Consolidated Financial Statements For the period ended June 30, 2002

EnCana Corporation

Consolidated Statement of Earnings

			Ju	ne 3	0	
	Three Mo	nths Ended		Six Months	Ended	
(unaudited) (\$ millions, except per share amounts)		2002	2001		2002	2001
Revenues, Net of Royalties and Production Taxes	(note 4) \$	2,676	\$ 1,136	\$	3,737 \$	2,811
Expenses	(note 4)					
Transportation and selling		158	37		207	82
Operating		458	162		629	371
Purchased product		854	164		1,234	641
Administrative		44	21		61	41
Interest, net		103	6		130	19
Foreign exchange	(note 7)	(170)	(26)		(180)	(3)
Depreciation, depletion and amortization		580	215		794	389
		2,027	579		2,875	1,540
Net Earnings Before the Undernoted		649	557		862	1,271
Income tax expense	(note 6)	155	112		237	383
Net Earnings from Continuing Operations		494	445		625	888
Net Earnings from Discontinued Operations	(note 5)	(36)	14		(34)	34
Net Earnings		458	459		591	922
Earnings per Common Share	(note 9)					
Net Earnings From Continuing Operations						
Basic	\$	1.07	\$ 1.74	\$	1.74 \$	3.47
Diluted	\$	1.05	\$ 1.70	\$	1.71 \$	3.39
Net Earnings						
Basic	\$	0.99	\$ 1.79	\$	1.65 \$	3.60
Diluted	\$	0.97	\$ 1.75	\$	1.62 \$	3.52

Consolidated Statement of Retained Earnings

	Six Months En	ded June 30
(unaudited) (\$ millions)	2002	2001
Retained Earnings, Beginning of Year		
As previously reported	\$ 3,689	\$ 3,721
Retroactive adjustment for change in accounting policy (note 2)	(59)	(42)
As restated	3,630	3,679
Net Earnings	591	922
Dividends on Common Shares & Other Distributions, net of tax	(74)	(53)
Other adjustments	-	(50)
Retained Earnings, End of Period	\$ 4,147	\$ 4,498

See accompanying notes to Consolidated Financial Statements

Interim Report

For the period ended June 30, 2002

Consolidated Balance Sheet

(unaudited) (\$ millions) June 30 December 31 (unaudited) (\$ millions) 2002 2001 Assets Current Assets S 166 963 Cash and cash equivalents \$ 166 963 462 1,464 623 623 623 623 623 623 623 623 623 623 623 623 624 623 623 624 623 623 623 624 623 623 624 623 623 624 623 623
Assets Current Assets \$ 166 \$ 963 Cash and cash equivalents \$ 166 \$ 963 Accounts receivable and accrued revenue Inventories 1,464 623 Inventories 518 87 Capital Assets, net (note 4) 22,140 8,162 Investments and Other Assets 441 237 Assets of Discontinued Operations (note 5) 1,673 728 Goodwill (note 3) 3,077 - Liabilities and Shareholders' Equity (note 4) \$ 29,479 \$ 10,800 Liabilities and Shareholders' Equity \$ 1,758 \$ 824 Current Liabilities \$ 1,758 \$ 824 Accounts payable \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Current Assets 166 963 Accounts receivable and accrued revenue Inventories 1,464 623 Inventories 518 87 Capital Assets, net (note 4) 22,148 1,673 Capital Assets, net Investments and Other Assets 441 237 Assets of Discontinued Operations (note 5) 1,673 728 Goodwill (note 3) 3,077 - Liabilities and Shareholders' Equity (note 4) 29,479 \$ 10,800 Liabilities and Shareholders' Equity \$ 1,758 \$ 824 Income tax payable \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Current Assets 166 963 Accounts receivable and accrued revenue Inventories 1,464 623 Inventories 518 87 Capital Assets, net (note 4) 22,148 1,673 Capital Assets, net Investments and Other Assets 441 237 Assets of Discontinued Operations (note 5) 1,673 728 Goodwill (note 3) 3,077 - Liabilities and Shareholders' Equity (note 4) 29,479 \$ 10,800 Liabilities and Shareholders' Equity \$ 1,758 \$ 824 Income tax payable \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Cash and cash equivalents \$ 166 \$ 963 Accounts receivable and accrued revenue 1,464 623 Inventories 518 87 Capital Assets, net (note 4) 22,148 1,673 Capital Assets, net (note 4) 22,140 8,162 Investments and Other Assets 441 237 Assets of Discontinued Operations (note 5) 1,673 728 Goodwill (note 3) 3,077 - Current Liabilities (note 4) \$ 29,479 \$ 10,800 Liabilities and Shareholders' Equity \$ 1,758 \$ 824 Current Liabilities \$ 1,758 \$ 824 Income tax payable \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Accounts receivable and accrued revenue Inventories 1,464 523 87 623 87 Inventories 518 87 87 Capital Assets, net (note 4) 1,673 2,148 1,673 1,673 8,162 Investments and Other Assets 441 237 Assets of Discontinued Operations (note 5) 1,673 728 728 Goodwill (note 4) 29,479 \$ 10,800 Liabilities and Shareholders' Equity Current Liabilities Accounts payable Income tax payable (current portion of long-term debt) (note 7) 108 160 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Inventories 518 87 Capital Assets, net 2,148 1,673 Investments and Other Assets 441 237 Assets of Discontinued Operations (note 5) 1,673 728 Goodwill (note 3) 3,077 - Liabilities and Shareholders' Equity (note 4) 29,479 \$ 10,800 Liabilities and Shareholders' Equity \$ 1,758 \$ 824 Current Liabilities \$ 1,758 \$ 824 Income tax payable \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Capital Assets, net (note 4) 22,148 1,673 Investments and Other Assets 441 237 Assets of Discontinued Operations (note 5) 1,673 728 Goodwill (note 3) 3,077 - Liabilities and Shareholders' Equity (note 4) 29,479 \$ 10,800 Liabilities and Shareholders' Equity \$ 1,758 \$ 824 Income tax payable \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Capital Assets, net (note 4) 22,140 8,162 Investments and Other Assets 441 237 Assets of Discontinued Operations (note 5) 1,673 728 Goodwill (note 3) 3,077 - Liabilities and Shareholders' Equity (note 4) \$ 29,479 \$ 10,800 Liabilities and Shareholders' Equity Total Counts payable \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Investments and Other Assets 441 237 Assets of Discontinued Operations (note 5) 1,673 728 Goodwill (note 3) 3,077 - Liabilities and Shareholders' Equity Varient Liabilities Varient Liabilities Accounts payable \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Assets of Discontinued Operations (note 5) 1,673 728 Goodwill (note 3) 3,077 - Liabilities and Shareholders' Equity (note 4) \$ 29,479 \$ 10,800 Liabilities and Shareholders' Equity The standard of the standard
Goodwill (note 3) 3,077 - (note 4) \$ 29,479 \$ 10,800 Liabilities and Shareholders' Equity Standard Current Liabilities \$ 1,758 \$ 824 Accounts payable \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Liabilities and Shareholders' Equity Current Liabilities Accounts payable \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Liabilities and Shareholders' Equity Current Liabilities \$ 1,758 \$ 824 Accounts payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt 2,271 1,640 Long-Term Debt Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Current Liabilities \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Current Liabilities \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Current Liabilities \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Accounts payable \$ 1,758 \$ 824 Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Income tax payable 405 656 Current portion of long-term debt (note 7) 108 160 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Current portion of long-term debt (note 7) 108 160 2,271 1,640 Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Long-Term Debt (note 7) 7,525 2,210 Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Long-Term Debt(note 7)7,5252,210Deferred Credits and Other Liabilities530325Future Income Taxes4,6792,060
Deferred Credits and Other Liabilities 530 325 Future Income Taxes 4,679 2,060
Future Income Taxes 4,679 2,060
Liabilities of Discontinued Operations (note 5) 1,065 586
Preferred Securities of Subsidiary 449 -
16,519 6,821
Shareholders' Equity
Preferred securities 126
Share capital (note 8) 8,662 196
Fair value of options acquired to purchase common shares (note 3) 154 -
Paid in surplus 40 27
Retained earnings 4,147 3,630
Foreign currency translation adjustment (note 2) (169)
12,960 3,979
\$ 29,479 \$ 10,800

See accompanying notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows					Ju	ne 3	0		
		_	Three Mo	onths			Six Mor	nths I	Ended
(unaudited) (\$ millions, except per share amounts)			2002		2001		2002		2001
Operating Activities									
Net earnings		\$	494	\$	445	\$	625	\$	888
Depletion, depreciation and amortization			580		215		794		389
Future income taxes			99		(26)		141		50
Other			(257)		(33)		(257)		(14)
Cash flow from continuing operations			916		601		1,303		1,313
Cash flow from discontinued operations	(note 5)		22		21		24		47
Cash flow			938		622		1,327		1,360
Net change in non-cash working capital from continuing operations			(200)		216		(468)		358
Net change in non-cash working capital from discontinued operations			(54)		(164)		(1)		(51)
			684		674		858		1,667
Investing Activities									
Business combination	(note 3)		(128)		_		(128)		_
Capital expenditures	(11016-3)		(1,446)		(454)		(1,927)		(831)
Proceeds on disposal of assets			240		30		243		182
Net change in investments and other			4		12		(13)		5
Net change in non-cash working capital from continuing operations			(219)		- 12		(250)		(75)
Discontinued operations			(12)		6		(12)		9
			(1,561)		(406)		(2,087)		(710)
Financing Activities									
Repayment of short-term financing			_		_		_		(250)
Issuance of long-term debt			649		_		649		(230) 94
Repayment of long-term debt			(77)		(94)		(157)		(249)
Issuance of common shares			51		9		69		33
Dividends on common shares			(48)		(25)		(73)		(51)
Payments to preferred securities holders			(7)		(23)		(7)		
Net change in non-cash working capital			2		3		(1)		(4) 1
Discontinued operations			(5)		_		(5)		_ '
Other			(32)		_		(32)		_
Otilei			533		(109)		443		(426)
					(100)				(1-1)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents			(0)		(40)		(44)		•
held in Foreign Currency			(9)		(13)		(11)		9
Increase (Decrease) in Cash and Cash equivalents			(353)		146		(797)		540
Cash and Cash Equivalents, Beginning of Period			519		591		963		197
Cash and Cash Equivalents, End of Period		\$	166	\$	737	\$	166	\$	737
Cash Flow per Common Share									
Basic		\$	2.03	\$	2.43	\$	3.70	\$	5.32
Diluted		\$	2.00	\$	2.38	\$	3.64	\$	5.21

See accompanying notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements (unaudited)

1. Basis of Presentation

The interim consolidated financial statements include the accounts of EnCana Corporation (formerly PanCanadian Energy Corporation) ("PanCanadian") and its subsidiaries (the "Company"), and are presented in accordance with Canadian generally accepted accounting principles. The Company is in the business of exploration, production and marketing of natural gas and crude oil, as well as pipelines, natural gas liquids processing and gas storage operations.

The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the annual audited consolidated financial statements for the year ended December 31, 2001, except as described in Note 2. The disclosures provided below are incremental to those included with the annual audited consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and the notes thereto for the year ended December 31, 2001.

2. Changes in Accounting Policies

Foreign Currency Translation

At January 1, 2002, the Company retroactively adopted amendments to the Canadian accounting standard for foreign currency translation. As a result of the amendments, all exchange gains and losses on long-term monetary items, that do not qualify for hedge accounting, are recorded in earnings as they arise. Previously, these exchange gains and losses were deferred and amortized over the remaining life of the monetary item. As required by the standard, all prior periods have been restated for the change in accounting policy. The change results in an increase to net earnings of \$81 million for 2002 (2001 - decrease of \$2 million). The effect of this change on the December 31, 2001 consolidated balance sheet is an increase in long-term debt and a reduction in deferred credits of \$92 million, as well as a reduction in deferred charges and retained earnings of \$59 million.

As a result of the business combination described in Note 3, the Company reviewed its accounting for operations outside of Canada and determined that all such operations are self-sustaining. The accounts of self-sustaining foreign subsidiaries are translated using the current rate method, whereby assets and liabilities are translated at period-end exchange rates, while revenues and expenses are translated using average rates for the period. Translation gains and losses relating to the subsidiaries are deferred and included as a separate component of shareholders' equity. Previously, operations outside of Canada were considered to be integrated and translated using the temporal method. Under the temporal method, monetary assets and liabilities were translated at the period-end exchange rate, other assets and liabilities at the historical rates and revenues and expenses at the average monthly rates except depreciation and depletion, which were translated on the same basis as the related assets.

This change was adopted prospectively beginning April 5, 2002, and results in a decrease in net earnings of \$5 million for the second quarter of 2002.

3. Business Combination

On January 27, 2002, PanCanadian and Alberta Energy Company Ltd. ("AEC") announced plans to combine their companies. The transaction was accomplished through a plan of arrangement (the "Arrangement") under the Business Corporations Act (Alberta). The Arrangement included a common share exchange, pursuant to which holders of common shares of AEC received 1.472 common shares of PanCanadian for each common share of AEC that they held. After obtaining approvals of the common shareholders and optionholders of AEC and the common shareholders of PanCanadian, the Court of Queen's Bench of Alberta and appropriate regulatory and other authorities, the transaction closed April 5, 2002, and PanCanadian changed its name to EnCana Corporation ("EnCana").

This business combination has been accounted for using the purchase method with the results of operations of AEC included in the consolidated financial statements from the date of acquisition. The Arrangement resulted in PanCanadian issuing 218.5 million common shares and a transaction value of \$8,714 million.

The calculation of the purchase price and the preliminary allocation to assets and liabilities acquired as of April 5, 2002 is shown below. The purchase price and goodwill allocation is preliminary because certain items such as the determination of the final tax bases and fair values of the assets and liabilities as of the acquisition date have not been completed. Further information related to AEC can be obtained from the audited consolidated financial statements included in the Joint Information Circular concerning the merger of AEC and PanCanadian.

Notes to Consolidated Financial Statements (unaudited)

3. Business Combination (continued)

<u> </u>		\$ Millions
Calculation of Purchase Price:		
Common shares issued to AEC shareholders (millions)	218.5	
Price of Common shares (\$ per common share)	38.43	
Value of Common shares issued	\$	8,397
Fair value of AEC share options exchanged for share options of EnCana Corporation		167
Transaction costs		150
Total purchase price		8,714
Plus: Fair value of liabilities assumed		
Current liabilities		1,781
Long-term debt		4,393
Project financing debt		604
Preferred securities		458
Capital securities		450
Other non-current liabilities		193
Future income taxes		2,647
Total Purchase Price and Liabilities Assumed	\$	19,240

	 \$ Millions
Fair Value of Assets Acquired:	
Current assets	\$ 1,505
Capital assets	14,053
Other non-current assets	605
Goodwill	3,077
Total Fair Value of Assets Acquired	\$ 19,240

4. Segmented Information

Due to the business combination as described in Note 3, the Company has redefined its operations into the following segments. Onshore North America includes the Company's North America onshore exploration for, and production of, natural gas and crude oil. Offshore & International combines the Offshore & International Operations Division exploration for, and production of, crude oil and natural gas in Ecuador, the Canadian East Coast, Gulf of Mexico and the U.K. North Sea with the Offshore & New Ventures Exploration Division exploration activity on the Canadian East Coast, the North America frontier region, the Gulf of Mexico, the U.K. North Sea and Latin America. Midstream & Marketing includes pipelines, natural gas liquids processing and gas storage operations as well as, ancillary activities related to the marketing of the Company's natural gas and crude oil production. All prior periods have been restated to conform to these definitions. Operations that have been discontinued are disclosed in Note 5.

Notes to Consolidated Financial Statements (unaudited)

4. Segmented Information (continued)

(\$ millions)

RESULTS OF OPERATIONS (FOR THE THREE MONTHS ENDED)

	Onshore No	orth	America	Offshore &	Interr	ational		arketing		
	 2002		2001	2002		2001		2002		2001
Revenues										
Gross revenue	\$ 1,620	\$	932	\$ 227	\$	41	\$	1,108	\$	235
Royalties and production taxes	223		88	59		-		-		-
Revenues, net of royalties and production taxes	1,397		844	168		41		1,108		235
Expenses										
Transportation and selling	93		29	15		4		50		4
Operating	274		112	46		2		138		48
Purchased product	-		-	-		-		854		164
Depreciation, depletion and amortization	481		185	62		15		25		4
Segment Income	549		518	45		20		41		15

	Corp	orate		Consolid	ated
	 2002	2001		2002	2001
Revenues					
Gross revenue	\$ 3	\$ 16	\$	2,958 \$	1,224
Royalties and production taxes	-	-	-	282	88
Revenues, net of royalties and production taxes	3	16	5	2,676	1,136
Expenses					
Transportation and selling	-	-	-	158	37
Operating	-	-	-	458	162
Purchased product	-	-	-	854	164
Depreciation, depletion and amortization	12	11		580	215
Segment Income	(9)	5	;	626	558
Administrative	44	21		44	21
Interest, net	103	6	6	103	6
Foreign exchange	(170)	(26	5)	(170)	(26)
	(23)	1		(23)	1
Net Earnings Before Income Tax	14	4		649	557
Income tax expense	155	112	2	155	112
Net Earnings from Continuing Operations	(141)	(108	3)	494	445

Notes to Consolidated Financial Statements (unaudited)

4. Segmented Information (continued)

GEOGRAPHIC AND PRODUCT INFORMATION (FOR THE THREE MONTHS ENDED)

Onshore North America	Produced Gas & NGL's								
	 Car	nada			es				
	 2002		2001		2002		2001		
Revenues									
Gross revenue	\$ 956	\$	687	\$	175	\$	24		
Royalties and production taxes	132		40		42		10		
Revenues, net of royalties and production taxes	824		647		133		14		
Expenses									
Transportation and selling	57		24		25		-		
Operating	107		44		15		3		
Operating cashflow	\$ 660	\$	579	\$	93	\$	11		

								Total C	nshc	ore
	(Convention	al C	ude Oil	Synd	crude	е	North A	۱meri	ica
		2002		2001	2002		2001	2002		2001
Revenues										
Gross revenue	\$	398	\$	221	\$ 91	\$	-	\$ 1,620	\$	932
Royalties and production taxes		48		38	1		-	223		88
Revenues, net of royalties and production taxes		350		183	90		-	1,397		844
Expenses										
Transportation and selling		10		5	1		-	93		29
Operating		84		65	68		-	274		112
Operating cashflow	\$	256	\$	113	\$ 21	\$	-	\$ 1,030	\$	703

Offshore & International													Total C	Offsh	ore
	Ecu	ador	or U.K. North Sea				Other Countries					& Inter	natio	nal	
	2002		2001		2002		2001		2002		2001		2002		2001
Revenues												\$		\$	
Gross revenue	\$ 182	\$	-	\$	45	\$	41	\$	-	\$	-		227		41
Royalties and production taxes	59		-		-		-		-		-		59		-
Revenues, net of royalties and production taxes	123		-		45		41		-		-		168		41
Expenses															
Transportation and selling	10		-		5		4		-		-		15		4
Operating	31		-		3		2		12		-		46		2
Operating cashflow	\$ 82	\$	-	\$	37	\$	35	\$	(12)	\$	-	\$	107	\$	35

								Total Mi	dstre	eam
Midstream & Marketing	 Midstream				Mark	etin	g	& Ma	ketir	ng
	 2002	2002		2001	2002		2001			
Revenues										
Gross revenue	\$ 174	\$	56	\$	934	\$	179	\$ 1,108	\$	235
Expenses										
Transportation and selling	-		-		50		4	50		4
Operating	96		43		42		5	138		48
Purchased product	51		-		803		164	854		164
Operating cashflow	\$ 27	\$	13	\$	39	\$	6	\$ 66	\$	19

Notes to Consolidated Financial Statements (unaudited)

4. Segmented Information (continued)

(\$ millions)

RESULTS OF OPERATIONS (FOR THE SIX MONTHS ENDED)

	Onshore North America				(Offshore &	Inter	national	1	Midstream	rketing	
		2002		2001		2002		2001		2002		2001
Revenues												
Gross revenue	\$	2,217	\$	2,043	\$	271	\$	87	\$	1,600	\$	846
Royalties and production taxes		291		182		59		-		-		-
Revenues, net of royalties and production taxes		1,926		1,861		212		87		1,600		846
Expenses												
Transportation and selling		132		64		20		9		55		9
Operating		375		210		49		7		205		154
Purchased product		-		-		-		-		1,234		641
Depreciation, depletion and amortization		671		330		74		33		31		7
Segment Income	\$	748	\$	1,257	\$	69	\$	38	\$	75	\$	35

	Corporat	е	Consolio	lated
	 2002	2001	2002	2001
Revenues				
Gross revenue	\$ (1) \$	17	\$ 4,087	2,993
Royalties and production taxes	-	-	350	182
Revenues, net of royalties and production taxes	(1)	17	3,737	2,811
Expenses				
Transportation and selling	-	-	207	82
Operating	-	-	629	371
Purchased product	-	-	1,234	641
Depreciation, depletion and amortization	18	19	794	389
Segment Income	(19)	(2)	873	1,328
Administrative	61	41	61	41
Interest, net	130	19	130	19
Foreign exchange	(180)	(3)	(180)	(3)
	11	57	11	57
Net Earnings Before Income Tax	(30)	(59)	862	1,271
Income tax expense	237	383	237	383
Net Earnings from Continuing Operations	\$ (267) \$	(442)	\$ 625 \$	888

Notes to Consolidated Financial Statements (unaudited)

4. Segmented Information (continued)

GEOGRAPHIC AND PRODUCT INFORMATION (FOR THE SIX MONTH ENDED)

Onshore North America	Produced Gas 8						
	 Canada				U.S. F	Rocki	es
	 2002		2001		2002		2001
Revenues							
Gross revenue	\$ 1,316	\$	1,539	\$	207	\$	63
Royalties and production taxes	160		94		49		25
Revenues, net of royalties and production taxes	1,156		1,445		158		38
Expenses							
Transportation and selling	88		51		25		-
Operating	151		80		20		6
Operating cashflow	\$ 917	\$	1,314	\$	113	\$	32

								Total O	nshc	ore
	С	onvention	al Cı	rude Oil	Synd	crude	е	North A	\meri	ica
		2002		2001	2002		2001	2002		2001
Revenues										
Gross revenue	\$	603	\$	441	\$ 91	\$	-	\$ 2,217	\$	2,043
Royalties and production taxes		81		63	1		-	291		182
Revenues, net of royalties and production taxes		522		378	90		-	1,926		1,861
Expenses										
Transportation and selling		18		13	1		-	132		64
Operating		136		124	68		-	375		210
Operating cashflow	\$	368	\$	241	\$ 21	\$	-	\$ 1,419	\$	1,587

Offshore & International									Total C	ffshc	ore
	Ecu	ado	r	U.K. No	orth	Sea	Other Coun	tries	& Interi	natio	nal
	2002		2001	2002		2001	2002	2001	2002		2001
Revenues									\$	\$	
Gross revenue	\$ 182	\$	-	\$ 89	\$	87	\$ - \$	-	271		87
Royalties and production taxes	59		-	-		-	-	-	59		-
Revenues, net of royalties and production taxes	123		-	89		87	-	-	212		87
Expenses											
Transportation and selling	10		-	10		9	-	-	20		9
Operating	31		-	6		7	12	-	49		7
Operating cashflow	\$ 82	\$	-	\$ 73	\$	71	\$ (12) \$	-	\$ 143	\$	71

					Total	Midstre	eam
Midstream & Marketing	Midstre	eam	Mar	keting	1.8	Marketi	ng
	 2002	2001	2002	2001	2002		2001
Revenues							
Gross revenue	\$ 260 \$	170	\$ 1,340	\$ 676	\$ 1,60	00 \$	846
Expenses							
Transportation and selling	-	-	55	9		55	9
Operating	157	145	48	9	20)5	154
Purchased product	51	-	1,183	641	1,23	34	641
Operating cashflow	\$ 52 \$	3 25	\$ 54	\$ 17	\$ 10	06 \$	42

Notes to Consolidated Financial Statements (unaudited)

4. Segmented Information (continued)

CAPITAL EXPENDITURES

	Three	ths	Six Months					
	Capital E	ditures		Capital E	хре	nditures		
	 2002	2001		2002		2001		
Onshore North America	\$ 1,043	\$	302	\$	1,384	\$	606	
Offshore & International	276		102		409		136	
Midstream & Marketing	120		43		124		69	
Corporate	7		7		10		20	
Total	\$ 1,446 \$ 454				1,927	\$	831	

CAPITAL AND TOTAL ASSETS

	As at										
	Capit	al A	ssets		Total	As	ssets				
			December 31,				December 31,				
	June 30, 2002		2001		June 30, 2002		2001				
Onshore North America	\$ 18,207	\$	6,552	\$	19,820	\$	7,080				
Offshore & International	2,753		1,018		3,016		1,111				
Midstream & Marketing	968		426		1,490		817				
Corporate (including unallocated Goodwill)	212		166		3,370		1,064				
Assets of Discontinued Operations	-		-		1,783		728				
Total	\$ 22,140	\$	8,162	\$	29,479	\$	10,800				

Notes to Consolidated Financial Statements (unaudited)

5. Discontinued Operations

On April 24, 2002, the Company adopted formal plans to exit from the Houston-based merchant energy operation, which was included in the Midstream and Marketing segment. Accordingly, these operations have been accounted for as discontinued operations.

On July 9, 2002, the Company announced that it plans to sell its 70% equity investment in the Cold Lake Pipeline System and its 100% interest in the Express Pipeline System. Both crude oil pipeline systems were acquired in the business combination with Alberta Energy Company Ltd. on April 5, 2002 described in Note 3. Accordingly, these operations have been accounted for as discontinued operations. The Company, through indirect wholly owned subsidiaries, is a shipper on the Express system. The financial results shown below include tariff revenue of \$23 million paid by the Company for services on Express.

The following tables present the effect of the discontinued operations on the consolidated financial statements:

	For the three months ended June 30											
		Mercha	ant Ei	nergy		Midstrear	n - Pipelines		-	Total		
Consolidated Statement of Income (\$ millions)		2002		2001		2002	2001		2002		2001	
Revenues	\$	563	\$	1,045	\$	58	\$ -	\$	621	\$	1,045	
Expenses												
Operating		-		-		20	-		20		-	
Purchased product		580		1,013		-	-		580		1,013	
Administrative		8		8		-	-		8		8	
Interest, net		-		-		11	-		11		-	
Foreign exchange		-		-		(10)	-		(10)		-	
Depletion, depreciation and amortization		1		1		11	-		12		1	
Loss on discontinuance		53		-		-	-		53		-	
		642		1,022		32	-		674		1,022	
Net Earnings (Loss) Before Income Tax		(79)		23		26	-		(53)		23	
Income tax expense (recovery)		(28)		9		11	-		(17)		9	
Net Earnings (Loss) from Discontinued Operations	\$	(51)	\$	14	\$	15	\$ -	\$	(36)	\$	14	

For the six months ended June 30										
		Mercha	ant E	nergy		Midstream	- Pipelines *	7	Γotal	
Consolidated Statement of Income (\$ millions)		2002		2001		2002	2001	2002		2001
Revenues	\$	1,309	\$	2,567	\$	58	\$ -	\$ 1,367	\$	2,567
Expenses										
Operating		-		-		20	-	20		-
Purchased product		1,313		2,495		-	-	1,313		2,495
Administrative		18		15		-	-	18		15
Interest, net		-		-		11	-	11		-
Foreign exchange		-		-		(10)	-	(10)		-
Depletion, depreciation and amortization		1		2		11	-	12		2
Loss on discontinuance		53		-		-	-	53		-
		1,385		2,512		32	-	1,417		2,512
Net Earnings (Loss) Before Income Tax		(76)		55		26	-	(50)		55
Income tax expense (recovery)		(27)		21		11	-	(16)		21
Net Earnings (Loss) from Discontinued Operations	\$	(49)	\$	34	\$	15	\$ -	\$ (34)	\$	34

^{*} Reflects only three months of earnings as EnCana did not own the pipelines until April 5, 2002.

Notes to Consolidated Financial Statements (unaudited)

5. Discontinued Operations (continued)

	Manaka					June 30		F-4-1
0 1114 15 1 01 4 11 11		ant Ene		<u> </u>		m - Pipelines		Total
Consolidated Balance Sheet (\$ millions)	2002		2001		2002	2001	2002	2001
Assets								
Cash and cash equivalents	\$ -	\$	-	\$	66	\$ -	\$ 66	\$ -
Accounts receivable and accrued revenue	338		1,314		44	-	382	1,314
Inventories	-		9		1	-	1	9
	338		1,323		111	-	449	1,323
Capital assets, net	-		8		807	-	807	8
Investments and other assets	-		17		417	-	417	17
	338		1,348		1,335	-	1,673	1,348
Liabilities								
Accounts payable and accrued liabilities	240		1,202		68	-	308	1,202
Income tax payable	-		-		4	-	4	-
Current portion of long-term debt	-		-		23	-	23	-
	240		1,202		95	-	335	1,202
Long-term debt	-		-		567	-	567	-
Future income taxes	-		-		163	-	163	-
	240		1,202		825	-	1,065	1,202
Net Assets of Discontinued Operations	\$ 98	\$	146	\$	510	\$ -	\$ 608	\$ 146

For comparative purposes, the following tables present the effect of only the Merchant Energy Discontinued Operations on the Consolidated Financial Statements for the years ended December 31. It does not include any financial information related to Midstream - Pipelines as EnCana did not own the pipelines being discontinued at that time.

		ar Ended ember 31
Consolidated Statement of Income (\$ millions)	2001	2000
Revenues	\$ 4,085*	\$ 3,025
Expenses		
Purchased product	3,983*	2,961
Administrative	43	26
Depletion, depreciation and amortization	4	3
	4,030	2,990
Net Earnings Before Income Tax	55	35
Income tax expense	22	13
Net Earnings from Discontinued Operations	\$ 33	\$ 22

^{*} Upon review of additional information related to 2001 sales and purchases of natural gas by the U.S. marketing subsidiary, the Company has determined certain revenue and expenses should have been reflected in the financial statements on a net basis rather than included on a gross basis as Revenue and Expenses - Purchased product. The amendment had no effect on net earnings or cash flow but Revenues and Expenses - Purchased product have been reduced by \$1,126 million.

Interim Report

For the period ended June 30, 2002

Notes to Consolidated Financial Statements (unaudited)

5. Discontinued Operations (continued)

	As at D	ecember 31
Consolidated Balance Sheet (\$ millions)	2001	2000
Assets		
Accounts receivable and accrued revenue	\$ 323	\$ 699
Risk management assets	309	_
Inventories	70	2
	702	701
Capital assets, net	9	3
Deferred charges and other assets	17	32
•	728	736
Liabilities		
Accounts payable and accrued liabilities	306	631
Risk management liabilities	278	-
	584	631
Deferred credits and liabilities	2	3
	586	634
Net Assets of Discontinued Operations	\$ 142	\$ 102

	Year Decen	Endeonber 3	
Consolidated Statement of Cash Flows (\$ millions)	2001		2000
Operating Activities			
Cash flow	\$ 47	\$	26
Net change in non-cash working capital	(48)		(2)
	\$ (1)	\$	24

Notes to Consolidated Financial Statements (unaudited)

6. Income Taxes

	Three Months Ended June 30			Six	Months E	<u>nded</u>	June 30	
(\$ millions)		2002		2001		2002		2001
Provision for Income Taxes: Current Canada	\$	36	\$	136	\$	73	\$	324
United States		8		-		8		3
Ecuador		7		-		7		-
United Kingdom		5		2		8		5
Other		-		-		-		1
		56		138		96		333
Future		99		(26)		141		50
	\$	155	\$	112	\$	237	\$	383

7. Long-Term Debt

		As at	As	at
		June 30	Decem	ber 31
(\$ millions)		2002	20	01
Canadian dollar denominated debt				
	•	4 500	Φ.	07
Revolving credit and term loan borrowings	\$	1,560	\$	37
Unsecured debentures, including capital securities		1,830		725
		3,390		762
U.S. dollar denominated debt				
U.S. unsecured senior notes		3,801		1,608
U.S. revolving credit and term loan borrowings		314		-
		4,115		1,608
		7,505	:	2,370
Increase in value of debt acquired		128		-
Current portion of long-term debt		(108)		(160)
	\$	7,525	\$	2,210

Certain of the Notes and Debentures of the Company were acquired in the business combination described in Note 3 and are accounted for at their fair value. The difference between the fair value and the principal amount of these debts of approximately \$128 million is being amortized over the remaining life of the outstanding debt acquired, approximately 15 years.

As required by Canadian generally accepted accounting principles, the Company's U.S. dollar denominated debt is translated into Canadian dollars at the period end exchange rate. Translation gains and losses are recorded in income. For the six months ended June 30, 2002, the Company recorded a foreign exchange gain of \$180 million (\$142 million after tax) related primarily to the translation of U.S. dollar debt.

Notes to Consolidated Financial Statements (unaudited)

8. Share Capital (millions)

	June 30, 2002			December 31, 2		2001
	Number		Amount	Number		Amount
Common shares outstanding, beginning of period	254.9	\$	196	254.8	\$	148
Shares repurchased	-		-	(0.2)		-
Shares issued under option plans	2.9		69	1.9		48
Shares issued to AEC Shareholders (note 3)	218.5		8,397	-		-
Adjustments due to Canadian Pacific Limited reorganization	-		-	(1.6)		-
Common shares outstanding, end of period	476.3	\$	8,662	254.9		196

The Company has a stock-based compensation plan (EnCana plan) that allows employees to purchase common shares of the Company. Option exercise prices approximate the market price for the common shares on the date the options were issued. Options granted under the plan are generally fully exercisable after three years and expire five years after the grant date. Options granted under previous EnCana and Canadian Pacific Limited replacement plans expire 10 years from the date the options were granted.

In conjunction with the business combination transaction described in Note 3, options to purchase AEC common shares were replaced with options to purchase common shares of EnCana (AEC replacement plan). The transaction also resulted in these replacement options along with all options outstanding under the EnCana plan, becoming exercisable after the close of business on April 5, 2002.

The following tables summarize the information about options to purchase common shares at June 30, 2002:

	Share Options	Average Exercise Price (\$)
Outstanding, beginning of period	10.5	32.31
Granted under EnCana plan	10.9	48.33
Granted under AEC replacement plan	13.1	32.01
Granted under Directors' plan	0.1	48.04
Exercised	(2.9)	24.26
Forfeited	(0.2)	31.84
Outstanding, end of period	31.5	38.53
Exercisable, end of period	20.5	33.32

	0	Outstanding Options			ole Options
		Weighted			
		Average	Weighted		Weighted
	Number of	Remaining	Average	Number of	Average
	Options	Contractual	Exercise Price	Options	Exercise Price
Range of Exercise Price (\$)	Outstanding	Life (years)	(\$)	Outstanding	(\$)
13.50 to 19.99	4.5	1.3	18.55	4.5	18.55
20.00 to 24.99	2.6	2.7	22.22	2.6	22.22
25.00 to 29.99	3.6	2.9	26.58	3.6	26.58
30.00 to 43.99	2.1	3.5	38.02	2.1	38.02
44.00 to 53.00	18.7	4.0	47.94	7.7	47.40
	31.5	3.1	38.53	20.5	33.32

Interim Report

For the period ended June 30, 2002

Notes to Consolidated Financial Statements (unaudited)

8. Share Capital (continued)

The Company does not record compensation expense in the financial statements for share options granted to employees and directors because there is no intrinsic value at the date of grant. If the fair-value method had been used, the Company's net earnings and net earnings per share would approximate the following pro-forma amounts:

Six Months Ended June 30

(\$ millions, except per share amounts)	2002	2001
Compensation Costs	50	10
Net Earnings		
As reported	591	922
Pro forma	541	912
Net Earnings per Common Share Basic		
As reported	1.65	3.60
Pro forma	1.51	3.56
Diluted		
As reported	1.62	3.52
Pro forma	1.48	3.49

As described above, the acquisition of AEC resulted in all outstanding options at April 5, 2002 becoming fully exercisable. As the stock option expense is normally recognized over the expected life, the early vesting of outstanding options resulted in an acceleration of the compensation cost. As such, a \$33 million expense relating to options outstanding at April 5, 2002 was included in the 2002 pro forma earnings above.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

Six Months Ended June 30

	<u> </u>			
		2002		2001
Risk free interest rate		4.46%		4.24%
Expected lives (years)		3.00		3.00
Expected volatility		0.35		0.35
Annual dividend per share	\$	0.40	\$	0.40

9. Per Share Amounts

The following table summarizes the common shares used in calculating net earnings and cashflow per common share.

	Three Months Ende	ed June 30	Six Months Ended June 3		
	2002	2001	2002	2001	
Weighted average Common Shares outstanding - basic	461.1	255.9	358.2	255.6	
Effect of dilutive securities	8.9	5.5	6.8	5.4	
Weighted average Common shares outstanding - diluted	470.0	261.4	365.0	261.0	

Net earnings per common share calculations include the impact of the Distributions on Preferred Securities, net of tax for the three months of \$1 million (three months 2001 - \$1 million) and for the year to date \$1 million (year to date 2001 - \$2 million).

Notes to Consolidated Financial Statements (unaudited)

10. Financial Instruments

Unrecognized gains (losses) on risk management activities:

(\$ millions)	June 30, 2002
Natural gas	194
Crude oil	(13)
Gas Storage	(2)
Foreign currency	(102)
Interest rates	60
Preferred securities	6
	143

Information with respect to crude oil, currency and interest rate hedge contracts at December 31, 2001, is disclosed in Note 17 to the PanCanadian annual audited consolidated financial statements and Note 15 to the AEC annual audited consolidated financial statements.

11. Reclassification

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2002.