2018

# Q2 REPORT

For the period ended
June 30, 2018

encana

# Encana delivers strong second quarter financial results; liquids growth, efficiencies and robust realized prices driving quality returns

**Calgary, Alberta** (August 1, 2018) **TSX, NYSE: ECA**

Encana delivered strong financial performance in the second quarter driven by continued liquids growth, efficiencies and robust realized prices. Year-over-year, the company more than doubled cash from operating activities and increased its non-GAAP cash flow and cash flow margin by 67 and 57 percent, respectively. Encana is on track to grow annual production by over 30 percent and now expects to generate free cash flow in 2018. The company has raised its expected full-year average non-GAAP cash flow margin to about $16 per barrel of oil equivalent (BOE).

Second quarter highlights include:

- cash from operating activities of $475 million, up almost 120 percent from the second quarter of 2017
- non-GAAP cash flow of $586 million, up 67 percent year-over-year and 47 percent from the previous quarter
- non-GAAP cash flow margin of $19.09 per BOE, up 57 percent year-over-year and 39 percent from the previous quarter
- net loss of $151 million primarily attributable to a non-cash, before-tax, unrealized net loss on risk management
- liquids production of 155,300 barrels per day (bbls/d), up 24 percent year-over-year and seven percent from the previous quarter
- Permian production up 43 percent year-over-year with current production of more than 90,000 barrels of oil equivalent per day (BOE/d)
- Montney liquids production up 128 percent year-over-year with current liquids production of over 45,000 bbls/d
- market diversification strategy delivered robust realized pricing; Permian realized oil price, including basis hedges, was $70.15 per barrel, or 103 percent of WTI

"We delivered strong financial performance through the second quarter and continue to demonstrate our ability to execute efficiently at scale in a busier market," said Doug Suttles, Encana President & CEO. "Driven by liquids growth, efficiencies and robust realized prices resulting from our market diversification strategy, we are successfully converting rising commodity prices into margin growth and quality returns."

"Our performance positions us for a strong second half of the year and has us on track to generate free cash flow in 2018, one year earlier than originally targeted in our five-year plan," added Suttles. "Our multi-basin portfolio continues to provide a competitive advantage, helping us effectively manage risk, provide optionality to direct capital to our highest margin opportunities and transfer learnings across the business."

**Strong financial results: Liquids growth, efficiencies and market diversification drive margin expansion**

Oil and condensate growth, efficiencies and robust realized pricing are increasing margins, revenue and returns. The company generated cash from operating activities of $475 million, up from $218 million from the second quarter of 2017. Encana recorded a second quarter net loss of $151 million primarily attributable to a non-cash, before -tax, unrealized net loss on risk management of $326 million. Non-GAAP operating earnings grew 10 percent year-over-year to $198 million.

Year-over-year, non-GAAP cash flow grew 67 percent to $586 million with non-GAAP cash flow margin growing 57 percent to $19.09 per BOE, including a net recovery of taxes and interest of approximately $75 million which added about $2.44 per BOE in the quarter. Driven by strong year-to-date performance, Encana has raised its expected full-year average non-GAAP cash flow margin to around $16 per BOE from its original target of $14 per BOE. The company now expects to generate free cash flow in 2018, one year earlier than outlined in its five-year plan.

Second quarter production totaled 337,900 BOE/d, up seven percent year-over-year, with the company's core assets contributing 96 percent of total volumes. Year-over-year liquids production grew by 24 percent to 155,300 bbls/d, including a 48 percent increase in condensate. Oil and condensate contributed 76 percent of second quarter liquids production. Natural gas production was 1,095 million cubic feet per day (MMcf/d).

Encana is firmly on track to grow total production by more than 30 percent from 2017, after adjusting for 2017 dispositions. The company expects its core assets will deliver fourth quarter production of between 400,000 BOE/d and 425,000 BOE/d. Encana's capital program, which was weighted to the first half of the year, is on track with guidance.

**Strong operational performance: Cube development maximizes recovery, efficiency and returns**
Encana continues to maximize the value of its multi-basin portfolio by allocating capital to its highest return opportunities and optimizing resource recovery and efficiencies through its cube development model. Consistent with its plan, the company is on track to deliver significant oil and condensate growth through the second half of the year. Second quarter operational highlights include:

**Permian: Strong well performance and continued efficiencies**
- production of 88,200 BOE/d including 55,200 bbls/d of oil, up 43 and 42 percent year-over-year respectively
- brought three cubes onto production in Midland and Martin counties; four wells in the Jo Mill bench of Martin County are exceeding type curve with average 30-day initial production rates of 1,100 bbls/d of oil
- third-party data confirms industry-leading drilling performance of 12.6 days from spud to rig release
- current production of more than 90,000 BOE/d

**Montney: On track to double liquids volumes for second consecutive year**
- production of 176,200 BOE/d including 36,000 bbls/d of liquids, which is up 18 percent from the first quarter
- Tower North-Central Liquids Hub online ahead of schedule, supporting condensate growth plan
- focused development on condensate-rich inventory
- current liquids production of more than 45,000 bbls/d; on track to deliver fourth quarter liquids production between 55,000 to 65,000 bbls/d

**Eagle Ford and Duvernay: High-return growth**
- combined production of 58,500 BOE/d
- Eagle Ford returned to growth and is delivering the highest margin production in the portfolio
- brought 11 net wells onto production in the Eagle Ford with encouraging results from the Graben and Austin Chalk highlighting potential future premium inventory
- in the Duvernay, two test wells are delivering average 30-day initial production rates of around 1,050 bbls/d of condensate

**Share repurchase program**
Encana continued to advance its previously announced $400 million share repurchase program. Year-to-date, through its normal course issuer bid, the company has purchased and cancelled approximately 16.8 million common shares for total consideration of about $200 million. Encana expects to repurchase the full $400 million authorized under the program by year-end.

**Market diversification: Ensuring market access and maximizing realized prices**
The focus of Encana's market diversification strategy is to maximize price realizations, ensure efficient market access to support the company's growth plan and manage regional price risk. Encana's integrated and proactive approach has contributed approximately $70 million in additional non-GAAP cash flow during the second quarter and around $100 million year-to-date.

Through a combination of pipeline transportation and term financial basis hedging, Encana has virtually no exposure to Midland oil pricing through 2018 and limited exposure through 2019. Including basis hedges, the company's second quarter Permian realized oil price was $70.15 per barrel, or 103 percent of WTI.

As at June 30, 2018, Encana has hedged approximately 128,300 bbls/d of expected oil and condensate production and 1,084 MMcf/d of expected natural gas production for the remainder of 2018, using a variety of structures.

**Dividend declared**
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.

## Second Quarter Highlights

| Production summary | | | |
|---|---|---|---|
| (for the period ended June 30)<br>(average) | **Q2 2018** | Q2 2017 | % Δ |
| **Oil (Mbbls/d)** | **84.6** | 77.4 | 9 |
| **NGLs – Plant Condensate (Mbbls/d)** | **33.7** | 22.8 | 48 |
| **NGLs – Other (Mbbls/d)** | **37.0** | 24.7 | 50 |
| **Oil and NGLs Total (Mbbls/d)** | **155.3** | 124.9 | 24 |
| **Natural gas (MMcf/d)** | **1,095** | 1,146 | (4) |
| **Total production (MBOE/d)** | **337.9** | 316.0 | 7 |

| Liquids and natural gas prices | | |
|---|---|---|
| | **Q2 2018** | Q2 2017 |
| **Liquids ($/bbl)** | | |
| WTI | **67.88** | 48.29 |
| **Encana realized liquids prices[1]** | | |
| **Oil** | **58.00** | 48.27 |
| **NGLs – Plant Condensate** | **54.48** | 47.33 |
| **NGLs – Other** | **23.77** | 17.15 |
| **Natural gas** | | |
| NYMEX ($/MMBtu) | **2.80** | 3.18 |
| **Encana realized natural gas price[1] ($/Mcf)** | **3.03** | 2.56 |

[1] Prices include the impact of realized gain (loss) on risk management.

| Non-GAAP Cash Flow Reconciliation | | |
|---|---|---|
| (for the period ended June 30)<br>($ millions, except as indicated) | **Q2 2018** | Q2 2017 |
| **Cash from (used in) operating activities** | **475** | 218 |
| Deduct (add back): | | |
| Net change in other assets and liabilities | **(5)** | (4) |
| Net change in non-cash working capital | **(106)** | (129) |
| Current tax on sale of assets | **-** | - |
| **Non-GAAP cash flow[1]** | **586** | 351 |
| Divided by Production Volumes (MMBOE) | **30.7** | 28.8 |
| **Non-GAAP cash flow margin[1] ($/BOE)** | **19.09** | 12.19 |
| **Non-GAAP Operating Earnings Reconciliation** | | |
| **Net earnings (loss)** | **(151)** | 331 |
| Before-tax (addition) deduction: | | |
| Unrealized gain (loss) on risk management | **(326)** | 110 |
| Non-operating foreign exchange gain (loss) | **(32)** | 63 |
| Gain (loss) on divestiture | **1** | - |
| | **(357)** | 173 |
| Income tax | **8** | (22) |
| After-tax (addition) deduction | **(349)** | 151 |
| **Non-GAAP operating earnings [1]** | **198** | 180 |

[1] Non-GAAP cash flow, non-GAAP cash flow margin and non-GAAP operating earnings (loss) are non-GAAP measures as defined in Note 1.

**Second quarter conference call**

A conference call and webcast to discuss the 2018 second quarter results will be held for the investment community today at 7 a.m. MT (9 a.m. ET). To participate, please dial 888-231-8191 (toll-free in North America) or 647-427-7450 (international) approximately 10 minutes prior to the conference call. The live audio webcast of the second quarter conference call, including slides, will also be available on Encana's website, www.encana.com, under Investors/Presentations & Events. The webcasts will be archived for approximately 90 days.

## Encana Corporation

Encana is a leading North American energy producer that is focused on developing its strong portfolio of resource plays, held directly and indirectly through its subsidiaries, producing oil, natural gas liquids (NGLs) and natural gas. By partnering with employees, community organizations and other businesses, Encana contributes to the strength and sustainability of the communities where it operates. Encana common shares trade on the Toronto and New York stock exchanges under the symbol ECA.

### Important Information

Encana reports in U.S. dollars unless otherwise noted. Production, sales and reserves estimates are reported on a net (after-royalties) basis, unless otherwise noted. The term liquids is used to represent oil, NGLs and condensate. The term liquids-rich is used to represent natural gas streams with associated liquids volumes. Unless otherwise specified or the context otherwise requires, references to Encana or to the company includes reference to subsidiaries of and partnership interests held by Encana Corporation and its subsidiaries.

### NOTE 1: Non-GAAP measures

Certain measures in this news release do not have any standardized meaning as prescribed by U.S. GAAP and, therefore, are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other companies and should not be viewed as a substitute for measures reported under U.S. GAAP. For additional information regarding non-GAAP measures, see the Company's website. This news release contains references to non-GAAP measures as follows:

- **Non-GAAP Cash Flow** is a non-GAAP measure defined as cash from (used in) operating activities excluding net change in other assets and liabilities, net change in non-cash working capital and current tax on sale of assets. **Non-GAAP Cash Flow Margin** is a non-GAAP measure defined as Non-GAAP Cash Flow per BOE of production. **Non-GAAP Free Cash Flow** is a non-GAAP measure defined as Non-GAAP Cash Flow in excess of capital investment, excluding net acquisitions and divestitures.
- **Non-GAAP Operating Earnings (Loss)** is a non-GAAP measure defined as net earnings (loss) excluding non-recurring or non-cash items that management believes reduces the comparability of the company's financial performance between periods. These items may include, but are not limited to, unrealized gains/losses on risk management, impairments, restructuring charges, non-operating foreign exchange gains/losses, gains/losses on divestitures and gains on debt retirement. Income taxes may include valuation allowances and the provision related to the pre-tax items listed, as well as income taxes related to divestitures and U.S. tax reform, and adjustments to normalize the effect of income taxes calculated using the estimated annual effective income tax rate.

**ADVISORY REGARDING OIL AND GAS INFORMATION -** The conversion of natural gas volumes to barrels of oil equivalent (BOE) is on the basis of six thousand cubic feet to one barrel. BOE is based on a generic energy equivalency conversion method primarily applicable at the burner tip and does not represent economic value equivalency at the wellhead. Readers are cautioned that BOE may be misleading, particularly if used in isolation. 30-day initial or peak production and other short-term rates are not necessarily indicative of long-term performance or of ultimate recovery.

**ADVISORY REGARDING FORWARD-LOOKING STATEMENTS -** This news release contains certain forward-looking statements or information (collectively, "FLS") within the meaning of applicable securities legislation, including the United States Private Securities Litigation Reform Act of 1995. FLS include: expectation of meeting or exceeding targets in corporate guidance and five-year plan; production growth, including from core assets, and commodity mix thereof; growth within cash flows; anticipated non-GAAP cash flow margin; ability to generate free cash flow; success of market diversification strategy and realized pricing; benefits of multi-basin portfolio; ability to offset cost inflation and anticipated efficiencies; focus on margin growth and quality returns; success and benefits of cube development model, and resulting type curves; expected capital program; number of well locations and anticipated development within five-year plan; anticipated shares to be acquired under share repurchase program and timing thereof; anticipated hedging and outcomes of risk management program, including amount of hedged production; performance relative to peers; and anticipated dividends.

Readers are cautioned against unduly relying on FLS which, by their nature, involve numerous assumptions, risks and uncertainties that may cause such statements not to occur, or results to differ materially from those expressed or implied. These assumptions include: future commodity prices and differentials; foreign exchange rates; ability to access credit facilities and shelf prospectuses; assumptions contained in the Company's corporate guidance, five-year plan and as specified herein; data contained in key modeling statistics; availability of attractive hedges and enforceability of risk management program; effectiveness of Encana's drive to productivity and efficiencies; results from innovations; expectation that counterparties will fulfill their obligations under the gathering, midstream and marketing agreements; access to transportation and processing facilities where Encana operates; assumed tax, royalty and regulatory regimes; enforceability of transaction agreements; and expectations and projections made in light of, and generally consistent with, Encana's historical experience and its perception of historical trends, including with respect to the pace of technological development, benefits achieved and general industry expectations.

Risks and uncertainties that may affect these business outcomes include: ability to generate sufficient cash flow to meet obligations; commodity price volatility; ability to secure adequate transportation and potential pipeline curtailments; variability and discretion of Encana's board of directors to declare and pay dividends, if any; variability in the amount, number of shares and timing of purchases, if any, pursuant to the share repurchase program; timing and costs of well, facilities and pipeline construction; business interruption, property and casualty losses or unexpected technical difficulties, including impact of weather; counterparty and credit risk; impact of a downgrade in credit rating and its impact on access to sources of liquidity; fluctuations in currency and interest rates; risks inherent in Encana's corporate guidance; failure to achieve cost and efficiency initiatives; risks inherent in marketing operations; risks associated with technology; changes in or interpretation of royalty, tax, environmental, greenhouse gas, carbon, accounting and other laws or regulations; risks associated with existing and potential lawsuits and regulatory actions made against Encana; impact of disputes arising with its partners, including suspension of certain obligations and inability to dispose of assets or interests in certain arrangements; Encana's ability to acquire or find additional reserves; imprecision of reserves estimates and estimates of recoverable quantities of liquids and natural gas from plays and other sources not currently classified as proved, probable or possible reserves or economic contingent resources, including future net revenue estimates; risks associated with past and future acquisitions or divestitures of certain assets or other transactions or receipt of amounts contemplated under the transaction agreements (such transactions may include third-party capital investments, farm-outs or partnerships, which Encana may refer to from time to time as “partnerships” or “joint ventures” and the funds received in respect thereof which Encana may refer to from time to time as “proceeds”, “deferred purchase price” and/or “carry capital”, regardless of the legal form) as a result of various conditions not being met; and other risks and uncertainties impacting Encana's business, as described in its most recent Annual Report on Form 10-K and as described from time to time in Encana’s other periodic filings as filed on SEDAR and EDGAR.

Although Encana believes the expectations represented by such FLS are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the assumptions, risks and uncertainties referenced above are not exhaustive. FLS are made as of the date of this news release and, except as required by law, Encana undertakes no obligation to update publicly or revise any FLS. FLS contained in this news release are expressly qualified by these cautionary statements.

Further information on Encana Corporation is available on the company’s website, www.encana.com, or by contacting:

***Investor contact:***
Corey Code
Vice-President, Investor Relations
**(403) 645-4606**

Patti Posadowski
Sr. Advisor, Investor Relations
**(403) 645-2252**

***Media contact:***
Simon Scott
Vice-President, Communications
**(403) 645-2526**

Jay Averill
Director, External Communications
**(403) 645-4747**

SOURCE: Encana Corporation

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION
## Washington, D.C. 20549

# FORM 10-Q

(Mark One)
**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2018**

**or**

**[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number 1-15226**

## ENCANA CORPORATION
(Exact name of registrant as specified in its charter)

| **Canada** | **98-0355077** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**Suite 4400, 500 Centre Street S.E., P.O. Box 2850, Calgary, Alberta, Canada, T2P 2S5**
(Address of principal executive offices)

Registrant's telephone number, including area code **(403) 645-2000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | [X] | Accelerated filer | [ ] |
| Non-accelerated filer | [ ](Do not check if a smaller reporting company) | Smaller reporting company | [ ] |
| | | Emerging growth company | [ ] |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

Number of registrant's common shares outstanding as of July 27, 2018 956,344,576

**ENCANA CORPORATION**
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## PART I



## PART II

## DEFINITIONS

Unless the context otherwise indicates, references to “us,” “we,” “our,” “ours,” “Encana” and the “Company” refer to Encana Corporation and its consolidated subsidiaries. In addition, the following are other abbreviations and definitions of certain terms used within this Quarterly Report on Form 10-Q:

“AECO” means Alberta Energy Company and is the Canadian benchmark price for natural gas.

“ASU” means Accounting Standards Update.

“bbl” or “bbls” means barrel or barrels.

“BOE” means barrels of oil equivalent.

“Btu” means British thermal units, a measure of heating value.

“DD&A” means depreciation, depletion and amortization expenses.

“FASB” means Financial Accounting Standards Board.

“Mbbls/d” means thousand barrels per day.

“MBOE/d” means thousand barrels of oil equivalent per day.

“Mcf” means thousand cubic feet.

“MD&A” means Management’s Discussion and Analysis of Financial Condition and Results of Operations.

“MMBOE” means million barrels of oil equivalent.

“MMBtu” means million Btu.

“MMcf/d” means million cubic feet per day.

“NCIB” means normal course issuer bid.

“NGL” or “NGLs” means natural gas liquids.

“NYMEX” means New York Mercantile Exchange.

“OPEC” means Organization of the Petroleum Exporting Countries.

“SEC” means United States Securities and Exchange Commission.

“TSX” means Toronto Stock Exchange.

“U.S.”, “United States” or “USA” means United States of America.

“U.S. GAAP” means U.S. Generally Accepted Accounting Principles.

“WTI” means West Texas Intermediate.

## CONVERSIONS

In this Quarterly Report on Form 10-Q, a conversion of natural gas volumes to BOE is on the basis of six Mcf to one bbl. BOE is based on a generic energy equivalency conversion method primarily applicable at the burner tip and does not represent economic value equivalency at the wellhead. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value, particularly if used in isolation.

## CONVENTIONS

Unless otherwise specified, all dollar amounts are expressed in U.S. dollars, all references to “dollars”, “$” or “US$” are to U.S. dollars and all references to “C$” are to Canadian dollars. All amounts are provided on a before tax basis, unless otherwise stated. In addition, all information provided herein is presented on an after royalties basis.

The term “liquids” is used to represent oil, NGLs and condensate. The term “liquids rich” is used to represent natural gas streams with associated liquids volumes. The term “play” is used to describe an area in which hydrocarbon accumulations or prospects of a given type occur. Encana’s focus of development is on hydrocarbon accumulations known to exist over a large areal expanse and/or thick vertical section and are developed using hydraulic fracturing. This type of development typically has a lower geological and/or commercial development risk and lower average decline rate, when compared to conventional development.

The term “core asset” refers to plays that are the focus of the Company’s current capital investment and development plan. The Company continually reviews funding for development of its plays based on strategic fit, profitability and portfolio diversity and, as such, the composition of plays identified as a core asset may change over time.

References to information contained on the Company’s website at www.encana.com are not incorporated by reference into, and does not constitute a part of, this Quarterly Report on Form 10-Q.

## FORWARD-LOOKING STATEMENTS AND RISK

This Quarterly Report on Form 10-Q contains certain forward-looking statements or information (collectively, “forward-looking statements”) within the meaning of applicable securities legislation, including the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements include: composition of the Company’s core assets, including allocation of capital and focus of development plans; growth in long-term shareholder value; vision of being a leading North American resource play company; statements with respect to the Company’s strategic objectives including capital allocation strategy, focus of investment, growth of high margin liquids volumes, operating and capital efficiencies and ability to preserve balance sheet strength; ability to lower costs and improve efficiencies to achieve competitive advantage; ability to repeat and deploy successful practices across the Company’s multi-basin portfolio; balancing commodity portfolio; anticipated commodity prices; success of and benefits from technology and innovation, including cube development approach and advanced completion designs; ability to optimize well and completion designs; future well inventory; anticipated drilling, number of drilling rigs and the success thereof; anticipated drilling costs and cycle times; anticipated proceeds and future benefits from various joint venture, partnership and other agreements; expected timing for construction of facilities and costs thereof; expansion of future midstream services; estimates of reserves and resources; expected production and product types; statements regarding anticipated cash flow, non-GAAP cash flow margin and leverage ratios; anticipated cash and cash equivalents; anticipated hedging and outcomes of risk management program, including exposure to certain commodity prices and foreign exchange, amount of hedged production, market access and physical sales locations; impact of changes in laws and regulations; compliance with environmental legislation and claims related to the purported causes and impact of climate change, and the costs therefrom; adequacy of provisions for abandonment and site reclamation costs; financial flexibility and discipline; ability to meet financial obligations, manage debt and financial ratios, finance growth and compliance with financial covenants; impact to the Company as a result of changes to its credit rating; access to the Company’s credit facilities; planned annualized dividend and the declaration and payment of future dividends, if any; the Company’s NCIB program, including amounts and number of shares to be acquired, anticipated timeframe, method and location of purchases, and source of funding thereof; adequacy of the Company’s provision for taxes and legal claims; projections and expectation of meeting the targets contained in the Company’s corporate guidance and five-year plan; ability to manage cost inflation and expected cost structures, including expected operating, transportation and processing and administrative expenses; competitiveness and pace of growth of the Company’s assets within North America and against its peers; outlook of oil and gas industry generally and impact of geopolitical environment; expected future interest expense; the Company’s commitments and obligations and anticipated payments thereunder; statements with respect to future ceiling test impairments; and the possible impact and timing of accounting pronouncements, rule changes and standards.

Readers are cautioned against unduly relying on forward-looking statements which, by their nature, involve numerous assumptions, risks and uncertainties that may cause such statements not to occur, or results to differ materially from those expressed or implied. These assumptions include: future commodity prices and differentials; foreign exchange rates; ability to access credit facilities and shelf prospectuses; assumptions contained in the Company’s corporate guidance, five-year plan and as specified herein; data contained in key modeling statistics; availability of attractive hedges and enforceability of risk management program; effectiveness of the Company’s drive to productivity and efficiencies; results from innovations; expectation that counterparties will fulfill their obligations under the gathering, midstream and marketing agreements; access to transportation and processing facilities where Encana operates; assumed tax, royalty and regulatory regimes; and expectations and projections made in light of, and generally consistent with, Encana’s historical experience and its perception of historical trends, including with respect to the pace of technological development, benefits achieved and general industry expectations.

Risks and uncertainties that may affect these business outcomes include: ability to generate sufficient cash flow to meet obligations; commodity price volatility; ability to secure adequate transportation and potential pipeline curtailments; variability and discretion of Encana’s board of directors (the “Board of Directors”) to declare and pay dividends, if any; timing and costs of well, facilities and pipeline construction; business interruption, property and casualty losses or unexpected technical difficulties, including impact of weather; counterparty and credit risk; impact of a downgrade in credit rating and its impact on access to sources of liquidity; fluctuations in currency and interest rates; risks inherent in the Company’s corporate guidance; failure to achieve cost and efficiency initiatives; risks inherent in marketing operations; risks associated with technology; changes in or interpretation of royalty, tax, environmental, greenhouse gas, carbon, accounting and other laws or regulations; risks associated with existing and potential lawsuits and regulatory actions made against the Company; impact of disputes arising with its partners, including suspension of certain obligations and inability to dispose of assets or interests in certain arrangements; the Company’s ability to acquire or find additional reserves; imprecision of reserves estimates and estimates of recoverable quantities, including future net revenue estimates; risks associated with past and future acquisitions or divestitures of certain assets or other transactions or receipt of amounts contemplated under the transaction agreements (such transactions may include third-party capital investments, farm-outs or partnerships, which Encana may refer to from time to time as “partnerships” or “joint ventures” and the funds received in respect thereof which Encana may refer to from time to time as “proceeds”, “deferred purchase price” and/or “carry capital”, regardless of the legal form) as a result of various conditions not being met; and other risks described herein and in Item 1A. Risk Factors of the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (“2017 Annual Report on Form 10-K”) and risks and uncertainties impacting Encana's business as described from time to time in the Company's other periodic filings with the SEC.

Although the Company believes the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the assumptions, risks and uncertainties referenced above are not exhaustive. Forward-looking statements are made as of the date of this document and, except as required by law, the Company undertakes no obligation to update publicly or revise any forward-looking statements. The forward-looking statements contained in this Quarterly Report on Form 10-Q are expressly qualified by these cautionary statements.

The reader should read carefully the risk factors described herein and in Item 1A. Risk Factors of the 2017 Annual Report on Form 10-K for a description of certain risks that could, among other things, cause actual results to differ from these forward-looking statements.

# PART I

## Item 1. Financial Statements

## Condensed Consolidated Statement of Earnings *(unaudited)*

| (US$ millions, except per share amounts) | | Three Months Ended June 30, 2018 | Three Months Ended June 30, 2017 (1) | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2017 (1) |
|---|---|---|---|---|---|
| **Revenues** | *(Notes 3, 4)* | | | | |
| Product and service revenues | | **$ 1,277** | $ 937 | **$ 2,537** | $ 1,871 |
| Gains (losses) on risk management, net | *(Note 19)* | **(312)** | 129 | **(276)** | 467 |
| Sublease revenues | | **18** | 17 | **35** | 34 |
| Total Revenues | | **983** | 1,083 | **2,296** | 2,372 |
| **Operating Expenses** | *(Note 3)* | | | | |
| Production, mineral and other taxes | | **35** | 24 | **64** | 53 |
| Transportation and processing | *(Note 19)* | **272** | 206 | **521** | 418 |
| Operating | *(Notes 16, 17)* | **137** | 113 | **248** | 245 |
| Purchased product | | **248** | 192 | **521** | 363 |
| Depreciation, depletion and amortization | | **300** | 193 | **575** | 380 |
| Accretion of asset retirement obligation | *(Note 12)* | **8** | 10 | **16** | 21 |
| Administrative | *(Notes 16, 17)* | **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 | *(Note 5)* | **81** | 79 | **173** | 167 |
| Foreign exchange (gain) loss, net | *(Notes 6, 19)* | **25** | (58) | **116** | (84) |
| (Gain) loss on divestitures, net | | **(1)** | - | **(4)** | 1 |
| Other (gains) losses, net | *(Note 17)* | **-** | (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) | *(Note 7)* | **(70)** | (4) | **(61)** | (1) |
| **Net Earnings (Loss)** | | **$ (151)** | $ 331 | **$ -** | $ 762 |
| **Net Earnings (Loss) per Common Share** | | | | | |
| Basic & Diluted | *(Note 13)* | **$ (0.16)** | $ 0.34 | **$ -** | $ 0.78 |
| **Dividends Declared per Common Share** | *(Note 13)* | **$ 0.015** | $ 0.015 | **$ 0.03** | $ 0.03 |
| **Weighted Average Common Shares Outstanding (millions)** | | | | | |
| Basic & Diluted | *(Note 13)* | **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, 2018 | Three Months Ended June 30, 2017 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2017 |
|---|---|---|---|---|---|
| **Net Earnings (Loss)** | | **$ (151)** | $ 331 | **$ -** | $ 762 |
| **Other Comprehensive Income (Loss), Net of Tax** | | | | | |
| Foreign currency translation adjustment | *(Note 14)* | **(25)** | (59) | **(1)** | (75) |
| Pension and other post-employment benefit plans | *(Notes 14, 17)* | **-** | - | **(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 | *(Notes 18, 19)* | **174** | 205 |
| Income tax receivable | | **535** | 573 |
| | | **1,858** | 2,271 |
| Property, Plant and Equipment, at cost: | *(Note 9)* | | |
| 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 | *(Note 3)* | **9,318** | 8,954 |
| Other Assets | | **176** | 144 |
| Risk Management | *(Notes 18, 19)* | **185** | 246 |
| Deferred Income Taxes | | **1,015** | 1,043 |
| Goodwill | *(Note 3)* | **2,576** | 2,609 |
| | *(Note 3)* | **$ 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 | *(Notes 18, 19)* | **401** | 236 |
| Current portion of long-term debt | *(Note 10)* | **500** | - |
| | | **2,537** | 1,658 |
| Long-Term Debt | *(Note 10)* | **3,698** | 4,197 |
| Other Liabilities and Provisions | *(Note 11)* | **1,901** | 2,167 |
| Risk Management | *(Notes 18, 19)* | **43** | 13 |
| Asset Retirement Obligation | *(Note 12)* | **420** | 470 |
| Deferred Income Taxes | | **32** | 34 |
| | | **8,631** | 8,539 |
| Commitments and Contingencies | *(Note 21)* | | |
| Shareholders' Equity | | | |
| Share capital - authorized unlimited common shares | | | |
| 2018 issued and outstanding: 956.3 million shares (2017: 973.1 million shares) | *(Note 13)* | **4,674** | 4,757 |
| Paid in surplus | | **1,358** | 1,358 |
| Accumulated deficit | | **(575)** | (429) |
| Accumulated other comprehensive income | *(Note 14)* | **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 | *(Note 13)* | **-** | **-** | **(29)** | **-** | **(29)** |
| Common Shares Purchased under Normal Course Issuer Bid | *(Note 13)* | **(83)** | **-** | **(117)** | **-** | **(200)** |
| Common Shares Issued Under Dividend Reinvestment Plan | *(Note 13)* | **-** | **-** | **-** | **-** | **-** |
| Other Comprehensive Income (Loss) | *(Note 14)* | **-** | **-** | **-** | **(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 | *(Note 13)* | - | - | (29) | - | (29) |
| Common Shares Issued Under Dividend Reinvestment Plan | *(Note 13)* | - | - | - | - | - |
| Other Comprehensive Income (Loss) | *(Note 14)* | - | - | - | (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, 2018 | Three Months Ended June 30, 2017 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2017 |
|---|---|---|---|---|---|
| **Operating Activities** | | | | | |
| Net earnings (loss) | | **$ (151)** | $ 331 | **$ -** | $ 762 |
| Depreciation, depletion and amortization | | **300** | 193 | **575** | 380 |
| Accretion of asset retirement obligation | *(Note 12)* | **8** | 10 | **16** | 21 |
| Deferred income taxes | *(Note 7)* | **(6)** | 14 | **-** | 56 |
| Unrealized (gain) loss on risk management | *(Note 19)* | **326** | (110) | **258** | (472) |
| Unrealized foreign exchange (gain) loss | *(Note 6)* | **29** | (63) | **179** | (99) |
| Foreign exchange on settlements | *(Note 6)* | **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 | *(Note 20)* | **(106)** | (129) | **(114)** | (289) |
| Cash From (Used in) Operating Activities | | **475** | 218 | **856** | 324 |
| **Investing Activities** | | | | | |
| Capital expenditures | *(Note 3)* | **(595)** | (415) | **(1,103)** | (814) |
| Acquisitions | *(Note 8)* | **-** | (2) | **(2)** | (48) |
| Proceeds from divestitures | *(Note 8)* | **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 | *(Note 13)* | **(89)** | - | **(200)** | - |
| Dividends on common shares | *(Note 13)* | **(14)** | (14) | **(29)** | (29) |
| Capital lease payments and other financing arrangements | *(Note 11)* | **(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

| | Marketing Sales | | Market Optimization 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) |

| | Marketing Sales | | Market Optimization 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 As at | | Property, Plant and Equipment As at | | Total Assets 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, 2018 | Three Months Ended June 30, 2017 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 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, 2018 | Three Months Ended June 30, 2017 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 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:

| | Expected Future Payments | | | | | | |
|---|---|---|---|---|---|---|---|
| (undiscounted) | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | Total |
| 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.

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

The MD&A is intended to provide a narrative description of Encana's business from management's perspective. This MD&A should be read in conjunction with the unaudited interim Condensed Consolidated Financial Statements and accompanying notes for the period ended June 30, 2018 ("Consolidated Financial Statements"), which are included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the audited Consolidated Financial Statements and accompanying notes and MD&A for the year ended December 31, 2017, which are included in Items 8 and 7, respectively, of the 2017 Annual Report on Form 10-K. Common industry terms and abbreviations are used throughout this MD&A and are defined in the Definitions, Conversions and Conventions sections of this Quarterly Report on Form 10-Q. This MD&A includes the following sections:



# Executive Overview

## Strategy

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

In executing its strategy, Encana focuses on its core values of One, Agile and Driven, which guide the organization to be flexible, responsive, determined and motivated with a commitment to excellence and a passion to succeed as a unified team.

Encana continually reviews and evaluates its strategy and changing market conditions. In 2018, Encana continues to focus on quality growth from high margin, scalable projects located in some of the best plays in North America, referred to as the "Core Assets", comprising Montney and Duvernay in Canada and Eagle Ford and Permian in the U.S. These world-class assets form a multi-basin portfolio enabling flexible and efficient investment of capital. The Company rapidly deploys successful ideas and practices across these assets, becoming more efficient as innovative and sustainable technical improvements are implemented.

For additional information on Encana's strategy, its reporting segments and the plays in which the Company operates, refer to Items 1 and 2 of the 2017 Annual Report on Form 10-K. In evaluating its operations and assessing its leverage, the Company reviews performance-based measures such as Non-GAAP Cash Flow and Non-GAAP Cash Flow Margin and debt-based metrics such as Debt to Adjusted Capitalization and Net Debt to Adjusted EBITDA, which are non-GAAP measures and do not have any standardized meaning under U.S. GAAP. These measures may not be similar to measures presented by other issuers and should not be viewed as a substitute for measures reported under U.S. GAAP. Further information regarding these measures, including reconciliations to the closest GAAP measure, can be found in the Non-GAAP Measures section of this MD&A.

## Highlights

During the first six months of 2018, Encana focused on executing its 2018 capital plan, maintaining operational efficiencies achieved in 2017 and minimizing the effect of inflationary costs. Higher revenues in the first six months of 2018 compared to 2017 resulting from higher liquids production volumes and benchmark prices. Liquids production volumes increased by 27 percent compared to 2017. Higher oil and NGL benchmark prices contributed to increases in Encana's average realized oil and NGL prices of 36 percent and 31 percent, respectively. Encana is also focused on the diversification of the Company's downstream markets to capture higher realized prices. Encana remains committed to delivering a business model that allows the Company to adapt to fluctuating commodity prices.

### Significant Developments

- 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. As of June 30, 2018, the Company has purchased approximately 16.8 million common shares for total consideration of approximately $200 million.
- Announced an agreement with Keyera Partnership, a subsidiary of Keyera Corp., on April 2, 2018 to sell the Company's Pipestone liquids hub in Alberta. In conjunction with the sale, Keyera will own and construct a natural gas processing facility and provide Encana with processing services under a competitive fee-for-service arrangement in support of the Company's liquids growth plans in Montney.

### Financial Results

*Three months ended June 30, 2018*

- Reported net loss of $151 million, including a net loss on risk management in revenues of $312 million, before tax, and net foreign exchange loss of $25 million, before tax.
- Recovered current taxes of approximately $64 million and interest of $11 million primarily resulting from the resolution of certain tax items relating to prior taxation years.
- Generated cash from operating activities of $475 million, Non-GAAP Cash Flow of $586 million and Non-GAAP Cash Flow Margin of $19.09 per BOE, including the tax items noted above.
- Paid dividends of $0.015 per common share.

*Six months ended June 30, 2018*

- Reported net earnings of nil, including a net loss on risk management in revenues of $276 million, before tax, and net foreign exchange loss of $116 million, before tax.
- Recovered current taxes of approximately $61 million and interest of $11 million primarily resulting from the resolution of certain tax items relating to prior taxation years.
- Generated cash from operating activities of $856 million, Non-GAAP Cash Flow of $986 million and Non-GAAP Cash Flow Margin of $16.46 per BOE, including the tax items noted above.
- Paid dividends of $0.03 per common share.
- Held cash and cash equivalents of $336 million and had available credit facilities of $4.0 billion for total liquidity of $4.3 billion at June 30, 2018.

### Capital Investment

- Directed $420 million, or 71 percent, of total capital spending in Permian and Montney in the second quarter of 2018 and $813 million, or 74 percent, during the first six months of 2018.
- Focused on highly efficient capital activity and short-cycle high margin projects providing flexibility to respond to fluctuations in commodity prices.

### Production

*Three months ended June 30, 2018*

- Produced average oil and NGL volumes of 155.3 Mbbls/d which accounted for 46 percent of total production volumes. Average oil and plant condensate production volumes of 118.3 Mbbls/d were 76 percent of total liquids production volumes.
- Produced average natural gas volumes of 1,095 MMcf/d which accounted for 54 percent of total production volumes.

*Six months ended June 30, 2018*

- Produced average oil and NGL volumes of 150.3 Mbbls/d which accounted for 45 percent of total production volumes. Average oil and plant condensate production volumes of 115.7 Mbbls/d were 77 percent of total liquids production volumes.
- Produced average natural gas volumes of 1,085 MMcf/d which accounted for 55 percent of total production volumes.

### Revenues and Operating Expenses

- Focused on market diversification to other downstream markets to maximize realized commodity prices and revenues through a combination of derivative financial instruments and transportation contracts.
- Secured pipeline transportation capacity to the Dawn and Houston markets to protect against weakening AECO and Midland differentials to NYMEX and WTI, respectively; maintained access to local markets through existing transportation contracts.
- Preserved operational efficiencies achieved in previous years and minimized the effect of inflationary costs.
- Incurred higher transportation and processing expense in the second quarter and the first six months of 2018 of $66 million, or 32 percent, and $103 million, or 25 percent, respectively, compared to the same periods in 2017 primarily due to higher volumes in Montney and additional costs incurred in conjunction with the diversification of other downstream markets to capture higher realized prices.

## 2018 Outlook

### Industry Outlook

The oil and gas industry is cyclical and commodity prices are inherently volatile. Oil prices during 2018 are expected to reflect global supply and demand dynamics as well as the geopolitical environment. The original OPEC agreement implemented in 2017 to limit output and the drawdowns of oil storage inventory levels were generally supportive of oil prices in the first half of 2018. At a meeting in June 2018, OPEC and certain non-OPEC countries agreed to increase future oil production, which could negatively impact prices for the remainder of the year. Conversely, oil supply outages resulting from geopolitical instability in major producing countries could positively impact prices for the remainder of the year.

Natural gas prices in 2018 will be affected by the timing of supply and demand growth. Natural gas prices in western Canada have seen significant negative price pressure as supply reached multi-year highs, surpassing regional demand and stressing effective pipeline capacity. Stronger condensate prices may also lend support to activity levels resulting in continued downward pressure on natural gas prices in the second half of 2018. Potential for improvement in U.S. natural gas prices remains limited due to continued substantial production increases in Northeast U.S. and associated gas production in the Permian Basin.

### Company Outlook

Encana is positioned to be flexible in the current price environment in order to continue to achieve strong returns. The Company enters into derivative financial instruments which mitigate price volatility and help sustain revenues during periods of lower prices. A portion of the Company's production is sold at prevailing market prices which also allows Encana to participate in potential price increases. As at June 30, 2018, the Company has hedged approximately 128 Mbbls/d of expected oil and condensate production and 1,084 MMcf/d of expected natural gas production for the remainder of 2018. Additional information on Encana's hedging program can be found in Note 19 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Markets for crude oil and natural gas are exposed to different price risks. While the market price for crude oil tends to move in the same direction as the global market, the Permian Basin is experiencing wider differentials due to temporary local export capacity constraints. Natural gas prices may vary between geographic regions depending on local supply and demand conditions. Encana proactively utilizes transportation contracts to diversify the Company's downstream markets and reduce significant exposure to any given market. Through a combination of derivative financial instruments and transportation capacity, Encana has mitigated the majority of its exposure to Midland and AECO pricing in 2018 and 2019. In addition, Encana continues to seek new markets to yield higher returns.

### *Capital Investment*

Encana is on track to meet its full year capital investment guidance of $1.8 billion to $1.9 billion. During the first six months of 2018, the Company spent $1.1 billion, of which $488 million was directed to Permian where the Company has drilled 55 net wells and $325 million was directed to Montney with 81 net wells drilled. Capital investment in Permian is expected to be optimized by Encana's cube development approach to maximize returns and recovery. Capital investment in Montney is expected to be allocated to both Cutbank Ridge and Pipestone with a focus on growing condensate volumes. The remainder of the capital investment was primarily directed to Eagle Ford and Duvernay and is expected to optimize production and margins.

Encana continually strives to improve well performance by lowering drilling and completion costs through innovative techniques. Encana's large-scale cube development model utilizes multi-well pads and advanced completion designs to access stacked pay resource to maximize returns and resource recovery from its reservoirs. The impact of Encana's disciplined capital program and continuous innovation create flexibility and opportunity to grow cash flows and production volumes going forward.

### *Production*

As part of the Company's long-term growth strategy, Encana has significantly shifted its production mix to a more balanced portfolio in the recent years, thereby reducing the extent of exposure to market volatility of a particular commodity. During the first six months of 2018, average liquids production volumes were 150.3 Mbbls/d and average natural gas production volumes were 1,085 MMcf/d. The Company expects to deliver substantial liquids growth for the remainder of the year. The Company is on track to meet the full year 2018 guidance ranges for liquids production volumes of 165.0 Mbbls/d to 175.0 Mbbls/d and natural gas production volumes of 1,150 MMcf/d to 1,250 MMcf/d by year end as a result of the Company's growth plans for Montney. Encana's growth plans for Montney are supported by third party processing plants commissioned in 2017 and the second quarter of 2018, as well as the planned completion of the Pipestone liquids hub in the second half of 2018.

### *Operating Expenses*

Efficiency improvements and lower service costs are expected to be maintained through the support of the Company's culture of innovation and its focus on continuous improvement in operational execution. As activity in the industry accelerates, Encana expects to continue pursuing innovative ways to reduce upstream operating and administrative expenses. Operating costs in the first six months of 2018 are on track to meet the full year 2018 guidance ranges. Transportation and processing expense was $7.58 per BOE, while upstream operating expense and administrative expense, excluding long-term incentive costs, were $3.50 per BOE and $1.43 per BOE, respectively.

Service costs are expected to increase with higher activity in the oil and gas industry and the recovery of liquids prices. Encana continues to offset any inflationary pressures with efficiency improvements and effective supply chain management, including favorable price negotiations.

Further information on Encana's 2018 Corporate Guidance can be accessed on the Company's website at www.encana.com.

# Results of Operations

## Selected Financial Information

| ($ millions) | Three months ended June 30, 2018 | Three months ended June 30, 2017 [1] | Six months ended June 30, 2018 | Six months ended June 30, 2017 [1] |
|---|---|---|---|---|
| Product and Service Revenues | | | | |
| Upstream product revenues | **$ 984** | $ 729 | **$ 1,941** | $ 1,467 |
| Market optimization | **291** | 204 | **592** | 390 |
| Service revenues | **2** | 4 | **4** | 14 |
| Total Product and Service Revenues | **1,277** | 937 | **2,537** | 1,871 |
| Gains (Losses) on Risk Management, Net | **(312)** | 129 | **(276)** | 467 |
| Sublease Revenues | **18** | 17 | **35** | 34 |
| Total Revenues | **983** | 1,083 | **2,296** | 2,372 |
| Total Operating Expenses [2] | **1,099** | 762 | **2,075** | 1,562 |
| Operating Income (Loss) | **(116)** | 321 | **221** | 810 |
| Total Other (Income) Expenses | **105** | (6) | **282** | 49 |
| Net Earnings (Loss) Before Income Tax | **(221)** | 327 | **(61)** | 761 |
| Income Tax Expense (Recovery) | **(70)** | (4) | **(61)** | (1) |
| Net Earnings (Loss) | **$ (151)** | $ 331 | **$ -** | $ 762 |

(1) 2017 revenues have been realigned to conform with the January 1, 2018 adoption of ASU 2014-09 "Revenue from Contracts with Customers", as described in Note 2 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.
(2) Total Operating Expenses include non-cash items such as DD&A, impairments, accretion of asset retirement obligations and long-term incentive costs.

## Revenues

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

### Benchmark Prices

| (average for the period) | Three months ended June 30, 2018 | Three months ended June 30, 2017 | Six months ended June 30, 2018 | Six months ended June 30, 2017 |
|---|---|---|---|---|
| **Oil & NGLs** | | | | |
| WTI ($/bbl) | **$ 67.88** | $ 48.29 | **$ 65.37** | $ 50.10 |
| Edmonton Condensate (C$/bbl) | **$ 88.84** | $ 64.59 | **$ 84.28** | $ 66.87 |
| **Natural Gas** | | | | |
| NYMEX ($/MMBtu) | **$ 2.80** | $ 3.18 | **$ 2.90** | $ 3.25 |
| AECO (C$/Mcf) | **$ 1.03** | $ 2.77 | **$ 1.44** | $ 2.86 |
| Dawn (C$/MMBtu) | **$ 3.60** | $ 4.17 | **$ 3.71** | $ 4.20 |

## Production Volumes and Realized Prices

| | Three months ended June 30, | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | Production Volumes (1) | | Realized Prices (2) | | Production Volumes (1) | | Realized Prices (2) | |
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| **Oil** (Mbbls/d, $/bbl) | | | | | | | | |
| Canadian Operations | **0.4** | 0.4 | **$ 58.13** | $ 40.23 | **0.4** | 0.4 | **$ 56.87** | $ 41.77 |
| USA Operations | **84.2** | 77.0 | **66.57** | 46.14 | **83.4** | 72.0 | **64.97** | 47.75 |
| Total | **84.6** | 77.4 | **66.52** | 46.11 | **83.8** | 72.4 | **64.93** | 47.72 |
| **NGLs – Plant Condensate** (Mbbls/d, $/bbl) | | | | | | | | |
| Canadian Operations | **29.9** | 20.5 | **67.55** | 46.94 | **28.7** | 19.6 | **64.48** | 48.53 |
| USA Operations | **3.8** | 2.3 | **57.20** | 41.07 | **3.2** | 2.1 | **55.05** | 41.86 |
| Total | **33.7** | 22.8 | **66.38** | 46.34 | **31.9** | 21.7 | **63.51** | 47.89 |
| **NGLs – Other** (Mbbls/d, $/bbl) | | | | | | | | |
| Canadian Operations | **12.5** | 4.7 | **26.27** | 19.10 | **11.5** | 4.9 | **27.99** | 20.91 |
| USA Operations | **24.5** | 20.0 | **22.37** | 16.06 | **23.1** | 19.0 | **21.51** | 17.97 |
| Total | **37.0** | 24.7 | **23.69** | 16.65 | **34.6** | 23.9 | **23.66** | 18.57 |
| **Total NGLs** (Mbbls/d, $/bbl) | | | | | | | | |
| Canadian Operations | **42.4** | 25.2 | **55.35** | 41.73 | **40.2** | 24.5 | **54.03** | 43.01 |
| USA Operations | **28.3** | 22.3 | **27.08** | 18.68 | **26.3** | 21.1 | **25.67** | 20.34 |
| Total | **70.7** | 47.5 | **44.01** | 30.93 | **66.5** | 45.6 | **42.79** | 32.54 |
| **Total Oil & NGLs** (Mbbls/d, $/bbl) | | | | | | | | |
| Canadian Operations | **42.8** | 25.6 | **55.38** | 41.71 | **40.6** | 24.9 | **54.06** | 43.00 |
| USA Operations | **112.5** | 99.3 | **56.61** | 40.00 | **109.7** | 93.1 | **55.53** | 41.55 |
| Total | **155.3** | 124.9 | **56.27** | 40.35 | **150.3** | 118.0 | **55.14** | 41.86 |
| **Natural Gas** (MMcf/d, $/Mcf) | | | | | | | | |
| Canadian Operations | **949** | 785 | **1.84** | 2.33 | **942** | 835 | **2.16** | 2.43 |
| USA Operations | **146** | 361 | **2.07** | 3.09 | **143** | 359 | **2.29** | 3.16 |
| Total | **1,095** | 1,146 | **1.87** | 2.57 | **1,085** | 1,194 | **2.17** | 2.65 |
| **Total Production** (MBOE/d, $/BOE) | | | | | | | | |
| Canadian Operations | **200.9** | 156.6 | **20.50** | 18.52 | **197.6** | 164.1 | **21.37** | 18.89 |
| USA Operations | **137.0** | 159.4 | **48.72** | 31.92 | **133.6** | 152.8 | **48.08** | 32.71 |
| Total | **337.9** | 316.0 | **31.93** | 25.29 | **331.2** | 316.9 | **32.14** | 25.55 |
| **Production Mix** (%) | | | | | | | | |
| Oil & Plant Condensate | **35** | 32 | | | **35** | 30 | | |
| NGLs – Other | **11** | 8 | | | **10** | 7 | | |
| Total Oil & NGLs | **46** | 40 | | | **45** | 37 | | |
| Natural Gas | **54** | 60 | | | **55** | 63 | | |
| **Core Assets Production** | | | | | | | | |
| Oil (Mbbls/d) | **82.4** | 73.6 | | | **81.4** | 67.9 | | |
| NGLs – Plant Condensate (Mbbls/d) | **33.6** | 22.4 | | | **31.8** | 21.1 | | |
| NGLs – Other (Mbbls/d) | **35.8** | 22.8 | | | **33.5** | 22.0 | | |
| Total NGLs (Mbbls/d) | **69.4** | 45.2 | | | **65.3** | 43.1 | | |
| Total Oil & NGLs (Mbbls/d) | **151.8** | 118.8 | | | **146.7** | 111.0 | | |
| Natural Gas (MMcf/d) | **1,027** | 768 | | | **1,013** | 786 | | |
| Total Production (MBOE/d) | **322.9** | 246.5 | | | **315.3** | 242.0 | | |
| % of Total Encana Production | **96** | 78 | | | **95** | 76 | | |

(1) Average daily.
(2) Average per-unit prices, excluding the impact of risk management activities.

## Upstream Product Revenues

| ($ millions) | Three months ended June 30, Oil | NGLs (1) | Natural Gas (2) | Total | Six months ended June 30, Oil | NGLs (1) | Natural Gas (2) | Total |
|---|---|---|---|---|---|---|---|---|
| **2017 Upstream Product Revenues** | **$ 325** | **$ 135** | **$ 268** | **$ 728** | **$ 625** | **$ 269** | **$ 572** | **$ 1,466** |
| Increase (decrease) due to: | | | | | | | | |
| Sales prices | 158 | 72 | (55) | 175 | 262 | 103 | (61) | 304 |
| Production volumes | 28 | 76 | (26) | 78 | 98 | 142 | (83) | 157 |
| **2018 Upstream Product Revenues** | **$ 511** | **$ 283** | **$ 187** | **$ 981** | **$ 985** | **$ 514** | **$ 428** | **$ 1,927** |

(1) Includes plant condensate.
(2) Natural gas revenues for the second quarter and the first six months of 2018 exclude a royalty adjustment with no associated production volumes of $3 million and $14 million, respectively (2017 - $1 million and $1 million, respectively).

## Oil Revenues

### *Three months ended June 30, 2018 versus June 30, 2017*

Oil revenues increased $186 million compared to the second quarter of 2017 primarily due to:

- Higher average realized oil prices of $20.41 per bbl, or 44 percent, increased revenues by $158 million. The increase reflected a higher WTI benchmark price which was up 41 percent and exposure to other downstream benchmark prices in 2018 resulting from the diversification of the Company's markets; and
- Higher average oil production volumes of 7.2 Mbbls/d increased revenues by $28 million. Higher volumes were primarily due to successful drilling program in Permian (17.9 Mbbls/d), partially offset by natural declines in Eagle Ford (7.9 Mbbls/d) and asset sales (1.1 Mbbls/d), which mainly include the Piceance natural gas assets in the third quarter of 2017 and the Tuscaloosa Marine Shale assets in the second quarter of 2017.

### *Six months ended June 30, 2018 versus June 30, 2017*

Oil revenues increased $360 million compared to the first six months of 2017 primarily due to:

- Higher average realized oil prices of $17.21 per bbl, or 36 percent, increased revenues by $262 million. The increase reflected a higher WTI benchmark price which was up 30 percent and exposure to other downstream benchmark prices in 2018 resulting from the diversification of the Company's markets. The increase was also due to improved regional pricing; and
- Higher average oil production volumes of 11.4 Mbbls/d increased revenues by $98 million. Higher volumes were primarily due to successful drilling program in Permian (18.6 Mbbls/d), partially offset by natural declines in Eagle Ford (4.2 Mbbls/d) and asset sales (1.7 Mbbls/d), which mainly include the Tuscaloosa Marine Shale assets in the second quarter of 2017 and the Piceance natural gas assets in the third quarter of 2017.

## NGL Revenues

### *Three months ended June 30, 2018 versus June 30, 2017*

NGL revenues increased $148 million compared to the second quarter of 2017 primarily due to:

- Higher average realized NGL prices of $13.08 per bbl, or 42 percent, increased revenues by $72 million. The increase reflected higher WTI and Edmonton Condensate benchmark prices which were up 41 percent and 38 percent, respectively, as well as improved regional pricing; and
- Higher average NGL production volumes of 23.2 Mbbls/d increased revenues by $76 million. Higher volumes were primarily due to successful drilling programs in Montney and Permian (31.6 Mbbls/d), partially offset by increased downtime resulting from scheduled plant maintenance for processing liquids rich volumes in Montney (3.6 Mbbls/d) and natural declines in Duvernay (2.6 Mbbls/d).

*Six months ended June 30, 2018 versus June 30, 2017*

NGL revenues increased $245 million compared to the first six months of 2017 primarily due to:

- Higher average realized NGL prices of $10.25 per bbl, or 31 percent, increased revenues by $103 million. The increase reflected higher WTI and Edmonton Condensate benchmark prices which were up 30 percent and 26 percent, respectively, as well as improved regional pricing; and
- Higher average NGL production volumes of 20.9 Mbbls/d increased revenues by $142 million. Higher volumes were primarily due to successful drilling programs in Montney and Permian (26.5 Mbbls/d), partially offset by increased downtime resulting from scheduled plant maintenance for processing liquids rich volumes in Montney (1.7 Mbbls/d), natural declines in Duvernay (1.7 Mbbls/d) and asset sales (1.4 Mbbls/d), which mainly include the Piceance natural gas assets in the third quarter of 2017.

## Natural Gas Revenues

*Three months ended June 30, 2018 versus June 30, 2017*

Natural gas revenues decreased $81 million compared to the second quarter of 2017 primarily due to:

- Lower average realized natural gas prices of $0.70 per Mcf, or 27 percent, decreased revenues by $55 million. The decrease reflected lower NYMEX and AECO benchmark prices which were down 12 percent and 63 percent, respectively, partially offset by exposure to other downstream benchmark prices in 2018 resulting from the diversification of the Company's markets; and
- Lower average natural gas production volumes of 51 MMcf/d decreased revenues by $26 million. Lower volumes were primarily due to asset sales (294 MMcf/d), which mainly include the Piceance natural gas assets in the third quarter of 2017 and certain assets in Wheatland in the fourth quarter of 2017, lower activity in Other Upstream Operations (23 MMcf/d) and natural declines in Duvernay (10 MMcf/d), partially offset by successful drilling programs in Montney and Permian (258 MMcf/d), and decreased downtime resulting from scheduled plant maintenance in Montney (28 MMcf/d).

*Six months ended June 30, 2018 versus June 30, 2017*

Natural gas revenues decreased $144 million compared to the first six months of 2017 primarily due to:

- Lower average realized natural gas prices of $0.48 per Mcf, or 18 percent, decreased revenues by $61 million. The decrease reflected lower NYMEX and AECO benchmark prices which were down 11 percent and 50 percent, respectively, partially offset by exposure to other downstream benchmark prices in 2018 resulting from the diversification of the Company's markets; and
- Lower average natural gas production volumes of 109 MMcf/d decreased revenues by $83 million. Lower volumes were primarily due to asset sales (299 MMcf/d), which mainly include the Piceance natural gas assets in the third quarter of 2017 and certain assets in Wheatland in the fourth quarter of 2017, and lower activity in Other Upstream Operations (46 MMcf/d), partially offset by successful drilling programs in Montney and Permian (228 MMcf/d) and decreased downtime resulting from scheduled plant maintenance in Montney (14 MMcf/d).

## Gains (Losses) on Risk Management, Net

As a means of managing commodity price volatility, Encana enters into commodity derivative financial instruments on a portion of its expected oil, NGL and natural gas production volumes. The Company's commodity price mitigation program reduces volatility and helps sustain revenues during periods of lower prices. Further information on the Company's commodity price positions as at June 30, 2018 can be found in Note 19 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

| ($ millions) | Three months ended June 30, **2018** | 2017 | Six months ended June 30, **2018** | 2017 |
|---|---|---|---|---|
| Realized Gains (Losses) on Risk Management | | | | |
| Commodity Price [1] | | | | |
| Oil | **$ (65)** | $ 16 | **$ (121)** | $ 16 |
| NGLs [2] | **(37)** | 2 | **(58)** | 1 |
| Natural Gas | **116** | - | **160** | (25) |
| Other [3] | **-** | 1 | **1** | 3 |
| Total | **14** | 19 | **(18)** | (5) |
| Unrealized Gains (Losses) on Risk Management | **(326)** | 110 | **(258)** | 472 |
| Total Gains (Losses) on Risk Management, Net | **$ (312)** | $ 129 | **$ (276)** | $ 467 |

| (Per-unit) | Three months ended June 30, **2018** | 2017 | Six months ended June 30, **2018** | 2017 |
|---|---|---|---|---|
| Realized Gains (Losses) on Risk Management | | | | |
| Commodity Price | | | | |
| Oil ($/bbl) | **$ (8.52)** | $ 2.16 | **$ (8.04)** | $ 1.19 |
| NGLs ($/bbl) [1] | **$ (5.63)** | $ 0.73 | **$ (4.76)** | $ 0.19 |
| Natural Gas ($/Mcf) | **$ 1.16** | $ (0.01) | **$ 0.81** | $ (0.12) |
| Total ($/BOE) | **$ 0.44** | $ 0.62 | **$ (0.32)** | $ (0.14) |

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

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

## Market Optimization Revenues

Market Optimization revenues relate to activities that provide operational flexibility and cost mitigation for transportation commitments, product type, delivery points and customer diversification.

| ($ millions) | Three months ended June 30, **2018** | 2017 | Six months ended June 30, **2018** | 2017 |
|---|---|---|---|---|
| Market Optimization | **$ 291** | $ 204 | **$ 592** | $ 390 |

### *Three months ended June 30, 2018 versus June 30, 2017*

Market Optimization revenues increased $87 million compared to the second quarter of 2017 primarily due to:

- Higher sales of third-party purchased volumes, primarily related to natural gas, used for optimization activities and long-term marketing arrangements associated with the Company's previous divestitures ($175 million), partially offset by lower natural gas commodity prices ($88 million).

### *Six months ended June 30, 2018 versus June 30, 2017*

Market Optimization revenues increased $202 million compared to the first six months of 2017 primarily due to:

- Higher sales of third-party purchased volumes, primarily related to natural gas, used for optimization activities and long-term marketing arrangements associated with the Company's previous divestitures ($343 million), partially offset by lower natural gas commodity prices ($141 million).

### Sublease Revenues

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

## Operating Expenses

### Production, Mineral and Other Taxes

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ($ millions) | **2018** | 2017 | **2018** | 2017 |
| Canadian Operations | **$ 4** | $ 5 | **$ 8** | $ 10 |
| USA Operations | **31** | 19 | **56** | 43 |
| Total | **$ 35** | $ 24 | **$ 64** | $ 53 |

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ($/BOE) | **2018** | 2017 | **2018** | 2017 |
| Canadian Operations | **$ 0.21** | $ 0.39 | **$ 0.22** | $ 0.34 |
| USA Operations | **$ 2.48** | $ 1.29 | **$ 2.31** | $ 1.55 |
| Total | **$ 1.13** | $ 0.85 | **$ 1.06** | $ 0.93 |

*Three months ended June 30, 2018 versus June 30, 2017*

Production, mineral and other taxes increased $11 million compared to the second quarter of 2017 primarily due to:

- Higher liquids prices and production volumes in Permian ($8 million) and the recovery of certain production taxes in the USA Operations in 2017 ($7 million);

partially offset by:

- Asset sales ($5 million), which mainly include the Piceance natural gas assets in the third quarter of 2017 and certain assets in Wheatland in the fourth quarter of 2017.

*Six months ended June 30, 2018 versus June 30, 2017*

Production, mineral and other taxes increased $11 million compared to the first six months of 2017 primarily due to:

- Higher liquids prices and production volumes in Permian ($15 million) and the recovery of certain production taxes in the USA Operations in 2017 ($3 million).

partially offset by:

- Asset sales ($10 million), which mainly include the Piceance natural gas assets in the third quarter of 2017 and certain assets in Wheatland in the fourth quarter of 2017.

## Transportation and Processing

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ($ millions) | **2018** | 2017 | **2018** | 2017 |
| Canadian Operations | **$ 207** | $ 133 | **$ 397** | $ 265 |
| USA Operations | **31** | 51 | **58** | 110 |
| Upstream Transportation and Processing | **238** | 184 | **455** | 375 |
| Market Optimization | **34** | 22 | **66** | 43 |
| Corporate & Other | **-** | - | **-** | - |
| Total | **$ 272** | $ 206 | **$ 521** | $ 418 |

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ($/BOE) | **2018** | 2017 | **2018** | 2017 |
| Canadian Operations | **$ 11.29** | $ 9.30 | **$ 11.09** | $ 8.91 |
| USA Operations | **$ 2.51** | $ 3.54 | **$ 2.39** | $ 3.97 |
| Upstream Transportation and Processing | **$ 7.73** | $ 6.39 | **$ 7.58** | $ 6.53 |

### *Three months ended June 30, 2018 versus June 30, 2017*

Transportation and processing expense increased $66 million compared to the second quarter of 2017 primarily due to:

- Higher downstream processing and transportation costs due to higher volumes primarily in Montney and Permian and costs relating to the diversification of the Company's downstream markets ($46 million), higher volumes and gathering and processing fees in Montney and Permian ($42 million) and the higher U.S./Canadian dollar exchange rate ($6 million);

partially offset by:

- Asset sales ($30 million), which mainly include the Piceance natural gas assets in the third quarter of 2017.

### *Six months ended June 30, 2018 versus June 30, 2017*

Transportation and processing expense increased $103 million compared to the first six months of 2017 primarily due to:

- Higher downstream processing and transportation costs due to higher volumes primarily in Montney and Permian and costs relating to the diversification of the Company's downstream markets ($87 million), higher volumes and gathering and processing fees in Montney and Permian ($74 million) and the higher U.S./Canadian dollar exchange rate ($12 million);

partially offset by:

- Asset sales ($61 million), which mainly include the Piceance natural gas assets in the third quarter of 2017.

## Operating

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ($ millions) | **2018** | 2017 | **2018** | 2017 |
| Canadian Operations | **$ 35** | $ 22 | **$ 64** | $ 53 |
| USA Operations | **84** | 84 | **158** | 171 |
| Upstream Operating Expense | **119** | 106 | **222** | 224 |
| Market Optimization | **13** | 3 | **17** | 12 |
| Corporate & Other | **5** | 4 | **9** | 9 |
| Total | **$ 137** | $ 113 | **$ 248** | $ 245 |

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ($/BOE) | **2018** | 2017 | **2018** | 2017 |
| Canadian Operations | **$ 1.89** | $ 1.52 | **$ 1.75** | $ 1.73 |
| USA Operations | **$ 6.75** | $ 5.60 | **$ 6.52** | $ 5.99 |
| Upstream Operating Expense (1) | **$ 3.86** | $ 3.58 | **$ 3.67** | $ 3.78 |

(1) Upstream Operating Expense per BOE for the second quarter and first six months of 2018 includes long-term incentive costs of \$0.46/BOE and \$0.17/BOE, respectively (2017 - recovery of long-term incentive costs of \$0.18/BOE and \$0.01/BOE, respectively).

### *Three months ended June 30, 2018 versus June 30, 2017*

Operating expense increased $24 million compared to the second quarter of 2017 primarily due to:

- Long-term incentive costs resulting from the increase in Encana's share price in the second quarter of 2018 ($30 million) and higher activity in Permian and Montney ($11 million).

partially offset by:

- Asset sales ($15 million), which mainly include the Piceance natural gas assets in the third quarter of 2017 and certain assets in Wheatland in the fourth quarter of 2017.

### *Six months ended June 30, 2018 versus June 30, 2017*

Operating expense increased $3 million compared to the first six months of 2017 primarily due to:

- Higher activity in Permian and Montney ($23 million) and long-term incentive costs resulting from the increase in Encana's share price in the first six months of 2018 ($16 million).

partially offset by:

- Asset sales ($33 million), which mainly include the Piceance natural gas assets in the third quarter of 2017 and certain assets in Wheatland in the fourth quarter of 2017.

Further information on Encana's long-term incentives can be found in Note 16 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

## Purchased Product

Purchased product expense includes purchases of oil, NGLs and natural gas from third parties that are used to provide operational flexibility and cost mitigation for transportation commitments, product type, delivery points and customer diversification.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ($ millions) | **2018** | 2017 | **2018** | 2017 |
| Market Optimization | **$ 248** | $ 192 | **$ 521** | $ 363 |

*Three months ended June 30, 2018 versus June 30, 2017*

Purchased product expense increased $56 million compared to the second quarter of 2017 primarily due to:

- Higher third-party volumes purchased, primarily related to natural gas, for optimization activities and long-term marketing arrangements associated with the Company's previous divestitures ($159 million), partially offset by lower natural gas commodity prices ($103 million).

*Six months ended June 30, 2018 versus June 30, 2017*

Purchased product expense increased $158 million compared to the first six months of 2017 primarily due to:

- Higher third-party volumes purchased, primarily related to natural gas, for optimization activities and long-term marketing arrangements associated with the Company's previous divestitures ($321 million), partially offset by lower natural gas commodity prices ($163 million).

## Depreciation, Depletion & Amortization

Proved properties within each country cost centre are depleted using the unit-of-production method based on proved reserves as discussed in Note 1 to the Consolidated Financial Statements included in Item 8 of the 2017 Annual Report on Form 10-K. Depletion rates are impacted by impairments, acquisitions, divestitures and foreign exchange rates as well as fluctuations in 12-month average trailing prices which affect proved reserves volumes. Additional information can be found in the Critical Accounting Estimates section of the MD&A included in Item 7 of the 2017 Annual Report on Form 10-K. Corporate assets are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ($ millions) | **2018** | 2017 | **2018** | 2017 |
| Canadian Operations | **$ 85** | $ 53 | **$ 162** | $ 117 |
| USA Operations | **202** | 123 | **387** | 229 |
| Upstream DD&A | **287** | 176 | **549** | 346 |
| Market Optimization | **1** | - | **1** | - |
| Corporate & Other | **12** | 17 | **25** | 34 |
| Total | **$ 300** | $ 193 | **$ 575** | $ 380 |

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ($/BOE) | **2018** | 2017 | **2018** | 2017 |
| Canadian Operations | **$ 4.67** | $ 3.72 | **$ 4.53** | $ 3.92 |
| USA Operations | **$ 16.15** | $ 8.47 | **$ 16.00** | $ 8.29 |
| Upstream DD&A | **$ 9.33** | $ 6.12 | **$ 9.16** | $ 6.02 |

*Three months ended June 30, 2018 versus June 30, 2017*

DD&A increased $107 million compared to the second quarter of 2017 primarily due to:

- Higher depletion rates primarily in the USA Operations ($109 million) and higher volumes in the Canadian Operations ($13 million);

partially offset by:

- Lower volumes in the USA Operations ($14 million);

The depletion rates in the Canadian and USA Operations increased $0.95 per BOE and $7.68 per BOE, respectively, compared to the second quarter of 2017 primarily due to:

- Higher capital spending and changes in Encana's development plans as a result of the increased capital program for 2018 and lower reserve volumes from the sale of the Piceance natural gas assets in the third quarter of 2017.

*Six months ended June 30, 2018 versus June 30, 2017*

DD&A increased $195 million compared to the first six months of 2017 primarily due to:

- Higher depletion rates primarily in the USA Operations ($199 million) and higher volumes in the Canadian Operations ($20 million);

partially offset by:

- Lower volumes in the USA Operations ($22 million);

The depletion rates in the Canadian and USA Operations increased $0.61 per BOE and $7.71 per BOE, respectively, compared to the first six months of 2017 primarily due to:

- Higher capital spending and changes in Encana's development plans as a result of the increased capital program for 2018 and lower reserve volumes from the sale of the Piceance natural gas assets in the third quarter of 2017.

## Administrative

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| Administrative ($ millions) | **$ 99** | $ 24 | **$ 130** | $ 82 |
| Administrative ($/BOE) (1) | **$ 3.20** | $ 0.82 | **$ 2.17** | $ 1.43 |

(1) Administrative expense per BOE for the second quarter and first six months of 2018 includes long-term incentive costs of $1.84/BOE and $0.74/BOE, respectively (2017 - recovery of long-term incentive costs of $0.79/BOE and $0.13/BOE, respectively).

*Three months ended June 30, 2018 versus June 30, 2017*

Administrative expense in the second quarter of 2018 increased $75 million compared to the second quarter of 2017 primarily due to long-term incentive costs resulting from the increase in Encana's share price in the second quarter of 2018 ($78 million).

*Six months ended June 30, 2018 versus June 30, 2017*

Administrative expense in the first six months of 2018 increased $48 million compared to the first six months of 2017 primarily due to long-term incentive costs resulting from the increase in Encana's share price in the first six months of 2018 ($51 million).

## Other (Income) Expenses

| ($ millions) | Three months ended June 30, 2018 | Three months ended June 30, 2017 | Six months ended June 30, 2018 | Six months ended June 30, 2017 |
|---|---|---|---|---|
| Interest | **$ 81** | $ 79 | **$ 173** | $ 167 |
| Foreign exchange (gain) loss, net | **25** | (58) | **116** | (84) |
| (Gain) loss on divestitures, net | **(1)** | - | **(4)** | 1 |
| Other (gains) losses, net | **-** | (27) | **(3)** | (35) |
| Total Other (Income) Expenses | **$ 105** | $ (6) | **$ 282** | $ 49 |

### Interest

Interest expense primarily includes interest on Encana's long-term debt arising from U.S. dollar denominated unsecured notes and balances drawn on the Company's credit facilities. Encana also incurs interest on the Company's long-term obligation for The Bow office building and capital leases. Further details on changes in interest can be found in Note 5 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### Foreign Exchange (Gain) Loss, Net

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

In the second quarter of 2018, Encana recorded a net foreign exchange loss of $25 million compared to a net gain of $58 million in 2017. The change was primarily due to unrealized foreign exchange losses on the translation of U.S. dollar financing debt issued from Canada compared to gains in 2017 ($135 million) and on the translation of U.S. dollar risk management contracts issued from Canada compared to gains in 2017 ($29 million), partially offset by unrealized foreign exchange gains on the translation of intercompany notes compared to losses in 2017 ($72 million).

In the first six months of 2018, Encana recorded a net foreign exchange loss of $116 million compared to a net gain of $84 million in 2017. The change was primarily due to unrealized foreign exchange losses on the translation of U.S. dollar financing debt issued from Canada compared to gains in 2017 ($290 million) and on the translation of U.S. dollar risk management contracts issued from Canada compared to gains in 2017 ($42 million), partially offset by unrealized foreign exchange gains on the translation of intercompany notes compared to losses in 2017 ($54 million) and realized foreign exchange gains on the settlement of intercompany notes compared to losses in 2017 ($49 million).

### Other (Gains) Losses, Net

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

Other gains in the second quarter and first six months of 2017 primarily includes interest received of $26 million and $33 million, respectively, resulting from the successful resolution of certain tax items previously assessed by the tax authorities relating to prior taxation years.

## Income Tax

| ($ millions) | Three months ended June 30, 2018 | Three months ended June 30, 2017 | Six months ended June 30, 2018 | Six months ended June 30, 2017 |
|---|---|---|---|---|
| Current Income Tax Expense (Recovery) | **$ (64)** | $ (18) | **$ (61)** | $ (57) |
| Deferred Income 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%) |

### Income Tax Expense (Recovery)

*Three months ended June 30, 2018 versus June 30, 2017*

In the second quarter of 2018, Encana recorded a higher current income tax recovery compared to 2017. The higher income tax recovery was primarily due to the resolution of certain tax items relating to prior taxation years.

Deferred income tax in the second quarter was a recovery compared to an expense in 2017 primarily due to:

- Net loss before income tax in 2018 compared to net earnings before income tax in 2017; and
- A reduction in the U.S. federal corporate tax rate to 21 percent from 35 percent resulting from U.S. Tax Reform.

*Six months ended June 30, 2018 versus June 30, 2017*

In the first six months of 2018, Encana recorded a lower deferred income tax expense compared to 2017 primarily due to a net loss before income tax in 2018 compared to net earnings before income tax in 2017 and U.S. Tax Reform, both as discussed above.

There has been no change in 2018 to the provisional tax adjustment recognized in December 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. Additional information on U.S. Tax Reform can be found in Note 6 to the Consolidated Financial Statements included in Item 8 of the 2017 Annual Report on Form 10-K.

### Effective Tax Rate

Encana's interim income tax expense is determined using the estimated annual effective income tax rate applied to year-to-date net earnings before income tax plus the effect of legislative changes and amounts in respect of prior periods. The estimated annual effective income tax rate is 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. The Company's effective tax rate was 31.7 percent for the second quarter and 100 percent for the first six months of 2018, which are higher 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 current year items discussed above.

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

# Liquidity and Capital Resources

## Sources of Liquidity

The Company has the flexibility to access cash equivalents and a range of funding alternatives at competitive rates through committed revolving bank credit facilities as well as debt and equity capital markets. Encana closely monitors the accessibility of cost-effective credit and ensures that sufficient liquidity is in place to fund capital expenditures and dividend payments. In addition, the Company may use cash and cash equivalents, cash from operating activities, or proceeds from asset divestitures and share issuances to fund its operations or to manage its capital structure as discussed below. At June 30, 2018, $154 million in cash and cash equivalents was held by U.S. subsidiaries. The cash held by U.S. subsidiaries is accessible and may be subject to additional Canadian income taxes and U.S. withholding taxes if repatriated.

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

| | As at June 30, | |
|---|---|---|
| ($ millions, except as indicated) | **2018** | 2017 |
| Cash and Cash Equivalents | **$ 336** | $ 395 |
| Available Credit Facility – Encana [(1)] | **2,500** | 3,000 |
| Available Credit Facility – U.S. Subsidiary [(1)] | **1,500** | 1,500 |
| Total Liquidity | **$ 4,336** | $ 4,895 |
| Long-Term Debt, including current portion | **$ 4,198** | $ 4,198 |
| Total Shareholders' Equity | **$ 6,497** | $ 6,783 |
| Debt to Capitalization (%) [(2)] | **39** | 38 |
| Debt to Adjusted Capitalization (%) [(3)] | **23** | 22 |

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

In the first quarter of 2018, the Company amended the capacity of its Encana Credit Facility from $3.0 billion to $2.5 billion and extended the maturity for both Credit Facilities to July 2022.

Encana is currently in compliance with, and expects that it will continue to be in compliance with, all financial covenants under the Credit Facilities. Management monitors Debt to Adjusted Capitalization, which is a non-GAAP measure defined in the Non-GAAP Measures section of this MD&A, as a proxy for Encana's financial covenant under the Credit Facilities, which requires debt to adjusted capitalization to be less than 60 percent. The definitions used in the covenant under the Credit Facilities adjust capitalization for cumulative historical ceiling test impairments that were recorded as at December 31, 2011 in conjunction with the Company's January 1, 2012 adoption of U.S. GAAP. Additional information on financial covenants can be found in Note 12 to the Consolidated Financial Statements included in Item 8 of the 2017 Annual Report on Form 10-K.

## Sources and Uses of Cash

In the second quarter and first six months of 2018, Encana primarily generated cash through operating activities. The following table summarizes the sources and uses of the Company's cash and cash equivalents.

| ($ millions) | Activity Type | Three months ended June 30, 2018 | Three months ended June 30, 2017 | Six months ended June 30, 2018 | Six months ended June 30, 2017 |
|---|---|---|---|---|---|
| Sources of Cash and Cash Equivalents | | | | | |
| Cash from operating activities | Operating | **$ 475** | $ 218 | **$ 856** | $ 324 |
| Proceeds from divestitures | Investing | **46** | 82 | **65** | 85 |
| Other | Investing | **105** | 24 | **80** | 79 |
| | | **626** | 324 | **1,001** | 488 |
| Uses of Cash and Cash Equivalents | | | | | |
| Capital expenditures | Investing | **595** | 415 | **1,103** | 814 |
| Acquisitions | Investing | **-** | 2 | **2** | 48 |
| Purchase of common shares | Financing | **89** | - | **200** | - |
| Dividends on common shares | Financing | **14** | 14 | **29** | 29 |
| Other | Financing | **23** | 24 | **45** | 40 |
| | | **721** | 455 | **1,379** | 931 |
| 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) |

### Operating Activities

Cash from operating activities in the second quarter and first six months of 2018 was $475 million and $856 million, respectively, and was primarily a reflection of recovering commodity prices, changes in production volumes, the Company's efforts in maintaining cost efficiencies achieved in previous years and changes in non-cash working capital. Additional detail on changes in non-cash working capital can be found in Note 20 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. Encana expects it will continue to meet the payment terms of its suppliers.

Non-GAAP Cash Flow in the second quarter and first six months of 2018 was $586 million and $986 million, respectively. Non-GAAP Cash Flow was primarily impacted by the items affecting cash from operating activities which are discussed below and in the Results of Operations section of this MD&A.

*Three months ended June 30, 2018 versus June 30, 2017*

Net cash from operating activities increased $257 million compared to the second quarter of 2017 primarily due to:

- Higher realized commodity prices ($175 million), higher production volumes ($78 million), higher current tax recovery ($46 million) and changes in non-cash working capital ($23 million);

partially offset by:

- Higher transportation and processing expense ($66 million) and lower interest income recorded in other gains ($25 million).

*Six months ended June 30, 2018 versus June 30, 2017*

Net cash from operating activities increased $532 million compared to the first six months of 2017 primarily due to:

- Higher realized commodity prices ($304 million), changes in non-cash working capital ($175 million) and higher production volumes ($157 million);

partially offset by:

- Higher transportation and processing expense ($103 million) and lower interest income recorded in other gains ($31 million).

## Investing Activities

Cash used in investing activities in the first six months of 2018 was $960 million primarily due to capital expenditures. Capital expenditures in the first six months of 2018 increased $289 million compared to 2017 due to an increase in the Company's capital program for 2018. This increase was primarily in Montney ($202 million) and Permian ($63 million). Capital expenditures exceeded cash from operating activities by $247 million and the difference was funded using cash on hand and proceeds from divestitures.

Divestitures in the first six months of 2018 were $65 million, which primarily included the sale of the Pipestone midstream assets in Alberta. Divestitures in the first six months of 2017 were $85 million, which primarily included the sale of the Tuscaloosa Marine Shale assets in Mississippi and Louisiana, as well as the sale of certain properties that did not complement Encana's existing portfolio of assets.

Acquisitions in the first six months of 2018 and 2017 were $2 million and $48 million, respectively, which primarily included land purchases with oil and liquids rich potential.

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

## Financing Activities

Net cash used in financing activities in the first six months of 2018 increased $205 million compared to the first six months of 2017. The change was primarily due to the purchase of common shares under a NCIB in the first six months of 2018 ($200 million) as discussed below.

Encana's long-term debt, excluding the current portion, totaled $3,698 million at June 30, 2018 and $4,197 million at December 31, 2017. The current portion of long-term debt outstanding was $500 million at June 30, 2018. There was no current portion of long-term debt outstanding at December 31, 2017. Encana has no long-term debt maturities until May 2019 and, as at June 30, 2018, over 73 percent of the Company's debt is not due until 2030 and beyond.

The Company continues to have full access to the Credit Facilities, which remain committed through July 2022. The Credit Facilities provide financial flexibility and allow the Company to fund its operations, development activities or capital program. At June 30, 2018, Encana had no outstanding balance under the Credit Facilities and $147 million in undrawn letters of credit issued in the normal course of business primarily as collateral security, to support future abandonment liabilities and for transportation arrangements.

### *Dividends*

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

| ($ millions, except as indicated) | Three months ended June 30, **2018** | Three months ended June 30, 2017 | Six months ended June 30, **2018** | Six months ended June 30, 2017 |
|---|---|---|---|---|
| Dividend Payments | **$ 14** | $ 14 | **$ 29** | $ 29 |
| Dividend Payments ($/share) | **$ 0.015** | $ 0.015 | **$ 0.03** | $ 0.03 |

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, Encana received approval from the TSX to commence a NCIB that enables the Company to purchase, for cancellation, up to 35 million common shares over a 12-month period from February 28, 2018 to February 27, 2019. The number of shares authorized for purchase represents approximately 3.6 percent of Encana's issued and outstanding common shares as at February 20, 2018. The Company has authorization from its Board to spend up to $400 million on the NCIB. For the second quarter and first six months of 2018, the Company used cash on hand to purchase approximately 6.8 million and 16.8 million common shares, respectively, for total consideration of approximately $89 million and $200 million, respectively.

For additional information on NCIB, refer to Note 13 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### Off-Balance Sheet Arrangements

For information on off-balance sheet arrangements and transactions, refer to the Off-Balance Sheet Arrangements section of the MD&A included in Item 7 of the 2017 Annual Report on Form 10-K.

### Commitments and Contingencies

For information on commitments and contingencies, refer to Note 21 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

## Non-GAAP Measures

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

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

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

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

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| ($ millions, except as indicated) | **2018** | 2017 | **2018** | 2017 |
| Cash From (Used in) Operating Activities | **$ 475** | $ 218 | **$ 856** | $ 324 |
| (Add back) deduct: | | | | |
| Net change in other assets and liabilities | **(5)** | (4) | **(16)** | (16) |
| Net change in non-cash working capital | **(106)** | (129) | **(114)** | (289) |
| Current tax on sale of assets | **-** | - | **-** | - |
| Non-GAAP Cash Flow | **$ 586** | $ 351 | **$ 986** | $ 629 |
| Production Volumes (MMBOE) | **30.7** | 28.8 | **59.9** | 57.4 |
| Non-GAAP Cash Flow Margin ($/BOE) (1) | **$ 19.09** | $ 12.19 | **$ 16.46** | $ 10.96 |

(1) Non-GAAP Cash Flow Margin was previously presented as Corporate Margin.

## Debt to Adjusted Capitalization

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

| ($ millions, except as indicated) | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Long-Term Debt, including current portion | **$ 4,198** | $ 4,197 |
| Total Shareholders' Equity | **6,497** | 6,728 |
| Equity Adjustment for Impairments at December 31, 2011 | **7,746** | 7,746 |
| Adjusted Capitalization | **$ 18,441** | $ 18,671 |
| Debt to Adjusted Capitalization | **23%** | 22% |

## Net Debt to Adjusted EBITDA

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

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

| ($ millions, except as indicated) | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Long-Term Debt, including current portion | **$ 4,198** | $ 4,197 |
| Less: | | |
| Cash and cash equivalents | **336** | 719 |
| Net Debt | **3,862** | 3,478 |
| Net Earnings (Loss) | **65** | 827 |
| Add back (deduct): | | |
| Depreciation, depletion and amortization | **1,028** | 833 |
| Impairments | **-** | - |
| Accretion of asset retirement obligation | **32** | 37 |
| Interest | **369** | 363 |
| Unrealized (gains) losses on risk management | **288** | (442) |
| Foreign exchange (gain) loss, net | **(79)** | (279) |
| (Gain) loss on divestitures, net | **(409)** | (404) |
| Other (gains) losses, net | **(10)** | (42) |
| Income tax expense (recovery) | **543** | 603 |
| Adjusted EBITDA | **$ 1,827** | $ 1,496 |
| Net Debt to Adjusted EBITDA (times) | **2.1** | 2.3 |

## Item 3: Quantitative and Qualitative Disclosures About Market Risk

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

### COMMODITY PRICE RISK

Commodity price risk arises from the effect fluctuations in future commodity prices, including oil, NGLs and natural gas, may have on future revenues, expenses and cash flows. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot market prices applicable to the Company's natural gas production. Pricing for oil and natural gas production has been volatile and unpredictable as discussed in Item 1A. "Risk Factors" of the 2017 Annual Report on Form 10-K. To partially mitigate exposure to commodity price risk, the Company may enter into various derivative financial instruments including futures, forwards, swaps, options and costless collars. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors and may vary from time to time. Both exchange traded and over-the-counter traded derivative instruments may be subject to margin-deposit requirements, and the Company may be required from time to time to deposit cash or provide letters of credit with exchange brokers or counterparties to satisfy these margin requirements. For additional information relating to the Company's derivative and financial instruments, see Note 19 under Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

| | June 30, 2018 | |
|---|---|---|
| (US$ millions) | 10% Price Increase | 10% Price Decrease |
| Crude oil price | $ (335) | $ 318 |
| NGL price | (12) | 12 |
| Natural gas price | (59) | 52 |

### FOREIGN EXCHANGE RISK

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

The table below summarizes selected foreign exchange impacts on Encana's financial results when compared to the same periods in 2017.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | $ millions | $/BOE | $ millions | $/BOE |
| Increase (Decrease) in: | | | | |
| Capital Investment | $ 4 | | $ 8 | |
| Transportation and Processing Expense (1) | 6 | $ 0.18 | 12 | $ 0.19 |
| Operating Expense (1) | 1 | 0.04 | 2 | 0.04 |
| Administrative Expense | 1 | 0.03 | 3 | 0.05 |
| Depreciation, Depletion and Amortization (1) | 2 | 0.07 | 5 | 0.09 |

(1) Reflects upstream operations.

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

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

To partially mitigate the effect of foreign exchange fluctuations on future commodity revenues and expenses, the Company may enter into foreign currency derivative contracts. As at 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.

As at June 30, 2018, Encana had $4.2 billion in U.S. dollar long-term debt and $278 million in U.S. dollar capital leases issued from Canada that were subject to foreign exchange exposure.

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

| | June 30, 2018 | |
|---|---|---|
| (US$ millions) | 10% Rate Increase | 10% Rate Decrease |
| Foreign currency exchange | $ (102) | $ 124 |

## INTEREST RATE RISK

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

As at June 30, 2018, the Company had no floating rate debt and there were no interest rate derivatives outstanding.

## Item 4: Controls and Procedures

### DISCLOSURE CONTROLS AND PROCEDURES

Encana's Chief Executive Officer and Chief Financial Officer performed an evaluation of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and to ensure that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2018.

### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in Encana's internal control over financial reporting during the second quarter of 2018 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

# PART II

## Item 1. Legal Proceedings

Please refer to Item 3 of the 2017 Annual Report on Form 10-K and Note 21 of Encana's Condensed Consolidated Financial Statements under Part I, Item 1 of this Quarterly Report on Form 10-Q.

## Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Item 1A. Risk Factors in the 2017 Annual Report on Form 10-K.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchase of Equity Securities

On February 26, 2018, Encana announced it had 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.

During the three months ended June 30, 2018, the Company purchased 6.8 million common shares for total consideration of approximately $89 million at a weighted average price of $13.09. The following table presents the common shares purchased during the three months ended June 30, 2018.

| Period | Total Number of Shares Purchased | | Average Price Paid per Share [1] | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs |
|---|---|---|---|---|---|
| April 1 to April 30, 2018 | - | $ | - | - | 25,000,000 |
| May 1 to May 31, 2018 | 5,975,000 | | 13.17 | 5,975,000 | 19,025,000 |
| June 1 to June 30, 2018 | 835,000 | | 12.45 | 835,000 | 18,190,000 |
| Total | 6,810,000 | $ | 13.09 | 6,810,000 | 18,190,000 |

[1] Includes commissions.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

None.

## Item 6. Exhibits

| Exhibit No | Description |
|---|---|
| 10.1 | Fourth Amendment to the Encana (USA) Retirement Plan amended and restated effective March 14, 2014, dated as of May 17, 2018. |
| 10.2 | Alenco Inc. Deferred Compensation Plan amended and restated effective April 1, 2018, dated as of May 15, 2018. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350. |
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Schema Document. |
| 101.CAL | XBRL Calculation Linkbase Document. |
| 101.DEF | XBRL Definition Linkbase Document. |
| 101.LAB | XBRL Label Linkbase Document. |
| 101.PRE | XBRL Presentation Linkbase Document. |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENCANA CORPORATION

By: /s/ Sherri A. Brillon

Name: Sherri A. Brillon
Title: Executive Vice-President & Chief Financial Officer

Dated: August 2, 2018

**Encana Corporation**

Interim Supplemental Information
*(unaudited)*

For the period ended June 30, 2018

U.S. Dollars / U.S. Protocol

# Supplemental Financial Information *(unaudited)*

## Financial Results

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (US$ millions, unless otherwise specified) | **Year-to-date** | **Q2** | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| Net Earnings (Loss) | **-** | **(151)** | 151 | 827 | (229) | 294 | 762 | 331 | 431 |
| Per share - Diluted [1] | **-** | **(0.16)** | 0.16 | 0.85 | (0.24) | 0.30 | 0.78 | 0.34 | 0.44 |
| Non-GAAP Operating Earnings (Loss) [2] | **354** | **198** | 156 | 422 | 114 | 24 | 284 | 180 | 104 |
| Per share - Diluted [1] | **0.37** | **0.21** | 0.16 | 0.43 | 0.12 | 0.02 | 0.29 | 0.18 | 0.11 |
| Non-GAAP Cash Flow [3] | **986** | **586** | 400 | 1,343 | 444 | 270 | 629 | 351 | 278 |
| Per share - Diluted [1] | **1.02** | **0.61** | 0.41 | 1.38 | 0.46 | 0.28 | 0.65 | 0.36 | 0.29 |
| Effective Tax Rate using | | | | | | | | | |
| Canadian Statutory Rate | **27.0%** | | | 27.0% | | | | | |
| Foreign Exchange Rates (US$ per C$1) | | | | | | | | | |
| Average | **0.783** | **0.775** | 0.791 | 0.771 | 0.787 | 0.798 | 0.750 | 0.744 | 0.755 |
| Period end | **0.759** | **0.759** | 0.776 | 0.797 | 0.797 | 0.801 | 0.771 | 0.771 | 0.751 |
| **Non-GAAP Operating Earnings Summary** | | | | | | | | | |
| Net Earnings (Loss) | **-** | **(151)** | 151 | 827 | (229) | 294 | 762 | 331 | 431 |
| Before-tax (Addition) Deduction: | | | | | | | | | |
| Unrealized gain (loss) on risk management | **(258)** | **(326)** | 68 | 442 | 46 | (76) | 472 | 110 | 362 |
| Non-operating foreign exchange gain (loss) | **(132)** | **(32)** | (100) | 281 | (19) | 203 | 97 | 63 | 34 |
| Gain (loss) on divestitures | **4** | **1** | 3 | 404 | (1) | 406 | (1) | - | (1) |
| | **(386)** | **(357)** | (29) | 1,127 | 26 | 533 | 568 | 173 | 395 |
| Income tax | **32** | **8** | 24 | (722) | (369) | (263) | (90) | (22) | (68) |
| After-tax (Addition) Deduction | **(354)** | **(349)** | (5) | 405 | (343) | 270 | 478 | 151 | 327 |
| Non-GAAP Operating Earnings (Loss) [2] | **354** | **198** | 156 | 422 | 114 | 24 | 284 | 180 | 104 |
| **Non-GAAP Cash Flow Summary** | | | | | | | | | |
| Cash From (Used in) Operating Activities | **856** | **475** | 381 | 1,050 | 369 | 357 | 324 | 218 | 106 |
| (Add back) Deduct: | | | | | | | | | |
| Net change in other assets and liabilities | **(16)** | **(5)** | (11) | (40) | (13) | (11) | (16) | (4) | (12) |
| Net change in non-cash working capital | **(114)** | **(106)** | (8) | (253) | (62) | 98 | (289) | (129) | (160) |
| Current tax on sale of assets | **-** | **-** | - | - | - | - | - | - | - |
| Non-GAAP Cash Flow [3] | **986** | **586** | 400 | 1,343 | 444 | 270 | 629 | 351 | 278 |
| Non-GAAP Cash Flow Margin ($/BOE) [4] | **16.46** | **19.09** | 13.70 | 11.75 | 14.40 | 10.34 | 10.96 | 12.19 | 9.72 |

(1) Net earnings (loss), non-GAAP operating earnings (loss) and non-GAAP cash flow per common share are calculated using the weighted average number of Encana common shares outstanding as follows:

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (millions) | **Year-to-date** | **Q2** | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| Weighted Average Common Shares Outstanding | | | | | | | | | |
| Basic | **965.7** | **960.0** | 971.5 | 973.1 | 973.1 | 973.1 | 973.0 | 973.0 | 973.0 |
| Diluted | **965.7** | **960.0** | 971.5 | 973.1 | 973.1 | 973.1 | 973.0 | 973.0 | 973.0 |

(2) Non-GAAP Operating Earnings (Loss) is a non-GAAP measure defined as net earnings (loss) excluding non-recurring or non-cash items that Management believes reduces the comparability of the Company's financial performance between periods. These items may include, but are not limited to, unrealized gains/losses on risk management, impairments, restructuring charges, non-operating foreign exchange gains/losses, gains/losses on divestitures and gains on debt retirement. Income taxes may include valuation allowances and the provision related to the pre-tax items listed, as well as income taxes related to divestitures and U.S. tax reform, and adjustments to normalize the effect of income taxes calculated using the estimated annual effective income tax rate.

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

(4) Non-GAAP Cash Flow Margin is a non-GAAP measure calculated as Non-GAAP Cash Flow per BOE of production.

## Financial Metrics

| | 2018 | 2017 |
|---|---|---|
| | **Year-to-date** | Year |
| Debt to Adjusted Capitalization [1] | **23%** | 22% |
| Net Debt to Adjusted EBITDA [1] | **2.1x** | 2.3x |

(1) These financial metrics are non-GAAP measures monitored by Management as indicators of the Company's overall financial strength. These non-GAAP measures are defined and calculated in the Non-GAAP Definitions and Reconciliations document located on the Company's website.

# Supplemental Operating Information *(unaudited)*

**Production Volumes by Product**

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (average) | **Year-to-date** | **Q2** | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| Oil (Mbbls/d) | **83.8** | **84.6** | 83.0 | 76.3 | 85.0 | 75.2 | 72.4 | 77.4 | 67.4 |
| NGLs - Plant Condensate (Mbbls/d) | **31.9** | **33.7** | 30.2 | 26.3 | 33.7 | 27.9 | 21.7 | 22.8 | 20.5 |
| NGLs - Other (Mbbls/d) | **34.6** | **37.0** | 32.0 | 26.5 | 33.9 | 24.4 | 23.9 | 24.7 | 23.0 |
| Oil & NGLs (Mbbls/d) | **150.3** | **155.3** | 145.2 | 129.1 | 152.6 | 127.5 | 118.0 | 124.9 | 110.9 |
| Natural Gas (MMcf/d) | **1,085** | **1,095** | 1,075 | 1,104 | 1,096 | 939 | 1,194 | 1,146 | 1,241 |
| Total (MBOE/d) | **331.2** | **337.9** | 324.4 | 313.2 | 335.2 | 284.0 | 316.9 | 316.0 | 317.9 |

**Production Volumes by Segment**

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (average) | **Year-to-date** | **Q2** | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| Oil (Mbbls/d) | | | | | | | | | |
| Canadian Operations | **0.4** | **0.4** | 0.4 | 0.4 | 0.4 | 0.6 | 0.4 | 0.4 | 0.4 |
| USA Operations | **83.4** | **84.2** | 82.6 | 75.9 | 84.6 | 74.6 | 72.0 | 77.0 | 67.0 |
| | **83.8** | **84.6** | 83.0 | 76.3 | 85.0 | 75.2 | 72.4 | 77.4 | 67.4 |
| NGLs - Plant Condensate (Mbbls/d) | | | | | | | | | |
| Canadian Operations | **28.7** | **29.9** | 27.5 | 23.1 | 30.2 | 22.8 | 19.6 | 20.5 | 18.7 |
| USA Operations | **3.2** | **3.8** | 2.7 | 3.2 | 3.5 | 5.1 | 2.1 | 2.3 | 1.8 |
| | **31.9** | **33.7** | 30.2 | 26.3 | 33.7 | 27.9 | 21.7 | 22.8 | 20.5 |
| NGLs - Other (Mbbls/d) | | | | | | | | | |
| Canadian Operations | **11.5** | **12.5** | 10.4 | 6.0 | 9.6 | 4.5 | 4.9 | 4.7 | 5.0 |
| USA Operations | **23.1** | **24.5** | 21.6 | 20.5 | 24.3 | 19.9 | 19.0 | 20.0 | 18.0 |
| | **34.6** | **37.0** | 32.0 | 26.5 | 33.9 | 24.4 | 23.9 | 24.7 | 23.0 |
| NGLs - Total (Mbbls/d) | | | | | | | | | |
| Canadian Operations | **40.2** | **42.4** | 37.9 | 29.1 | 39.8 | 27.3 | 24.5 | 25.2 | 23.7 |
| USA Operations | **26.3** | **28.3** | 24.3 | 23.7 | 27.8 | 25.0 | 21.1 | 22.3 | 19.8 |
| | **66.5** | **70.7** | 62.2 | 52.8 | 67.6 | 52.3 | 45.6 | 47.5 | 43.5 |
| Oil & NGLs (Mbbls/d) | | | | | | | | | |
| Canadian Operations | **40.6** | **42.8** | 38.3 | 29.5 | 40.2 | 27.9 | 24.9 | 25.6 | 24.1 |
| USA Operations | **109.7** | **112.5** | 106.9 | 99.6 | 112.4 | 99.6 | 93.1 | 99.3 | 86.8 |
| | **150.3** | **155.3** | 145.2 | 129.1 | 152.6 | 127.5 | 118.0 | 124.9 | 110.9 |
| Natural Gas (MMcf/d) | | | | | | | | | |
| Canadian Operations | **942** | **949** | 936 | 838 | 946 | 736 | 835 | 785 | 885 |
| USA Operations | **143** | **146** | 139 | 266 | 150 | 203 | 359 | 361 | 356 |
| | **1,085** | **1,095** | 1,075 | 1,104 | 1,096 | 939 | 1,194 | 1,146 | 1,241 |
| Total (MBOE/d) | | | | | | | | | |
| Canadian Operations | **197.6** | **200.9** | 194.3 | 169.1 | 197.7 | 150.4 | 164.1 | 156.6 | 171.7 |
| USA Operations | **133.6** | **137.0** | 130.1 | 144.1 | 137.5 | 133.6 | 152.8 | 159.4 | 146.2 |
| | **331.2** | **337.9** | 324.4 | 313.2 | 335.2 | 284.0 | 316.9 | 316.0 | 317.9 |

**Oil & NGLs Production Volumes**

| | 2018 | | | | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (average Mbbls/d) | **% of Total** | **Year-to-date** | **Q2** | Q1 | % of Total | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| Oil | **56** | **83.8** | **84.6** | 83.0 | 59 | 76.3 | 85.0 | 75.2 | 72.4 | 77.4 | 67.4 |
| NGLs - Plant Condensate | **21** | **31.9** | **33.7** | 30.2 | 20 | 26.3 | 33.7 | 27.9 | 21.7 | 22.8 | 20.5 |
| Oil & Plant Condensate | **77** | **115.7** | **118.3** | 113.2 | 79 | 102.6 | 118.7 | 103.1 | 94.1 | 100.2 | 87.9 |
| Butane | **7** | **10.2** | **11.1** | 9.3 | 6 | 7.3 | 9.6 | 7.0 | 6.5 | 6.7 | 6.2 |
| Propane | **9** | **14.1** | **15.2** | 12.9 | 8 | 10.5 | 13.8 | 9.3 | 9.4 | 9.7 | 9.1 |
| Ethane | **7** | **10.3** | **10.7** | 9.8 | 7 | 8.7 | 10.5 | 8.1 | 8.0 | 8.3 | 7.7 |
| NGLs - Other | **23** | **34.6** | **37.0** | 32.0 | 21 | 26.5 | 33.9 | 24.4 | 23.9 | 24.7 | 23.0 |
| Oil & NGLs | **100** | **150.3** | **155.3** | 145.2 | 100 | 129.1 | 152.6 | 127.5 | 118.0 | 124.9 | 110.9 |

# Supplemental Financial & Operating Information *(unaudited)*

## Results of Operations

### Revenues and Realized Gains (Losses) on Risk Management

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (US$ millions) | Year-to-date | Q2 | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| Canadian Operations | | | | | | | | | |
| Revenues, excluding Realized Gains (Losses) on Risk Management (1) | | | | | | | | | |
| Oil | 5 | 2 | 3 | 7 | 2 | 2 | 3 | 1 | 2 |
| NGLs (2) | 392 | 213 | 179 | 481 | 184 | 106 | 191 | 97 | 94 |
| Natural Gas | 368 | 159 | 209 | 662 | 177 | 118 | 367 | 166 | 201 |
| | 765 | 374 | 391 | 1,150 | 363 | 226 | 561 | 264 | 297 |
| Realized Gains (Losses) on Risk Management | | | | | | | | | |
| Oil | - | - | - | - | - | - | - | - | - |
| NGLs (2) | (58) | (37) | (21) | (4) | (8) | 4 | - | 1 | (1) |
| Natural Gas | 143 | 110 | 33 | 26 | 24 | 21 | (19) | 1 | (20) |
| | 85 | 73 | 12 | 22 | 16 | 25 | (19) | 2 | (21) |
| USA Operations | | | | | | | | | |
| Revenues, excluding Realized Gains (Losses) on Risk Management (1) | | | | | | | | | |
| Oil | 980 | 509 | 471 | 1,360 | 423 | 315 | 622 | 324 | 298 |
| NGLs (2) | 122 | 70 | 52 | 193 | 65 | 50 | 78 | 38 | 40 |
| Natural Gas | 60 | 28 | 32 | 296 | 36 | 55 | 205 | 102 | 103 |
| | 1,162 | 607 | 555 | 1,849 | 524 | 420 | 905 | 464 | 441 |
| Realized Gains (Losses) on Risk Management | | | | | | | | | |
| Oil | (121) | (65) | (56) | 18 | (12) | 14 | 16 | 16 | - |
| NGLs (2) | - | - | - | (1) | (2) | - | 1 | 1 | - |
| Natural Gas | 17 | 6 | 11 | (6) | - | - | (6) | (1) | (5) |
| | (104) | (59) | (45) | 11 | (14) | 14 | 11 | 16 | (5) |

(1) Excludes other revenues with no associated production volumes, but includes intercompany marketing fees transacted between the Company's operating segments.

(2) Includes plant condensate.

### Per-unit Results, Excluding the Impact of Realized Gains (Losses) on Risk Management (1)

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (US$/BOE) | Year-to-date | Q2 | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| Total Canadian Operations Netback | | | | | | | | | |
| Price | 21.37 | 20.50 | 22.29 | 18.61 | 19.91 | 16.29 | 18.89 | 18.52 | 19.23 |
| Production, mineral and other taxes | 0.22 | 0.21 | 0.23 | 0.33 | 0.23 | 0.42 | 0.34 | 0.39 | 0.30 |
| Transportation and processing | 11.09 | 11.29 | 10.87 | 9.35 | 9.58 | 10.00 | 8.91 | 9.30 | 8.56 |
| Operating | 1.75 | 1.89 | 1.59 | 1.92 | 1.80 | 2.50 | 1.73 | 1.52 | 1.91 |
| Netback | 8.31 | 7.11 | 9.60 | 7.01 | 8.30 | 3.37 | 7.91 | 7.31 | 8.46 |
| Total USA Operations Netback | | | | | | | | | |
| Price | 48.08 | 48.72 | 47.39 | 35.16 | 41.52 | 34.13 | 32.71 | 31.92 | 33.59 |
| Production, mineral and other taxes | 2.31 | 2.48 | 2.12 | 1.74 | 2.22 | 1.69 | 1.55 | 1.29 | 1.84 |
| Transportation and processing | 2.39 | 2.51 | 2.26 | 3.12 | 1.82 | 2.55 | 3.97 | 3.54 | 4.44 |
| Operating | 6.52 | 6.75 | 6.28 | 6.18 | 6.19 | 6.57 | 5.99 | 5.60 | 6.43 |
| Netback | 36.86 | 36.98 | 36.73 | 24.12 | 31.29 | 23.32 | 21.20 | 21.49 | 20.88 |
| Total Operations Netback | | | | | | | | | |
| Price | 32.14 | 31.93 | 32.35 | 26.22 | 28.78 | 24.67 | 25.55 | 25.29 | 25.82 |
| Production, mineral and other taxes | 1.06 | 1.13 | 0.99 | 0.98 | 1.04 | 1.01 | 0.93 | 0.85 | 1.01 |
| Transportation and processing | 7.58 | 7.73 | 7.42 | 6.49 | 6.39 | 6.50 | 6.53 | 6.39 | 6.67 |
| Operating | 3.67 | 3.86 | 3.47 | 3.88 | 3.60 | 4.41 | 3.78 | 3.58 | 3.99 |
| Netback | 19.83 | 19.21 | 20.47 | 14.87 | 17.75 | 12.75 | 14.31 | 14.47 | 14.15 |

(1) Netback is a common metric used in the oil and gas industry to measure operating performance on a per-unit basis and is considered a non-GAAP measure. The netbacks disclosed above do not meet the requirements outlined in National Instrument 51-101 and have been calculated on a BOE basis using upstream product revenues, excluding the impact of realized gains and losses on risk management, less costs associated with delivering the product to market, including production, mineral and other taxes, transportation and processing expense and operating expense. For additional information regarding non-GAAP measures, including Netback reconciliations, see the Company's website.

### Other Per-unit Results

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (US$/BOE) | Year-to-date | Q2 | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| Upstream Operating Expense | 3.67 | 3.86 | 3.47 | 3.88 | 3.60 | 4.41 | 3.78 | 3.58 | 3.99 |
| Upstream Operating Expense, Excluding Long-Term Incentive Costs | 3.50 | 3.40 | 3.60 | 3.69 | 3.26 | 3.96 | 3.79 | 3.76 | 3.82 |
| Administrative Expense | 2.17 | 3.20 | 1.08 | 2.22 | 2.77 | 3.31 | 1.43 | 0.82 | 2.04 |
| Administrative Expense, Excluding Long-Term Incentive Costs | 1.43 | 1.36 | 1.49 | 1.55 | 1.48 | 1.63 | 1.56 | 1.61 | 1.50 |

# Supplemental Oil and Gas Operating Statistics *(unaudited)*

## Operating Statistics

### Per-unit Prices, Excluding the Impact of Realized Gains (Losses) on Risk Management

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (US$) | Year-to-date | Q2 | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| Oil Price ($/bbl) | | | | | | | | | |
| Canadian Operations | 56.87 | 58.13 | 55.47 | 42.33 | 61.46 | 31.66 | 41.77 | 40.23 | 43.29 |
| USA Operations | 64.97 | 66.57 | 63.33 | 49.14 | 54.44 | 45.78 | 47.75 | 46.14 | 49.65 |
| Total Operations | 64.93 | 66.52 | 63.29 | 49.10 | 54.47 | 45.66 | 47.72 | 46.11 | 49.61 |
| NGLs - Plant Condensate Price ($/bbl) | | | | | | | | | |
| Canadian Operations | 64.48 | 67.55 | 61.10 | 50.57 | 56.31 | 46.41 | 48.53 | 46.94 | 50.29 |
| USA Operations | 55.05 | 57.20 | 51.94 | 40.64 | 45.07 | 36.63 | 41.86 | 41.07 | 42.87 |
| Total Operations | 63.51 | 66.38 | 60.28 | 49.35 | 55.14 | 44.61 | 47.89 | 46.34 | 49.63 |
| NGLs - Other Price ($/bbl) | | | | | | | | | |
| Canadian Operations | 27.99 | 26.27 | 30.08 | 25.19 | 30.63 | 22.68 | 20.91 | 19.10 | 22.62 |
| USA Operations | 21.51 | 22.37 | 20.53 | 19.42 | 22.51 | 18.37 | 17.97 | 16.06 | 20.11 |
| Total Operations | 23.66 | 23.69 | 23.64 | 20.72 | 24.82 | 19.16 | 18.57 | 16.65 | 20.66 |
| NGLs - Total Price ($/bbl) | | | | | | | | | |
| Canadian Operations | 54.03 | 55.35 | 52.55 | 45.35 | 50.11 | 42.52 | 43.01 | 41.73 | 44.40 |
| USA Operations | 25.67 | 27.08 | 24.01 | 22.30 | 25.38 | 22.13 | 20.34 | 18.68 | 22.22 |
| Total Operations | 42.79 | 44.01 | 41.40 | 34.98 | 39.96 | 32.75 | 32.54 | 30.93 | 34.31 |
| Oil & NGLs Price ($/bbl) | | | | | | | | | |
| Canadian Operations | 54.06 | 55.38 | 52.58 | 45.30 | 50.21 | 42.28 | 43.00 | 41.71 | 44.38 |
| USA Operations | 55.53 | 56.61 | 54.39 | 42.74 | 47.26 | 39.83 | 41.55 | 40.00 | 43.36 |
| Total Operations | 55.14 | 56.27 | 53.91 | 43.33 | 48.04 | 40.37 | 41.86 | 40.35 | 43.59 |
| Natural Gas Price ($/Mcf) | | | | | | | | | |
| Canadian Operations | 2.16 | 1.84 | 2.48 | 2.16 | 2.03 | 1.73 | 2.43 | 2.33 | 2.52 |
| USA Operations | 2.29 | 2.07 | 2.52 | 3.03 | 2.63 | 2.90 | 3.16 | 3.09 | 3.23 |
| Total Operations | 2.17 | 1.87 | 2.48 | 2.37 | 2.11 | 1.98 | 2.65 | 2.57 | 2.72 |
| Total Price ($/BOE) | | | | | | | | | |
| Canadian Operations | 21.37 | 20.50 | 22.29 | 18.61 | 19.91 | 16.29 | 18.89 | 18.52 | 19.23 |
| USA Operations | 48.08 | 48.72 | 47.39 | 35.16 | 41.52 | 34.13 | 32.71 | 31.92 | 33.59 |
| Total Operations | 32.14 | 31.93 | 32.35 | 26.22 | 28.78 | 24.67 | 25.55 | 25.29 | 25.82 |

### Per-unit Impact of Realized Gains (Losses) on Risk Management

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (US$) | Year-to-date | Q2 | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| Oil ($/bbl) | | | | | | | | | |
| Canadian Operations | - | - | - | 0.25 | - | - | 0.57 | 1.07 | 0.08 |
| USA Operations | (8.08) | (8.56) | (7.59) | 0.66 | (1.53) | 2.14 | 1.19 | 2.17 | 0.05 |
| Total Operations | (8.04) | (8.52) | (7.55) | 0.66 | (1.53) | 2.12 | 1.19 | 2.16 | 0.05 |
| NGLs - Plant Condensate ($/bbl) | | | | | | | | | |
| Canadian Operations | (11.11) | (13.43) | (8.55) | (0.49) | (2.78) | 1.50 | 0.12 | 1.10 | (0.98) |
| USA Operations | - | - | - | - | - | - | - | - | - |
| Total Operations | (9.97) | (11.90) | (7.79) | (0.43) | (2.49) | 1.23 | 0.11 | 0.99 | (0.89) |
| NGLs - Other ($/bbl) | | | | | | | | | |
| Canadian Operations | - | - | - | - | - | - | - | - | - |
| USA Operations | 0.06 | 0.12 | - | (0.12) | (0.74) | (0.20) | 0.33 | 0.62 | - |
| Total Operations | 0.04 | 0.08 | - | (0.09) | (0.53) | (0.16) | 0.26 | 0.50 | - |
| NGLs - Total ($/bbl) | | | | | | | | | |
| Canadian Operations | (7.93) | (9.46) | (6.19) | (0.39) | (2.11) | 1.26 | 0.09 | 0.89 | (0.77) |
| USA Operations | 0.05 | 0.10 | - | (0.10) | (0.64) | (0.16) | 0.29 | 0.55 | - |
| Total Operations | (4.76) | (5.63) | (3.77) | (0.26) | (1.51) | 0.58 | 0.19 | 0.73 | (0.42) |
| Oil & NGLs ($/bbl) | | | | | | | | | |
| Canadian Operations | (7.84) | (9.36) | (6.12) | (0.38) | (2.09) | 1.23 | 0.10 | 0.90 | (0.76) |
| USA Operations | (6.13) | (6.38) | (5.86) | 0.48 | (1.31) | 1.56 | 0.99 | 1.81 | 0.03 |
| Total Operations | (6.59) | (7.20) | (5.93) | 0.28 | (1.52) | 1.49 | 0.80 | 1.62 | (0.14) |
| Natural Gas ($/Mcf) | | | | | | | | | |
| Canadian Operations | 0.84 | 1.27 | 0.39 | 0.09 | 0.27 | 0.32 | (0.13) | - | (0.24) |
| USA Operations | 0.65 | 0.39 | 0.93 | (0.06) | - | - | (0.09) | (0.03) | (0.16) |
| Total Operations | 0.81 | 1.16 | 0.46 | 0.05 | 0.23 | 0.25 | (0.12) | (0.01) | (0.22) |
| Total ($/BOE) | | | | | | | | | |
| Canadian Operations | 2.39 | 4.03 | 0.67 | 0.36 | 0.88 | 1.80 | (0.63) | 0.16 | (1.37) |
| USA Operations | (4.34) | (4.82) | (3.83) | 0.22 | (1.07) | 1.16 | 0.38 | 1.07 | (0.37) |
| Total Operations | (0.32) | 0.44 | (1.13) | 0.29 | 0.08 | 1.50 | (0.14) | 0.62 | (0.91) |

## Supplemental Oil and Gas Operating Statistics *(unaudited)*

### **Operating Statistics** (continued)

**Per-unit Results, Including the Impact of Realized Gains (Losses) on Risk Management**

| | **2018** | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (US$) | **Year-to-date** | **Q2** | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| Oil Price ($/bbl) | | | | | | | | | |
| Canadian Operations | **56.87** | **58.13** | 55.47 | 42.58 | 61.46 | 31.66 | 42.34 | 41.30 | 43.37 |
| USA Operations | **56.89** | **58.01** | 55.74 | 49.80 | 52.91 | 47.92 | 48.94 | 48.31 | 49.70 |
| Total Operations | **56.89** | **58.00** | 55.74 | 49.76 | 52.94 | 47.78 | 48.91 | 48.27 | 49.66 |
| NGLs - Plant Condensate Price ($/bbl) | | | | | | | | | |
| Canadian Operations | **53.37** | **54.12** | 52.55 | 50.08 | 53.53 | 47.91 | 48.65 | 48.04 | 49.31 |
| USA Operations | **55.05** | **57.20** | 51.94 | 40.64 | 45.07 | 36.63 | 41.86 | 41.07 | 42.87 |
| Total Operations | **53.54** | **54.48** | 52.49 | 48.92 | 52.65 | 45.84 | 48.00 | 47.33 | 48.74 |
| NGLs - Other Price ($/bbl) | | | | | | | | | |
| Canadian Operations | **27.99** | **26.27** | 30.08 | 25.19 | 30.63 | 22.68 | 20.91 | 19.10 | 22.62 |
| USA Operations | **21.57** | **22.49** | 20.53 | 19.30 | 21.77 | 18.17 | 18.30 | 16.68 | 20.11 |
| Total Operations | **23.70** | **23.77** | 23.64 | 20.63 | 24.29 | 19.00 | 18.83 | 17.15 | 20.66 |
| NGLs - Total Price ($/bbl) | | | | | | | | | |
| Canadian Operations | **46.10** | **45.89** | 46.36 | 44.96 | 48.00 | 43.78 | 43.10 | 42.62 | 43.63 |
| USA Operations | **25.72** | **27.18** | 24.01 | 22.20 | 24.74 | 21.97 | 20.63 | 19.23 | 22.22 |
| Total Operations | **38.03** | **38.38** | 37.63 | 34.72 | 38.45 | 33.33 | 32.73 | 31.66 | 33.89 |
| Oil & NGLs Price ($/bbl) | | | | | | | | | |
| Canadian Operations | **46.22** | **46.02** | 46.46 | 44.92 | 48.12 | 43.51 | 43.10 | 42.61 | 43.62 |
| USA Operations | **49.40** | **50.23** | 48.53 | 43.22 | 45.95 | 41.39 | 42.54 | 41.81 | 43.39 |
| Total Operations | **48.55** | **49.07** | 47.98 | 43.61 | 46.52 | 41.86 | 42.66 | 41.97 | 43.45 |
| Natural Gas Price ($/Mcf) | | | | | | | | | |
| Canadian Operations | **3.00** | **3.11** | 2.87 | 2.25 | 2.30 | 2.05 | 2.30 | 2.33 | 2.28 |
| USA Operations | **2.94** | **2.46** | 3.45 | 2.97 | 2.63 | 2.90 | 3.07 | 3.06 | 3.07 |
| Total Operations | **2.98** | **3.03** | 2.94 | 2.42 | 2.34 | 2.23 | 2.53 | 2.56 | 2.50 |
| Total Price ($/BOE) | | | | | | | | | |
| Canadian Operations | **23.76** | **24.53** | 22.96 | 18.97 | 20.79 | 18.09 | 18.26 | 18.68 | 17.86 |
| USA Operations | **43.74** | **43.90** | 43.56 | 35.38 | 40.45 | 35.29 | 33.09 | 32.99 | 33.22 |
| Total Operations | **31.82** | **32.37** | 31.22 | 26.51 | 28.86 | 26.17 | 25.41 | 25.91 | 24.91 |
| Total Netback ($/BOE) | | | | | | | | | |
| Canadian Operations | **10.70** | **11.14** | 10.27 | 7.37 | 9.18 | 5.17 | 7.28 | 7.47 | 7.09 |
| USA Operations | **32.52** | **32.16** | 32.90 | 24.34 | 30.22 | 24.48 | 21.58 | 22.56 | 20.51 |
| Total Operations | **19.51** | **19.65** | 19.34 | 15.16 | 17.83 | 14.25 | 14.17 | 15.09 | 13.24 |

## Supplemental Oil and Gas Operating Statistics *(unaudited)*

### Results by Play

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (average) | **Year-to-date** | **Q2** | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| **Oil Production (Mbbls/d)** | | | | | | | | | |
| Canadian Operations | | | | | | | | | |
| Montney | **0.3** | **0.3** | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Duvernay | **0.1** | **0.1** | 0.1 | 0.2 | 0.2 | 0.3 | 0.1 | 0.1 | 0.1 |
| Other Upstream Operations (1) | **-** | **-** | - | - | - | 0.1 | 0.1 | 0.1 | 0.1 |
| Total Canadian Operations | **0.4** | **0.4** | 0.4 | 0.4 | 0.4 | 0.6 | 0.4 | 0.4 | 0.4 |
| USA Operations | | | | | | | | | |
| Eagle Ford | **26.3** | **26.8** | 25.8 | 30.8 | 29.8 | 32.8 | 30.3 | 34.3 | 26.4 |
| Permian | **54.7** | **55.2** | 54.2 | 41.4 | 52.2 | 38.6 | 37.3 | 39.0 | 35.6 |
| Other Upstream Operations (1) | **2.4** | **2.2** | 2.6 | 3.7 | 2.6 | 3.2 | 4.4 | 3.7 | 5.0 |
| Total USA Operations | **83.4** | **84.2** | 82.6 | 75.9 | 84.6 | 74.6 | 72.0 | 77.0 | 67.0 |
| Total Encana | **83.8** | **84.6** | 83.0 | 76.3 | 85.0 | 75.2 | 72.4 | 77.4 | 67.4 |
| **NGLs - Plant Condensate Production (Mbbls/d)** | | | | | | | | | |
| Canadian Operations | | | | | | | | | |
| Montney | **22.5** | **24.2** | 20.8 | 14.6 | 20.7 | 14.3 | 11.5 | 12.2 | 10.9 |
| Duvernay | **6.2** | **5.7** | 6.8 | 8.3 | 9.4 | 8.3 | 7.9 | 8.2 | 7.6 |
| Other Upstream Operations (1) | **-** | **-** | (0.1) | 0.2 | 0.1 | 0.2 | 0.2 | 0.1 | 0.2 |
| Total Canadian Operations | **28.7** | **29.9** | 27.5 | 23.1 | 30.2 | 22.8 | 19.6 | 20.5 | 18.7 |
| USA Operations | | | | | | | | | |
| Eagle Ford | **1.3** | **1.6** | 1.1 | 1.4 | 1.4 | 3.1 | 0.6 | 0.7 | 0.5 |
| Permian | **1.8** | **2.1** | 1.5 | 1.5 | 1.9 | 1.7 | 1.1 | 1.3 | 1.0 |
| Other Upstream Operations (1) | **0.1** | **0.1** | 0.1 | 0.3 | 0.2 | 0.3 | 0.4 | 0.3 | 0.3 |
| Total USA Operations | **3.2** | **3.8** | 2.7 | 3.2 | 3.5 | 5.1 | 2.1 | 2.3 | 1.8 |
| Total Encana | **31.9** | **33.7** | 30.2 | 26.3 | 33.7 | 27.9 | 21.7 | 22.8 | 20.5 |

(1) Other Upstream Operations includes production volumes from plays that are not part of the Company's current strategic focus. Canadian Other Upstream Operations primarily includes Wheatland; USA Other Upstream Operations primarily includes San Juan, Piceance and Tuscaloosa Marine Shale ("TMS"). Production volumes associated with Wheatland, Piceance and TMS were included in Other Upstream Operations until the divestitures of these assets on December 13, 2017, July 25, 2017 and April 13, 2017, respectively.

# Supplemental Oil and Gas Operating Statistics *(unaudited)*

**Results by Play** (continued)

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (average) | **Year-to-date** | **Q2** | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| **NGLs - Other Production (Mbbls/d)** | | | | | | | | | |
| Canadian Operations | | | | | | | | | |
| Montney | **10.4** | **11.5** | 9.3 | 4.5 | 8.1 | 3.1 | 3.5 | 3.4 | 3.5 |
| Duvernay | **1.2** | **1.0** | 1.2 | 1.3 | 1.5 | 1.2 | 1.2 | 1.2 | 1.2 |
| Other Upstream Operations [1] | **(0.1)** | **-** | (0.1) | 0.2 | - | 0.2 | 0.2 | 0.1 | 0.3 |
| Total Canadian Operations | **11.5** | **12.5** | 10.4 | 6.0 | 9.6 | 4.5 | 4.9 | 4.7 | 5.0 |
| USA Operations | | | | | | | | | |
| Eagle Ford | **6.0** | **6.5** | 5.4 | 6.8 | 6.9 | 6.8 | 6.7 | 7.2 | 6.1 |
| Permian | **15.9** | **16.8** | 15.0 | 12.1 | 15.6 | 11.8 | 10.6 | 11.0 | 10.1 |
| Other Upstream Operations [1] | **1.2** | **1.2** | 1.2 | 1.6 | 1.8 | 1.3 | 1.7 | 1.8 | 1.8 |
| Total USA Operations | **23.1** | **24.5** | 21.6 | 20.5 | 24.3 | 19.9 | 19.0 | 20.0 | 18.0 |
| Total Encana | **34.6** | **37.0** | 32.0 | 26.5 | 33.9 | 24.4 | 23.9 | 24.7 | 23.0 |
| **NGLs - Total Production (Mbbls/d)** | | | | | | | | | |
| Canadian Operations | | | | | | | | | |
| Montney | **32.9** | **35.7** | 30.1 | 19.1 | 28.8 | 17.4 | 15.0 | 15.6 | 14.4 |
| Duvernay | **7.4** | **6.7** | 8.0 | 9.6 | 10.9 | 9.5 | 9.1 | 9.4 | 8.8 |
| Other Upstream Operations [1] | **(0.1)** | **-** | (0.2) | 0.4 | 0.1 | 0.4 | 0.4 | 0.2 | 0.5 |
| Total Canadian Operations | **40.2** | **42.4** | 37.9 | 29.1 | 39.8 | 27.3 | 24.5 | 25.2 | 23.7 |
| USA Operations | | | | | | | | | |
| Eagle Ford | **7.3** | **8.1** | 6.5 | 8.2 | 8.3 | 9.9 | 7.3 | 7.9 | 6.6 |
| Permian | **17.7** | **18.9** | 16.5 | 13.6 | 17.5 | 13.5 | 11.7 | 12.3 | 11.1 |
| Other Upstream Operations [1] | **1.3** | **1.3** | 1.3 | 1.9 | 2.0 | 1.6 | 2.1 | 2.1 | 2.1 |
| Total USA Operations | **26.3** | **28.3** | 24.3 | 23.7 | 27.8 | 25.0 | 21.1 | 22.3 | 19.8 |
| Total Encana | **66.5** | **70.7** | 62.2 | 52.8 | 67.6 | 52.3 | 45.6 | 47.5 | 43.5 |

(1) Other Upstream Operations includes production volumes from plays that are not part of the Company's current strategic focus. Canadian Other Upstream Operations primarily includes Wheatland; USA Other Upstream Operations primarily includes San Juan, Piceance and TMS. Production volumes associated with Wheatland, Piceance and TMS were included in Other Upstream Operations until the divestitures of these assets on December 13, 2017, July 25, 2017 and April 13, 2017, respectively.

# Supplemental Oil and Gas Operating Statistics *(unaudited)*

**Results by Play** (continued)

| (average) | 2018 Year-to-date | 2018 Q2 | 2018 Q1 | 2017 Year | 2017 Q4 | 2017 Q3 | 2017 Q2 Year-to-date | 2017 Q2 | 2017 Q1 |
|---|---|---|---|---|---|---|---|---|---|
| **Oil & NGLs Production (Mbbls/d)** | | | | | | | | | |
| Canadian Operations | | | | | | | | | |
| Montney | **33.2** | **36.0** | 30.4 | 19.3 | 29.0 | 17.6 | 15.2 | 15.8 | 14.6 |
| Duvernay | **7.5** | **6.8** | 8.1 | 9.8 | 11.1 | 9.8 | 9.2 | 9.5 | 8.9 |
| Other Upstream Operations (1) | **(0.1)** | **-** | (0.2) | 0.4 | 0.1 | 0.5 | 0.5 | 0.3 | 0.6 |
| Total Canadian Operations | **40.6** | **42.8** | 38.3 | 29.5 | 40.2 | 27.9 | 24.9 | 25.6 | 24.1 |
| USA Operations | | | | | | | | | |
| Eagle Ford | **33.6** | **34.9** | 32.3 | 39.0 | 38.1 | 42.7 | 37.6 | 42.2 | 33.0 |
| Permian | **72.4** | **74.1** | 70.7 | 55.0 | 69.7 | 52.1 | 49.0 | 51.3 | 46.7 |
| Other Upstream Operations (1) | **3.7** | **3.5** | 3.9 | 5.6 | 4.6 | 4.8 | 6.5 | 5.8 | 7.1 |
| Total USA Operations | **109.7** | **112.5** | 106.9 | 99.6 | 112.4 | 99.6 | 93.1 | 99.3 | 86.8 |
| Total Encana | **150.3** | **155.3** | 145.2 | 129.1 | 152.6 | 127.5 | 118.0 | 124.9 | 110.9 |
| **Natural Gas Production (MMcf/d)** | | | | | | | | | |
| Canadian Operations | | | | | | | | | |
| Montney | **826** | **841** | 810 | 644 | 775 | 562 | 620 | 592 | 648 |
| Duvernay | **57** | **52** | 61 | 64 | 72 | 65 | 58 | 62 | 55 |
| Other Upstream Operations (1) | **59** | **56** | 65 | 130 | 99 | 109 | 157 | 131 | 182 |
| Total Canadian Operations | **942** | **949** | 936 | 838 | 946 | 736 | 835 | 785 | 885 |
| USA Operations | | | | | | | | | |
| Eagle Ford | **48** | **49** | 47 | 51 | 52 | 55 | 48 | 52 | 43 |
| Permian | **82** | **85** | 78 | 67 | 77 | 72 | 60 | 62 | 58 |
| Other Upstream Operations (1) | **13** | **12** | 14 | 148 | 21 | 76 | 251 | 247 | 255 |
| Total USA Operations | **143** | **146** | 139 | 266 | 150 | 203 | 359 | 361 | 356 |
| Total Encana | **1,085** | **1,095** | 1,075 | 1,104 | 1,096 | 939 | 1,194 | 1,146 | 1,241 |

(1) Other Upstream Operations includes production volumes from plays that are not part of the Company's current strategic focus. Canadian Other Upstream Operations primarily includes Wheatland and natural gas volumes in Horn River and Deep Panuke; USA Other Upstream Operations primarily includes San Juan, Piceance and oil volumes in TMS. Production volumes associated with Wheatland, Piceance and TMS were included in Other Upstream Operations until the divestitures of these assets on December 13, 2017, July 25, 2017 and April 13, 2017, respectively.

# Supplemental Oil and Gas Operating Statistics *(unaudited)*

**Results by Play** (continued)

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (average) | Year-to-date | Q2 | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| **Total Production (MBOE/d)** | | | | | | | | | |
| Canadian Operations | | | | | | | | | |
| Montney | **170.8** | **176.2** | 165.3 | 126.7 | 158.0 | 111.3 | 118.6 | 114.4 | 122.7 |
| Duvernay | **16.9** | **15.5** | 18.3 | 20.4 | 23.0 | 20.7 | 18.9 | 19.7 | 18.1 |
| Other Upstream Operations (1) | **9.9** | **9.2** | 10.7 | 22.0 | 16.7 | 18.4 | 26.6 | 22.5 | 30.9 |
| Total Canadian Operations | **197.6** | **200.9** | 194.3 | 169.1 | 197.7 | 150.4 | 164.1 | 156.6 | 171.7 |
| USA Operations | | | | | | | | | |
| Eagle Ford | **41.6** | **43.0** | 40.1 | 47.4 | 46.7 | 51.9 | 45.5 | 50.8 | 40.2 |
| Permian | **86.0** | **88.2** | 83.8 | 66.2 | 82.6 | 64.1 | 59.0 | 61.6 | 56.3 |
| Other Upstream Operations (1) | **6.0** | **5.8** | 6.2 | 30.5 | 8.2 | 17.6 | 48.3 | 47.0 | 49.7 |
| Total USA Operations | **133.6** | **137.0** | 130.1 | 144.1 | 137.5 | 133.6 | 152.8 | 159.4 | 146.2 |
| Total Encana | **331.2** | **337.9** | 324.4 | 313.2 | 335.2 | 284.0 | 316.9 | 316.0 | 317.9 |
| **Total Production (MBOE/d)** | | | | | | | | | |
| Total Core Assets | **315.3** | **322.9** | 307.5 | 260.7 | 310.3 | 248.0 | 242.0 | 246.5 | 237.3 |
| % of Total Encana | **95%** | **96%** | 95% | 83% | 93% | 87% | 76% | 78% | 75% |

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (US$ millions) | Year-to-date | Q2 | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| **Capital Expenditures** | | | | | | | | | |
| Canadian Operations | | | | | | | | | |
| Montney | **325** | **170** | 155 | 346 | 122 | 101 | 123 | 62 | 61 |
| Duvernay | **55** | **42** | 13 | 78 | 10 | 22 | 46 | 20 | 26 |
| Other Upstream Operations (2) | **(1)** | **(1)** | - | 2 | 2 | - | - | (1) | 1 |
| Total Canadian Operations | **379** | **211** | 168 | 426 | 134 | 123 | 169 | 81 | 88 |
| USA Operations | | | | | | | | | |
| Eagle Ford | **216** | **122** | 94 | 304 | 59 | 56 | 189 | 83 | 106 |
| Permian | **488** | **250** | 238 | 1,001 | 298 | 278 | 425 | 228 | 197 |
| Other Upstream Operations (2) | **16** | **10** | 6 | 53 | 10 | 13 | 30 | 22 | 8 |
| Total USA Operations | **720** | **382** | 338 | 1,358 | 367 | 347 | 644 | 333 | 311 |
| Market Optimization | **-** | **-** | - | 1 | - | 1 | - | - | - |
| Corporate & Other | **4** | **2** | 2 | 11 | 8 | 2 | 1 | 1 | - |
| Capital Expenditures | **1,103** | **595** | 508 | 1,796 | 509 | 473 | 814 | 415 | 399 |
| Net Acquisitions & (Divestitures) | **(63)** | **(46)** | (17) | (682) | (22) | (623) | (37) | (80) | 43 |
| Net Capital Investment | **1,040** | **549** | 491 | 1,114 | 487 | (150) | 777 | 335 | 442 |

(1) Other Upstream Operations includes total production volumes from plays that are not part of the Company's current strategic focus. Canadian Other Upstream Operations primarily includes Wheatland, Horn River and Deep Panuke; USA Other Upstream Operations primarily includes San Juan, Piceance and TMS. Production volumes associated with Wheatland, Piceance and TMS were included in Other Upstream Operations until the divestitures of these assets on December 13, 2017, July 25, 2017 and April 13, 2017, respectively.

(2) Other Upstream Operations includes capital expenditures in plays that are not part of the Company's current strategic focus. Canadian Other Upstream Operations primarily includes Wheatland; USA Other Upstream Operations primarily includes San Juan, Piceance and TMS.

# Supplemental Oil and Gas Operating Statistics *(unaudited)*

**Results by Play** (continued)

| | 2018 | | | 2017 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Year-to-date** | **Q2** | Q1 | Year | Q4 | Q3 | Q2 Year-to-date | Q2 | Q1 |
| **Drilling Activity (net wells drilled)** | | | | | | | | | |
| Canadian Operations | | | | | | | | | |
| Montney | **81** | **41** | 40 | 108 | 35 | 32 | 41 | 20 | 21 |
| Duvernay | **7** | **4** | 3 | 9 | - | - | 9 | 2 | 7 |
| Total Canadian Operations | **88** | **45** | 43 | 117 | 35 | 32 | 50 | 22 | 28 |
| USA Operations | | | | | | | | | |
| Eagle Ford | **28** | **14** | 14 | 37 | 5 | 6 | 26 | 9 | 17 |
| Permian | **55** | **29** | 26 | 126 | 32 | 30 | 64 | 30 | 34 |
| Other Upstream Operations [(1)] | **-** | **-** | - | 5 | - | 1 | 4 | 2 | 2 |
| Total USA Operations | **83** | **43** | 40 | 168 | 37 | 37 | 94 | 41 | 53 |
| Total Encana | **171** | **88** | 83 | 285 | 72 | 69 | 144 | 63 | 81 |

(1) Other Upstream Operations includes net wells drilled in plays that are not part of the Company's current strategic focus. USA Other Upstream Operations primarily includes San Juan.

# Encana Corporation

Further information on Encana Corporation is available on the company's website, www.encana.com, or by contacting:


## INVESTOR RELATIONS

Corey Code
Vice-President, Investor Relations
403.645.4606

Patti Posadowski
Sr. Advisor, Investor Relations
403.645.2252

## GENERAL INQUIRIES

Encana Corporation
500 Centre Street SE
PO Box 2850
Calgary, AB, Canada T2P 2S5
Phone: 403.645.2000
Fax: 403.645.3400


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