Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The MD&A is intended to provide a narrative description of Encana's business from management's perspective. This MD&A should be read in conjunction with the unaudited interim Condensed Consolidated Financial Statements and accompanying notes for the period ended March 31, 2019 ("Consolidated Financial Statements"), which are included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the audited Consolidated Financial Statements and accompanying notes and MD&A for the year ended December 31, 2018, which are included in Items 8 and 7, respectively, of the 2018 Annual Report on Form 10-K. Common industry terms and abbreviations are used throughout this MD&A and are defined in the Definitions, Conversions and Conventions sections of this Quarterly Report on Form 10-Q. This MD&A includes the following sections:

Executive Overview

Strategy

Encana is a leading North American energy producer that is focused on developing its multi-basin portfolio of oil, NGLs and natural gas producing plays. Encana is committed to growing long-term shareholder value through a disciplined focus on generating profitable growth. The Company is pursuing the key business objectives of preserving balance sheet strength, exercising a disciplined capital allocation strategy by investing in a limited number of core assets, maximizing profitability through operational and capital efficiencies, returning capital to shareholders through sustainable dividends and share buybacks, and investing in high margin liquids plays to drive cash flow.

In executing its strategy, Encana focuses on its core values of One, Agile and Driven, which guide the organization to be flexible, responsive, determined and motivated with a commitment to excellence and a passion to succeed as a unified team. Encana rapidly deploys successful ideas and practices across its assets, becoming more efficient as innovative and sustainable technical improvements are implemented.

Encana continually reviews and evaluates its strategy and changing market conditions. In 2019, Encana is focusing on quality cash flow growth from high margin, scalable, top tier assets located in some of the best plays in North America, referred to as the "Core Assets". As at March 31, 2019, these comprised Permian and Anadarko in the U.S., and Montney in Canada. These top tier assets form a multi-basin portfolio of oil, NGL and natural gas producing plays enabling flexible and efficient investment of capital into high margin liquids plays that support sustainable cash flow generation. The Company's other upstream assets, including Duvernay, Eagle Ford, Williston and Uinta, continue to deliver a steady cash flow stream for the Company.

For additional information on Encana's strategy, its reporting segments and the plays in which the Company operates as at December 31, 2018, refer to Items 1 and 2 of the 2018 Annual Report on Form 10-K. On February 13, 2019, Encana completed the acquisition of Newfield; as such, the post-acquisition results of operations of Newfield are included in the Company's interim consolidated results beginning February 14, 2019. As a result of the Newfield business combination, the China Operations acquired forms a new reporting segment, which has been included in the Results of Operations section of this MD&A. For additional information on the business combination and segmented results, refer to Notes 8 and 3, respectively, to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. For additional information on the reserves volumes acquired with the Newfield acquisition, refer to Exhibit 99.4 in the Company's Current Report on Form 8-K filed on February 28, 2019 regarding Supplemental Pro Forma Oil, Natural Gas Liquids and Natural Gas Reserves Information as of December 31, 2018.

In evaluating its operations and assessing its leverage, the Company reviews performance-based measures such as Non-GAAP Cash Flow, Non-GAAP Cash Flow Margin, Total Costs and debt-based metrics such as Debt to Adjusted Capitalization and Net Debt to Adjusted EBITDA, which are non-GAAP measures and do not have any standardized meaning under U.S. GAAP. These measures may not be similar to measures presented by other issuers and should not be viewed as a substitute for measures reported under U.S. GAAP. Further information regarding these measures, including reconciliations to the closest GAAP measure, can be found in the Non-GAAP Measures section of this MD&A.

Highlights

During the first quarter of 2019, Encana focused on executing its 2019 capital plan, generating cash from operating activities and returning capital to shareholders through dividends and share buybacks. In conjunction with the completion of the Newfield acquisition in February, the Company was also focused on integrating the businesses and is confident it will achieve the synergies previously announced from the strategic combination. Higher upstream product revenues in the first quarter of 2019 compared to 2018 resulted from higher production volumes, partially offset by lower average realized liquids prices. Total production volumes increased by 44 percent compared to 2018 primarily due to the Newfield acquisition and successful drilling programs. The increase was partially offset by lower average realized liquids prices of 18 percent, primarily due to lower NGL and oil benchmark prices. Encana is also focused on optimizing realized prices from the diversification of the Company's downstream markets.

Significant Developments

- Completed the acquisition of all issued and outstanding shares of common stock of Newfield whereby Encana issued approximately 543.4 million common shares on February 13, 2019. Newfield's operations are focused on the development of oil-rich properties primarily located in the Anadarko Basin in Oklahoma. Following the acquisition, Newfield's senior notes totaling $2.45 billion remain outstanding.
- Received approval from the TSX to purchase up to approximately 149.4 million common shares, for cancellation, pursuant to a NCIB over a 12-month period commencing March 4, 2019 and ending March 3, 2020.

Financial Results

- Reported a net loss of $245 million, including a net loss on risk management in revenues of $355 million, before tax, restructuring charges of $113 million, before tax, and acquisition costs of $31 million, before tax.
- Generated cash from operating activities of $529 million, Non-GAAP Cash Flow of $422 million and Non-GAAP Cash Flow Margin of $10.02 per BOE.
- Held cash and cash equivalents of $479 million and had available credit facilities of $4.0 billion for total liquidity of $4.5 billion at March 31, 2019.
- Returned capital to shareholders through the purchase, for cancellation, of approximately 55.9 million common shares for total consideration of approximately $400 million and paid dividends of $0.01875 per common share totaling $28 million.

Capital Investment

- Commenced the Company's 2019 capital plan with expenditures totaling $736 million of which $544 million, or 74 percent, was directed to Permian, Anadarko and Montney.
- Focused on highly efficient capital activity and short-cycle high margin projects providing flexibility to respond to fluctuations in commodity prices.

Production

- Produced average oil and NGL volumes of 231.4 Mbbls/d which accounted for 49 percent of total production volumes. Average oil and plant condensate production volumes of 170.7 Mbbls/d were 74 percent of total liquids production volumes.
- Produced average natural gas volumes of 1,421 MMcf/d which accounted for 51 percent of total production volumes.

Revenues and Operating Expenses

- Focused on market diversification to other downstream markets to optimize realized commodity prices and revenues through a combination of derivative financial instruments and transportation contracts.
- Continued to benefit from secured pipeline transportation capacity to the Dawn and Houston markets to protect against AECO and Midland differentials to NYMEX and WTI, respectively; maintained access to local markets through existing transportation contracts.
- Incurred Total Costs of $13.44 per BOE in the first quarter of 2019, a decrease of $0.06 per BOE compared to the first quarter of 2018. Total Costs includes production, mineral and other taxes, upstream transportation and processing expense, upstream operating expense and administrative expense. Total Costs excludes the impact of long-term incentive and restructuring costs. Significant items in the first quarter of 2019 which impact Total Costs include:
  - Lower upstream transportation and processing expense of $0.52 per BOE in the first quarter of 2019 compared to 2018 primarily due to the lower than average per BOE transportation and processing costs associated with the volumes from the Newfield acquisition;
  - Higher administrative expense per BOE, excluding long-term incentive costs and restructuring costs in the first quarter of 2019 compared to 2018 of $0.43 per BOE primarily due to the change in accounting treatment for The Bow office building and the Newfield integration.
- Preserved operational efficiencies achieved in previous years and minimized the effect of inflationary costs.

2019 Outlook

Industry Outlook

The oil and gas industry is cyclical and commodity prices are inherently volatile. Oil prices during 2019 are expected to reflect global supply and demand dynamics as well as the geopolitical and macroeconomic environment. At a meeting in December 2018, OPEC and certain non-OPEC countries agreed to reduce crude oil production, beginning in January 2019 for an initial period of six months, seeking to balance the global oil market in response to changing fundamentals. Risks to the global economy, including trade disputes, U.S. sanctions policy, U.S. production growth, and potential oil supply outages in major producing countries resulting from geopolitical instability, could further contribute to price volatility in 2019. OPEC and certain non-OPEC countries are scheduled to meet again in June 2019 to review production levels which could potentially result in other supply adjustments and contribute to price fluctuations.

Natural gas prices in 2019 will be affected by the timing of supply and demand growth and the effects of seasonal weather. Natural gas prices in western Canada have seen significant negative price pressure as strong supply continues to surpass regional demand and stress effective pipeline capacity. Despite initial price strength related to lower than normal storage and colder than normal temperatures coming into 2019, potential for improvement in longer-term U.S. natural gas prices remains limited, primarily due to continued production increases in both the Northeast U.S. and associated gas production in the Permian Basin.

Company Outlook

Encana is positioned to be flexible in the current price environment in order to deliver cash flows and to balance growth with return of capital to shareholders. The Company enters into derivative financial instruments which mitigate price volatility and help sustain revenues during periods of lower prices. A portion of the Company's production is sold at prevailing market prices which also allows Encana to participate in potential price increases. As at March 31, 2019, the Company has hedged approximately 105.8 Mbbls/d of expected crude oil and condensate production and 958 MMcf/d of expected natural gas production for the remainder of the year. Additional information on Encana's hedging program can be found in Note 22 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Markets for crude oil and natural gas are exposed to different price risks. While the market price for crude oil tends to move in the same direction as the global market, regional differentials may develop. Natural gas prices may vary between geographic regions depending on local supply and demand conditions. Encana proactively utilizes transportation contracts to diversify the Company's downstream markets, reducing significant exposure to any given market. Through a combination of derivative financial instruments and transportation capacity, Encana has mitigated the majority of its exposure to Midland and AECO pricing in 2019. In addition, Encana continues to seek new markets to yield higher returns.

The Company's full year 2019 guidance ranges discussed within Capital Investment, Production and Operating Expenses in this Outlook section reflect the Reportable Guidance ranges.

Capital Investment

Encana is on track to meet its full year 2019 capital investment guidance of $2.5 billion to $2.7 billion and expects to fund it from 2019 cash generated from operating activities. During the first quarter of 2019, the Company spent $736 million, of which $279 million was directed to Permian with 27 net wells drilled, $147 million was directed to Anadarko where the Company has drilled 12 net wells since the Newfield acquisition closed on February 13, 2019, and $118 million was directed to Montney with 22 net wells drilled. Capital investment in the Core Assets is expected to be optimized by Encana's cube development approach to maximize returns and recovery. Capital investment in Montney is expected to be allocated to both Cutbank Ridge and Pipestone areas with a focus on maximizing returns from high margin liquids. The remainder of the capital investment, primarily directed to Eagle Ford, Duvernay, Williston and Uinta, is expected to optimize operating free cash flows.

Encana continually strives to improve well performance and lower costs through innovative techniques. Encana's large-scale cube development model utilizes multi-well pads and advanced completion designs to access stacked pay resource to maximize returns and resource recovery from its reservoirs. Encana expects to deploy cube development to the Anadarko Basin assets starting in the second quarter of 2019. The application of cube development is expected to reduce well costs by more than $1 million per well in 2019 compared to Newfield's 2018 well costs. The impact of Encana's disciplined capital program and continuous innovation create flexibility and opportunity to grow cash flows and production volumes going forward.

Production

Encana's shift to a more balanced portfolio has reduced the extent of exposure to market volatility and positioned the Company to generate sustainable future cash flows. During the first quarter of 2019, average liquids production volumes were 231.4 Mbbls/d and average natural gas production volumes were 1,421 MMcf/d. In 2019, the Company expects to continue growing liquids production and expects liquids to exceed 50 percent of total production volumes on an annualized basis. The Company is on track to meet its full year 2019 production volumes guidance ranges for liquids of 290.0 Mbbls/d to 310.0 Mbbls/d and natural gas of 1,500 MMcf/d to 1,600 MMcf/d as a result of the Newfield acquisition and the Company's capital plans for its Core Assets.

Operating Expenses

For 2019, Encana has guided towards Total Costs in the range of $12.75 per BOE to $13.25 per BOE. Total Costs includes production, mineral and other taxes, upstream transportation and processing expense, upstream operating expense and administrative expense. Total Costs excludes the impact of long-term incentive and restructuring costs. In the first quarter of 2019, Total Costs of $13.44 per BOE is trending downward and the Company expects to be in the full year 2019 guidance range as integration synergies are realized. Upstream transportation and processing expense was $6.90 per BOE, while upstream operating expense and administrative expense, excluding long-term incentive costs and restructuring costs, were $3.48 per BOE and $1.92 per BOE, respectively. Encana intends to offset any inflationary pressures with efficiency improvements and effective supply chain management, including favorable price negotiations.

Workforce reductions and operating efficiencies are expected to reduce operating and administrative costs by $150 million, on an annualized basis, compared to the combined costs of Newfield and Encana prior to the acquisition. These synergies surpass the Company's original estimate by $25 million and exclude expected restructuring costs to be incurred in 2019. To date, restructuring costs of $113 million have been incurred.

Further information on Encana's 2019 Corporate Guidance can be accessed on the Company's website in the Corporate Presentation at www.encana.com.

Results of Operations

Selected Financial Information

($ millions)	Three months ended March 31, 2019	2018
Product and Service Revenues		
Upstream product revenues	**$ 1,245**	$ 957
Market optimization	**326**	301
Service revenues	**1**	2
Total Product and Service Revenues	**1,572**	1,260
Gains (Losses) on Risk Management, Net	**(355)**	36
Sublease Revenues	**18**	17
Total Revenues	**1,235**	1,313
Total Operating Expenses (1)	**1,462**	976
Operating Income (Loss)	**(227)**	337
Total Other (Income) Expenses	**79**	177
Net Earnings (Loss) Before Income Tax	**(306)**	160
Income Tax Expense (Recovery)	**$ (61)**	$ 9
Net Earnings (Loss)	**$ (245)**	$ 151

(1) Total Operating Expenses include non-cash items such as DD&A, accretion of asset retirement obligations and long-term incentive costs.

During the first quarter of 2019, Encana completed the acquisition of Newfield on February 13, 2019. The post-acquisition results of operations of Newfield are included in the Company's interim consolidated results beginning February 14, 2019. As a result of the Newfield business combination, the China Operations acquired forms a new reporting segment. Encana has added Anadarko to its asset portfolio and as at March 31, 2019, the Company's Core Assets comprised Permian and Anadarko in the U.S., and Montney in Canada. Core Assets production presentation has been updated to align with the Company's 2019 Core Assets. Accordingly, Core Assets production for 2018 has been updated and reflects Permian and Montney.

Revenues

Encana's revenues are substantially derived from sales of oil, NGLs and natural gas production. Increases or decreases in Encana's revenue, profitability and future production are highly dependent on the commodity prices the Company receives. Prices are market driven and fluctuate due to factors beyond the Company's control, such as supply and demand, seasonality and geopolitical and economic factors. Canadian Operations realized prices are linked to Edmonton Condensate and AECO, as well as other downstream natural gas benchmarks, including Dawn. The USA Operations realized prices generally reflect WTI and NYMEX benchmark prices, as well as other downstream oil benchmarks, including Houston. The other downstream benchmarks reflect the diversification of the Company's markets. Realized NGL prices are significantly influenced by oil and other benchmark prices and the NGL production mix. Recent trends in benchmark prices relevant to Encana are shown in the table below.

Benchmark Prices

(average for the period)	Three months ended March 31, 2019	2018
Oil & NGLs		
WTI ($/bbl)	**$ 54.90**	$ 62.87
Houston ($/bbl)	**60.82**	66.37
Edmonton Condensate (C$/bbl)	**67.21**	79.72
Natural Gas		
NYMEX ($/MMBtu)	**$ 3.15**	$ 3.00
AECO (C$/Mcf)	**1.94**	1.85
Dawn (C$/MMBtu)	**3.85**	3.82

Production Volumes and Realized Prices

	Three months ended March 31,			
	Production Volumes [1]		Realized Prices [2]	
	2019	2018	**2019**	2018
Oil (Mbbls/d, $/bbl)				
Canadian Operations	**0.3**	0.4	**$ 37.31**	$ 55.47
USA Operations	**123.2**	82.6	**54.42**	63.33
China Operations	**2.3**	-	**65.62**	-
Total	**125.8**	83.0	**54.57**	63.29
NGLs – Plant Condensate (Mbbls/d, $/bbl)				
Canadian Operations	**38.7**	27.5	**49.61**	61.10
USA Operations	**6.2**	2.7	**43.62**	51.94
Total	**44.9**	30.2	**48.79**	60.28
NGLs – Other (Mbbls/d, $/bbl)				
Canadian Operations	**16.1**	10.4	**20.11**	30.08
USA Operations	**44.6**	21.6	**17.81**	20.53
Total	**60.7**	32.0	**18.41**	23.64
Total Oil & NGLs (Mbbls/d, $/bbl)				
Canadian Operations	**55.1**	38.3	**40.95**	52.58
USA Operations	**174.0**	106.9	**44.64**	54.39
China Operations	**2.3**	-	**65.62**	-
Total	**231.4**	145.2	**43.97**	53.91
Natural Gas (MMcf/d, $/Mcf)				
Canadian Operations	**1,054**	936	**2.60**	2.48
USA Operations	**367**	139	**2.31**	2.52
Total	**1,421**	1,075	**2.53**	2.48
Total Production (MBOE/d, $/BOE)				
Canadian Operations	**230.7**	194.3	**21.67**	22.29
USA Operations	**235.2**	130.1	**36.63**	47.39
China Operations	**2.3**	-	**65.62**	-
Total	**468.2**	324.4	**29.39**	32.35
Production Mix (%)				
Oil & Plant Condensate	**36**	35		
NGLs – Other	**13**	10		
Total Oil & NGLs	**49**	45		
Natural Gas	**51**	55		
Production Growth - Year Over Year (%) [3]				
Total Oil & NGLs	**59**			
Natural Gas	**32**			
Total Production	**44**			
Core Assets Production [4]				
Oil (Mbbls/d)	**83.2**	54.5		
NGLs – Plant Condensate (Mbbls/d)	**37.9**	22.3		
NGLs – Other (Mbbls/d)	**51.7**	24.3		
Total Oil & NGLs (Mbbls/d)	**172.8**	101.1		
Natural Gas (MMcf/d)	**1,210**	888		
Total Production (MBOE/d)	**374.4**	249.1		
% of Total Encana Production	**80%**	77%		

(1) Average daily.
(2) Average per-unit prices, excluding the impact of risk management activities.
(3) Includes production impacts of acquisitions and divestitures.
(4) Core Assets production presentation has been updated to align with the Company's 2019 Core Assets, which include Permian, Anadarko and Montney. Core Assets production for 2018 has been updated and reflects Permian and Montney.

Upstream Product Revenues

($ millions)	Oil	NGLs - Plant Condensate	NGLs - Other	Natural Gas (1)	Total
	Three months ended March 31,				
2018 Upstream Product Revenues	**$ 474**	**$ 163**	**$ 68**	**$ 241**	**$ 946**
Increase (decrease) due to:					
Sales prices	(64)	(41)	(23)	15	(113)
Production volumes	208	76	55	67	406
2019 Upstream Product Revenues	**$ 618**	**$ 198**	**$ 100**	**$ 323**	**$ 1,239**

(1) Natural gas revenues for the first quarter of 2019 exclude certain other revenue and royalty adjustments of $6 million (2018 - royalty adjustments of $11 million) with no associated production volumes.

Oil Revenues

Three months ended March 31, 2019 versus March 31, 2018

Oil revenues increased $144 million compared to the first quarter of 2018 primarily due to:

- Higher average oil production volumes of 42.8 Mbbls/d increased revenues by $208 million. Higher volumes were primarily due to the Newfield acquisition (39.3 Mbbls/d) and successful drilling programs in Permian and Anadarko (5.9 Mbbls/d), partially offset by the sale of the San Juan assets in the fourth quarter of 2018 (2.7 Mbbls/d); and
- Lower average realized oil prices of $8.72 per bbl, or 14 percent, decreased revenues by $64 million. The decrease reflected a lower WTI benchmark price which was down 13 percent and weakening regional pricing relative to the WTI benchmark price in the USA Operations, partially offset by exposure to other downstream benchmark prices from the diversification of the Company's markets.

NGL Revenues

Three months ended March 31, 2019 versus March 31, 2018

NGL revenues increased $67 million compared to the first quarter of 2018 primarily due to:

- Higher average plant condensate production volumes of 14.7 Mbbls/d increased revenues by $76 million. Higher volumes were primarily due to a successful drilling program in Montney (13.1 Mbbls/d) and the Newfield acquisition (2.8 Mbbls/d); and
- Higher average other NGL production volumes of 28.7 Mbbls/d increased revenues by $55 million. Higher volumes were primarily due to the Newfield acquisition (18.2 Mbbls/d) and successful drilling programs in Montney, Anadarko and Permian (12.7 Mbbls/d); and
- Lower average realized plant condensate prices of $11.49 per bbl, or 19 percent, decreased revenues by $41 million. The decrease reflected lower Edmonton Condensate and WTI benchmark prices which were down 16 percent and 13 percent, respectively, as well as fluctuations in regional pricing relative to the Edmonton Condensate and WTI benchmark prices; and
- Lower average realized other NGL prices of $5.23 per bbl, or 22 percent, decreased revenues by $23 million reflecting lower other NGL benchmark prices.

Natural Gas Revenues

Three months ended March 31, 2019 versus March 31, 2018

Natural gas revenues increased $82 million compared to the first quarter of 2018 primarily due to:

- Higher production volumes increased revenues by $67 million resulting from:
  - Higher average natural gas production volumes in the USA Operations of 228 MMcf/d increased revenues by $50 million primarily due to the Newfield acquisition (230 MMcf/d); and
  - Higher average natural gas production volumes in the Canadian Operations of 118 MMcf/d increased revenues by $17 million primarily due to successful drilling in Montney (158 MMcf/d), partially offset by lower production in the Canadian Other Upstream Operations primarily due to natural declines (24 MMcf/d), and third-party plant downtime and pipeline restrictions in Montney (15 MMcf/d).
- Realized natural gas prices increased revenues by $15 million resulting from:
  - Higher average realized natural gas prices in the Canadian Operations of $0.12 per Mcf, or five percent, increased revenues by $21 million primarily due to exposure to other downstream benchmark prices resulting from the diversification of the Company's markets; and
  - Lower average realized natural gas prices in the USA Operations of $0.21 per Mcf, or eight percent, decreased revenues by $6 million primarily due to weakening regional pricing, partially offset by a higher NYMEX benchmark price which increased by five percent.

Gains (Losses) on Risk Management, Net

As a means of managing commodity price volatility, Encana enters into commodity derivative financial instruments on a portion of its expected oil, NGL and natural gas production volumes. The Company's commodity price mitigation program reduces volatility and helps sustain revenues during periods of lower prices. Further information on the Company's commodity price positions as at March 31, 2019 can be found in Note 22 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

The following tables provide the effects of Encana's risk management activities on revenues.

	Three months ended March 31,	
($ millions)	**2019**	2018
Realized Gains (Losses) on Risk Management		
Commodity Price (1)		
Oil	**$ 31**	$ (56)
NGLs - Plant Condensate	**12**	(21)
NGLs - Other	**11**	-
Natural Gas	**16**	44
Other (2)	**2**	1
Total	**72**	(32)
Unrealized Gains (Losses) on Risk Management	**(427)**	68
Total Gains (Losses) on Risk Management, Net	**$ (355)**	$ 36

	Three months ended March 31,	
(Per-unit)	**2019**	2018
Realized Gains (Losses) on Risk Management		
Commodity Price (1)		
Oil ($/bbl)	**$ 2.77**	$ (7.55)
NGLs - Plant Condensate ($/bbl)	**$ 2.92**	$ (7.79)
NGLs - Other ($/bbl)	**$ 2.12**	$ -
Natural Gas ($/Mcf)	**$ 0.13**	$ 0.46
Total ($/BOE)	**$ 1.68**	$ (1.13)

(1) Includes realized gains and losses related to the Canadian and USA Operations.
(2) Other primarily includes realized gains or losses from Market Optimization and other derivative contracts with no associated production volumes.

Encana recognizes fair value changes from its risk management activities each reporting period. The changes in fair value result from new positions and settlements that occur during each period, as well as the relationship between contract prices and the associated forward curves. Realized gains or losses on risk management activities related to commodity price mitigation are included in the Canadian Operations, USA Operations and Market Optimization revenues as the contracts are cash settled. Unrealized gains or losses on fair value changes of unsettled contracts are included in the Corporate and Other segment.

Market Optimization Revenues

Market Optimization product revenues relate to activities that provide operational flexibility and cost mitigation for transportation commitments, product type, delivery points and customer diversification. The Company also purchases and sells third-party volumes under long-term marketing arrangements associated with the Company's previous divestitures.

	Three months ended March 31,			
($ millions)		**2019**		2018
Market Optimization	**$**	**326**	$	301

Three months ended March 31, 2019 versus March 31, 2018

Market Optimization revenues increased $25 million compared to the first quarter of 2018 primarily due to:

- Higher sales of third-party purchased volumes, primarily due to changing conditions relating to Canadian market curtailments, resulting in additional third-party purchases to meet firm sales commitments ($47 million), partially offset by lower oil benchmark prices ($22 million).

Sublease Revenues

Sublease revenues primarily include amounts related to the sublease of office space in The Bow office building recorded in the Corporate and Other segment. Further information on The Bow office sublease can be found in Note 11 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Operating Expenses

Production, Mineral and Other Taxes

Production, mineral and other taxes include production and property taxes. Production taxes are generally assessed as a percentage of oil and natural gas production revenues. Property taxes are generally assessed based on the value of the underlying assets.

	$ millions				$/BOE			
Three months ended March 31,		**2019**		2018		**2019**		2018
Canadian Operations	**$**	**4**	$	4	**$**	**0.18**	$	0.23
USA Operations		**44**		25	**$**	**2.08**	$	2.12
Total	**$**	**48**	$	29	**$**	**1.14**	$	0.99

Three months ended March 31, 2019 versus March 31, 2018

Production, mineral and other taxes increased $19 million compared to the first quarter of 2018 primarily due to:

- Higher production volumes as a result of the Newfield acquisition ($16 million) and the recovery of certain production taxes in 2018 in the USA Operations ($4 million).

Transportation and Processing

Transportation and processing expense includes transportation costs incurred to move product from production points to sales points including gathering, compression, pipeline tariffs, trucking and storage costs. Encana also incurs costs related to processing provided by third parties or through ownership interests in processing facilities to bring raw production to sales-quality product.

	$ millions		$/BOE	
Three months ended March 31,	**2019**	2018	**2019**	2018
Canadian Operations	**$ 212**	$ 190	**$ 10.20**	$ 10.87
USA Operations	**79**	27	**$ 3.74**	$ 2.26
Upstream Transportation and Processing	**291**	217	**$ 6.90**	$ 7.42
Market Optimization	**47**	32		
Total	**$ 338**	$ 249		

Three months ended March 31, 2019 versus March 31, 2018

Transportation and processing expense increased $89 million compared to the first quarter of 2018 primarily due to:

- Higher production volumes as a result of the Newfield acquisition ($54 million) and growth in Montney ($41 million);

partially offset by:

- Lower U.S./Canadian dollar exchange rate ($9 million).

Operating

Operating expense includes costs paid by Encana, net of amounts capitalized, to operate oil and gas properties in which the Company has a working interest. These costs primarily include labour, service contract fees, chemicals and fuel.

	$ millions		$/BOE	
Three months ended March 31,	**2019**	2018	**2019**	2018
Canadian Operations	**$ 37**	$ 29	**$ 1.80**	$ 1.59
USA Operations	**115**	74	**$ 5.44**	$ 6.28
China Operations	**4**	-	**$ 17.93**	$ -
Upstream Operating Expense (1)	**156**	103	**$ 3.70**	$ 3.47
Market Optimization	**10**	4		
Corporate & Other	**(1)**	4		
Total	**$ 165**	$ 111		

(1) Upstream Operating Expense per BOE for the first quarter of 2019 includes long-term incentive costs of $0.22/BOE (2018 - recovery of long-term incentive costs of $0.13/BOE).

Three months ended March 31, 2019 versus March 31, 2018

Operating expense increased $54 million compared to the first quarter of 2018 primarily due to:

- The Newfield acquisition ($40 million), long-term incentive costs resulting from the increase in Encana's share price in the first quarter of 2019 compared to a recovery of long-term incentive costs in the first quarter of 2018 resulting from a decrease in the share price in the first quarter of 2018 ($20 million), and higher activity in Montney and Permian ($3 million);

partially offset by:

- The sale of the San Juan assets in the fourth quarter of 2018 ($3 million).

Further information on Encana's long-term incentives can be found in Note 19 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Purchased Product

Purchased product expense includes purchases of oil, NGLs and natural gas from third parties that are used to provide operational flexibility and cost mitigation for transportation commitments, product type, delivery points and customer diversification. The Company also purchases and sells third-party volumes under long-term marketing arrangements associated with the Company's previous divestitures.

($ millions)	Three months ended March 31, 2019		2018	
Market Optimization	**$**	**298**	$	273

Three months ended March 31, 2019 versus March 31, 2018

Purchased product expense increased $25 million compared to the first quarter of 2018 primarily due to:

- Higher third-party purchased volumes, primarily due to changing conditions relating to Canadian market curtailments, resulting in additional third-party purchases to meet firm sales commitments ($45 million), partially offset by lower oil benchmark prices ($20 million).

Depreciation, Depletion & Amortization

Proved properties within each country cost centre are depleted using the unit-of-production method based on proved reserves as discussed in Note 1 to the Consolidated Financial Statements included in Item 8 of the 2018 Annual Report on Form 10-K. Depletion rates are impacted by impairments, acquisitions, divestitures and foreign exchange rates, as well as fluctuations in 12-month average trailing prices which affect proved reserves volumes. Additional information can be found in the Critical Accounting Estimates section of the MD&A included in Item 7 of the 2018 Annual Report on Form 10-K. Corporate assets are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets.

	$ millions				$/BOE			
Three months ended March 31,		**2019**		2018		**2019**		2018
Canadian Operations	**$**	**92**	$	77	**$**	**4.42**	$	4.39
USA Operations		**274**		185	**$**	**12.96**	$	15.84
Upstream DD&A		**366**		262	**$**	**8.73**	$	8.98
Corporate & Other		**11**		13				
Total	**$**	**377**	$	275				

Three months ended March 31, 2019 versus March 31, 2018

DD&A increased $102 million compared to the first quarter of 2018 primarily due to:

- Higher production volumes in the USA and Canadian Operations ($117 million and $14 million, respectively), partially offset by lower depletion rates in the USA Operations ($28 million).

The depletion rate in the USA Operations decreased $2.88 per BOE compared to the first quarter of 2018 primarily due to:

- Higher reserve volumes primarily in Permian, as well as additional reserve volumes acquired with the Newfield acquisition.

Administrative

Administrative expense represents costs associated with corporate functions provided by Encana staff in Calgary, Denver and The Woodlands offices. Costs primarily include salaries and benefits, general office, information technology, restructuring and long-term incentive costs.

	($ millions)		$/BOE	
Three months ended March 31,	**2019**	2018	**2019**	2018
Administrative, excluding Long-Term Incentive and Restructuring Costs	**$ 82**	$ 43	**$ 1.92**	$ 1.49
Long-term incentive costs	**32**	(12)	**0.76**	(0.41)
Restructuring costs	**113**	-	**2.70**	-
Total Administrative	**$ 227**	$ 31	**$ 5.38**	$ 1.08

Three months ended March 31, 2019 versus March 31, 2018

Administrative expense in the first quarter of 2019 increased $196 million compared to the first quarter of 2018 primarily due to restructuring costs incurred in 2019 ($113 million), long-term incentive costs resulting from the increase in Encana's share price in the first quarter of 2019 compared to a recovery of long-term incentive costs in the first quarter of 2018 resulting from a decrease in the share price in the first quarter of 2018 ($44 million), the impact from adopting ASC Topic 842, "Leases", as discussed further below, ($28 million) and costs related to the Newfield acquisition, including non-recurring integration expenses ($8 million).

During the first quarter of 2019, Encana completed workforce reductions in conjunction with the Newfield acquisition to better align staffing levels and the organizational structure. Further information on restructuring costs can be found in Note 18 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

On January 1, 2019, Encana adopted ASC Topic 842 which requires all operating leases to be recognized on the Balance Sheet. As a result, The Bow office building was determined to be an operating lease with the lease payments recorded in Administrative expense starting in 2019. Previously, payments related to The Bow office building were recognized as interest expense and principal repayment. Prior periods have not been restated and are reported in accordance with ASC Topic 840, "Leases". Further details on the adoption of ASC Topic 842 can be found in Notes 2 and 11 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Other (Income) Expenses

($ millions)	Three months ended March 31, 2019	2018
Interest	**$ 87**	$ 92
Foreign exchange (gain) loss, net	**(37)**	91
(Gain) loss on divestitures, net	**1**	(3)
Other (gains) losses, net	**28**	(3)
Total Other (Income) Expenses	**$ 79**	$ 177

Interest

Interest expense primarily includes interest on Encana's long-term debt arising from U.S. dollar denominated unsecured notes. Further details on changes in interest can be found in Note 5 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Interest expense in the first quarter of 2019 decreased $5 million compared to the first quarter of 2018 primarily due to the change in accounting treatment for The Bow office building as a result of the adoption of ASC Topic 842 ($16 million) and lower other interest ($3 million), partially offset by higher interest expense on long-term debt primarily related to Newfield's outstanding senior notes ($16 million).

Further details on the adoption of ASC Topic 842 can be found in Notes 2 and 11 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Foreign Exchange (Gain) Loss, Net

Foreign exchange gains and losses primarily result from the impact of fluctuations in the Canadian to U.S. dollar exchange rate. Further details on changes in foreign exchange gains or losses can be found in Note 6 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. Additional information on foreign exchange rates and the effects of foreign exchange rate changes can be found in Item 3 of this Quarterly Report on Form 10-Q.

In the first quarter of 2019, Encana recorded a net foreign exchange gain of $37 million compared to a loss in 2018 of $91 million. The change was primarily due to unrealized foreign exchange gains on the translation of U.S. dollar financing debt issued from Canada compared to losses in 2018 ($215 million) and unrealized foreign exchange gains on the translation of U.S. dollar risk management contracts issued from Canada compared to losses in 2018 ($20 million), partially offset by higher unrealized foreign exchange losses on intercompany notes compared to 2018 ($60 million) and lower realized foreign exchange gains on intercompany notes compared to 2018 ($38 million).

Other (Gains) Losses, Net

Other (gains) losses, net, primarily includes other non-recurring revenues or expenses and may also include items such as interest income on short-term investments, interest received from tax authorities, reclamation charges relating to decommissioned assets and adjustments related to other assets.

Other losses in the first quarter of 2019 primarily includes legal fees and transaction costs related to the Newfield acquisition ($31 million), partially offset by interest income on short-term investments ($6 million).

Income Tax

($ millions)	Three months ended March 31, 2019		2018
Current Income Tax Expense (Recovery)	**$**	**1**	$ 3
Deferred Income Tax Expense (Recovery)		**(62)**	6
Income Tax Expense (Recovery)	**$**	**(61)**	$ 9
Effective Tax Rate		**19.9%**	5.6%

Income Tax Expense (Recovery)

Three months ended March 31, 2019 versus March 31, 2018

In the first quarter of 2019, Encana recorded an income tax recovery of $61 million compared to an income tax expense of $9 million in the first quarter of 2018 mainly as a result of a net loss before income tax in the first quarter of 2019, compared to net earnings before income tax in the first quarter of 2018.

Effective Tax Rate

Encana's interim income tax expense is determined using the estimated annual effective income tax rate applied to year-to-date net earnings before income tax plus the effect of legislative changes and amounts in respect of prior periods. The estimated annual effective income tax rate is primarily impacted by expected annual earnings, income tax related to foreign operations, the effect of legislative changes, non-taxable capital gains and losses, tax differences on divestitures and transactions, and partnership tax allocations in excess of funding.

The effective tax rate for the first quarter of 2019 was 19.9 percent and was 5.6 percent in the first quarter of 2018. These are both lower than the Canadian statutory rate of 27 percent primarily due to the impact of the foreign jurisdictional tax rates relative to the Canadian statutory tax rate applied to jurisdictional earnings and partnership tax allocations in excess of funding.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As a result, there are tax matters under review for which the timing of resolution is uncertain. The Company believes that the provision for income taxes is adequate.

Liquidity and Capital Resources

Sources of Liquidity

The Company has the flexibility to access cash equivalents and a range of funding alternatives at competitive rates through committed revolving bank credit facilities as well as debt and equity capital markets. Encana closely monitors the accessibility of cost-effective credit and ensures that sufficient liquidity is in place to fund capital expenditures and dividend payments. In addition, the Company may use cash and cash equivalents, cash from operating activities, or proceeds from asset divestitures and share issuances to fund its operations or to manage its capital structure as discussed below. At March 31, 2019, $268 million in cash and cash equivalents was held by U.S. subsidiaries. The cash held by U.S. subsidiaries is accessible and may be subject to additional Canadian income taxes and U.S. withholding taxes if repatriated.

The Company's capital structure consists of total shareholders' equity plus long-term debt, including the current portion. The Company's objectives when managing its capital structure are to maintain financial flexibility to preserve Encana's access to capital markets and its ability to meet financial obligations and finance internally generated growth, as well as potential acquisitions. Encana has a practice of maintaining capital discipline and strategically managing its capital structure by adjusting capital spending, adjusting dividends paid to shareholders, issuing new shares, purchasing shares for cancellation through a NCIB, issuing new debt or repaying existing debt.

	As at March 31,	
($ millions, except as indicated)	**2019**	2018
Cash and Cash Equivalents	**$ 479**	$ 433
Available Credit Facility – Encana [1]	**2,500**	2,500
Available Credit Facility – U.S. Subsidiary [1]	**1,500**	1,500
Total Liquidity	**4,479**	4,433
Long-Term Debt, including current portion	**6,799**	4,198
Total Shareholders' Equity	**10,360**	6,776
Debt to Capitalization (%) [2]	**40**	38
Debt to Adjusted Capitalization (%) [3]	**27**	22

(1) Collectively, the "Credit Facilities".
(2) Calculated as long-term debt, including the current portion, divided by shareholders' equity plus long-term debt, including the current portion.
(3) A non-GAAP measure which is defined in the Non-GAAP Measures section of this MD&A.

Encana is currently in compliance with, and expects that it will continue to be in compliance with, all financial covenants under the Credit Facilities. Management monitors Debt to Adjusted Capitalization, which is a non-GAAP measure defined in the Non-GAAP Measures section of this MD&A, as a proxy for Encana's financial covenant under the Credit Facilities, which requires debt to adjusted capitalization to be less than 60 percent. As at March 31, 2019, Debt to Adjusted Capitalization was 27 percent. The definitions used in the covenant under the Credit Facilities adjust capitalization for cumulative historical ceiling test impairments that were recorded as at December 31, 2011 in conjunction with the Company's January 1, 2012 adoption of U.S. GAAP. Additional information on financial covenants can be found in Note 13 to the Consolidated Financial Statements included in Item 8 of the 2018 Annual Report on Form 10-K.

The Company's debt-based metrics have increased over the prior year due to the increase in long-term debt resulting from the Newfield acquisition. Further details on the Company's debt-based metrics can be found in the Non-GAAP Measures section of this MD&A.

Sources and Uses of Cash

In the first quarter of 2019, Encana primarily generated cash through operating activities. The following table summarizes the sources and uses of the Company's cash and cash equivalents.

($ millions)	Activity Type	Three months ended March 31, 2019	2018
Sources of Cash, Cash Equivalents and Restricted Cash			
Cash from operating activities	Operating	**$ 529**	$ 381
Proceeds from divestitures	Investing	**2**	19
Corporate acquisition, net of cash and restricted cash acquired	Investing	**94**	-
Other	Investing	**54**	-
		679	400
Uses of Cash and Cash Equivalents			
Capital expenditures	Investing	**736**	508
Acquisitions	Investing	**22**	2
Purchase of common shares	Financing	**400**	111
Dividends on common shares	Financing	**28**	15
Other	Financing	**20**	47
		1,206	683
Foreign Exchange Gain (Loss) on Cash, Cash Equivalents and Restricted Cash Held in Foreign Currency		**3**	(3)
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash		**$ (524)**	$ (286)

Operating Activities

Cash from operating activities in the first quarter of 2019 was $529 million and was primarily a reflection of increases in production volumes, the effects of the commodity price mitigation program, the impacts from the Newfield acquisition and changes in non-cash working capital. Additional detail on changes in non-cash working capital can be found in Note 23 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. Encana expects it will continue to meet the payment terms of its suppliers.

Non-GAAP Cash Flow in the first quarter of 2019 was $422 million and was primarily impacted by the items affecting cash from operating activities which are discussed below and in the Results of Operations section of this MD&A.

Three months ended March 31, 2019 versus March 31, 2018

Net cash from operating activities in the first quarter of 2019 increased $148 million compared to the first quarter of 2018 primarily due to:

- Higher production volumes ($406 million), changes in non-cash working capital ($126 million) and realized gains on risk management in revenues in the first quarter of 2019 compared to realized losses in 2018 ($104 million);

partially offset by:

- Lower realized commodity prices ($113 million), restructuring costs ($113 million), higher transportation and processing expense ($89 million), higher operating and administrative expense, excluding non-cash long-term incentive costs ($53 million and $70 million, respectively), acquisition costs ($31 million) and higher production, mineral and other taxes ($19 million).

Investing Activities

Cash used in investing activities in the first quarter of 2019 was $608 million primarily due to capital expenditures. Capital expenditures increased $228 million compared to the first quarter of 2018 due to an increase in the Company's capital program for 2019 primarily as a result of the Newfield acquisition. This increase was primarily in Anadarko ($147 million) and Permian ($41 million). Capital expenditures exceeded cash from operating activities by $207 million and the difference was funded using cash on hand.

Corporate acquisition in the first quarter of 2019 was $94 million, which reflected the net cash and restricted cash acquired upon the Newfield business combination. The restricted cash acquired was $53 million and is segregated from general operating cash to fund the future reclamation costs in China.

Acquisitions in the first quarter of 2019 were $22 million which primarily included seismic purchases. Divestitures in the first quarter of 2019 and 2018 were $2 million and $19 million, respectively, which primarily included the sale of certain properties that did not complement Encana's existing portfolio of assets.

Capital expenditures and acquisition and divestiture activity are summarized in Notes 3, 8 and 9 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Financing Activities

Net cash used in financing activities over the past three years has been impacted by Encana's strategy to enhance liquidity, strengthen its balance sheet and return value to shareholders through the purchase of common shares under a NCIB. The Company has paid dividends each of the past three years and increased its dividend in the first quarter of 2019.

Net cash used in financing activities in the first quarter of 2019 increased $300 million compared to the first quarter of 2018 primarily due to the purchase of common shares under a NCIB as discussed below ($289 million), as well as increased dividends paid ($13 million) in the first quarter of 2019 compared to the first quarter of 2018.

Encana's long-term debt, including the current portion of $500 million which is due May 2019, totaled $6,799 million at March 31, 2019 and $4,198 million at December 31, 2018. On February 13, 2019, Encana completed the acquisition of all issued and outstanding shares of common stock of Newfield. Following the acquisition, Newfield's senior notes totaling $2.45 billion remain outstanding. These include a $750 million 5.75 percent senior note due January 30, 2022, a $1,000 million 5.625 percent senior note due July 1, 2024 and a $700 million 5.375 percent senior note due January 1, 2026. For additional information on long-term debt, refer to Note 12 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. The increase in long-term debt resulting from the Newfield acquisition increased the Company's debt-based metrics. Further details on the Company's debt-based metrics can be found in the Non-GAAP Measures section of this MD&A.

The Company continues to have full access to the Credit Facilities, which remain committed through July 2022. The Credit Facilities provide financial flexibility and allow the Company to fund its operations, development activities or capital program. At March 31, 2019, Encana had no outstanding balance under the Credit Facilities and $143 million in undrawn letters of credit issued in the normal course of business primarily as collateral security, to support future abandonment liabilities and for transportation arrangements.

Encana renewed its Canadian shelf prospectus in August 2018 and has access to a U.S. shelf registration statement filed in 2017, whereby the Company may issue from time to time, debt securities, common shares, Class A preferred shares, subscription receipts, warrants, units, share purchase contracts and share purchase units in Canada and/or the U.S. At March 31, 2019, $6.0 billion remained accessible under the Canadian shelf prospectus. The ability to issue securities under the Canadian shelf prospectus or U.S. shelf registration statement is dependent upon market conditions.

Dividends

Encana pays quarterly dividends to shareholders at the discretion of the Board of Directors.

($ millions, except as indicated)	Three months ended March 31, 2019	2018
Dividend Payments [(1)]	**$ 28**	$ 15
Dividend Payments ($/share)	**$ 0.01875**	$ 0.015

(1) 2018 includes common shares issued in lieu of cash dividends under Encana's Dividend Reinvestment Plan ("DRIP"). On February 28, 2019, the Company announced the suspension of its DRIP effective immediately.

As previously announced, the Company increased its dividend by 25 percent in the first quarter of 2019 as part of Encana's commitment to returning capital to shareholders. The increase in dividends paid of $13 million was due to additional common shares issued as part of the Newfield acquisition, in addition to the 25 percent increase in the dividend per share.

On April 29, 2019, the Board of Directors declared a dividend of $0.01875 per common share payable on June 28, 2019 to common shareholders of record as of June 14, 2019.

Normal Course Issuer Bid

On February 27, 2019, the Company announced it received approval from the TSX to purchase up to approximately 149.4 million common shares, for cancellation, pursuant to a NCIB over a 12-month period commencing March 4, 2019 and ending March 3, 2020. In the first quarter of 2019, the Company used cash on hand to purchase, for cancellation, approximately 55.9 million common shares for total consideration of approximately $400 million.

In the first quarter of 2018, the Company used cash on hand to purchase, for cancellation, approximately 10 million common shares for total consideration of approximately $111 million under the previous NCIB that was approved on February 26, 2018.

For additional information on the NCIB, refer to Note 15 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

For information on off-balance sheet arrangements and transactions, refer to the Off-Balance Sheet Arrangements section of the MD&A included in Item 7 of the 2018 Annual Report on Form 10-K.

Commitments and Contingencies

For information on commitments and contingencies, refer to Note 24 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Non-GAAP Measures

Certain measures in this document do not have any standardized meaning as prescribed by U.S. GAAP and, therefore, are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers and should not be viewed as a substitute for measures reported under U.S. GAAP. These measures are commonly used in the oil and gas industry and by Encana to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Non-GAAP measures include: Non-GAAP Cash Flow, Non-GAAP Cash Flow Margin, Total Costs, Debt to Adjusted Capitalization and Net Debt to Adjusted EBITDA. Management's use of these measures is discussed further below.

Non-GAAP Cash Flow and Non-GAAP Cash Flow Margin

Non-GAAP Cash Flow is a non-GAAP measure defined as cash from (used in) operating activities excluding net change in other assets and liabilities, net change in non-cash working capital and current tax on sale of assets.

Non-GAAP Cash Flow Margin is a non-GAAP measure defined as Non-GAAP Cash Flow per BOE of production.

Management believes these measures are useful to the Company and its investors as a measure of operating and financial performance across periods and against other companies in the industry, and are an indication of the Company's ability to generate cash to finance capital programs, to service debt and to meet other financial obligations. These measures are used, along with other measures, in the calculation of certain performance targets for the Company's management and employees.

	Three months ended March 31,	
($ millions, except as indicated)	**2019**	2018
Cash From (Used in) Operating Activities	**$ 529**	$ 381
(Add back) deduct:		
Net change in other assets and liabilities	**(11)**	(11)
Net change in non-cash working capital	**118**	(8)
Current tax on sale of assets	**-**	-
Non-GAAP Cash Flow [(1)]	**$ 422**	$ 400
Production Volumes (MMBOE)	**42.1**	29.2
Non-GAAP Cash Flow Margin ($/BOE)	**$ 10.02**	$ 13.70

(1) 2019 includes restructuring costs of $113 million and acquisition costs of $31 million.

Total Costs

Total Costs is a non-GAAP measure defined as the summation of production, mineral and other taxes, upstream transportation and processing expense, upstream operating expense and administrative expense, excluding the impact of long-term incentive and restructuring costs. Management believes this measure is useful to the Company and its investors as a measure of operational efficiency across periods.

	Three months ended March 31,	
($ millions, except as indicated)	**2019**	2018
Production, Mineral and Other Taxes	**$ 48**	$ 29
Upstream Transportation and Processing	**291**	217
Upstream Operating	**156**	103
Administrative	**227**	31
Deduct (add back):		
Restructuring costs	**113**	-
Long-term incentive costs	**41**	(16)
Total Costs	**$ 568**	$ 396
Divided by:		
Production Volumes (MMBOE)	**42.1**	29.2
Total Costs ($/BOE) [(1)]	**$ 13.44**	$ 13.50

(1) Calculated using whole dollars and volumes.

Debt to Adjusted Capitalization

Debt to Adjusted Capitalization is a non-GAAP measure which adjusts capitalization for historical ceiling test impairments that were recorded as at December 31, 2011. Management monitors Debt to Adjusted Capitalization as a proxy for Encana's financial covenant under the Credit Facilities which require debt to adjusted capitalization to be less than 60 percent. Adjusted Capitalization includes debt, total shareholders' equity and an equity adjustment for cumulative historical ceiling test impairments recorded as at December 31, 2011 in conjunction with the Company's January 1, 2012 adoption of U.S. GAAP.

($ millions, except as indicated)		**March 31, 2019**		December 31, 2018
Long-Term Debt, including current portion	**$**	**6,799**	$	4,198
Total Shareholders' Equity		**10,360**		7,447
Equity Adjustment for Impairments at December 31, 2011		**7,746**		7,746
Adjusted Capitalization	**$**	**24,905**	$	19,391
Debt to Adjusted Capitalization		**27%**		22%

The increase in Debt to Adjusted Capitalization is primarily due to the increase in long-term debt resulting from the Newfield acquisition.

Net Debt to Adjusted EBITDA

Net Debt to Adjusted EBITDA is a non-GAAP measure whereby Net Debt is defined as long-term debt, including the current portion, less cash and cash equivalents and Adjusted EBITDA is defined as trailing 12-month net earnings (loss) before income taxes, DD&A, impairments, accretion of asset retirement obligation, interest, unrealized gains/losses on risk management, foreign exchange gains/losses, gains/losses on divestitures and other gains/losses.

Management believes this measure is useful to the Company and its investors as a measure of financial leverage and the Company's ability to service its debt and other financial obligations. This measure is used, along with other measures, in the calculation of certain financial performance targets for the Company's management and employees.

($ millions, except as indicated)		**March 31, 2019**		December 31, 2018
Long-Term Debt, including current portion	**$**	**6,799**	$	4,198
Less:				
Cash and cash equivalents		**479**		1,058
Net Debt		**6,320**		3,140
Net Earnings (Loss)		**673**		1,069
Add back (deduct):				
Depreciation, depletion and amortization		**1,374**		1,272
Impairments		**-**		-
Accretion of asset retirement obligation		**33**		32
Interest		**346**		351
Unrealized (gains) losses on risk management		**(24)**		(519)
Foreign exchange (gain) loss, net		**40**		168
(Gain) loss on divestitures, net		**(1)**		(5)
Other (gains) losses, net		**48**		17
Income tax expense (recovery)		**24**		94
Adjusted EBITDA (trailing 12-month)	**$**	**2,513**	$	2,479
Net Debt to Adjusted EBITDA (times)		**2.5**		1.3

The increase in Net Debt is primarily due to the increase in long-term debt resulting from the Newfield acquisition, whereas Adjusted EBITDA only includes Newfield's results of operations for the post-acquisition period from February 14, 2019 to March 31, 2019. The Company expects Net Debt to Adjusted EBITDA to trend downward through the remainder of 2019.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about Encana's potential exposure to market risks. The term "market risk" refers to the Company's risk of loss arising from adverse changes in oil, NGL and natural gas prices, foreign currency exchange rates and interest rates. The following disclosures are not meant to be precise indicators of expected future losses but rather indicators of reasonably possible losses. The forward-looking information provides indicators of how the Company views and manages ongoing market risk exposures. The Company's policy is to not use derivative financial instruments for speculative purposes.

COMMODITY PRICE RISK

Commodity price risk arises from the effect fluctuations in future commodity prices, including oil, NGLs and natural gas, may have on future revenues, expenses and cash flows. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot market prices applicable to the Company's natural gas production. Pricing for oil and natural gas production has been volatile and unpredictable as discussed in Item 1A. "Risk Factors" of the 2018 Annual Report on Form 10-K. To partially mitigate exposure to commodity price risk, the Company may enter into various derivative financial instruments including futures, forwards, swaps, options and costless collars. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors and may vary from time to time. Both exchange traded and over-the-counter traded derivative instruments may be subject to margin-deposit requirements, and the Company may be required from time to time to deposit cash or provide letters of credit with exchange brokers or counterparties to satisfy these margin requirements. For additional information relating to the Company's derivative and financial instruments, see Note 22 under Part I, Item 1 of this Quarterly Report on Form 10-Q.

The table below summarizes the sensitivity of the fair value of the Company's risk management positions to fluctuations in commodity prices, with all other variables held constant. The Company has used a 10 percent variability to assess the potential impact of commodity price changes. Fluctuations in commodity prices could have resulted in unrealized gains (losses) impacting pre-tax net earnings as follows:

	March 31, 2019	
(US$ millions)	10% Price Increase	10% Price Decrease
Crude oil price	$ (134)	$ 131
NGL price	(13)	13
Natural gas price	(42)	39

FOREIGN EXCHANGE RISK

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. As Encana operates primarily in Canada and the United States, fluctuations in the exchange rate between the U.S. and Canadian dollars can have a significant effect on the Company's reported results. Although Encana's financial results are consolidated in Canadian dollars, the Company reports its results in U.S. dollars as most of its revenues are closely tied to the U.S. dollar and to facilitate a more direct comparison to other North American oil and gas companies.

The table below summarizes selected foreign exchange impacts on Encana's financial results in the first quarter of 2019 compared to the same period in 2018.

	$ millions	$/BOE
Increase (Decrease) in:		
Capital Investment	$ (8)	
Transportation and Processing Expense [1]	(9)	$ (0.22)
Operating Expense [1]	(1)	(0.04)
Administrative Expense	(1)	(0.02)
Depreciation, Depletion and Amortization [1]	(4)	(0.09)

(1) Reflects upstream operations.

Foreign exchange gains and losses also arise when monetary assets and monetary liabilities denominated in foreign currencies are translated and settled, and primarily include:

- U.S. dollar denominated financing debt issued from Canada
- U.S. dollar denominated risk management assets and liabilities held in Canada
- U.S. dollar denominated cash and short-term investments held in Canada
- Foreign denominated intercompany loans

To partially mitigate the effect of foreign exchange fluctuations on future commodity revenues and expenses, the Company may enter into foreign currency derivative contracts. As at March 31, 2019, Encana has entered into $750 million notional U.S. dollar denominated currency swaps at an average exchange rate of US$0.7516 to C$1, which mature monthly through the remainder of 2019.

As at March 31, 2019, Encana had $4.2 billion in U.S. dollar long-term debt and $221 million in U.S. dollar finance lease obligations issued from Canada that were subject to foreign exchange exposure.

The table below summarizes the sensitivity to foreign exchange rate fluctuations, with all other variables held constant. The Company has used a 10 percent variability to assess the potential impact from Canadian to U.S. foreign currency exchange rate changes. Fluctuations in foreign currency exchange rates could have resulted in unrealized gains (losses) impacting pre-tax net earnings as follows:

	March 31, 2019	
(US$ millions)	10% Rate Increase	10% Rate Decrease
Foreign currency exchange	$ (120)	$ 146

INTEREST RATE RISK

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Company's financial assets or liabilities. The Company may partially mitigate its exposure to interest rate changes by holding a mix of both fixed and floating rate debt and may also enter into interest rate derivatives to partially mitigate effects of fluctuations in market interest rates.

As at March 31, 2019, the Company had no floating rate debt and there were no interest rate derivatives outstanding.

Item 4: Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

Encana's Chief Executive Officer and Chief Financial Officer performed an evaluation of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and to ensure that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of March 31, 2019.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

For the first quarter ended March 31, 2019, management's assessment of, and conclusion on, the effectiveness of internal control over financial reporting did not include the internal controls of the entities acquired in the Newfield acquisition on February 13, 2019. Newfield's total assets and total revenues represented approximately 27 percent of the Company's consolidated total assets at March 31, 2019 and approximately 25 percent of the Company's consolidated total revenues for the three months ended March 31, 2019. Under guidelines established by the SEC, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting for a period of up to one year following an acquisition while integrating the acquired company. The Company is in the process of integrating Newfield's and the Company's internal controls over financial reporting. As a result of these integration activities, certain controls will be evaluated and may be changed. Except as noted above, there were no changes in the Company's internal control over financial reporting that occurred during the first quarter of 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.