

PART I

Item 1. Financial Statements

Condensed Consolidated Statement of Earnings *(unaudited)*

(US\$ millions, except per share amounts)		Three Months Ended June 30,		Six Months Ended June 30,	
		2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Revenues	<i>(Notes 3, 4)</i>				
Product and service revenues		\$ 1,277	\$ 937	\$ 2,537	\$ 1,871
Gains (losses) on risk management, net	<i>(Note 19)</i>	(312)	129	(276)	467
Sublease revenues		18	17	35	34
Total Revenues		983	1,083	2,296	2,372
Operating Expenses	<i>(Note 3)</i>				
Production, mineral and other taxes		35	24	64	53
Transportation and processing	<i>(Note 19)</i>	272	206	521	418
Operating	<i>(Notes 16, 17)</i>	137	113	248	245
Purchased product		248	192	521	363
Depreciation, depletion and amortization		300	193	575	380
Accretion of asset retirement obligation	<i>(Note 12)</i>	8	10	16	21
Administrative	<i>(Notes 16, 17)</i>	99	24	130	82
Total Operating Expenses		1,099	762	2,075	1,562
Operating Income (Loss)		(116)	321	221	810
Other (Income) Expenses					
Interest	<i>(Note 5)</i>	81	79	173	167
Foreign exchange (gain) loss, net	<i>(Notes 6, 19)</i>	25	(58)	116	(84)
(Gain) loss on divestitures, net		(1)	-	(4)	1
Other (gains) losses, net	<i>(Note 17)</i>	-	(27)	(3)	(35)
Total Other (Income) Expenses		105	(6)	282	49
Net Earnings (Loss) Before Income Tax		(221)	327	(61)	761
Income tax expense (recovery)	<i>(Note 7)</i>	(70)	(4)	(61)	(1)
Net Earnings (Loss)		\$ (151)	\$ 331	\$ -	\$ 762
Net Earnings (Loss) per Common Share					
Basic & Diluted	<i>(Note 13)</i>	\$ (0.16)	\$ 0.34	\$ -	\$ 0.78
Dividends Declared per Common Share	<i>(Note 13)</i>	\$ 0.015	\$ 0.015	\$ 0.03	\$ 0.03
Weighted Average Common Shares Outstanding (millions)					
Basic & Diluted	<i>(Note 13)</i>	960.0	973.0	965.7	973.0

(1) 2017 revenues have been realigned to conform with the January 1, 2018 adoption of ASU 2014-09 "Revenue from Contracts with Customers".

Condensed Consolidated Statement of Comprehensive Income *(unaudited)*

(US\$ millions)		Three Months Ended June 30,		Six Months Ended June 30,	
		2018	2017	2018	2017
Net Earnings (Loss)		\$ (151)	\$ 331	\$ -	\$ 762
Other Comprehensive Income (Loss), Net of Tax					
Foreign currency translation adjustment	<i>(Note 14)</i>	(25)	(59)	(1)	(75)
Pension and other post-employment benefit plans	<i>(Notes 14, 17)</i>	-	-	(1)	(1)
Other Comprehensive Income (Loss)		(25)	(59)	(2)	(76)
Comprehensive Income (Loss)		\$ (176)	\$ 272	\$ (2)	\$ 686

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet *(unaudited)*

(US\$ millions)	As at June 30, 2018	As at December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 336	\$ 719
Accounts receivable and accrued revenues	813	774
Risk management <i>(Notes 18, 19)</i>	174	205
Income tax receivable	535	573
	1,858	2,271
Property, Plant and Equipment, at cost: <i>(Note 9)</i>		
Oil and natural gas properties, based on full cost accounting		
Proved properties	40,940	40,228
Unproved properties	4,108	4,480
Other	2,199	2,302
Property, plant and equipment	47,247	47,010
Less: Accumulated depreciation, depletion and amortization	(37,929)	(38,056)
Property, plant and equipment, net <i>(Note 3)</i>	9,318	8,954
Other Assets	176	144
Risk Management <i>(Notes 18, 19)</i>	185	246
Deferred Income Taxes	1,015	1,043
Goodwill <i>(Note 3)</i>	2,576	2,609
	<i>(Note 3)</i> \$ 15,128	\$ 15,267
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,632	\$ 1,415
Income tax payable	4	7
Risk management <i>(Notes 18, 19)</i>	401	236
Current portion of long-term debt <i>(Note 10)</i>	500	-
	2,537	1,658
Long-Term Debt <i>(Note 10)</i>	3,698	4,197
Other Liabilities and Provisions <i>(Note 11)</i>	1,901	2,167
Risk Management <i>(Notes 18, 19)</i>	43	13
Asset Retirement Obligation <i>(Note 12)</i>	420	470
Deferred Income Taxes	32	34
	8,631	8,539
Commitments and Contingencies <i>(Note 21)</i>		
Shareholders' Equity		
Share capital - authorized unlimited common shares		
2018 issued and outstanding: 956.3 million shares (2017: 973.1 million shares) <i>(Note 13)</i>	4,674	4,757
Paid in surplus	1,358	1,358
Accumulated deficit	(575)	(429)
Accumulated other comprehensive income <i>(Note 14)</i>	1,040	1,042
Total Shareholders' Equity	6,497	6,728
	\$ 15,128	\$ 15,267

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Shareholders' Equity *(unaudited)*

Six Months Ended June 30, 2018 (US\$ millions)	Share Capital	Paid in Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2017	\$ 4,757	\$ 1,358	\$ (429)	\$ 1,042	\$ 6,728
Net Earnings (Loss)	-	-	-	-	-
Dividends on Common Shares <i>(Note 13)</i>	-	-	(29)	-	(29)
Common Shares Purchased under Normal Course Issuer Bid <i>(Note 13)</i>	(83)	-	(117)	-	(200)
Common Shares Issued Under Dividend Reinvestment Plan <i>(Note 13)</i>	-	-	-	-	-
Other Comprehensive Income (Loss) <i>(Note 14)</i>	-	-	-	(2)	(2)
Balance, June 30, 2018	\$ 4,674	\$ 1,358	\$ (575)	\$ 1,040	\$ 6,497

Six Months Ended June 30, 2017 (US\$ millions)	Share Capital	Paid in Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2016	\$ 4,756	\$ 1,358	\$ (1,198)	\$ 1,210	\$ 6,126
Net Earnings (Loss)	-	-	762	-	762
Dividends on Common Shares <i>(Note 13)</i>	-	-	(29)	-	(29)
Common Shares Issued Under Dividend Reinvestment Plan <i>(Note 13)</i>	-	-	-	-	-
Other Comprehensive Income (Loss) <i>(Note 14)</i>	-	-	-	(76)	(76)
Balance, June 30, 2017	\$ 4,756	\$ 1,358	\$ (465)	\$ 1,134	\$ 6,783

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(US\$ millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Operating Activities				
Net earnings (loss)	\$ (151)	\$ 331	\$ -	\$ 762
Depreciation, depletion and amortization	300	193	575	380
Accretion of asset retirement obligation <i>(Note 12)</i>	8	10	16	21
Deferred income taxes <i>(Note 7)</i>	(6)	14	-	56
Unrealized (gain) loss on risk management <i>(Note 19)</i>	326	(110)	258	(472)
Unrealized foreign exchange (gain) loss <i>(Note 6)</i>	29	(63)	179	(99)
Foreign exchange on settlements <i>(Note 6)</i>	4	7	(46)	9
(Gain) loss on divestitures, net	(1)	-	(4)	1
Other	77	(31)	8	(29)
Net change in other assets and liabilities	(5)	(4)	(16)	(16)
Net change in non-cash working capital <i>(Note 20)</i>	(106)	(129)	(114)	(289)
Cash From (Used in) Operating Activities	475	218	856	324
Investing Activities				
Capital expenditures <i>(Note 3)</i>	(595)	(415)	(1,103)	(814)
Acquisitions <i>(Note 8)</i>	-	(2)	(2)	(48)
Proceeds from divestitures <i>(Note 8)</i>	46	82	65	85
Net change in investments and other	105	24	80	79
Cash From (Used in) Investing Activities	(444)	(311)	(960)	(698)
Financing Activities				
Purchase of common shares <i>(Note 13)</i>	(89)	-	(200)	-
Dividends on common shares <i>(Note 13)</i>	(14)	(14)	(29)	(29)
Capital lease payments and other financing arrangements <i>(Note 11)</i>	(23)	(24)	(45)	(40)
Cash From (Used in) Financing Activities	(126)	(38)	(274)	(69)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency	(2)	3	(5)	4
Increase (Decrease) in Cash and Cash Equivalents	(97)	(128)	(383)	(439)
Cash and Cash Equivalents, Beginning of Period	433	523	719	834
Cash and Cash Equivalents, End of Period	\$ 336	\$ 395	\$ 336	\$ 395
Cash, End of Period	\$ 24	\$ 112	\$ 24	\$ 112
Cash Equivalents, End of Period	312	283	312	283
Cash and Cash Equivalents, End of Period	\$ 336	\$ 395	\$ 336	\$ 395

See accompanying Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation and Principles of Consolidation

Encana is in the business of the exploration for, the development of, and the production and marketing of oil, NGLs and natural gas.

The interim Condensed Consolidated Financial Statements include the accounts of Encana and entities in which it holds a controlling interest. All intercompany balances and transactions are eliminated on consolidation. Undivided interests in oil and natural gas exploration and production joint ventures and partnerships are consolidated on a proportionate basis. Investments in non-controlled entities over which Encana has the ability to exercise significant influence are accounted for using the equity method.

The interim Condensed Consolidated Financial Statements are prepared in conformity with U.S. GAAP and the rules and regulations of the SEC. Pursuant to these rules and regulations, certain information and disclosures normally required under U.S. GAAP have been condensed or have been disclosed on an annual basis only. Accordingly, the interim Condensed 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, 2017, which are included in Item 8 of Encana's 2017 Annual Report on Form 10-K.

The interim Condensed 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, 2017, except as noted below in Note 2. The disclosures provided below are incremental to those included with the annual audited Consolidated Financial Statements.

These unaudited interim Condensed Consolidated Financial Statements reflect, in the opinion of Management, all normal and recurring adjustments, with the exception of an out-of-period adjustment for the three and six months ended June 30, 2017 as described in Note 6, which are necessary to present fairly the financial position and results of the Company as at and for the periods presented. Interim condensed consolidated financial results are not necessarily indicative of consolidated financial results expected for the fiscal year.

2. Recent Accounting Pronouncements

Changes in Accounting Policies and Practices

On January 1, 2018, Encana adopted the following ASUs issued by the FASB, which have not had a material impact on the Company's interim Condensed Consolidated Financial Statements:

- ASU 2014-09, "Revenue from Contracts with Customers" under Topic 606. The new standard replaces Topic 605, "Revenue Recognition" as well as other industry-specific guidance within the Accounting Standards Codification. Topic 606 is based on the principle that revenue is recognized on the transfer of promised goods or services to customers in an amount that reflects the consideration the company expects to be entitled to in exchange for those goods or services. The standard has been applied using the modified retrospective approach and did not have a material impact on the Company's Condensed Consolidated Financial Statements, other than enhancing disclosures related to the disaggregation of revenues from contracts with customers and performance obligations. The disclosures required under Topic 606 are included in Note 4, Revenues from Contracts with Customers.
- ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". The amendment requires the service cost component to be presented with the related employee compensation costs, while the other components of net benefit costs are required to be presented separately from the service cost component and outside the subtotal of income from operations. In addition, the amendment allows only the service cost to be eligible for capitalization. The amendment has been applied retrospectively for the presentation of net periodic pension costs and net periodic postretirement benefit cost, whereas prospective adoption has been applied to the capitalization of the service cost component.

New Standards Issued Not Yet Adopted

As of January 1, 2019, Encana will be required to adopt ASU 2016-02, “Leases” under Topic 842, which will replace Topic 840 “Leases”. The new standard will require lessees to recognize right-of-use assets and related lease liabilities for all leases, including leases classified as operating leases, on the Consolidated Balance Sheet. The dual classification model was retained for the purpose of subsequent measurement and presentation of leases in the Consolidated Statement of Earnings and Consolidated Statement of Cash Flows. Topic 842 also expands disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The standard will be applied using a modified retrospective approach and provides for certain practical expedients at the date of adoption. In January 2018, FASB issued ASU 2018-01, “Land Easement Practical Expedient for Transition to Topic 842”, which permits entities to elect an optional transition practical expedient for land easements that were not previously accounted for as leases under Topic 840. The expedient provides prospective application of Topic 842 to all new or modified land easements upon adoption of the new standard. Encana intends to elect this transitional practical expedient. Topic 842 also allows a short-term lease exemption which does not require a right-of-use asset and lease liability to be recognized on the Consolidated Balance Sheet when the lease term is 12 months or less, including any renewal periods which are reasonably certain to be exercised. Encana intends to elect the short-term lease exemption.

Encana continues to review and analyze contracts, identify its portfolio of leased assets, gather the necessary terms and data elements, as well as identify the processes and controls required to support the accounting for leases and related disclosures. The Company is in the process of implementing a lease software system which will facilitate the measurement and required disclosures for operating leases. The Company anticipates the software implementation to be complete by the end of 2018. Although Encana is not able to reasonably estimate the financial impact of Topic 842 at this time, the Company anticipates there will be an increase in right of use assets and lease liabilities on the Consolidated Financial Statements.

As of January 1, 2019, Encana will be required to adopt ASU 2018-02 “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income”. The amendments allow for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (“U.S. Tax Reform”). Amendments can be applied either in the period of adoption or retrospectively to each period in which the effect of the rate change from the U.S. Tax Reform is recognized. While Encana has other post-employment benefit plans which were affected by the U.S. Tax Reform, the impact is not material to the Company’s Consolidated Financial Statements. As a result, the Company does not intend to take the election provided in the amendment.

As of January 1, 2020, Encana will be required to adopt ASU 2017-04, “Simplifying the Test for Goodwill Impairment”. The amendment eliminates the second step of the goodwill impairment test which requires the Company to measure the impairment based on the excess amount of the carrying value of the reporting unit’s goodwill over the implied fair value of its goodwill. Under this amendment, the goodwill impairment will be measured based on the excess amount of the reporting unit’s carrying value over its respective fair value. The amendment will be applied prospectively at the date of adoption. Encana is currently in the early stages of reviewing the amendment, but does not expect the amendment to have a material impact on the Company’s Consolidated Financial Statements.

3. Segmented Information

Encana's reportable segments are determined based on the Company's operations and geographic locations as follows:

- **Canadian Operations** includes the exploration for, development of, and production of oil, NGLs and natural gas and other related activities within the Canadian cost centre.
- **USA Operations** includes the exploration for, development of, and production of oil, NGLs and natural gas and other related activities within the U.S. cost centre.
- **Market Optimization** is primarily responsible for the sale of the Company's proprietary production. These results are reported in the Canadian and USA Operations. Market optimization activities include third party purchases and sales of product to provide operational flexibility and cost mitigation for transportation commitments, product type, delivery points and customer diversification. These activities are reflected in the Market Optimization segment. Market Optimization sells substantially all of the Company's upstream production to third party customers. Transactions between segments are based on market values and are eliminated on consolidation.

Corporate and Other mainly includes unrealized gains or losses recorded on derivative financial instruments. Once the instruments are settled, the realized gains and losses are recorded in the reporting segment to which the derivative instruments relate. Corporate and Other also includes amounts related to sublease rentals.

Results of Operations (For the three months ended June 30)

Segment and Geographic Information

	Canadian Operations		USA Operations		Market Optimization	
	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Revenues						
Product and service revenues	\$ 379	\$ 265	\$ 607	\$ 468	\$ 291	\$ 204
Gains (losses) on risk management, net	73	2	(57)	17	(2)	-
Sublease revenues	-	-	-	-	-	-
Total Revenues	452	267	550	485	289	204
Operating Expenses						
Production, mineral and other taxes	4	5	31	19	-	-
Transportation and processing	207	133	31	51	34	22
Operating	35	22	84	84	13	3
Purchased product	-	-	-	-	248	192
Depreciation, depletion and amortization	85	53	202	123	1	-
Total Operating Expenses	331	213	348	277	296	217
Operating Income (Loss)	\$ 121	\$ 54	\$ 202	\$ 208	\$ (7)	\$ (13)
			Corporate & Other		Consolidated	
			2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Revenues						
Product and service revenues			\$ -	\$ -	\$ 1,277	\$ 937
Gains (losses) on risk management, net			(326)	110	(312)	129
Sublease revenues			18	17	18	17
Total Revenues			(308)	127	983	1,083
Operating Expenses						
Production, mineral and other taxes			-	-	35	24
Transportation and processing			-	-	272	206
Operating			5	4	137	113
Purchased product			-	-	248	192
Depreciation, depletion and amortization			12	17	300	193
Accretion of asset retirement obligation			8	10	8	10
Administrative			99	24	99	24
Total Operating Expenses			124	55	1,099	762
Operating Income (Loss)			\$ (432)	\$ 72	(116)	321
Other (Income) Expenses						
Interest					81	79
Foreign exchange (gain) loss, net					25	(58)
(Gain) loss on divestitures, net					(1)	-
Other (gains) losses, net					-	(27)
Total Other (Income) Expenses					105	(6)
Net Earnings (Loss) Before Income Tax					(221)	327
Income tax expense (recovery)					(70)	(4)
Net Earnings (Loss)					\$ (151)	\$ 331

(1) 2017 revenues have been realigned to conform with the January 1, 2018 adoption of ASU 2014-09 "Revenue from Contracts with Customers".

Results of Operations (For the six months ended June 30)

Segment and Geographic Information

	Canadian Operations		USA Operations		Market Optimization	
	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Revenues						
Product and service revenues	\$ 783	\$ 566	\$ 1,162	\$ 915	\$ 592	\$ 390
Gains (losses) on risk management, net	85	(19)	(101)	14	(2)	-
Sublease revenues	-	-	-	-	-	-
Total Revenues	868	547	1,061	929	590	390
Operating Expenses						
Production, mineral and other taxes	8	10	56	43	-	-
Transportation and processing	397	265	58	110	66	43
Operating	64	53	158	171	17	12
Purchased product	-	-	-	-	521	363
Depreciation, depletion and amortization	162	117	387	229	1	-
Total Operating Expenses	631	445	659	553	605	418
Operating Income (Loss)	\$ 237	\$ 102	\$ 402	\$ 376	\$ (15)	\$ (28)
			Corporate & Other		Consolidated	
			2018	2017 ⁽¹⁾	2018	2017 ⁽¹⁾
Revenues						
Product and service revenues			\$ -	\$ -	\$ 2,537	\$ 1,871
Gains (losses) on risk management, net			(258)	472	(276)	467
Sublease revenues			35	34	35	34
Total Revenues			(223)	506	2,296	2,372
Operating Expenses						
Production, mineral and other taxes			-	-	64	53
Transportation and processing			-	-	521	418
Operating			9	9	248	245
Purchased product			-	-	521	363
Depreciation, depletion and amortization			25	34	575	380
Accretion of asset retirement obligation			16	21	16	21
Administrative			130	82	130	82
Total Operating Expenses			180	146	2,075	1,562
Operating Income (Loss)			\$ (403)	\$ 360	221	810
Other (Income) Expenses						
Interest					173	167
Foreign exchange (gain) loss, net					116	(84)
(Gain) loss on divestitures, net					(4)	1
Other (gains) losses, net					(3)	(35)
Total Other (Income) Expenses					282	49
Net Earnings (Loss) Before Income Tax					(61)	761
Income tax expense (recovery)					(61)	(1)
Net Earnings (Loss)					\$ -	\$ 762

(1) 2017 revenues have been realigned to conform with the January 1, 2018 adoption of ASU 2014-09 "Revenue from Contracts with Customers".

Intersegment Information

		Market Optimization					
		Marketing Sales		Upstream Eliminations		Total	
For the three months ended June 30,		2018	2017	2018	2017	2018	2017
Revenues	\$	1,359	\$ 951	\$ (1,070)	\$ (747)	\$ 289	\$ 204
Operating Expenses							
Transportation and processing		109	61	(75)	(39)	34	22
Operating		13	3	-	-	13	3
Purchased product		1,243	900	(995)	(708)	248	192
Depreciation, depletion and amortization		1	-	-	-	1	-
Operating Income (Loss)	\$	(7)	\$ (13)	\$ -	\$ -	\$ (7)	\$ (13)

		Market Optimization					
		Marketing Sales		Upstream Eliminations		Total	
For the six months ended June 30,		2018	2017	2018	2017	2018	2017
Revenues	\$	2,690	\$ 1,907	\$ (2,100)	\$ (1,517)	\$ 590	\$ 390
Operating Expenses							
Transportation and processing		215	125	(149)	(82)	66	43
Operating		17	12	-	-	17	12
Purchased product		2,472	1,798	(1,951)	(1,435)	521	363
Depreciation, depletion and amortization		1	-	-	-	1	-
Operating Income (Loss)	\$	(15)	\$ (28)	\$ -	\$ -	\$ (15)	\$ (28)

Capital Expenditures

		Three Months Ended June 30,		Six Months Ended June 30,	
		2018	2017	2018	2017
Canadian Operations	\$	211	\$ 81	\$ 379	\$ 169
USA Operations		382	333	720	644
Corporate & Other		2	1	4	1
	\$	595	\$ 415	\$ 1,103	\$ 814

Goodwill, Property, Plant and Equipment and Total Assets by Segment

	Goodwill		Property, Plant and Equipment		Total Assets	
	As at		As at		As at	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Canadian Operations	\$ 663	\$ 696	\$ 981	\$ 862	\$ 1,970	\$ 1,908
USA Operations	1,913	1,913	6,889	6,555	9,596	9,301
Market Optimization	-	-	1	2	211	152
Corporate & Other	-	-	1,447	1,535	3,351	3,906
	\$ 2,576	\$ 2,609	\$ 9,318	\$ 8,954	\$ 15,128	\$ 15,267

4. Revenues from Contracts with Customers

The following tables summarize the Company's revenues from contracts with customers and other sources of revenues. Encana presents realized and unrealized gains and losses on certain derivative contracts within revenues.

Revenues (For the three months ended June 30)

	Canadian Operations		USA Operations		Market Optimization	
	2018	2017	2018	2017	2018	2017
Revenues from Customers						
Product revenues ⁽¹⁾						
Oil	\$ 2	\$ 1	\$ 516	\$ 324	\$ 28	\$ 51
NGLs	216	98	71	38	3	-
Natural gas	164	169	29	103	246	149
Service revenues						
Gathering and processing	2	-	-	4	-	-
Product and Service Revenues	384	268	616	469	277	200
Other Revenues						
Gains (losses) on risk management, net ⁽²⁾	73	2	(57)	17	(2)	-
Sublease revenues	-	-	-	-	-	-
Other Revenues	73	2	(57)	17	(2)	-
Total Revenues	\$ 457	\$ 270	\$ 559	\$ 486	\$ 275	\$ 200

	Corporate & Other		Consolidated	
	2018	2017	2018	2017
Revenues from Customers				
Product revenues ⁽¹⁾				
Oil	\$ -	\$ -	\$ 546	\$ 376
NGLs	-	-	290	136
Natural gas	-	-	439	421
Service revenues				
Gathering and processing	-	-	2	4
Product and Service Revenues	-	-	1,277	937
Other Revenues				
Gains (losses) on risk management, net ⁽²⁾	(326)	110	(312)	129
Sublease revenues	18	17	18	17
Other Revenues	(308)	127	(294)	146
Total Revenues	\$ (308)	\$ 127	\$ 983	\$ 1,083

(1) Includes revenues from production and revenues of product purchased from third parties, but excludes intercompany marketing fees transacted between the Company's operating segments.

(2) Canadian Operations, USA Operations and Market Optimization include realized gains/(losses) on risk management. Corporate & Other includes unrealized gains/(losses) on risk management.

Revenues (For the six months ended June 30)

	Canadian Operations		USA Operations		Market Optimization	
	2018	2017	2018	2017	2018	2017
Revenues from Customers						
Product revenues ⁽¹⁾						
Oil	\$ 5	\$ 3	\$ 989	\$ 625	\$ 50	\$ 88
NGLs	396	193	123	78	5	12
Natural gas	385	372	61	210	519	276
Service revenues						
Gathering and processing	4	4	-	10	-	-
Product and Service Revenues	790	572	1,173	923	574	376
Other Revenues						
Gains (losses) on risk management, net ⁽²⁾	85	(19)	(101)	14	(2)	-
Sublease revenues	-	-	-	-	-	-
Other Revenues	85	(19)	(101)	14	(2)	-
Total Revenues	\$ 875	\$ 553	\$ 1,072	\$ 937	\$ 572	\$ 376

	Corporate & Other		Consolidated	
	2018	2017	2018	2017
Revenues from Customers				
Product revenues ⁽¹⁾				
Oil	\$ -	\$ -	\$ 1,044	\$ 716
NGLs	-	-	524	283
Natural gas	-	-	965	858
Service revenues				
Gathering and processing	-	-	4	14
Product and Service Revenues	-	-	2,537	1,871
Other Revenues				
Gains (losses) on risk management, net ⁽²⁾	(258)	472	(276)	467
Sublease revenues	35	34	35	34
Other Revenues	(223)	506	(241)	501
Total Revenues	\$ (223)	\$ 506	\$ 2,296	\$ 2,372

(1) Includes revenues from production and revenues of product purchased from third parties, but excludes intercompany marketing fees transacted between the Company's operating segments.

(2) Canadian Operations, USA Operations and Market Optimization include realized gains/(losses) on risk management. Corporate & Other includes unrealized gains/(losses) on risk management.

The Company's revenues from contracts with customers consists of product sales including oil, NGLs and natural gas, as well as the provision of gathering and processing services to third parties. Encana had no contract asset or liability balances during the periods presented. As at June 30, 2018, receivables and accrued revenues from contracts with customers were \$715 million (\$676 million as at December 31, 2017).

Performance obligations arising from product sales contracts are typically satisfied at a point in time when the product is delivered to the customer and control is transferred. Payment from the customer is due when the product is delivered to the custody point. The Company's product sales are sold under short-term contracts with terms that are less than one year at either fixed or market index prices or under long-term contracts exceeding one year at market index prices.

As at June 30, 2018, all remaining performance obligations are priced at market index prices or are variable volume delivery contracts. As such, the variable consideration is allocated entirely to the wholly unsatisfied performance obligation or promise to deliver units of production, and revenue is recognized at the amount for which the Company has the right to invoice the product delivered.

Performance obligations arising from arrangements to gather and process natural gas on behalf of third parties are typically satisfied over time as the service is provided to the customer. Payment from the customer is due when the customer receives the benefit of the service and the product is delivered to the custody point or plant tailgate. The Company's gathering and processing services are provided on an interruptible basis with transaction prices that are for fixed prices and/or variable

consideration. Variable consideration received is related to recovery of plant operating costs or escalation of the fixed price based on a consumer price index. As the service contracts are interruptible, with service provided on an “as available” basis, there are no unsatisfied performance obligations remaining at June 30, 2018.

5. Interest

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest Expense on:				
Debt	\$ 67	\$ 67	\$ 133	\$ 133
The Bow office building	16	15	32	31
Capital leases	4	5	9	10
Other	(6)	(8)	(1)	(7)
	\$ 81	\$ 79	\$ 173	\$ 167

For the three and six months ended June 30, 2018, other includes \$11 million of interest recovered due to the resolution of certain tax items relating to prior taxation years (2017 - \$13 million and \$17 million, respectively).

6. Foreign Exchange (Gain) Loss, Net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar financing debt issued from Canada	\$ 90	\$ (45)	\$ 212	\$ (78)
Translation of U.S. dollar risk management contracts issued from Canada	1	(28)	10	(32)
Translation of intercompany notes	(62)	10	(43)	11
	29	(63)	179	(99)
Foreign Exchange on Settlements of:				
U.S. dollar financing debt issued from Canada	1	7	1	7
U.S. dollar risk management contracts issued from Canada	(3)	2	(10)	1
Intercompany notes	3	-	(47)	2
Other Monetary Revaluations	(5)	(4)	(7)	5
	\$ 25	\$ (58)	\$ 116	\$ (84)

The unrealized foreign exchange (gain) loss on translation of U.S. dollar financing debt issued from Canada for the three and six months ended June 30, 2017 disclosed in the table above included an out-of-period adjustment in respect of unrealized losses on a foreign-denominated capital lease obligation since December 2013. The cumulative impact recognized within foreign exchange (gain) loss in the Company’s Condensed Consolidated Statement of Earnings for the three and six months ended June 30, 2017 was \$68 million, before tax (\$47 million, after tax). Encana determined that the adjustment was not material to the Condensed Consolidated Financial Statements for the period ended June 30, 2017 or any prior periods.

7. Income Taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Current Tax				
Canada	\$ (66)	\$ (20)	\$ (66)	\$ (62)
United States	1	1	2	1
Other Countries	1	1	3	4
Total Current Tax Expense (Recovery)	(64)	(18)	(61)	(57)
Deferred Tax				
Canada	(25)	2	(28)	20
United States	3	6	7	21
Other Countries	16	6	21	15
Total Deferred Tax Expense (Recovery)	(6)	14	-	56
Income Tax Expense (Recovery)	\$ (70)	\$ (4)	\$ (61)	\$ (1)
Effective Tax Rate	31.7%	(1.2%)	100.0%	(0.1%)

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 impacted by expected annual earnings, income tax related to foreign operations, the effect of legislative changes including U.S. Tax Reform, non-taxable capital gains and losses, tax differences on divestitures and transactions, and partnership tax allocations in excess of funding.

During the three and six months ended June 30, 2018, the current income tax recovery was primarily due to the resolution of certain tax items relating to prior taxation years. During the three and six months ended June 30, 2017, the current income tax recovery was primarily due to the successful resolution of certain tax items previously assessed by the taxing authorities relating to prior taxation years.

The effective tax rate of 100 percent for the six months ended June 30, 2018 is higher than the Canadian statutory rate of 27 percent primarily due to the current year items discussed above. The effective tax rate of (0.1) percent for the six months ended June 30, 2017 is 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 as well as the items discussed above.

During the six months ended June 30, 2018, there was no change to the provisional tax adjustment recognized in 2017 resulting from the re-measurement of the Company's tax position due to a reduction of the U.S. federal corporate tax rate under U.S. Tax Reform. The provisional amount recognized may change due to additional regulatory guidance that may be issued, and from additional analysis or changes in interpretation and assumptions of the U.S. Tax Reform made by the Company.

8. Acquisitions and Divestitures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Acquisitions				
Canadian Operations	\$ -	\$ -	\$ 2	\$ 31
USA Operations	-	2	-	17
Total Acquisitions	-	2	2	48
Divestitures				
Canadian Operations	(44)	(3)	(57)	(6)
USA Operations	(2)	(79)	(8)	(79)
Total Divestitures	(46)	(82)	(65)	(85)
Net Acquisitions & (Divestitures)	\$ (46)	\$ (80)	\$ (63)	\$ (37)

Acquisitions

For the six months ended June 30, 2018, acquisitions in the Canadian and USA Operations were \$2 million (2017 - \$31 million) and nil (2017 - \$17 million), respectively, which primarily included land purchases with oil and liquids rich potential.

Divestitures

For the six months ended June 30, 2018, divestitures in the Canadian Operations were \$57 million, which primarily included the sale of the Pipestone midstream assets located in Alberta. During the six months ended June 30, 2017, divestitures in the Canadian Operations were \$6 million, which primarily included the sale of certain properties that did not complement Encana's existing portfolio of assets.

For the six months ended June 30, 2018, divestitures in the USA Operations were \$8 million, which primarily included the sale of certain properties that did not complement Encana's existing portfolio of assets. During the six months ended June 30, 2017, divestitures in the USA Operations were \$79 million, which primarily included the sale of the Tuscaloosa Marine Shale assets in Mississippi and Louisiana.

Amounts received from the Company's divestiture transactions have been deducted from the respective Canadian and U.S. full cost pools.

9. Property, Plant and Equipment, Net

	As at June 30, 2018			As at December 31, 2017		
	Cost	Accumulated DD&A	Net	Cost	Accumulated DD&A	Net
Canadian Operations						
Proved properties	\$ 14,246	\$ (13,540)	\$ 706	\$ 14,555	\$ (14,047)	\$ 508
Unproved properties	243	-	243	311	-	311
Other	32	-	32	43	-	43
	14,521	(13,540)	981	14,909	(14,047)	862
USA Operations						
Proved properties	26,635	(23,627)	3,008	25,610	(23,240)	2,370
Unproved properties	3,865	-	3,865	4,169	-	4,169
Other	16	-	16	16	-	16
	30,516	(23,627)	6,889	29,795	(23,240)	6,555
Market Optimization	7	(6)	1	7	(5)	2
Corporate & Other	2,203	(756)	1,447	2,299	(764)	1,535
	\$ 47,247	\$ (37,929)	\$ 9,318	\$ 47,010	\$ (38,056)	\$ 8,954

Canadian and USA Operations property, plant and equipment include internal costs directly related to exploration, development and construction activities of \$109 million, which have been capitalized during the six months ended June 30, 2018 (2017 - \$77 million). Included in Corporate and Other are \$59 million (\$63 million as at December 31, 2017) of international property costs, which have been fully impaired.

Capital Lease Arrangements

The Company has several lease arrangements that are accounted for as capital leases including an office building and an offshore production platform.

As at June 30, 2018, the total carrying value of assets under capital lease was \$44 million (\$46 million as at December 31, 2017), net of accumulated amortization of \$664 million (\$684 million as at December 31, 2017). Liabilities for the capital lease arrangements are included in other liabilities and provisions in the Condensed Consolidated Balance Sheet and are disclosed in Note 11.

Other Arrangement

As at June 30, 2018, Corporate and Other property, plant and equipment and total assets include a carrying value of \$1,185 million (\$1,255 million as at December 31, 2017) related to The Bow office building, which is under a 25-year lease agreement. The Bow asset is being depreciated over the 60-year estimated life of the building. At the conclusion of the 25-year term, the remaining asset and corresponding liability are expected to be derecognized as disclosed in Note 11.

10. Long-Term Debt

	As at June 30, 2018	As at December 31, 2017
U.S. Dollar Denominated Debt		
U.S. Unsecured Notes:		
6.50% due May 15, 2019	\$ 500	\$ 500
3.90% due November 15, 2021	600	600
8.125% due September 15, 2030	300	300
7.20% due November 1, 2031	350	350
7.375% due November 1, 2031	500	500
6.50% due August 15, 2034	750	750
6.625% due August 15, 2037	462	462
6.50% due February 1, 2038	505	505
5.15% due November 15, 2041	244	244
Total Principal	4,211	4,211
Increase in Value of Debt Acquired	24	26
Unamortized Debt Discounts and Issuance Costs	(37)	(40)
Current Portion of Long-Term Debt	(500)	-
	\$ 3,698	\$ 4,197

As at June 30, 2018, total long-term debt had a carrying value of \$4,198 million and a fair value of \$4,792 million (as at December 31, 2017 - carrying value of \$4,197 million and a fair value of \$5,042 million). The estimated fair value of long-term borrowings is categorized within Level 2 of the fair value hierarchy and has been determined based on market information of long-term debt with similar terms and maturity, or by discounting future payments of interest and principal at interest rates expected to be available to the Company at period end.

11. Other Liabilities and Provisions

	As at June 30, 2018	As at December 31, 2017
The Bow Office Building	\$ 1,274	\$ 1,344
Capital Lease Obligations	254	295
Unrecognized Tax Benefits	169	202
Pensions and Other Post-Employment Benefits	118	116
Long-Term Incentive Costs (See Note 16)	52	175
Other Derivative Contracts (See Notes 18, 19)	12	14
Other	22	21
	\$ 1,901	\$ 2,167

The Bow Office Building

As described in Note 9, Encana has recognized the accumulated costs for The Bow office building, which is under a 25-year lease agreement. At the conclusion of the lease term, the remaining asset and corresponding liability are expected to be derecognized. Encana has also subleased approximately 50 percent of The Bow office space under the lease agreement. The total expected future principal and interest payments related to the 25-year lease agreement and the total undiscounted future amounts expected to be recovered from the sublease are outlined below.

	2018	2019	2020	2021	2022	Thereafter	Total
Expected Future Lease Payments	\$ 36	\$ 73	\$ 74	\$ 74	\$ 75	\$ 1,233	\$ 1,565
Less: Amounts Representing Interest	31	61	61	60	59	763	1,035
Present Value of Expected Future Lease Payments	\$ 5	\$ 12	\$ 13	\$ 14	\$ 16	\$ 470	\$ 530
Sublease Recoveries (undiscounted)	\$ (18)	\$ (36)	\$ (36)	\$ (36)	\$ (37)	\$ (607)	\$ (770)

Capital Lease Obligations

As described in Note 9, the Company has several lease arrangements that are accounted for as capital leases including an office building and the Deep Panuke offshore Production Field Centre ("PFC"). Variable interests related to the PFC are described in Note 15.

The total expected future lease payments related to the Company's capital lease obligations are outlined below.

	2018	2019	2020	2021	2022	Thereafter	Total
Expected Future Lease Payments	\$ 50	\$ 99	\$ 99	\$ 87	\$ 8	\$ 38	\$ 381
Less: Amounts Representing Interest	9	15	10	4	2	5	45
Present Value of Expected Future Lease Payments	\$ 41	\$ 84	\$ 89	\$ 83	\$ 6	\$ 33	\$ 336

12. Asset Retirement Obligation

	As at June 30, 2018	As at December 31, 2017
Asset Retirement Obligation, Beginning of Year	\$ 514	\$ 687
Liabilities Incurred and Acquired	10	11
Liabilities Settled and Divested	(15)	(333)
Change in Estimated Future Cash Outflows	-	88
Accretion Expense	16	37
Foreign Currency Translation	(19)	24
Asset Retirement Obligation, End of Period	\$ 506	\$ 514
Current Portion	\$ 86	\$ 44
Long-Term Portion	420	470
	\$ 506	\$ 514

13. Share Capital

Authorized

The Company is authorized to issue an unlimited number of no par value common shares and Class A Preferred Shares limited to a number equal to not more than 20 percent of the issued and outstanding number of common shares at the time of issuance. No Class A Preferred Shares are outstanding.

Issued and Outstanding

	As at June 30, 2018		As at December 31, 2017	
	Number (millions)	Amount	Number (millions)	Amount
Common Shares Outstanding, Beginning of Year	973.1	\$ 4,757	973.0	\$ 4,756
Common Shares Purchased	(16.8)	(83)	-	-
Common Shares Issued Under Dividend Reinvestment Plan	-	-	0.1	1
Common Shares Outstanding, End of Period	956.3	\$ 4,674	973.1	\$ 4,757

During the six months ended June 30, 2018, Encana issued 31,212 common shares totaling \$0.4 million under the Company's dividend reinvestment plan ("DRIP"). During the twelve months ended December 31, 2017, Encana issued 58,480 common shares totaling \$0.6 million under the DRIP.

Dividends

During the three months ended June 30, 2018, Encana paid dividends of \$0.015 per common share totaling \$14 million (2017 - \$0.015 per common share totaling \$14 million). During the six months ended June 30, 2018, Encana paid dividends of \$0.03 per common share totaling \$29 million (2017 - \$0.03 per common share totaling \$29 million).

For the three and six months ended June 30, 2018, the dividends paid included \$0.1 million and \$0.4 million, respectively, in common shares issued in lieu of cash dividends under the DRIP (for the three and six months ended June 30, 2017 - \$0.1 million and \$0.3 million, respectively).

On July 31, 2018, the Board of Directors declared a dividend of \$0.015 per common share payable on September 28, 2018 to common shareholders of record as of September 14, 2018.

Normal Course Issuer Bid

On February 26, 2018, the Company announced it received approval from the TSX to purchase, for cancellation, up to 35 million common shares pursuant to a NCIB over a 12-month period from February 28, 2018 to February 27, 2019. The Company has authorization from its Board to spend up to \$400 million on the NCIB.

All purchases are made in accordance with the NCIB at prevailing market prices plus brokerage fees, with consideration allocated to share capital up to the average carrying amount of the shares, and any excess is allocated to retained earnings/accumulated deficit.

For the six months ended June 30, 2018, the Company purchased approximately 16.8 million common shares for total consideration of approximately \$200 million. Of the amount paid, \$83 million was charged to share capital and \$117 million was charged to accumulated deficit.

Earnings Per Common Share

The following table presents the computation of net earnings (loss) per common share:

(US\$ millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Earnings (Loss)	\$ (151)	\$ 331	\$ -	\$ 762
Number of Common Shares:				
Weighted average common shares outstanding - Basic	960.0	973.0	965.7	973.0
Effect of dilutive securities	-	-	-	-
Weighted average common shares outstanding - Diluted	960.0	973.0	965.7	973.0
Net Earnings (Loss) per Common Share				
Basic & Diluted	\$ (0.16)	\$ 0.34	\$ -	\$ 0.78

Encana Stock Option Plan

Encana has share-based compensation plans that allow employees to purchase common shares of the Company. Option exercise prices are not less than the market value of the common shares on the date the options are granted. All options outstanding as at June 30, 2018 have associated Tandem Stock Appreciation Rights (“TSARs”) attached. In lieu of exercising the option, the associated TSARs give the option holder the right to receive a cash payment equal to the excess of the market price of Encana’s common shares at the time of the exercise over the original grant price.

In addition, certain stock options granted are performance-based whereby vesting is also subject to Encana attaining prescribed performance relative to predetermined key measures. Historically, most holders of options with TSARs have elected to exercise their stock options as a Stock Appreciation Right (“SAR”) in exchange for a cash payment. As a result, outstanding TSARs are not considered potentially dilutive securities.

Encana Restricted Share Units (“RSUs”)

Encana has a share-based compensation plan whereby eligible employees and Directors are granted RSUs. An RSU is a conditional grant to receive the equivalent of an Encana common share upon vesting of the RSUs and in accordance with the terms of the RSU Plan and Grant Agreement. The Company currently settles vested RSUs in cash. As a result, RSUs are not considered potentially dilutive securities.

14. Accumulated Other Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Foreign Currency Translation Adjustment				
Balance, Beginning of Period	\$ 1,053	\$ 1,184	\$ 1,029	\$ 1,200
Change in Foreign Currency Translation Adjustment	(25)	(59)	(1)	(75)
Balance, End of Period	\$ 1,028	\$ 1,125	\$ 1,028	\$ 1,125
Pension and Other Post-Employment Benefit Plans				
Balance, Beginning of Period	\$ 12	\$ 9	\$ 13	\$ 10
Reclassification of Net Actuarial (Gains) and Losses to Net Earnings (See Note 17)	-	-	(1)	(1)
Income Taxes	-	-	-	-
Balance, End of Period	\$ 12	\$ 9	\$ 12	\$ 9
Total Accumulated Other Comprehensive Income	\$ 1,040	\$ 1,134	\$ 1,040	\$ 1,134

15. Variable Interest Entities

Production Field Centre

In 2008, Encana entered into a contract for the design, construction and operation of the PFC at its Deep Panuke facility. Upon commencement of operations in December 2013, Encana recognized the PFC as a capital lease asset. Under the lease contract, Encana has a purchase option and the option to extend the lease for 12 one-year terms at fixed prices after the initial lease term expires in 2021.

As a result of the purchase option and fixed price renewal options, Encana has determined it holds variable interests and that the related leasing entity qualifies as a variable interest entity (“VIE”). Encana is not the primary beneficiary of the VIE as the Company does not have the power to direct the activities that most significantly impact the VIE’s economic performance. Encana is not required to provide any financial support or guarantees to the leasing entity or its affiliates, other than the contractual payments under the lease and operating agreements. Encana’s maximum exposure is the expected lease payments over the initial contract term. As at June 30, 2018, Encana had a capital lease obligation of \$278 million (\$314 million as at December 31, 2017) related to the PFC.

Veresen Midstream Limited Partnership

Veresen Midstream Limited Partnership (“VMLP”) provides gathering, compression and processing services under various agreements related to the Company’s development of liquids and natural gas production in the Montney play. As at June 30, 2018, VMLP provides approximately 1,150 MMcf/d of natural gas gathering and compression and 887 MMcf/d of natural gas processing under long-term service agreements with remaining terms ranging from up to 13 to 27 years and have various renewal terms providing up to a potential maximum of 10 years.

Encana has determined that VMLP is a VIE and that Encana holds variable interests in VMLP. Encana is not the primary beneficiary as the Company does not have the power to direct the activities that most significantly impact VMLP’s economic performance. These key activities relate to the construction, operation, maintenance and marketing of the assets owned by VMLP. The variable interests arise from certain terms under the various long-term service agreements and include: i) a take or pay for volumes in certain agreements; ii) an operating fee of which a portion can be converted into a fixed fee once VMLP assumes operatorship of certain assets; and iii) a potential payout of minimum costs in certain agreements. The potential payout of minimum costs will be assessed in the eighth year of the assets’ service period and is based on whether there is an overall shortfall of total system cash flows from natural gas gathered and compressed under certain agreements. The potential payout amount can be reduced in the event VMLP markets unutilized capacity to third party users. Encana is not required to provide any financial support or guarantees to VMLP.

As a result of Encana’s involvement with VMLP, the maximum total exposure, which represents the potential exposure to Encana in the event the assets under the agreements are deemed worthless, is estimated to be \$2,382 million as at June 30, 2018. The estimate comprises the take or pay volume commitments and the potential payout of minimum costs. The take or pay volume commitments associated with certain gathering and processing assets are included in Note 21 under Transportation and Processing. The potential payout requirement is highly uncertain as the amount is contingent on future production estimates, pace of development and the amount of capacity contracted to third parties. As at June 30, 2018, there were no accounts payable and accrued liabilities outstanding related to the take or pay commitment.

16. Compensation Plans

Encana has a number of compensation arrangements under which the Company awards various types of long-term incentive grants to eligible employees and Directors. They may include TSARs, Performance TSARs, SARs, Performance Share Units (“PSUs”), Deferred Share Units (“DSUs”) and RSUs. These compensation arrangements are share-based.

Encana accounts for TSARs, Performance TSARs, SARs, PSUs and RSUs held by employees as cash-settled share-based payment transactions and, accordingly, accrues compensation costs over the vesting period based on the fair value of the rights determined using the Black-Scholes-Merton and other fair value models.

The following weighted average assumptions were used to determine the fair value of the share units held by employees:

	As at June 30, 2018		As at June 30, 2017	
	US\$ Share Units	C\$ Share Units	US\$ Share Units	C\$ Share Units
Risk Free Interest Rate	1.84%	1.84%	1.09%	1.09%
Dividend Yield	0.46%	0.45%	0.68%	0.70%
Expected Volatility Rate ⁽¹⁾	57.6%	54.1%	59.17%	54.94%
Expected Term	1.8 yrs	2.0 yrs	1.9 yrs	1.9 yrs
Market Share Price	US\$13.05	C\$17.17	US\$8.80	C\$11.41

(1) Volatility was estimated using historical rates.

The Company has recognized the following share-based compensation costs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Total Compensation Costs of Transactions Classified as Cash-Settled	\$ 109	\$ (41)	\$ 82	\$ (7)
Less: Total Share-Based Compensation Costs Capitalized	(31)	11	(22)	-
Total Share-Based Compensation Expense (Recovery)	\$ 78	\$ (30)	\$ 60	\$ (7)
Recognized on the Condensed Consolidated Statement of Earnings in:				
Operating	\$ 22	\$ (8)	\$ 16	\$ -
Administrative	56	(22)	44	(7)
	\$ 78	\$ (30)	\$ 60	\$ (7)

As at June 30, 2018, the liability for share-based payment transactions totaled \$319 million (\$327 million as at December 31, 2017), of which \$267 million (\$152 million as at December 31, 2017) is recognized in accounts payable and accrued liabilities and \$52 million (\$175 million as at December 31, 2017) is recognized in other liabilities and provisions in the Condensed Consolidated Balance Sheet.

	As at June 30, 2018	As at December 31, 2017
Liability for Cash-Settled Share-Based Payment Transactions:		
Unvested	\$ 255	\$ 274
Vested	64	53
	\$ 319	\$ 327

The following units were granted primarily in conjunction with the Company's February annual long-term incentive award. The TSARs, SARs, PSUs and RSUs were granted at the volume-weighted average trading price of Encana's common shares for the five days prior to the grant date.

Six Months Ended June 30, 2018 (thousands of units)

TSARs	872
SARs	359
PSUs	2,515
DSUs	32
RSUs	5,275

17. Pension and Other Post-Employment Benefits

The Company has recognized total benefit plans expense which includes pension benefits and other post-employment benefits (“OPEB”) for the six months ended June 30 as follows:

	Pension Benefits		OPEB		Total	
	2018	2017	2018	2017	2018	2017
Net Defined Periodic Benefit Cost	\$ -	\$ (1)	\$ 3	\$ 5	\$ 3	\$ 4
Defined Contribution Plan Expense	12	12	-	-	12	12
Total Benefit Plans Expense	\$ 12	\$ 11	\$ 3	\$ 5	\$ 15	\$ 16

Of the total benefit plans expense, \$11 million (2017 - \$12 million) was included in operating expense and \$4 million (2017 - \$4 million) was included in administrative expense.

The net defined periodic benefit cost for the six months ended June 30 is as follows:

	Defined Benefits		OPEB		Total	
	2018	2017	2018	2017	2018	2017
Service Cost	\$ -	\$ -	\$ 3	\$ 4	\$ 3	\$ 4
Interest Cost	4	4	1	2	5	6
Expected Return on Plan Assets	(4)	(5)	-	-	(4)	(5)
Amounts Reclassified from Accumulated Other Comprehensive Income:						
Amortization of net actuarial (gains) and losses	-	-	(1)	(1)	(1)	(1)
Total Net Defined Periodic Benefit Cost ⁽¹⁾	\$ -	\$ (1)	\$ 3	\$ 5	\$ 3	\$ 4

(1) The components of total net defined periodic benefit cost, excluding the service cost component, are included in other (gains) losses, net.

18. Fair Value Measurements

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturity of those instruments.

Recurring fair value measurements are performed for risk management assets and liabilities and other derivative contracts, as discussed further in Note 19. These items are carried at fair value in the Condensed Consolidated Balance Sheet and are classified within the three levels of the fair value hierarchy in the following tables. There have been no significant transfers between the hierarchy levels during the period.

Fair value changes and settlements for amounts related to risk management assets and liabilities are recognized in revenues, transportation and processing expense, and foreign exchange gains and losses according to their purpose.

As at June 30, 2018	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽¹⁾	Carrying Amount
Risk Management Assets						
Commodity Derivatives:						
Current assets	\$ 7	\$ 293	\$ -	\$ 300	\$ (129)	\$ 171
Long-term assets	-	198	-	198	(14)	184
Foreign Currency Derivatives:						
Current assets	-	3	-	3	-	3
Long-term assets	-	1	-	1	-	1
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	\$ -	\$ 431	\$ 98	\$ 529	\$ (129)	\$ 400
Long-term liabilities	-	38	19	57	(14)	43
Foreign Currency Derivatives:						
Current liabilities	-	1	-	1	-	1
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	\$ -	\$ 5	\$ -	\$ 5	\$ -	\$ 5
Long-term in other liabilities and provisions	-	12	-	12	-	12

As at December 31, 2017	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽¹⁾	Carrying Amount
Risk Management Assets						
Commodity Derivatives:						
Current assets	\$ -	\$ 189	\$ -	\$ 189	\$ (15)	\$ 174
Long-term assets	-	248	-	248	(2)	246
Foreign Currency Derivatives:						
Current assets	-	31	-	31	-	31
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	\$ 3	\$ 196	\$ 51	\$ 250	\$ (15)	\$ 235
Long-term liabilities	-	15	-	15	(2)	13
Foreign Currency Derivatives:						
Current liabilities	-	1	-	1	-	1
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	\$ -	\$ 5	\$ -	\$ 5	\$ -	\$ 5
Long-term in other liabilities and provisions	-	14	-	14	-	14

(1) Netting to offset derivative assets and liabilities where the legal right and intention to offset exists, or where counterparty master netting arrangements contain provisions for net settlement.

The Company's Level 1 and Level 2 risk management assets and liabilities consist of commodity fixed price contracts, fixed price swaptions, NYMEX call options, foreign currency swaps and basis swaps with terms to 2023. Level 2 also includes financial guarantee contracts as discussed in Note 19. The fair values of these contracts are based on a market approach and are estimated using inputs which are either directly or indirectly observable at the reporting date, such as exchange and other published prices, broker quotes and observable trading activity.

Level 3 Fair Value Measurements

As at June 30, 2018, the Company's Level 3 risk management assets and liabilities consist of WTI three-way options and WTI costless collars with terms to 2019. The WTI three-way options are a combination of a sold call, bought put and a sold put. The WTI costless collars are a combination of a sold call and a bought put. These contracts allow the Company to participate in the upside of commodity prices to the ceiling of the call option and provide the Company with complete (collars) or partial (three-way) downside price protection through the put options. The fair values of the WTI three-way options and WTI costless collars are based on the income approach and are modelled using observable and unobservable inputs such as implied volatility. The unobservable inputs are obtained from third parties whenever possible and reviewed by the Company for reasonableness.

A summary of changes in Level 3 fair value measurements for the six months ended June 30 is presented below:

	Risk Management	
	2018	2017
Balance, Beginning of Year	\$ (51)	\$ (36)
Total Gains (Losses)	(19)	64
Purchases, Sales, Issuances and Settlements:		
Purchases, sales and issuances	-	-
Settlements	(47)	3
Transfers Out of Level 3 ⁽¹⁾	-	-
Balance, End of Period	\$ (117)	\$ 31
Change in Unrealized Gains (Losses) Related to Assets and Liabilities Held at End of Period	\$ (93)	\$ 59

(1) The Company's policy is to recognize transfers out of Level 3 on the date of the event of change in circumstances that caused the transfer.

Quantitative information about unobservable inputs used in Level 3 fair value measurements is presented below:

	Valuation Technique	Unobservable Input	As at June 30, 2018	As at December 31, 2017
Risk Management - WTI Options	Option Model	Implied Volatility	24% - 100%	17% - 76%

A 10 percent increase or decrease in implied volatility for the WTI options would cause a corresponding \$7 million (\$2 million as at December 31, 2017) increase or decrease to net risk management assets and liabilities.

19. Financial Instruments and Risk Management

A) Financial Instruments

Encana's financial assets and liabilities are recognized in cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities, risk management assets and liabilities, long-term debt and other liabilities and provisions.

B) Risk Management Activities

Encana uses derivative financial instruments to manage its exposure to cash flow variability from commodity prices and fluctuating foreign currency exchange rates. The Company does not apply hedge accounting to any of its derivative financial instruments. As a result, gains and losses from changes in the fair value are recognized in net earnings.

Commodity Price Risk

Commodity price risk arises from the effect that fluctuations in future commodity prices may have on future cash flows. To partially mitigate exposure to commodity price risk, the Company has entered into various derivative financial instruments. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors. The Company's policy is to not use derivative financial instruments for speculative purposes.

Crude Oil and NGLs - To partially mitigate crude oil and NGL commodity price risk, the Company uses WTI-based and Mont Belvieu-based contracts such as fixed price contracts, fixed price swaptions, options and costless collars. Encana has also entered into basis swaps to manage against widening price differentials between various production areas and benchmark price points.

Natural Gas - To partially mitigate natural gas commodity price risk, the Company uses NYMEX-based contracts such as fixed price contracts, fixed price swaptions and options. Encana has also entered into basis swaps to manage against widening price differentials between various production areas and benchmark price points.

Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign currency exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. 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 June 30, 2018, Encana has entered into \$358 million notional U.S. dollar denominated currency swaps at an average exchange rate of US\$0.7606 to C\$1, which mature monthly through the remainder of 2018 and \$250 million notional U.S. dollar denominated currency swaps at an average exchange rate of US\$0.7581 to C\$1, which mature monthly throughout 2019.

Risk Management Positions as at June 30, 2018

	Notional Volumes	Term	Average Price	Fair Value
Crude Oil and NGL Contracts			US\$/bbl	
Fixed Price Contracts				
WTI Fixed Price	102.3 Mbbls/d	2018	55.52	\$ (280)
WTI Fixed Price	35.0 Mbbls/d	2019	60.31	(62)
Propane Fixed Price	9.0 Mbbls/d	2018	39.05	(1)
Butane Fixed Price	7.0 Mbbls/d	2018	43.49	(2)
WTI Fixed Price Swaptions ⁽¹⁾	24.0 Mbbls/d	Q1 - Q2 2019	63.13	(29)
WTI Three-Way Options				
Sold call / bought put / sold put	16.0 Mbbls/d	2018	54.49 / 47.17 / 36.88	(46)
Sold call / bought put / sold put	42.0 Mbbls/d	2019	68.38 / 59.11 / 48.21	(47)
WTI Costless Collars				
Sold call / bought put	10.0 Mbbls/d	2018	57.08 / 45.00	(24)
Basis Contracts ⁽²⁾		2018		60
		2019 - 2020		40
Crude Oil and NGLs Fair Value Position				(391)
Natural Gas Contracts			US\$/Mcf	
Fixed Price Contracts				
NYMEX Fixed Price	1,084 MMcf/d	2018	3.02	14
NYMEX Fixed Price	699 MMcf/d	2019	2.72	(20)
NYMEX Fixed Price Swaptions ⁽³⁾	300 MMcf/d	Q1 - Q2 2019	2.99	(8)
NYMEX Call Options				
Sold call price	230 MMcf/d	2018	3.75	(1)
Sold call price	230 MMcf/d	2019	3.75	(4)
Bought call price	230 MMcf/d	2019	3.75	-
Sold call price	230 MMcf/d	2020	3.25	-
Basis Contracts ⁽⁴⁾		2018		77
		2019		127
		2020		94
		2021 - 2023		28
Natural Gas Fair Value Position				307
Net Premiums Received on Unexpired Options				(4)
Other Derivative Contracts				
Fair Value Position				(17)
Foreign Currency Contracts				
Fair Value Position ⁽⁵⁾			2018 - 2019	3
Total Fair Value Position and Net Premiums Received				\$ (102)

- (1) WTI Fixed Price Swaptions give the counterparty the option to extend certain Q3 - Q4 2018 Fixed Price swaps to Q1- Q2 2019.
- (2) Encana has entered into swaps to protect against weakening Midland, Magellan East Houston, Louisiana Light Sweet and Edmonton Condensate differentials to WTI.
- (3) NYMEX Fixed Price Swaptions give the counterparty the option to extend certain Q3 - Q4 2018 Fixed Price swaps to Q1- Q2 2019.
- (4) Encana has entered into swaps to protect against weakening AECO, Dawn, Chicago, Malin and Waha basis to NYMEX.
- (5) Encana has entered into U.S. dollar denominated fixed-for-floating average currency swaps to protect against fluctuations between the Canadian and U.S. dollars.

Earnings Impact of Realized and Unrealized Gains (Losses) on Risk Management Positions

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Realized Gains (Losses) on Risk Management				
Commodity and Other Derivatives:				
Revenues ⁽¹⁾	\$ 14	\$ 19	\$ (18)	\$ (5)
Transportation and processing	-	-	-	(4)
Foreign Currency Derivatives:				
Foreign exchange	3	(2)	10	(1)
	\$ 17	\$ 17	\$ (8)	\$ (10)
Unrealized Gains (Losses) on Risk Management				
Commodity and Other Derivatives:				
Revenues ⁽²⁾	\$ (326)	\$ 110	\$ (258)	\$ 472
Foreign Currency Derivatives:				
Foreign exchange	(8)	24	(26)	26
	\$ (334)	\$ 134	\$ (284)	\$ 498
Total Realized and Unrealized Gains (Losses) on Risk Management, net				
Commodity and Other Derivatives:				
Revenues ⁽¹⁾⁽²⁾	\$ (312)	\$ 129	\$ (276)	\$ 467
Transportation and processing	-	-	-	(4)
Foreign Currency Derivatives:				
Foreign exchange	(5)	22	(16)	25
	\$ (317)	\$ 151	\$ (292)	\$ 488

(1) Includes realized gains of \$2 million and \$3 million for the three and six months ended June 30, 2018, respectively, (2017 - gains of \$1 million and \$3 million, respectively) related to other derivative contracts.

(2) Includes unrealized losses of \$1 million and \$1 million for the three and six months ended June 30, 2018, respectively, (2017 - losses of \$1 million and \$1 million, respectively) related to other derivative contracts.

Reconciliation of Unrealized Risk Management Positions from January 1 to June 30

	2018		2017	
	Fair Value	Total Unrealized Gain (Loss)	Total Unrealized Gain (Loss)	
Fair Value of Contracts, Beginning of Year	\$ 183			
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	(292)	\$ (292)	\$	488
Settlement of Other Derivative Contracts	3			
Fair Value of Contracts Realized During the Period	8	8		10
Fair Value of Contracts Outstanding	\$ (98)	\$ (284)	\$	498
Net Premiums Received on Unexpired Options	(4)			
Fair Value of Contracts and Net Premiums Received, End of Period	\$ (102)			

Risk management assets and liabilities arise from the use of derivative financial instruments and are measured at fair value. See Note 18 for a discussion of fair value measurements.

Unrealized Risk Management Positions

	As at June 30, 2018	As at December 31, 2017
Risk Management Assets		
Current	\$ 174	\$ 205
Long-term	185	246
	359	451
Risk Management Liabilities		
Current	401	236
Long-term	43	13
	444	249
Other Derivative Contracts		
Current in accounts payable and accrued liabilities	5	5
Long-term in other liabilities and provisions	12	14
Net Risk Management Assets (Liabilities) and Other Derivative Contracts	\$ (102)	\$ 183

C) Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. While exchange-traded contracts are subject to nominal credit risk due to the financial safeguards established by the New York Stock Exchange and the TSX, over-the-counter traded contracts expose Encana to counterparty credit risk. This credit risk exposure is mitigated through the use of credit policies approved by the Board of Directors governing the Company's credit portfolio including credit practices that limit transactions according to counterparties' credit quality. Mitigation strategies may include master netting arrangements, requesting collateral and/or transacting credit derivatives. The Company executes commodity derivative financial instruments under master agreements that have netting provisions that provide for offsetting payables against receivables. As a result of netting provisions, the Company's maximum exposure to loss under derivative financial instruments due to credit risk is limited to the net amounts due from the counterparties under the derivative contracts, as disclosed in Note 18. As at June 30, 2018, the Company had no significant credit derivatives in place and held no collateral.

As at June 30, 2018, cash equivalents include high-grade, short-term securities, placed primarily with financial institutions and companies with strong investment grade ratings. Any foreign currency agreements entered into are with major financial institutions that have investment grade credit ratings.

A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. As at June 30, 2018, approximately 92 percent (92 percent as at December 31, 2017) of Encana's accounts receivable and financial derivative credit exposures were with investment grade counterparties.

As at June 30, 2018, Encana had two counterparties whose net settlement position individually accounted for more than 10 percent of the fair value of the outstanding in-the-money net risk management contracts by counterparty. As at June 30, 2018, these counterparties accounted for 47 percent and 11 percent of the fair value of the outstanding in-the-money net risk management contracts. As at December 31, 2017, Encana had three counterparties whose net settlement position accounted for 56 percent, 11 percent and 11 percent of the fair value of the outstanding in-the-money net risk management contracts.

During 2015 and 2017, Encana entered into agreements resulting from divestitures, which may require Encana to fulfill certain payment obligations on the take or pay volume commitments assumed by the purchasers. The circumstances that would require Encana to perform under the agreements include events where a purchaser fails to make payment to the guaranteed party and/or a purchaser is subject to an insolvency event. The agreements have remaining terms from three to six years with a fair value recognized of \$17 million as at June 30, 2018 (\$19 million as at December 31, 2017). The maximum potential amount of undiscounted future payments is \$287 million as at June 30, 2018, and is considered unlikely.

20. Supplementary Information

Supplemental disclosures to the Condensed Consolidated Statement of Cash Flows are presented below:

A) Net Change in Non-Cash Working Capital

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Operating Activities				
Accounts receivable and accrued revenues	\$ (142)	\$ 33	\$ (144)	\$ 103
Accounts payable and accrued liabilities	47	(37)	40	(171)
Income tax receivable and payable	(11)	(125)	(10)	(221)
	\$ (106)	\$ (129)	\$ (114)	\$ (289)

B) Non-Cash Activities

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Non-Cash Investing Activities				
Asset retirement obligation incurred (See Note 12)	\$ 5	\$ 3	\$ 10	\$ 6
Property, plant and equipment accruals	72	34	81	78
Capitalized long-term incentives	31	(11)	(5)	-
Property additions/dispositions (swaps)	91	159	140	165
Non-Cash Financing Activities				
Common shares issued under dividend reinvestment plan (See Note 13)	\$ -	\$ -	\$ -	\$ -

21. Commitments and Contingencies

Commitments

The following table outlines the Company's commitments as at June 30, 2018:

(undiscounted)	Expected Future Payments							Total
	2018	2019	2020	2021	2022	Thereafter		
Transportation and Processing	\$ 294	\$ 692	\$ 669	\$ 582	\$ 555	\$ 2,516		\$ 5,308
Drilling and Field Services	123	50	24	9	-	-		206
Operating Leases	9	17	16	16	16	50		124
Total	\$ 426	\$ 759	\$ 709	\$ 607	\$ 571	\$ 2,566		\$ 5,638

Included within transportation and processing in the table above are certain commitments associated with midstream service agreements with VMLP as described in Note 15. Divestiture transactions can reduce certain commitments disclosed above.

Contingencies

Encana is involved in various legal claims and actions arising in the normal course of the Company's operations. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on Encana's financial position, cash flows or results of operations. Management's assessment of these matters may change in the future as certain of these matters are in early stages or are subject to a number of uncertainties. For material matters that the Company believes an unfavourable outcome is reasonably possible, the Company discloses the nature and a range of potential exposures. If an unfavourable outcome were to occur, there exists the possibility of a material impact on the Company's consolidated net earnings or loss for the period in which the effect becomes reasonably estimable. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. Such accruals are based on the Company's information known about the matters, estimates of the outcomes of such matters and experience in handling similar matters.