judgmental factors considered are: historical financial results, share price volatility, liquidity of the shares, credit ratings, analyst forecasts, consistency and predictability of earnings, EPS growth, dividends, cash flow from operations, and strength of balance sheet. The Director of Research and the Supervisory Analyst jointly make the final determination of all risk rankings.

### Ratings

#### 1-Sector Outperform

The stock is expected to outperform the average total return of the analyst's coverage universe by sector over the next 12 months.

#### 2-Sector Perform

The stock is expected to perform approximately in line with the average total return of the analyst's coverage universe by sector over the next 12 months.

#### 3-Sector Underperform

The stock is expected to underperform the average total return of the analyst's coverage universe by sector over the next 12 months.

#### Other Ratings

*Tender* – Investors are guided to tender to the terms of the takeover offer.

*Under Review* – The rating has been temporarily placed under review, until sufficient information has been received and assessed by the analyst.

### Risk Rankings

#### Low

Low financial and operational risk, high predictability of financial results, low stock volatility.

#### Medium

Moderate financial and operational risk, moderate predictability of financial results, moderate stock volatility.

#### High

High financial and/or operational risk, low predictability of financial results, high stock volatility.

#### Caution Warranted

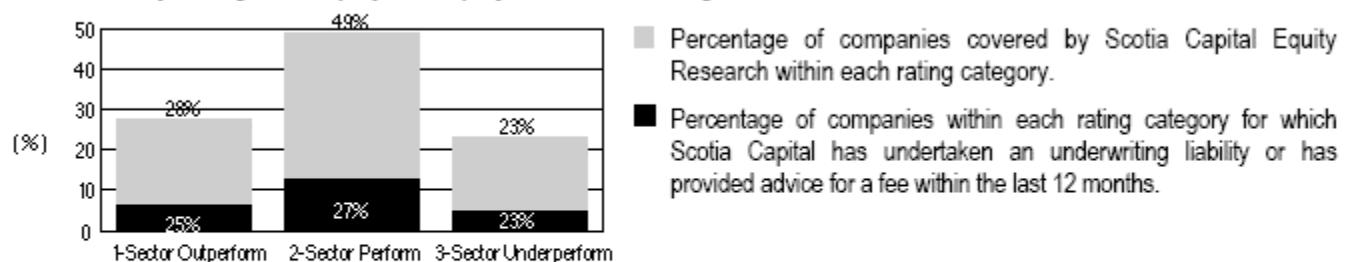
Exceptionally high financial and/or operational risk, exceptionally low predictability of financial results, exceptionally high stock volatility. For risk-tolerant investors only.

#### Venture

Risk and return consistent with Venture Capital. For risk-tolerant investors only.

## Scotia Capital Equity Research Ratings Distribution\*

### Distribution by Ratings and Equity and Equity-Related Financings\*



\*As at January 31, 2007.

Source: Scotia Capital.

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## EnCana Transaction

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*None.*

*The supervisors of the Portfolio Advisory Group own securities of the following companies.*  
*None.*

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*Within the last 12 months, Scotia Capital Inc. has undertaken an underwriting liability with respect to equity securities of, or has provided advice for a fee with respect to, the following issuer(s): **EnCana Corporation***

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