

PART I

Item 1. Financial Statements

Condensed Consolidated Statement of Earnings *(unaudited)*

(US\$ millions, except per share amounts)		Three Months Ended March 31,	
		2019	2018
Revenues	<i>(Notes 3, 4)</i>		
Product and service revenues		\$ 1,572	\$ 1,260
Gains (losses) on risk management, net	<i>(Note 22)</i>	(355)	36
Sublease revenues		18	17
Total Revenues		1,235	1,313
Operating Expenses	<i>(Note 3)</i>		
Production, mineral and other taxes		48	29
Transportation and processing	<i>(Note 11)</i>	338	249
Operating	<i>(Notes 11, 19, 20)</i>	165	111
Purchased product		298	273
Depreciation, depletion and amortization		377	275
Accretion of asset retirement obligation	<i>(Note 14)</i>	9	8
Administrative	<i>(Notes 11, 18, 19, 20)</i>	227	31
Total Operating Expenses		1,462	976
Operating Income (Loss)		(227)	337
Other (Income) Expenses			
Interest	<i>(Note 5)</i>	87	92
Foreign exchange (gain) loss, net	<i>(Notes 6, 22)</i>	(37)	91
(Gain) loss on divestitures, net		1	(3)
Other (gains) losses, net	<i>(Notes 8, 20)</i>	28	(3)
Total Other (Income) Expenses		79	177
Net Earnings (Loss) Before Income Tax		(306)	160
Income tax expense (recovery)	<i>(Note 7)</i>	(61)	9
Net Earnings (Loss)		\$ (245)	\$ 151
Net Earnings (Loss) per Common Share			
Basic & Diluted	<i>(Note 15)</i>	\$ (0.20)	\$ 0.16
Weighted Average Common Shares Outstanding (millions)			
Basic & Diluted	<i>(Note 15)</i>	1,221.3	971.5

Condensed Consolidated Statement of Comprehensive Income *(unaudited)*

(US\$ millions)		Three Months Ended March 31,	
		2019	2018
Net Earnings (Loss)		\$ (245)	\$ 151
Other Comprehensive Income (Loss), Net of Tax			
Foreign currency translation adjustment	<i>(Note 16)</i>	34	24
Pension and other post-employment benefit plans	<i>(Notes 16, 20)</i>	(1)	(1)
Other Comprehensive Income (Loss)		33	23
Comprehensive Income (Loss)		\$ (212)	\$ 174

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet *(unaudited)*

(US\$ millions)		As at March 31, 2019	As at December 31, 2018
Assets			
Current Assets			
Cash and cash equivalents		\$ 479	\$ 1,058
Accounts receivable and accrued revenues		1,121	789
Risk management	(Notes 21, 22)	187	554
Income tax receivable		315	275
		2,102	2,676
Property, Plant and Equipment, at cost:	(Note 10)		
Oil and natural gas properties, based on full cost accounting			
Proved properties		48,321	41,241
Unproved properties		4,394	3,730
Other		897	2,122
Property, plant and equipment		53,612	47,093
Less: Accumulated depreciation, depletion and amortization		(38,602)	(38,121)
Property, plant and equipment, net	(Note 3)	15,010	8,972
Restricted Cash	(Note 8)	55	-
Other Assets	(Notes 2, 10, 11)	1,245	147
Risk Management	(Notes 21, 22)	116	161
Deferred Income Taxes		576	835
Goodwill	(Notes 3, 8)	2,580	2,553
	(Note 3)	\$ 21,684	\$ 15,344
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 2,241	\$ 1,490
Current portion of operating lease liabilities	(Note 11)	92	-
Income tax payable		1	1
Risk management	(Notes 21, 22)	22	25
Current portion of long-term debt	(Note 12)	500	500
		2,856	2,016
Long-Term Debt	(Note 12)	6,299	3,698
Operating Lease Liabilities	(Note 11)	997	-
Other Liabilities and Provisions	(Note 13)	589	1,769
Risk Management	(Notes 21, 22)	21	22
Asset Retirement Obligation	(Note 14)	513	365
Deferred Income Taxes		49	27
		11,324	7,897
Commitments and Contingencies	(Note 24)		
Shareholders' Equity			
Share capital - authorized unlimited common shares			
2019 issued and outstanding: 1,440.0 million shares (2018: 952.5 million shares)	(Note 15)	7,827	4,656
Paid in surplus		1,358	1,358
Retained earnings		144	435
Accumulated other comprehensive income	(Note 16)	1,031	998
Total Shareholders' Equity		10,360	7,447
		\$ 21,684	\$ 15,344

See accompanying Notes to Condensed Consolidated Financial Statements

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

Three Months Ended March 31, 2019 (US\$ millions)	Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2018	\$ 4,656	\$ 1,358	\$ 435	\$ 998	\$ 7,447
Net Earnings (Loss)	-	-	(245)	-	(245)
Dividends on Common Shares (\$0.01875 per share) <i>(Note 15)</i>	-	-	(28)	-	(28)
Common Shares Purchased under Normal Course Issuer Bid <i>(Note 15)</i>	(307)	-	(93)	-	(400)
Common Shares Issued <i>(Notes 8, 15)</i>	3,478	-	-	-	3,478
Other Comprehensive Income (Loss) <i>(Note 16)</i>	-	-	-	33	33
Impact of Adoption of Topic 842 <i>(Note 2)</i>	-	-	75	-	75
Balance, March 31, 2019	\$ 7,827	\$ 1,358	\$ 144	\$ 1,031	\$ 10,360

Three Months Ended March 31, 2018 (US\$ millions)	Share Capital	Paid in Surplus	Retained Earnings (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)	-	-	151	-	151
Dividends on Common Shares (\$0.015 per share) <i>(Note 15)</i>	-	-	(15)	-	(15)
Common Shares Purchased under Normal Course Issuer Bid <i>(Note 15)</i>	(50)	-	(61)	-	(111)
Common Shares Issued Under Dividend Reinvestment Plan <i>(Note 15)</i>	-	-	-	-	-
Other Comprehensive Income (Loss) <i>(Note 16)</i>	-	-	-	23	23
Balance, March 31, 2018	\$ 4,707	\$ 1,358	\$ (354)	\$ 1,065	\$ 6,776

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(US\$ millions)	Three Months Ended March 31,	
	2019	2018
Operating Activities		
Net earnings (loss)	\$ (245)	\$ 151
Depreciation, depletion and amortization	377	275
Accretion of asset retirement obligation <i>(Note 14)</i>	9	8
Deferred income taxes <i>(Note 7)</i>	(62)	6
Unrealized (gain) loss on risk management <i>(Note 22)</i>	427	(68)
Unrealized foreign exchange (gain) loss <i>(Note 6)</i>	(25)	150
Foreign exchange on settlements <i>(Note 6)</i>	(13)	(50)
(Gain) loss on divestitures, net	1	(3)
Other	(47)	(69)
Net change in other assets and liabilities	(11)	(11)
Net change in non-cash working capital <i>(Note 23)</i>	118	(8)
Cash From (Used in) Operating Activities	529	381
Investing Activities		
Capital expenditures <i>(Note 3)</i>	(736)	(508)
Acquisitions <i>(Note 9)</i>	(22)	(2)
Corporate acquisition, net of cash and restricted cash acquired <i>(Note 8)</i>	94	-
Proceeds from divestitures <i>(Note 9)</i>	2	19
Net change in investments and other	54	(25)
Cash From (Used in) Investing Activities	(608)	(516)
Financing Activities		
Purchase of common shares <i>(Note 15)</i>	(400)	(111)
Dividends on common shares <i>(Note 15)</i>	(28)	(15)
Finance lease payments and other financing arrangements	(20)	(22)
Cash From (Used in) Financing Activities	(448)	(148)
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)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	1,058	719
Cash, Cash Equivalents and Restricted Cash, End of Period	\$ 534	\$ 433
Cash, End of Period	\$ 66	\$ 39
Cash Equivalents, End of Period	413	394
Restricted Cash, End of Period	55	-
Cash, Cash Equivalents and Restricted Cash, End of Period	\$ 534	\$ 433

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, 2018, which are included in Item 8 of Encana's 2018 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, 2018, 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 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, 2019, Encana adopted ASC Topic 842, Leases ("Topic 842") and related amendments, using the modified retrospective approach recognizing a cumulative effect adjustment at the beginning of the reporting period in which Topic 842 was applied. Results for reporting the periods beginning after January 1, 2019, are presented in accordance with Topic 842, while prior periods have not been restated and are reported in accordance with ASC Topic 840, Leases ("Topic 840"). On transition, Encana elected certain practical expedients permitted under Topic 842 which include:

- No reassessment of the classification of leases previously assessed under Topic 840, whether expired or existing contracts contain leases, or initial direct costs of existing leases; and
- Application of Topic 842 prospectively to all new or modified land easements after January 1, 2019.

Encana also elected the short-term lease exemption, which does not require a right-of-use ("ROU") asset or lease liability to be recognized on the Consolidated Balance Sheet when the lease term is 12 months or less. The policy and disclosures required under Topic 842 are included in Note 11, Leases.

In accordance with Topic 842, Encana recognized a ROU asset and corresponding lease liability for all operating leases on the Consolidated Balance Sheet, other than leases with lease terms of 12 months or less. Prior to the adoption of Topic 842, operating leases were not recognized on the Consolidated Balance Sheet. There was no impact to finance leases on transition to Topic 842. The impact from recognizing operating leases on Encana's Condensed Consolidated Balance Sheet is as follows:

(US\$ millions)	Reported as at December 31, 2018	Impact of Adoption	Restated Balances as at January 1, 2019
Property, Plant and Equipment, at cost:			
Oil and natural gas properties, based on full cost accounting			
Proved properties	\$ 41,241	\$ -	\$ 41,241
Unproved properties	3,730	-	3,730
Other	2,122	(1,261)	861
Property, plant and equipment	47,093	(1,261)	45,832
Less: accumulated depreciation, depletion and amortization	(38,121)	128	(37,993)
Property, plant and equipment, net	8,972	(1,133)	7,839
Other Assets	147	1,015	1,162
Deferred Income Taxes	835	(28)	807
Total Assets	15,344	(146)	15,198
Current Liabilities			
Accounts payable and accrued liabilities	1,490	(12)	1,478
Current portion of operating lease liabilities	-	67	67
Income tax payable	1	-	1
Risk management	25	-	25
Current portion of long-term debt	500	-	500
	2,016	55	2,071
Operating Lease Liabilities	-	948	948
Other Liabilities and Provisions	1,769	(1,224)	545
Total Liabilities	7,897	(221)	7,676
Retained Earnings	435	75	510
Total Shareholders' Equity	7,447	75	7,522
Total Liabilities and Shareholders' Equity	\$ 15,344	\$ (146)	\$ 15,198

- (1) In accordance with Topic 840, Encana accounted for The Bow office building as a failed sales leaseback and at the effective date of January 1, 2019, The Bow office building remained as such. On transition to Topic 842, Encana re-assessed whether a sale would have occurred at the effective date and determined that a sale occurred. As a result, Encana derecognized the asset and financing liability resulting from the failed sale leaseback transaction measured under Topic 840, recognizing the difference as an adjustment to retained earnings in the Condensed Consolidated Balance Sheet. Upon transition to Topic 842, The Bow office building was determined to be an operating lease for which a ROU asset and corresponding liability was recorded at the present value of remaining minimum lease payments.
- (2) ROU assets for operating leases are measured at the amount equal to the lease liability and the unamortized balance of any lease incentives prior to the transition date. The lease liabilities for operating leases are measured at the present value of the remaining minimum lease payments outstanding as at January 1, 2019.

Although Topic 842 does not have a material impact on the Condensed Consolidated Statements of Earnings or Cash Flows, the change in the accounting of The Bow office building results in: i) operating lease expense under Topic 842 reported in administrative expense, whereas for the comparative periods presented under Topic 840, Encana recorded depreciation and interest expense in the Condensed Consolidated Statement of Earnings; and ii) cash outflows presented in cash used in operating activities under Topic 842, whereas for the comparative periods presented under Topic 840, interest and financing cash outflows are presented in cash used in operating activities and cash used in financing activities, respectively, in the Condensed Consolidated Statement of Cash Flows.

On January 1, 2019, Encana adopted 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"). 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 did not take the election provided in the amendment.

New Standards Issued Not Yet Adopted

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.
- **China Operations** includes the exploration for, development of, and production of oil, NGLs and natural gas and other related activities within the China 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.

As of February 14, 2019, Encana’s segmented results reflect the business combination as discussed in Note 8.

Results of Operations (For the three months ended March 31)

Segment and Geographic Information

	Canadian Operations		USA Operations		China Operations	
	2019	2018	2019	2018	2019	2018
Revenues						
Product and service revenues	\$ 456	\$ 404	\$ 777	\$ 555	\$ 13	\$ -
Gains (losses) on risk management, net	20	12	52	(44)	-	-
Sublease revenues	-	-	-	-	-	-
Total Revenues	476	416	829	511	13	-
Operating Expenses						
Production, mineral and other taxes	4	4	44	25	-	-
Transportation and processing	212	190	79	27	-	-
Operating	37	29	115	74	4	-
Depreciation, depletion and amortization	92	77	274	185	-	-
Total Operating Expenses	345	300	512	311	4	-
Operating Income (Loss)	\$ 131	\$ 116	\$ 317	\$ 200	\$ 9	\$ -

	Market Optimization		Corporate & Other		Consolidated	
	2019	2018	2019	2018	2019	2018
Revenues						
Product and service revenues	\$ 326	\$ 301	\$ -	\$ -	\$ 1,572	\$ 1,260
Gains (losses) on risk management, net	-	-	(427)	68	(355)	36
Sublease revenues	-	-	18	17	18	17
Total Revenues	326	301	(409)	85	1,235	1,313
Operating Expenses						
Production, mineral and other taxes	-	-	-	-	48	29
Transportation and processing	47	32	-	-	338	249
Operating	10	4	(1)	4	165	111
Purchased product	298	273	-	-	298	273
Depreciation, depletion and amortization	-	-	11	13	377	275
Accretion of asset retirement obligation	-	-	9	8	9	8
Administrative	-	-	227	31	227	31
Total Operating Expenses	355	309	246	56	1,462	976
Operating Income (Loss)	\$ (29)	\$ (8)	\$ (655)	\$ 29	(227)	337
Other (Income) Expenses						
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
Net Earnings (Loss) Before Income Tax					(306)	160
Income tax expense (recovery)					(61)	9
Net Earnings (Loss)					\$ (245)	\$ 151

Intersegment Information

For the three months ended March 31,	Marketing Sales		Market Optimization Upstream Eliminations		Total	
	2019	2018	2019	2018	2019	2018
Revenues	\$ 1,236	\$ 1,331	\$ (910)	\$ (1,030)	\$ 326	\$ 301
Operating Expenses						
Transportation and processing	139	106	(92)	(74)	47	32
Operating	10	4	-	-	10	4
Purchased product	1,116	1,229	(818)	(956)	298	273
Operating Income (Loss)	\$ (29)	\$ (8)	\$ -	\$ -	\$ (29)	\$ (8)

Capital Expenditures

	Three Months Ended March 31,	
	2019	2018
Canadian Operations	\$ 157	\$ 168
USA Operations	577	338
Corporate & Other	2	2
	\$ 736	\$ 508

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

	Goodwill As at		Property, Plant and Equipment As at		Total Assets As at	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Canadian Operations	\$ 654	\$ 640	\$ 1,085	\$ 999	\$ 2,012	\$ 1,852
USA Operations	1,926	1,913	13,681	6,591	16,487	9,104
China Operations ⁽¹⁾	-	-	-	-	70	-
Market Optimization	-	-	1	1	211	295
Corporate & Other	-	-	243	1,381	2,904	4,093
	\$ 2,580	\$ 2,553	\$ 15,010	\$ 8,972	\$ 21,684	\$ 15,344

(1) China Operations total assets includes \$55 million in restricted cash, which has been segregated from general operating cash to fund future reclamation costs.

4. Revenues from Contracts with Customers

The table below summarizes 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 March 31)

	Canadian Operations		USA Operations		China Operations	
	2019	2018	2019	2018	2019	2018
Revenues from Customers						
Product revenues ⁽¹⁾						
Oil	\$ 1	\$ 3	\$ 609	\$ 473	\$ 13	\$ -
NGLs	204	180	97	52	-	-
Natural gas	255	221	76	32	-	-
Service revenues						
Gathering and processing	-	2	1	-	-	-
Product and Service Revenues	460	406	783	557	13	-
Other Revenues						
Gains (losses) on risk management, net ⁽²⁾	20	12	52	(44)	-	-
Sublease revenues	-	-	-	-	-	-
Other Revenues	20	12	52	(44)	-	-
Total Revenues	\$ 480	\$ 418	\$ 835	\$ 513	\$ 13	\$ -

	Market Optimization		Corporate & Other		Consolidated	
	2019	2018	2019	2018	2019	2018
Revenues from Customers						
Product revenues ⁽¹⁾						
Oil	\$ 60	\$ 22	\$ -	\$ -	\$ 683	\$ 498
NGLs	3	2	-	-	304	234
Natural gas	253	273	-	-	584	526
Service revenues						
Gathering and processing	-	-	-	-	1	2
Product and Service Revenues	316	297	-	-	1,572	1,260
Other Revenues						
Gains (losses) on risk management, net ⁽²⁾	-	-	(427)	68	(355)	36
Sublease revenues	-	-	18	17	18	17
Other Revenues	-	-	(409)	85	(337)	53
Total Revenues	\$ 316	\$ 297	\$ (409)	\$ 85	\$ 1,235	\$ 1,313

(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 March 31, 2019, receivables and accrued revenues from contracts with customers were \$986 million (\$662 million as at December 31, 2018).

Encana'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.

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 March 31, 2019.

As at March 31, 2019, 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. As the period between when the product sales are transferred and Encana receives payments is generally 30 to 60 days, there is no financing element associated with customer contracts. In addition, Encana does not disclose unsatisfied performance obligations for customer contracts with terms less than 12 months.

5. Interest

	Three Months Ended March 31,	
	2019	2018
Interest Expense on:		
Debt	\$ 82	\$ 66
The Bow office building (See Note 2)	-	16
Finance leases (See Note 11)	3	5
Other	2	5
	\$ 87	\$ 92

Upon adoption of Topic 842 on January 1, 2019, The Bow office building was determined to be an operating lease with lease costs recognized in administrative expense. Previously, payments related to The Bow were recognized as interest expense and principal repayments. See Notes 2 and 11 for further information.

6. Foreign Exchange (Gain) Loss, Net

	Three Months Ended March 31,	
	2019	2018
Unrealized Foreign Exchange (Gain) Loss on:		
Translation of U.S. dollar financing debt issued from Canada	\$ (93)	\$ 122
Translation of U.S. dollar risk management contracts issued from Canada	(11)	9
Translation of intercompany notes	79	19
	(25)	150
Foreign Exchange on Settlements of:		
U.S. dollar financing debt issued from Canada	(1)	-
U.S. dollar risk management contracts issued from Canada	-	(7)
Intercompany notes	(12)	(50)
Other Monetary Revaluations	1	(2)
	\$ (37)	\$ 91

7. Income Taxes

	Three Months Ended March 31,	
	2019	2018
Current Tax		
Canada	\$ -	\$ -
United States	1	1
Other Countries	-	2
Total Current Tax Expense (Recovery)	1	3
Deferred Tax		
Canada	(38)	(3)
United States	(24)	4
Other Countries	-	5
Total Deferred Tax Expense (Recovery)	(62)	6
Income Tax Expense (Recovery)	\$ (61)	\$ 9
Effective Tax Rate	19.9%	5.6%

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, non-taxable capital gains and losses, tax differences on divestitures and transactions, and partnership tax allocations in excess of funding.

During the three months ended March 31, 2019, the deferred tax recovery was primarily due to a net loss before income tax in the period.

The effective tax rates of 19.9 percent and 5.6 percent for the three months ended March 31, 2019 and March 31, 2018, respectively, are lower than the Canadian statutory tax 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.

8. Business Combination

Newfield Exploration Company Acquisition

On February 13, 2019, Encana completed the business combination with Newfield Exploration Company, a Delaware corporation ("Newfield"), pursuant to its Agreement and Plan of Merger with Newfield (the "Merger"). As a result of the Merger, Newfield stockholders received 2.6719 Encana common shares for each share of Newfield common stock that was issued and outstanding immediately prior to the effective date of the Merger. Encana issued approximately 543.4 million common shares representing a value of \$3.5 billion and paid approximately \$5 million in cash in respect of Newfield's cash-settled incentive awards. Following the acquisition, Newfield's senior notes totaling \$2.45 billion remained outstanding. Transaction costs of approximately \$31 million were included in other (gains) losses, net.

Newfield's operations focused on the exploration and development of oil and gas properties located in the Anadarko and Arkoma Basins of Oklahoma, the Williston Basin of North Dakota and the Uinta Basin of Utah, as well as offshore oil assets located in China. The assets acquired generated revenues of \$306 million and a net loss of \$38 million for the period from February 14, 2019 to March 31, 2019. The results of Newfield's operations have been included in Encana's consolidated financial statements as of February 14, 2019.

Purchase Price Allocation

The transaction was accounted for under the acquisition method, which requires that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date, with any excess of the purchase price over the estimated fair value of identified net assets acquired recorded as goodwill. The purchase price allocation represents the consideration paid and the fair values of the assets acquired, and liabilities assumed as of the acquisition date. The purchase price allocation is subject to change based on information that may not yet be available, including, the valuation of any pre-acquisition contingencies, final appraisals and tax returns that provide the underlying tax basis of the net assets and liabilities acquired and uncertain tax positions. The Company expects the purchase price allocation to be completed within 12 months following the acquisition date, during which time the value of the net assets and liabilities acquired may be revised as appropriate.

Preliminary Purchase Price Allocation

Consideration:

Fair value of Encana's common shares issued ⁽¹⁾	\$	3,478
Fair value of Newfield liability awards paid in cash ⁽²⁾		5
Total Consideration	\$	3,483

Assets Acquired:

Cash and cash equivalents	\$	46
Accounts receivable and accrued revenues		486
Other current assets		50
Proved properties		5,903
Unproved properties		838
Other property, plant and equipment		22
Restricted cash		53
Other assets		105
Goodwill		13

Liabilities Assumed:

Accounts payable and accrued liabilities		(776)
Long-term debt		(2,603)
Operating lease liabilities		(76)
Other long-term liabilities		(68)
Asset retirement obligation		(184)
Deferred income taxes		(326)
Total Purchase Price	\$	3,483

- (1) The fair value was based on the NYSE closing price of the Encana common shares of \$6.40 on February 13, 2019.
- (2) The fair value was based on a price of \$6.50 per notional unit which was determined using a volume weighted average of the trading price of Encana common shares on the NYSE on each of the five consecutive trading days ending on the trading day that was three trading days prior to February 13, 2019.

The Company used the income approach valuation technique for the fair value of assets acquired and liabilities assumed. The carrying amounts of cash and cash equivalents, accounts receivable and accrued revenues, restricted cash and other current assets, and accounts payable and accrued liabilities approximate their fair values due their nature and/or the short-term maturity of the instruments. The fair values of long-term debt, ROU assets and operating lease liabilities were categorized within Level 2 of the fair value hierarchy and were determined using quoted prices and rates from an available pricing source. The fair values of the proved and unproved properties, other property, plant and equipment, other assets, other liabilities and asset retirement obligation were categorized within Level 3 and were determined using relevant market assumptions, including discount rates, future commodity prices and costs, timing of development activities, projections of oil and gas reserves, and estimates for abandonment and reclamation.

Goodwill arose from the Newfield acquisition primarily from the requirement to recognize deferred taxes on the difference between the fair value of the assets acquired and liabilities assumed and the respective carry-over tax basis. Goodwill is not amortized and is not deductible for tax purposes.

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information combines the historical financial results of Encana with Newfield and has been prepared as though the acquisition had occurred on January 1, 2018. The pro forma information is not intended to reflect the actual results of operations that would have occurred if the business combination had been completed at the date indicated. In addition, the pro forma information is not intended to be a projection of Encana's results of operations for any future period.

Additionally, pro forma earnings were adjusted to exclude acquisition-related costs incurred of approximately \$69 million and severance payments made to employees which totaled approximately \$113 million for the three months ended March 31, 2019. The pro forma financial information does not include any cost savings or other synergies that may result from the Merger or any estimated costs that have been or will be incurred to integrate the assets.

For the three months ended March 31 (US\$ millions, except per share amounts)	2019	2018
Revenues	\$ 1,515	\$ 1,782
Net Earnings (Loss)	\$ (117)	\$ 191
Net Earnings (Loss) per Common Share Basic & Diluted	\$ (0.10)	\$ 0.13

9. Acquisitions and Divestitures

	Three Months Ended March 31,	
	2019	2018
Acquisitions		
Canadian Operations	\$ -	\$ 2
USA Operations	22	-
Total Acquisitions	22	2
Divestitures		
Canadian Operations	1	(13)
USA Operations	(3)	(6)
Total Divestitures	(2)	(19)
Net Acquisitions & (Divestitures)	\$ 20	\$ (17)

Acquisitions

For the three months ended March 31, 2019, acquisitions in the USA Operations were \$22 million (2018 - nil), which primarily included seismic purchases.

Divestitures

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

10. Property, Plant and Equipment, Net

	As at March 31, 2019			As at December 31, 2018		
	Cost	Accumulated DD&A	Net	Cost	Accumulated DD&A	Net
Canadian Operations						
Proved properties	\$ 14,452	\$ (13,629)	\$ 823	\$ 13,996	\$ (13,261)	\$ 735
Unproved properties	234	-	234	237	-	237
Other	28	-	28	27	-	27
	14,714	(13,629)	1,085	14,260	(13,261)	999
USA Operations						
Proved properties	33,812	(24,319)	9,493	27,189	(24,099)	3,090
Unproved properties	4,160	-	4,160	3,493	-	3,493
Other	28	-	28	8	-	8
	38,000	(24,319)	13,681	30,690	(24,099)	6,591
Market Optimization	7	(6)	1	7	(6)	1
Corporate & Other	891	(648)	243	2,136	(755)	1,381
	\$ 53,612	\$ (38,602)	\$ 15,010	\$ 47,093	\$ (38,121)	\$ 8,972

Canadian and USA Operations property, plant and equipment include internal costs directly related to exploration, development and construction activities of \$79 million, which have been capitalized during the three months ended March 31, 2019 (2018 - \$39 million). Included in Corporate and Other are \$57 million (\$56 million as at December 31, 2018) of international property costs, which have been fully impaired.

Finance Lease Arrangements

The Company has two lease arrangements that are accounted for as finance leases, which include an office building and an offshore production platform. As at March 31, 2019, the total carrying value of assets under finance lease was \$41 million (\$41 million as at December 31, 2018), net of accumulated amortization of \$661 million (\$650 million as at December 31, 2018). Long-term liabilities for the finance lease arrangements are included in other liabilities and provisions in the Condensed Consolidated Balance Sheet and are disclosed in Note 13.

Other Arrangement

As at December 31, 2018, Corporate and Other property, plant and equipment and total assets included a carrying value of \$1,133 million related to The Bow office building. Upon adoption of Topic 842 on January 1, 2019, The Bow office building was determined to be an operating lease as discussed in Note 2. As at March 31, 2019, other assets included a ROU asset of \$902 million related to The Bow office building.

11. Leases

Leases entered into for the use of an asset are classified as either operating or finance, which is determined at contract inception. Upon commencement of the lease, a ROU asset and corresponding lease liability are recognized on the Condensed Consolidated Balance Sheet for all operating and finance leases. Encana has elected the short-term lease exemption, which does not require a ROU asset or lease liability to be recognized on the Condensed Consolidated Balance Sheet when the lease term is 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

Upon commencement of the lease, ROU assets are measured at the initial measurement of the lease liability adjusted for any lease payments made before commencement date of the lease, less any lease incentives received and including any initial direct costs incurred. Lease liabilities are initially measured at the present value of future minimum lease payments over the lease term. The discount rate used to determine the present value is the rate implicit in the lease unless that rate cannot be determined, in which case Encana's incremental borrowing rate is used.

Operating lease ROU assets and liabilities are subsequently measured at the present value of the lease payments not yet paid and discounted at the initial discount rate at commencement of the lease, less any impairments to the ROU asset. Operating lease expense and revenue from subleases are recognized in the Condensed Consolidated Statement of Earnings on a straight-line basis over the lease term. Finance lease ROU assets are amortized on a straight-line basis over the estimated useful life of the asset if the lessee is reasonably certain to exercise a purchase option or ownership of the leased asset transfers at the end of the lease term, otherwise the leased assets are amortized over the lease term. Amortization of finance lease ROU assets is included in depreciation, depletion and amortization in the Condensed Consolidated Statement of Earnings.

Operating leases include drilling rigs, compressors, supply vessels, camps, office and buildings, certain land easements and various equipment utilized in the development and production of oil, NGLs and natural gas. Finance leases include an office building and an offshore production platform. Subleases relate to office and building leases.

Encana's lease contracts include rights to extend leases after the initial term, ranging from month-to-month to less than 10 years. Rights to extend or terminate a lease are included in the lease term when there is reasonable certainty the right will be exercised. Factors used to assess reasonable certainty of rights to extend or terminate a lease include current and forecasted drillings plans, anticipated changes in development strategies, historical practice in extending similar contracts and current market conditions.

Variable lease payments include changes in index rates, mobilization and demobilization costs related to oil and gas equipment, and certain reimbursable costs associated with office and building leases. Variable lease payments are recognized when incurred.

The table below summarizes Encana's operating and finance lease costs as at and for the three months ended March 31, 2019, which include ROU assets and lease liabilities, amounts recognized in net earnings during the period and other lease information.

Condensed Consolidated Balance Sheet:	
Operating Lease ROU Assets	\$ 1,087
Finance Lease ROU Assets	41
Operating Lease Liabilities (Current and Long-Term)	1,089
Finance Lease Liabilities (Current and Long-Term)	274
Lease Costs ⁽¹⁾:	
Operating Lease Costs, Excluding Short-Term Leases	44
Finance Lease Costs:	
Amortization of ROU assets	1
Interest on lease liabilities	3
Total Finance Lease Costs	4
Short-Term Lease Costs	72
Variable Lease Costs	3
Sublease Income:	
Operating lease income	13
Variable lease income	3
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating cash outflows from operating leases	48
Investing cash outflows from operating leases	66
Operating cash outflows from finance leases	3
Financing cash outflows from finance leases	20
Supplemental Non-Cash Information Related to New ROU Assets	1
Weighted Average Discount Rate	
Operating leases	5.40%
Finance leases	5.96%
Weighted Average Remaining Lease Term	
Operating leases	16.5 years
Finance leases	3.8 years

(1) Lease cost includes amounts capitalized into property, plant and equipment on the Condensed Consolidated Balance Sheet and lease expense recognized in the Condensed Consolidated Statement of Earnings.

Operating lease expense is reflected in the Condensed Consolidated Statement of Earnings as follows:

	Three Months Ended March 31, 2019
Operating Lease Expense	
Transportation and processing	\$ 1
Operating	21
Administrative ⁽¹⁾	28
Total Operating Lease Expense	\$ 50

(1) Includes \$23 million in operating lease expense related to The Bow office building.

The following table outlines the Company's future lease payments and lease liabilities related to the Company's operating and finance leases as at March 31, 2019:

	2019	2020	2021	2022	2023	Thereafter	Total
Operating Leases							
Expected Future Lease Payments	\$ 114	\$ 127	\$ 109	\$ 96	\$ 84	\$ 1,154	\$ 1,684
Less: Discounting							595
Present Value of Future Operating Lease Payments							\$ 1,089
Sublease Income (undiscounted)	\$ (30)	\$ (41)	\$ (42)	\$ (37)	\$ (37)	\$ (561)	\$ (748)
Finance Leases							
Expected Future Lease Payments	\$ 75	\$ 99	\$ 87	\$ 8	\$ 8	\$ 30	\$ 307
Less: Discounting							33
Present Value of Future Finance Lease Payments							\$ 274
Sublease Income (undiscounted) ⁽¹⁾	\$ (6)	\$ (8)	\$ (8)	\$ (8)	\$ (7)	\$ (24)	\$ (61)

(1) Classified as operating lease.

Refer to Notes 14 and 25 under Item 8 of Encana's 2018 Annual Report on Form 10-K for comparative period disclosure of future lease payments and sublease income related to capital and operating leases and The Bow office building. Operating leases in the table above includes The Bow office building which was determined to be an operating lease on transition to Topic 842 as disclosed in Note 2. Under Topic 840, The Bow was accounted for as a financing transaction under a failed sales-leaseback.

12. Long-Term Debt

	As at March 31, 2019	As at December 31, 2018
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
5.75% due January 30, 2022 (See Note 8)	750	-
5.625% due July 1, 2024 (See Note 8)	1,000	-
5.375% due January 1, 2026 (See Note 8)	700	-
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	6,661	4,211
Increase in Value of Debt Acquired	172	22
Unamortized Debt Discounts and Issuance Costs	(34)	(35)
Total Long-Term Debt	\$ 6,799	\$ 4,198
Current Portion	\$ 500	\$ 500
Long-Term Portion	6,299	3,698
	\$ 6,799	\$ 4,198

As at March 31, 2019, total long-term debt had a carrying value of \$6,799 million and a fair value of \$7,461 million (as at December 31, 2018 - carrying value of \$4,198 million and a fair value of \$4,511 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.

13. Other Liabilities and Provisions

	As at March 31, 2019	As at December 31, 2018
The Bow Office Building	\$ -	\$ 1,224
Finance Lease Obligations (See Note 11)	189	211
Unrecognized Tax Benefits	171	167
Pensions and Other Post-Employment Benefits	132	105
Long-Term Incentive Costs (See Note 19)	26	34
Other Derivative Contracts (See Notes 21, 22)	8	10
Other	63	18
	\$ 589	\$ 1,769

Upon adoption of Topic 842 on January 1, 2019, The Bow office building was determined to be an operating lease. See Notes 2 and 11 for further information.

14. Asset Retirement Obligation

	As at March 31, 2019	As at December 31, 2018
Asset Retirement Obligation, Beginning of Year	\$ 455	\$ 514
Liabilities Incurred	3	17
Liabilities Acquired (See Note 8)	184	-
Liabilities Settled and Divested	(11)	(56)
Change in Estimated Future Cash Outflows	-	(20)
Accretion Expense	9	32
Foreign Currency Translation	7	(32)
Asset Retirement Obligation, End of Period	\$ 647	\$ 455
Current Portion	\$ 134	\$ 90
Long-Term Portion	513	365
	\$ 647	\$ 455

15. 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 March 31, 2019		As at December 31, 2018	
	Number (millions)	Amount	Number (millions)	Amount
Common Shares Outstanding, Beginning of Year	952.5	\$ 4,656	973.1	\$ 4,757
Common Shares Purchased	(55.9)	(307)	(20.7)	(102)
Common Shares Issued	543.4	3,478	-	-
Common Shares Issued Under Dividend Reinvestment Plan	-	-	0.1	1
Common Shares Outstanding, End of Period	1,440.0	\$ 7,827	952.5	\$ 4,656

On February 13, 2019, Encana completed the acquisition of all the issued and outstanding shares of common stock of Newfield whereby Encana issued approximately 543.4 million common shares to Newfield shareholders, representing an exchange ratio of 2.6719 Encana common shares for each share of Newfield common stock held. See Note 8 for further information on the business combination.

Normal Course Issuer Bid

On February 27, 2019, the Company announced that the TSX accepted the Company's notice of intention to purchase, for cancellation, up to approximately 149.4 million Encana common shares pursuant to a NCIB over a 12-month period from March 4, 2019 to March 3, 2020.

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, with any excess allocated to retained earnings/accumulated deficit.

For the three months ended March 31, 2019, the Company purchased approximately 55.9 million common shares for total consideration of approximately \$400 million. Of the amount paid, \$307 million was charged to share capital and \$93 million was charged to retained earnings.

For the three months ended March 31, 2018, the Company purchased 10 million common shares under the previous NCIB which was in place from February 28, 2018 to February 27, 2019 for total consideration of approximately \$111 million. Of the amount paid, \$50 million was charged to share capital and \$61 million was charged to accumulated deficit.

For the twelve months ended December 31, 2018, the Company purchased approximately 20.7 million common shares under the previous NCIB which was in place from February 28, 2018 to February 27, 2019 for total consideration of approximately \$250 million. Of the amount paid, \$102 million was charged to share capital and \$148 million was charged to retained earnings.

Dividend Reinvestment Plan

On February 28, 2019, Encana suspended its dividend reinvestment plan ("DRIP"). During the twelve months ended December 31, 2018, Encana issued 69,329 common shares totaling \$0.6 million under the DRIP.

Dividends

During the three months ended March 31, 2019, Encana declared and paid dividends of \$0.01875 per common share totaling \$28 million (2018 - \$0.015 per common share totaling \$15 million). For the three months ended March 31, 2018, the dividends paid included \$0.3 million in common shares issued in lieu of cash dividends under the DRIP.

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.

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 March 31,	
	2019	2018
Net Earnings (Loss)	\$ (245)	\$ 151
Number of Common Shares:		
Weighted average common shares outstanding - Basic	1,221.3	971.5
Effect of dilutive securities	-	-
Weighted Average Common Shares Outstanding - Diluted	1,221.3	971.5
Net Earnings (Loss) per Common Share Basic & Diluted	\$ (0.20)	\$ 0.16

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 March 31, 2019 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 and conditions of the compensation plan and grant agreements. The Company currently settles vested RSUs in cash. As a result, RSUs are not considered potentially dilutive securities.

16. Accumulated Other Comprehensive Income

	Three Months Ended March 31,	
	2019	2018
Foreign Currency Translation Adjustment		
Balance, Beginning of Year	\$ 976	\$ 1,029
Change in Foreign Currency Translation Adjustment	34	24
Balance, End of Period	\$ 1,010	\$ 1,053
Pension and Other Post-Employment Benefit Plans		
Balance, Beginning of Year	\$ 22	\$ 13
Reclassification of Net Actuarial (Gains) and Losses to Net Earnings (See Note 20)	(1)	(1)
Income Taxes	-	-
Balance, End of Period	\$ 21	\$ 12
Total Accumulated Other Comprehensive Income	\$ 1,031	\$ 1,065

17. Variable Interest Entities

Production Field Centre

In 2008, Encana entered into a contract for the design, construction and operation of an offshore Production Field Centre (“PFC”) at its Deep Panuke facility. Upon commencement of operations in December 2013, Encana recognized the PFC as a finance 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 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 March 31, 2019, Encana had a finance lease obligation of \$221 million (\$240 million as at December 31, 2018) 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 March 31, 2019, VMLP provides approximately 1,146 MMcf/d of natural gas gathering and compression and 879 MMcf/d of natural gas processing under long-term service agreements with remaining terms ranging from up to 12 to 26 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 \$2,345 million as at March 31, 2019. 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 24 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 March 31, 2019, there were no accounts payable and accrued liabilities outstanding related to the take or pay commitment.

18. Restructuring Charges

In February 2019, in conjunction with the Newfield business combination as described in Note 8, Encana announced workforce reductions to better align staffing levels and the organizational structure with the Company's strategy. During the three months ended March 31, 2019, the Company incurred total restructuring charges of \$113 million, before tax, primarily related to severance costs. As at March 31, 2019, \$64 million remains accrued and is expected to be paid during the remainder of 2019.

Restructuring charges are included in administrative expense presented in the Corporate and Other segment in the Condensed Consolidated Statement of Earnings.

	Three Months Ended	
	March 31, 2019	2018
Employee Severance and Benefits	\$ 112	\$ -
Outplacement, Moving and Other Expenses	1	-
Restructuring Expenses	\$ 113	\$ -

	As at March 31, 2019	As at December 31, 2018
Outstanding Restructuring Accrual, Beginning of Year	\$ -	\$ -
Restructuring Expenses Incurred	113	-
Restructuring Costs Paid	(49)	-
Outstanding Restructuring Accrual, End of Period ⁽¹⁾	\$ 64	\$ -

(1) Included in accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheet.

19. 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 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 outstanding:

	As at March 31, 2019		As at March 31, 2018	
	US\$ Share Units	C\$ Share Units	US\$ Share Units	C\$ Share Units
Risk Free Interest Rate	1.49%	1.49%	1.79%	1.79%
Dividend Yield	1.04%	1.03%	0.55%	0.54%
Expected Volatility Rate ⁽¹⁾	43.95%	41.92%	58.46%	54.78%
Expected Term	3.0 yrs	2.6 yrs	2.0 yrs	2.1 yrs
Market Share Price	US\$7.24	C\$9.68	US\$11.00	C\$14.17

(1) Volatility was estimated using historical rates.

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

	Three Months Ended March 31,	
	2019	2018
Total Compensation Costs of Transactions Classified as Cash-Settled	\$ 64	\$ (27)
Less: Total Share-Based Compensation Costs Capitalized	(18)	9
Total Share-Based Compensation Expense (Recovery)	\$ 46	\$ (18)
Recognized on the Condensed Consolidated Statement of Earnings in:		
Operating	\$ 14	\$ (6)
Administrative	32	(12)
	\$ 46	\$ (18)

As at March 31, 2019, the liability for share-based payment transactions totaled \$83 million (\$165 million as at December 31, 2018), of which \$57 million (\$131 million as at December 31, 2018) is recognized in accounts payable and accrued liabilities and \$26 million (\$34 million as at December 31, 2018) is recognized in other liabilities and provisions in the Condensed Consolidated Balance Sheet.

	As at March 31, 2019	As at December 31, 2018
Liability for Cash-Settled Share-Based Payment Transactions:		
Unvested	\$ 54	\$ 148
Vested	29	17
	\$ 83	\$ 165

The following units were granted primarily in conjunction with the Company's annual grant of long-term incentive awards. 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.

Three Months Ended March 31, 2019 (thousands of units)

TSARs	919
SARs	1,537
PSUs	7,572
DSUs	68
RSUs	10,710

20. 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 three months ended March 31 as follows:

	Pension Benefits		OPEB		Total	
	2019	2018	2019	2018	2019	2018
Net Defined Periodic Benefit Cost	\$ -	\$ -	\$ 6	\$ 2	\$ 6	\$ 2
Defined Contribution Plan Expense	6	6	-	-	6	6
Total Benefit Plans Expense	\$ 6	\$ 6	\$ 6	\$ 2	\$ 12	\$ 8

Of the total benefit plans expense, \$6 million (2018 - \$6 million) was included in operating expense and \$2 million (2018 - \$2 million) was included in administrative expense. Excluding service costs, net defined periodic benefit costs of \$4 million (2018 - nil) were recorded in other (gains) losses, net.

The net defined periodic benefit cost for the three months ended March 31 is as follows:

	Defined Benefits		OPEB		Total	
	2019	2018	2019	2018	2019	2018
Service Cost	\$ -	\$ -	\$ 2	\$ 2	\$ 2	\$ 2
Interest Cost	2	2	1	1	3	3
Expected Return on Plan Assets	(2)	(2)	-	-	(2)	(2)
Amounts Reclassified from Accumulated Other Comprehensive Income:						
Amortization of net actuarial (gains) and losses	-	-	(1)	(1)	(1)	(1)
Curtailment	-	-	4	-	4	-
Total Net Defined Periodic Benefit Cost ⁽¹⁾	\$ -	\$ -	\$ 6	\$ 2	\$ 6	\$ 2

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

21. 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. The fair values of restricted cash and marketable securities included in other assets approximate their carrying amounts due to the nature of the instruments held.

Recurring fair value measurements are performed for risk management assets and liabilities and other derivative contracts, as discussed further in Note 22. 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 and foreign exchange gains and losses according to their purpose.

	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽¹⁾	Carrying Amount
As at March 31, 2019						
Risk Management Assets						
Commodity Derivatives:						
Current assets	\$ -	\$ 239	\$ 21	\$ 260	\$ (73)	\$ 187
Long-term assets	-	130	-	130	(14)	116
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	\$ -	\$ 95	\$ -	\$ 95	\$ (73)	\$ 22
Long-term liabilities	-	33	2	35	(14)	21
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	\$ -	\$ 4	\$ -	\$ 4	\$ -	\$ 4
Long-term in other liabilities and provisions	-	8	-	8	-	8

(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.

As at December 31, 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	\$ -	\$ 492	\$ 139	\$ 631	\$ (77)	\$ 554
Long-term assets	-	177	-	177	(16)	161
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	\$ -	\$ 81	\$ -	\$ 81	\$ (77)	\$ 4
Long-term liabilities	-	38	-	38	(16)	22
Foreign Currency Derivatives:						
Current liabilities	-	21	-	21	-	21
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	\$ -	\$ 4	\$ -	\$ 4	\$ -	\$ 4
Long-term in other liabilities and provisions	-	10	-	10	-	10

(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, NYMEX costless collars, NYMEX call options, foreign currency swaps and basis swaps with terms to 2023. Level 2 also includes financial guarantee contracts as discussed in Note 22. 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 March 31, 2019, the Company's Level 3 risk management assets and liabilities consist of WTI three-way options and WTI costless collars with terms to 2020. 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 three months ended March 31 is presented below:

	Risk Management	
	2019	2018
Balance, Beginning of Year	\$ 139	\$ (51)
Total Gains (Losses)	(100)	(28)
Purchases, Sales, Issuances and Settlements:		
Purchases, sales and issuances	-	-
Settlements	(20)	17
Transfers Out of Level 3 ⁽¹⁾	-	-
Balance, End of Period	\$ 19	\$ (62)
Change in Unrealized Gains (Losses) Related to Assets and Liabilities Held at End of Period	\$ (80)	\$ (24)

(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 March 31, 2019	As at December 31, 2018
Risk Management - WTI Options	Option Model	Implied Volatility	16% - 52%	29% - 73%

A 10 percent increase or decrease in implied volatility for the WTI options would cause an approximate corresponding \$5 million (\$6 million as at December 31, 2018) increase or decrease to net risk management assets and liabilities.

22. 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, restricted cash, other assets, 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 contracts such as fixed price contracts, 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, 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.

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 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.

Risk Management Positions as at March 31, 2019

	Notional Volumes	Term	Average Price	Fair Value
Crude Oil and NGL Contracts			US\$/bbl	
Fixed Price Contracts				
WTI Fixed Price	35.0 Mbbls/d	2019	60.31	\$ -
Propane Fixed Price	7.8 Mbbls/d	2019	35.72	17
Butane Fixed Price	6.5 Mbbls/d	2019	40.54	14
Ethane Fixed Price	5.3 Mbbls/d	2019	17.23	10
WTI Three-Way Options				
Sold call / bought put / sold put	60.8 Mbbls/d	2019	68.74 / 58.96 / 48.15	24
Sold call / bought put / sold put	18.0 Mbbls/d	2020	65.77 / 55.00 / 45.00	(4)
WTI Costless Collars				
Sold call / bought put	10.0 Mbbls/d	2019	64.37 / 55.00	(1)
Basis Contracts ⁽¹⁾		2019		(24)
		2020		(18)
Crude Oil and NGLs Fair Value Position				18
Natural Gas Contracts			US\$/Mcf	
Fixed Price Contracts				
NYMEX Fixed Price	892 MMcf/d	2019	2.75	(8)
NYMEX Fixed Price	220 MMcf/d	2020	2.76	1
NYMEX Costless Collars				
Sold call / bought put	66 MMcf/d	2019	3.06 / 2.91	2
NYMEX Call Options				
Sold call price	230 MMcf/d	2019	3.75	(1)
Bought call price	230 MMcf/d	2019	3.75	(2)
Sold call price	230 MMcf/d	2020	3.25	-
Basis Contracts ⁽²⁾		2019		129
		2020		105
		2021		8
		2022 - 2023		13
Natural Gas Fair Value Position				247
Net Premiums Received on Unexpired Options				(5)
Other Derivative Contracts				
Fair Value Position				(12)
Foreign Currency Contracts				
Fair Value Position ⁽³⁾		2019		-
Total Fair Value Position and Net Premiums Received				\$ 248

(1) Encana has entered into Midland, Magellan East Houston and Brent differential swaps to WTI.

(2) Encana has entered into swaps to protect against weakening AECO, Dawn, Chicago, Malin and Waha basis to NYMEX.

(3) 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 March 31,	
	2019	2018
Realized Gains (Losses) on Risk Management		
Commodity and Other Derivatives:		
Revenues ⁽¹⁾	\$ 72	\$ (32)
Foreign Currency Derivatives:		
Foreign exchange	-	7
	\$ 72	\$ (25)
Unrealized Gains (Losses) on Risk Management		
Commodity and Other Derivatives:		
Revenues ⁽²⁾	\$ (427)	\$ 68
Foreign Currency Derivatives:		
Foreign exchange	20	(18)
	\$ (407)	\$ 50
Total Realized and Unrealized Gains (Losses) on Risk Management, net		
Commodity and Other Derivatives:		
Revenues ^{(1) (2)}	\$ (355)	\$ 36
Foreign Currency Derivatives:		
Foreign exchange	20	(11)
	\$ (335)	\$ 25

(1) Includes a realized gain of \$2 million (2018 - gain of \$1 million) related to other derivative contracts.

(2) Includes an unrealized gain (loss) of nil (2018 - nil) related to other derivative contracts.

Reconciliation of Unrealized Risk Management Positions from January 1 to March 31

	2019		2018	
	Fair Value	Total Unrealized Gain (Loss)	Total Unrealized Gain (Loss)	
Fair Value of Contracts, Beginning of Year	\$ 654			
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	(335)	\$ (335)	\$	25
Settlement of Other Derivative Contracts	2			
Amortization of Option Premiums During the Period	(1)			
Fair Value of Contracts Realized During the Period	(72)	(72)		25
Fair Value of Contracts and Net Premiums Received, End of Period	\$ 248	\$ (407)	\$	50

Risk management assets and liabilities arise from the use of derivative financial instruments and are measured at fair value. See Note 21 for a discussion of fair value measurements.

Unrealized Risk Management Positions

	As at March 31, 2019	As at December 31, 2018
Risk Management Assets		
Current	\$ 187	\$ 554
Long-term	116	161
	303	715
Risk Management Liabilities		
Current	22	25
Long-term	21	22
	43	47
Other Derivative Contracts		
Current in accounts payable and accrued liabilities	4	4
Long-term in other liabilities and provisions	8	10
Net Risk Management Assets (Liabilities) and Other Derivative Contracts	\$ 248	\$ 654

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 NYSE 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 21. As at March 31, 2019, the Company had no significant credit derivatives in place and held no collateral.

As at March 31, 2019, 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 March 31, 2019, approximately 90 percent (97 percent as at December 31, 2018) of Encana's accounts receivable and financial derivative credit exposures were with investment grade counterparties.

As at March 31, 2019, 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. These counterparties accounted for 50 percent and 13 percent of the fair value of the outstanding in-the-money net risk management contracts. As at December 31, 2018, Encana had four counterparties whose net settlement position accounted for 30 percent, 13 percent, 12 percent and 10 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 two to five years with a fair value recognized of \$12 million as at March 31, 2019 (\$14 million as at December 31, 2018). The maximum potential amount of undiscounted future payments is \$203 million as at March 31, 2019, and is considered unlikely.

23. 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 March 31,	
	2019	2018
Operating Activities		
Accounts receivable and accrued revenues	\$ 174	\$ (2)
Accounts payable and accrued liabilities	(88)	(7)
Current portion of operating lease liabilities	67	-
Income tax receivable and payable	(35)	1
	\$ 118	\$ (8)

B) Non-Cash Activities

	Three Months Ended March 31,	
	2019	2018
Non-Cash Investing Activities		
Asset retirement obligation incurred (See Note 14)	\$ 3	\$ 5
Property, plant and equipment accruals	82	9
Capitalized long-term incentives	(29)	(36)
Property additions/dispositions (swaps)	2	49
Non-Cash Financing Activities		
Common shares issued in conjunction with the Newfield business combination (See Note 8)	\$ (3,478)	\$ -
Common shares issued under dividend reinvestment plan (See Note 15)	-	-

24. Commitments and Contingencies

Commitments

The following table outlines the Company's commitments as at March 31, 2019:

(undiscounted)	Expected Future Payments						Total
	2019	2020	2021	2022	2023	Thereafter	
Transportation and Processing	\$ 588	\$ 727	\$ 614	\$ 585	\$ 480	\$ 2,362	\$ 5,356
Drilling and Field Services	111	25	7	-	-	-	143
Building Leases	12	13	14	8	6	15	68
Total	\$ 711	\$ 765	\$ 635	\$ 593	\$ 486	\$ 2,377	\$ 5,567

Associated with the adoption of Topic 842, all operating leases were recognized on the Condensed Consolidated Balance Sheet. Accordingly, operating leases with terms greater than one year are not included in the commitments table above. The table above includes short-term leases with contract terms less than 12 months, such as drilling rigs and field office leases, as well as non-lease operating cost components associated with building leases. See Notes 2 and 11 for additional disclosures on leases.

Included within transportation and processing in the table above are certain commitments associated with midstream service agreements with VMLP as described in Note 17. 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.

In conjunction with the acquisition of Newfield as described in Note 8, various legal claims and actions arising in the normal course of Newfield's operations were assumed by Encana. On March 29, 2019, Newfield and its wholly-owned subsidiary entered into an Agreement and Mutual Release with Sapura Energy Berhad, formerly known as SapuraKencana Petroleum Berhad, and Sapura Exploration and Production Inc., formerly known as SapuraKencana Energy Inc. (collectively, "Sapura") to settle arbitration claims arising from Sapura's purchase of Newfield's Malaysian business in February 2014. Under the Agreement and Mutual Release, Newfield and its wholly-owned subsidiary agreed to pay Sapura \$22.5 million. The settlement amount including legal fees has been included in the purchase price allocation as part of the current liabilities assumed by Encana at the acquisition date. Although the outcome of any remaining legal claims and actions assumed by Encana following the acquisition of Newfield 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.