

Item 8: Financial Statements and Supplementary Data

Management Report

Management's Responsibility for Consolidated Financial Statements

The accompanying Consolidated Financial Statements of Encana Corporation (the "Company") are the responsibility of Management. The Consolidated Financial Statements have been prepared by Management in United States dollars in accordance with generally accepted accounting principles in the United States and include certain estimates that reflect Management's best judgments.

The Company's Board of Directors has approved the information contained in the Consolidated Financial Statements. The Board of Directors fulfills its responsibility regarding the financial statements mainly through its Audit Committee, which has a written mandate that complies with the requirements of Canadian and United States securities legislation and the Audit Committee guidelines of the New York Stock Exchange. The Audit Committee meets at least on a quarterly basis.

Management's Assessment of Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's Management regarding the preparation and presentation of the Consolidated Financial Statements.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the design and effectiveness of the Company's internal control over financial reporting as at December 31, 2018. In making its assessment, Management has used the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting. Based on our evaluation, Management has concluded that the Company's internal control over financial reporting was effective as at that date.

PricewaterhouseCoopers LLP, an independent firm of chartered professional accountants, was appointed by a vote of shareholders at the Company's last annual meeting to audit and provide independent opinions on both the Consolidated Financial Statements and the Company's internal control over financial reporting as at December 31, 2018, as stated in their Auditor's Report. PricewaterhouseCoopers LLP has provided such opinions.

/s/ Douglas J. Suttles
Douglas J. Suttles
President &
Chief Executive Officer

/s/ Sherri A. Brillon
Sherri A. Brillon
Executive Vice-President &
Chief Financial Officer

February 28, 2019

Auditor's Report

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Encana Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying Consolidated Balance Sheet of Encana Corporation and its subsidiaries, (together, the "Company") as of December 31, 2018 and 2017, and the related Consolidated Statements of Earnings, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the "Consolidated Financial Statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and their results of operations and their cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these Consolidated Financial Statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's Consolidated Financial Statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the Consolidated Financial Statements included performing procedures to assess the risks of material misstatement of the Consolidated Financial Statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the Consolidated Financial Statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants
Calgary, Alberta, Canada

February 28, 2019

We have served as the auditor of the Company or its predecessor since 1958.

Consolidated Statement of Earnings

For the years ended December 31 (US\$ millions, except per share amounts)		2018	2017 ⁽¹⁾	2016 ⁽¹⁾
Revenues	(Notes 2, 3)			
Product and service revenues		\$ 5,457	\$ 3,892	\$ 3,122
Gains (losses) on risk management, net	(Note 23)	415	482	(275)
Sublease revenues		67	69	71
Total Revenues		5,939	4,443	2,918
Operating Expenses	(Note 2)			
Production, mineral and other taxes		147	112	99
Transportation and processing	(Note 23)	1,083	845	901
Operating	(Notes 20, 21)	454	506	598
Purchased product		1,100	788	586
Depreciation, depletion and amortization		1,272	833	859
Impairments	(Note 9)	-	-	1,396
Accretion of asset retirement obligation	(Note 15)	32	37	51
Administrative	(Notes 19, 20, 21)	157	254	309
Total Operating Expenses		4,245	3,375	4,799
Operating Income (Loss)		1,694	1,068	(1,881)
Other (Income) Expenses				
Interest	(Notes 4, 13)	351	363	397
Foreign exchange (gain) loss, net	(Notes 5, 23)	168	(279)	(210)
(Gain) loss on divestitures, net	(Note 8)	(5)	(404)	(390)
Other (gains) losses, net	(Note 21)	17	(42)	(58)
Total Other (Income) Expenses		531	(362)	(261)
Net Earnings (Loss) Before Income Tax		1,163	1,430	(1,620)
Income tax expense (recovery)	(Note 6)	94	603	(676)
Net Earnings (Loss)		\$ 1,069	\$ 827	\$ (944)
Net Earnings (Loss) per Common Share				
Basic & Diluted	(Note 16)	\$ 1.11	\$ 0.85	\$ (1.07)
Weighted Average Common Shares Outstanding (millions)				
Basic & Diluted	(Note 16)	959.8	973.1	882.6

(1) 2017 and 2016 revenues have been realigned to conform with the January 1, 2018 adoption of ASU 2014-09 "Revenue from Contracts with Customers".

Consolidated Statement of Comprehensive Income

For the years ended December 31 (US\$ millions)		2018	2017	2016
Net Earnings (Loss)		\$ 1,069	\$ 827	\$ (944)
Other Comprehensive Income (Loss), Net of Tax				
Foreign currency translation adjustment	(Note 17)	(53)	(171)	(183)
Pension and other post-employment benefit plans	(Notes 17, 21)	9	3	3
Other Comprehensive Income (Loss)		(44)	(168)	(180)
Comprehensive Income (Loss)		\$ 1,025	\$ 659	\$ (1,124)

See accompanying Notes to Consolidated Financial Statements

Consolidated Balance Sheet

As at December 31 (US\$ millions)

		2018	2017
Assets			
Current Assets			
Cash and cash equivalents		\$ 1,058	\$ 719
Accounts receivable and accrued revenues	(Note 7)	789	774
Risk management	(Notes 22, 23)	554	205
Income tax receivable		275	573
		2,676	2,271
Property, Plant and Equipment, at cost:	(Note 9)		
Oil and natural gas properties, based on full cost accounting			
Proved properties		41,241	40,228
Unproved properties		3,730	4,480
Other		2,122	2,302
Property, plant and equipment		47,093	47,010
Less: Accumulated depreciation, depletion and amortization		(38,121)	(38,056)
Property, plant and equipment, net	(Note 2)	8,972	8,954
Other Assets	(Note 10)	147	144
Risk Management	(Notes 22, 23)	161	246
Deferred Income Taxes	(Note 6)	835	1,043
Goodwill	(Notes 2, 8, 11)	2,553	2,609
	(Note 2)	\$ 15,344	\$ 15,267
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	(Note 12)	\$ 1,490	\$ 1,415
Income tax payable		1	7
Risk management	(Notes 22, 23)	25	236
Current portion of long-term debt	(Note 13)	500	-
		2,016	1,658
Long-Term Debt	(Note 13)	3,698	4,197
Other Liabilities and Provisions	(Note 14)	1,769	2,167
Risk Management	(Notes 22, 23)	22	13
Asset Retirement Obligation	(Note 15)	365	470
Deferred Income Taxes	(Note 6)	27	34
		7,897	8,539
Commitments and Contingencies	(Note 25)		
Shareholders' Equity			
Share capital - authorized unlimited common shares			
2018 issued and outstanding: 952.5 million shares (2017: 973.1 million shares)	(Note 16)	4,656	4,757
Paid in surplus		1,358	1,358
Retained earnings (Accumulated deficit)		435	(429)
Accumulated other comprehensive income	(Note 17)	998	1,042
Total Shareholders' Equity		7,447	6,728
		\$ 15,344	\$ 15,267

See accompanying Notes to Consolidated Financial Statements

Approved by the Board of Directors

/s/ Clayton H. Woitas
Clayton H. Woitas
 Director

/s/ Bruce G. Waterman
Bruce G. Waterman
 Director

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2018 (US\$ millions)	Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2017	\$ 4,757	\$ 1,358	\$ (429)	\$ 1,042	\$ 6,728
Net Earnings (Loss)	-	-	1,069	-	1,069
Dividends on Common Shares (\$0.06 per share) (Note 16)	-	-	(57)	-	(57)
Common Shares Purchased under Normal Course Issuer Bid (Note 16)	(102)	-	(148)	-	(250)
Common Shares Issued Under Dividend Reinvestment Plan (Note 16)	1	-	-	-	1
Other Comprehensive Income (Loss) (Note 17)	-	-	-	(44)	(44)
Balance, December 31, 2018	\$ 4,656	\$ 1,358	\$ 435	\$ 998	\$ 7,447

For the year ended December 31, 2017 (US\$ millions)	Share Capital	Paid in Surplus	Retained Earnings (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)	-	-	827	-	827
Dividends on Common Shares (\$0.06 per share) (Note 16)	-	-	(58)	-	(58)
Common Shares Issued Under Dividend Reinvestment Plan (Note 16)	1	-	-	-	1
Other Comprehensive Income (Loss) (Note 17)	-	-	-	(168)	(168)
Balance, December 31, 2017	\$ 4,757	\$ 1,358	\$ (429)	\$ 1,042	\$ 6,728

For the year ended December 31, 2016 (US\$ millions)	Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2015	\$ 3,621	\$ 1,358	\$ (202)	\$ 1,390	\$ 6,167
Net Earnings (Loss)	-	-	(944)	-	(944)
Dividends on Common Shares (\$0.06 per share) (Note 16)	-	-	(52)	-	(52)
Common Shares Issued (Note 16)	1,134	-	-	-	1,134
Common Shares Issued Under Dividend Reinvestment Plan (Note 16)	1	-	-	-	1
Other Comprehensive Income (Loss) (Note 17)	-	-	-	(180)	(180)
Balance, December 31, 2016	\$ 4,756	\$ 1,358	\$ (1,198)	\$ 1,210	\$ 6,126

See accompanying Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows

For the years ended December 31 (US\$ millions)

		2018	2017	2016
Operating Activities				
Net earnings (loss)		\$ 1,069	\$ 827	\$ (944)
Depreciation, depletion and amortization		1,272	833	859
Impairments	(Note 9)	-	-	1,396
Accretion of asset retirement obligation	(Note 15)	32	37	51
Deferred income taxes	(Note 6)	149	666	(598)
Unrealized (gain) loss on risk management	(Note 23)	(519)	(442)	614
Unrealized foreign exchange (gain) loss	(Note 5)	233	(291)	(140)
Foreign exchange on settlements	(Note 5)	(46)	24	(68)
(Gain) loss on divestitures, net	(Note 8)	(5)	(404)	(390)
Other		(70)	93	58
Net change in other assets and liabilities		(60)	(40)	(26)
Net change in non-cash working capital	(Note 24)	245	(253)	(187)
Cash From (Used in) Operating Activities		2,300	1,050	625
Investing Activities				
Capital expenditures	(Note 2)	(1,975)	(1,796)	(1,132)
Acquisitions	(Note 8)	(17)	(54)	(210)
Proceeds from divestitures	(Note 8)	493	736	1,262
Net change in investments and other		(56)	77	51
Cash From (Used in) Investing Activities		(1,555)	(1,037)	(29)
Financing Activities				
Net issuance (repayment) of revolving long-term debt	(Note 13)	-	-	(650)
Repayment of long-term debt	(Note 13)	-	-	(400)
Issuance of common shares, net of offering costs	(Note 16)	-	-	1,129
Purchase of common shares	(Note 16)	(250)	-	-
Dividends on common shares	(Note 16)	(56)	(57)	(51)
Capital lease payments and other financing arrangements	(Note 14)	(90)	(82)	(66)
Cash From (Used in) Financing Activities		(396)	(139)	(38)
Foreign Exchange Gain (Loss) on Cash and Cash				
Equivalents Held in Foreign Currency		(10)	11	5
Increase (Decrease) in Cash and Cash Equivalents		339	(115)	563
Cash and Cash Equivalents, Beginning of Year		719	834	271
Cash and Cash Equivalents, End of Year		\$ 1,058	\$ 719	\$ 834
Cash, End of Year		\$ 52	\$ 51	\$ 78
Cash Equivalents, End of Year		1,006	668	756
Cash and Cash Equivalents, End of Year		\$ 1,058	\$ 719	\$ 834

Supplementary Cash Flow Information

(Note 24)

See accompanying Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

A) NATURE OF OPERATIONS

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

B) BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of Encana and are presented in conformity with U.S. GAAP and the rules and regulations of the SEC.

In these Consolidated Financial Statements, unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. Encana's financial results are consolidated in Canadian dollars; however, the Company has adopted the U.S. dollar as its reporting currency to facilitate a more direct comparison to other North American oil and gas companies. All references to US\$ or to \$ are to United States dollars and references to C\$ are to Canadian dollars.

C) PRINCIPLES OF CONSOLIDATION

The 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.

D) FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rates of exchange in effect at the period end date. Any gains or losses are recorded in the Consolidated Statement of Earnings. Foreign currency revenues and expenses are translated at the rates of exchange in effect at the time of the transaction.

Assets and liabilities of foreign operations are translated at period end exchange rates, while the related revenues and expenses are translated using average rates during the period. Translation gains and losses relating to the foreign operations are included in accumulated other comprehensive income ("AOCI"). Recognition of Encana's accumulated translation gains and losses into net earnings occurs upon complete or substantially complete liquidation of the Company's investment in the foreign operation.

For financial statement presentation, assets and liabilities are translated into the reporting currency at period end exchange rates, while revenues and expenses are translated using average rates over the period. Gains and losses relating to the financial statement translation are included in AOCI.

E) USE OF ESTIMATES

Preparation of the Consolidated Financial Statements in conformity with U.S. GAAP requires Management to make informed estimates and assumptions and use judgments that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as of the date of the Consolidated Financial Statements. Accordingly, actual results may differ from estimated amounts as future events occur.

Significant items subject to estimates and assumptions are:

- Estimates of proved reserves used for depletion and ceiling test impairment calculations
- Estimated fair value of long-term assets used for impairment calculations
- Fair value of reporting units used for the assessment of goodwill
- Estimates of future taxable earnings used to assess the realizable value of deferred tax assets
- Fair value of asset retirement costs and related obligations
- Fair value of derivative instruments
- Fair value attributed to assets acquired and liabilities assumed in business combinations
- Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate
- Accruals for long-term performance-based compensation arrangements, including whether or not the performance criteria will be met and measurement of the ultimate payout amount
- Recognized values of pension assets and obligations, as well as the pension costs charged to net earnings, depend on certain actuarial and economic assumptions
- Accruals for legal claims, environmental risks and exposures

F) REVENUES FROM CONTRACTS WITH CUSTOMERS

Revenues from contracts with customers associated with Encana's oil, NGLs and natural gas and third party processing and gathering are recognized when control of the good or service is transferred to the customer, and title or risk of loss transfers to the customer. Transaction prices are determined at inception of the contract and allocated to the performance obligations identified. Variable consideration is estimated and included in the transaction price, unless the variable consideration is constrained.

For product sales, the performance obligations are 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. Revenues for product sales are presented on an after-royalties basis. For arrangements to gather and process natural gas for third parties, performance obligations are 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. Revenues associated with services provided where Encana acts as agent are recorded on a net basis.

G) PRODUCTION, MINERAL AND OTHER TAXES

Costs paid by Encana for taxes based on production or revenues from oil, NGLs and natural gas are recognized when the product is produced. Costs paid by Encana for taxes on the valuation of upstream assets and reserves are recognized when incurred.

H) TRANSPORTATION AND PROCESSING

Costs paid by Encana for the transportation and processing of oil, NGLs and natural gas are recognized when the product is delivered and the services made available or provided.

I) OPERATING

Operating costs paid by Encana, net of amounts capitalized, for oil and natural gas properties in which the Company has a working interest.

J) EMPLOYEE BENEFIT PLANS

The Company sponsors defined contribution and defined benefit plans, providing pension and other post-employment benefits to its employees in Canada and the U.S. As of January 1, 2003, the defined benefit pension plan was closed to new entrants.

Pension expense for the defined contribution pension plan is recorded as the benefits are earned by the employees covered by the plans. Encana accrues for its obligations under its employee defined benefit plans, net of plan assets. The cost of defined benefit pensions and other post-employment benefits is actuarially determined using the projected

benefit method based on length of service and reflects Management's best estimate of salary escalation, mortality rates, retirement ages of employees and expected future health care costs. The expected return on plan assets is based on historical and projected rates of return for assets in the investment plan portfolio. The actual return is based on the fair value of plan assets. The projected benefit obligation is discounted using the market interest rate on high-quality corporate debt instruments as at the measurement date.

Defined benefit pension plan expenses include the cost of pension benefits earned during the current year, the interest cost on pension obligations, the expected return on pension plan assets, the amortization of adjustments arising from pension plan amendments, the amortization of net prior service costs, and the amortization of the excess of the net actuarial gains or losses over 10 percent of the greater of the benefit obligation and the fair value of plan assets. Amortization is on a straight-line basis over a period covering the expected average remaining service lives of employees covered by the plans. Actuarial gains and losses related to the change in the over-funded or under-funded status of the defined benefit pension plan and other post-employment benefit plans are recognized in other comprehensive income.

K) INCOME TAXES

Encana follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded for the effect of any temporary difference between the accounting and income tax basis of an asset or liability, using the enacted income tax rates and laws expected to apply when the assets are realized and liabilities are settled. Current income taxes are measured at the amount expected to be recoverable from or payable to the taxing authorities based on the income tax rates and laws enacted at the end of the reporting period. The effect of a change in the enacted tax rates or laws is recognized in net earnings in the period of enactment. Income taxes are recognized in net earnings except to the extent that they relate to items recognized directly in shareholders' equity, in which case the income taxes are recognized directly in shareholders' equity.

Deferred income tax assets are assessed routinely for realizability. If it is more likely than not that deferred tax assets will not be realized, a valuation allowance is recorded to reduce the deferred tax assets. Encana considers available positive and negative evidence when assessing the realizability of deferred tax assets including historic and expected future taxable earnings, available tax planning strategies and carry forward periods. The assumptions used in determining expected future taxable earnings are consistent with those used in the goodwill impairment assessment.

Encana recognizes the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination by a taxing authority. A recognized tax position is initially and subsequently measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement with a taxing authority. Liabilities for unrecognized tax benefits that are not expected to be settled within the next 12 months are included in other liabilities and provisions. Interest related to unrecognized tax benefits is recognized in interest expense.

L) EARNINGS PER SHARE AMOUNTS

Basic net earnings per common share is computed by dividing the net earnings by the weighted average number of common shares outstanding during the period. Diluted net earnings per common share amounts are calculated giving effect to the potential dilution that would occur if stock options were exercised or other contracts to issue common shares were exercised, fully vested, or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options and other dilutive instruments are used to repurchase common shares at the average market price.

M) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and short-term investments, such as money market deposits or similar type instruments, with a maturity of three months or less when purchased. Outstanding disbursements issued in excess of applicable bank account balances are excluded from cash and cash equivalents and are recorded in accounts payable and accrued liabilities.

N) PROPERTY, PLANT AND EQUIPMENT

UPSTREAM

Encana uses the full cost method of accounting for its acquisition, exploration and development activities. Accordingly, all costs directly associated with the acquisition of, the exploration for, and the development of oil, NGLs and natural gas reserves, including costs of undeveloped leaseholds, dry holes and related equipment, are capitalized on a country-by-country cost centre basis. Capitalized costs exclude costs relating to production, general overhead or similar activities.

Capitalized costs accumulated within each cost centre are depleted using the unit-of-production method based on proved reserves. Depletion is calculated using the capitalized costs, including estimated retirement costs, plus the undiscounted future expenditures, based on current costs, to be incurred in developing proved reserves.

Costs associated with unproved properties are excluded from the depletion calculation until it is determined that proved reserves are attributable or impairment has occurred. Unproved properties are assessed separately for impairment on a quarterly basis. Costs that have been impaired are included in the costs subject to depletion within the full cost pool.

Under the full cost method of accounting, the carrying amount of Encana's oil and natural gas properties within each country cost centre is subject to a ceiling test at the end of each quarter. A ceiling test impairment is recognized in net earnings when the carrying amount of a country cost centre exceeds the country cost centre ceiling. The carrying amount of a cost centre includes capitalized costs of proved oil and natural gas properties, net of accumulated depletion and the related deferred income taxes.

The cost centre ceiling is the sum of the estimated after-tax future net cash flows from proved reserves, using the 12-month average trailing prices and unescalated future development and production costs, discounted at 10 percent, plus unproved property costs. The 12-month average trailing price is calculated as the average of the price on the first day of each month within the trailing 12-month period. Any excess of the carrying amount over the calculated ceiling amount is recognized as an impairment in net earnings.

Proceeds from the divestiture of properties are normally deducted from the full cost pool without recognition of a gain or loss unless the deduction significantly alters the relationship between capitalized costs and proved reserves in the cost centre, in which case a gain or loss is recognized in net earnings. Generally, a gain or loss on a divestiture would be recognized when 25 percent or more of the Company's proved reserves quantities are sold in a particular country cost centre. For divestitures that result in the recognition of a gain or loss on the sale and constitute a business, goodwill is allocated to the divestiture.

CORPORATE

Costs associated with office furniture, fixtures, leasehold improvements, information technology and aircraft are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets, which range from three to 25 years. Costs associated with The Bow office building are carried at cost and depreciated on a straight-line basis over the 60-year estimated life of the building. Assets under construction are not subject to depreciation until put into use. Land is carried at cost.

O) CAPITALIZATION OF COSTS

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred. Interest on borrowings associated with major development projects is capitalized during the construction phase.

P) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The acquired identifiable net assets are measured at fair value at the date of acquisition. Deferred taxes are recognized for any differences between the fair value of net assets acquired and the related tax bases. Any excess of the purchase price over the fair value of the net

assets acquired is recognized as goodwill. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in net earnings. Associated transaction costs are expensed when incurred.

Q) GOODWILL

Goodwill represents the excess of purchase price over fair value of net assets acquired and is assessed for impairment at least annually at December 31. Goodwill and all other assets and liabilities are allocated to reporting units, which are Encana's country cost centres. To assess impairment, the carrying amount of each reporting unit is determined and compared to the fair value of the reporting unit. If the carrying amount of the reporting unit, including goodwill, is higher than its related fair value then goodwill is written down to the reporting unit's implied fair value of goodwill. The implied fair value of goodwill is determined by deducting the fair value of the reporting unit's assets and liabilities from the fair value of the reporting unit as if the reporting entity had been acquired in a business combination. Any excess of the carrying value of goodwill over the implied fair value of goodwill is recognized as an impairment and charged to net earnings. Subsequent measurement of goodwill is at cost less any accumulated impairments.

R) IMPAIRMENT OF LONG-TERM ASSETS

The carrying value of long-term assets, excluding goodwill and upstream assets included in property, plant and equipment, is assessed for impairment when indicators suggest that the carrying value of an asset or asset group may not be recoverable. If the carrying amount exceeds the sum of the undiscounted cash flows expected to result from the continued use and eventual disposition of the asset or asset group, an impairment is recognized for the excess of the carrying amount over its estimated fair value.

S) ASSET RETIREMENT OBLIGATION

Asset retirement obligations are those legal obligations where the Company will be required to retire tangible long-lived assets such as producing well sites, an offshore production platform, processing plants, and restoring land or seabed at the end of oil and gas production operations. The asset retirement obligation is initially measured at its fair value and recorded as a liability with an offsetting retirement cost that is capitalized as part of the related long-lived asset on the Consolidated Balance Sheet. The estimated fair value is measured by reference to the expected future cash flows required to satisfy the obligation, discounted at the Company's credit-adjusted risk-free rate. Changes in the estimated obligation resulting from revisions to estimated timing or amount of future cash flows are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Amortization of asset retirement costs are included in depreciation, depletion and amortization in the Consolidated Statement of Earnings. Increases in the asset retirement obligations resulting from the passage of time are recorded as accretion of asset retirement obligation in the Consolidated Statement of Earnings.

Actual expenditures incurred are charged against the accumulated asset retirement obligation.

T) STOCK-BASED COMPENSATION

Stock-based compensation arrangements are accounted for at fair value. Fair values are determined using observable share prices and/or pricing models such as the Black-Scholes-Merton option-pricing model. For equity-settled stock-based compensation plans, fair values are determined at the grant date and are recognized over the vesting period as compensation costs with a corresponding credit to shareholders' equity. For cash-settled stock-based compensation plans, fair values are determined at each reporting date and periodic changes are recognized as compensation costs, with a corresponding change to liabilities. Compensation costs are recognized over the vesting period using the accelerated attribution method for awards with a graded vesting feature. Forfeitures are estimated based on the Company's historical turnover rates.

U) LEASES

Leases entered into for the use of an asset are classified as either capital or operating leases. Capital leases transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item. Capital leases are capitalized upon commencement of the lease term at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Capitalized leased assets are amortized over the estimated useful life of the asset if the lease arrangement contains a bargain purchase option or ownership of the leased asset transfers at the end of the

lease term. Otherwise, the leased assets are amortized over the lease term. Amortization of capitalized leased assets is included in depreciation, depletion and amortization in the Consolidated Statement of Earnings. All other leases are classified as operating leases and the payments are recognized on a straight-line basis over the lease term. Subleases relate to office and building leases. Sublease rental revenues are recognized straight-line over the lease term.

V) FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques include the market, income and cost approach. The market approach uses information generated by market transactions involving identical or comparable assets or liabilities; the income approach converts estimated future amounts to a present value; the cost approach is based on the amount that currently would be required to replace an asset.

Inputs used in determining fair value are characterized according to a hierarchy that prioritizes those inputs based on the degree to which they are observable. The three input levels of the fair value hierarchy are as follows:

- Level 1 - Inputs represent quoted prices in active markets for identical assets or liabilities, such as exchange-traded commodity derivatives.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted market prices for similar assets or liabilities in active markets or other market corroborated inputs.
- Level 3 - Inputs that are not observable from objective sources, such as forward prices supported by little or no market activity or internally developed estimates of future cash flows used in a present value model.

In determining fair value, the Company utilizes the most observable inputs available. If a fair value measurement reflects inputs at multiple levels within the hierarchy, the fair value measurement is characterized based on the lowest level of input that is significant to the fair value measurement.

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable reported on the Consolidated Balance Sheet approximates fair value. The fair value of long-term debt is disclosed in Note 13. Fair value information related to pension plan assets is included in Note 21. Recurring fair value measurements are performed for risk management assets and liabilities and other derivative contracts as discussed in Note 22.

Certain non-financial assets and liabilities are initially measured at fair value, such as asset retirement obligations and assets and liabilities acquired in business combinations or certain non-monetary exchange transactions.

W) RISK MANAGEMENT ASSETS AND LIABILITIES

Risk management assets and liabilities are derivative financial instruments used by Encana to manage economic exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. 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 not to utilize derivative financial instruments for speculative purposes.

Derivative instruments that do not qualify for the normal purchases and sales exemption are measured at fair value with changes in fair value recognized in net earnings. The fair values recorded in the Consolidated Balance Sheet reflect netting the asset and liability positions where counterparty master netting arrangements contain provisions for net settlement. Realized gains or losses from financial derivatives related to oil, NGLs and natural gas commodity prices are recognized in revenues as the contracts are settled. Realized gains or losses from financial derivatives related to power commodity prices are recognized in transportation and processing expense as the related power contracts are settled. Realized gains or losses from foreign currency exchange swaps are recognized in foreign exchange (gain) loss as the contracts are settled.

Realized gains or losses recognized from other derivative contracts related to certain payment obligations are presented in revenues as the obligations are settled. Unrealized gains and losses recognized are presented in revenues, transportation and processing expense and foreign exchange (gain) loss accordingly, at the end of each respective reporting period based on the changes in fair value of the contracts.

X) COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, environmental and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted as additional information becomes available or circumstances change.

Y) 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 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 to contracts which were not completed as of January 1, 2018 and did not have a material impact on the Company's 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 3, 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. However, Topic 842 provides 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. Topic 842 also expands disclosures related to the amount, timing and uncertainty of cash flows arising from leases.

In July 2018, FASB issued ASU 2018-11, "Targeted Improvements", providing entities the option to apply Topic 842 at the adoption date recognizing a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption, while the comparative periods presented would continue to be in accordance with Topic 840. Encana intends to elect this optional transition method, as well as certain practical expedients permitted under Topic 842, which will allow the Company to retain the classification of leases assessed under Topic 840 that commenced prior to adoption. Encana also intends to adopt the transitional practical expedient provided under ASU 2018-01, "Land Easement Practical Expedient for Transition to Topic 842" issued by FASB in January 2018. This amendment applies to land easements that existed or expired prior to adoption of Topic 842 and 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.

While Encana continues to assess all the effects of adopting Topic 842, the significant impacts relate to i) the recognition of right-of-use assets and corresponding liabilities for the Company's operating leases which include drilling rigs, compressors, generators, supply vessels, various equipment utilized in the development and production of oil and natural gas, camps, offices and buildings; ii) the derecognition of The Bow office building sale leaseback transaction which did not qualify for sale recognition under Topic 840; and iii) providing new disclosures related to the Company's leasing activities. On adoption of Topic 842, Encana expects to recognize new right-of-use assets and liabilities from operating leases ranging from \$110 million to \$130 million on the Company's Consolidated Balance Sheet. In addition, The Bow office building will be accounted for as an operating lease under Topic 842, with the right-of-use asset and corresponding lease liability measured at the present value of the remaining lease payments, while the previously recorded asset and financing liability resulting from the failed sale leaseback transaction that was measured under Topic 840 will be derecognized. The net difference arising from the derecognition of the asset and financing liability associated with the change in the accounting for The Bow office building will be recognized through opening retained earnings on January 1, 2019. The impact from the change in the accounting for The Bow office building is expected to result in a decrease to the Consolidated Balance Sheet ranging from \$260 million to \$280 million. The Company does not expect Topic 842 to have a material impact on the Consolidated Statements of Earnings or Cash Flows.

- 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 U.S. Tax Reform is recognized. While Encana has other post-employment benefit plans which were affected by 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.

2. 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

Segment Information

	Canadian Operations			USA Operations			Market Optimization		
For the years ended December 31	2018	2017 ⁽¹⁾	2016 ⁽¹⁾	2018	2017 ⁽¹⁾	2016 ⁽¹⁾	2018	2017 ⁽¹⁾	2016 ⁽¹⁾
Revenues									
Product and service revenues	\$ 1,721	\$ 1,169	\$ 960	\$ 2,512	\$ 1,860	\$ 1,515	\$ 1,224	\$ 863	\$ 647
Gains (losses) on risk management, net	100	22	107	(199)	18	255	(5)	-	(1)
Sublease revenues	-	-	-	-	-	-	-	-	-
Total Revenues	1,821	1,191	1,067	2,313	1,878	1,770	1,219	863	646
Operating Expenses									
Production, mineral and other taxes	16	20	23	131	92	76	-	-	-
Transportation and processing	828	578	576	124	164	260	131	103	87
Operating	118	122	152	305	331	394	16	35	35
Purchased product	-	-	-	-	-	-	1,100	788	586
Depreciation, depletion and amortization	361	236	260	860	530	523	1	1	-
Impairments	-	-	493	-	-	903	-	-	-
Total Operating Expenses	1,323	956	1,504	1,420	1,117	2,156	1,248	927	708
Operating Income (Loss)	\$ 498	\$ 235	\$ (437)	\$ 893	\$ 761	\$ (386)	\$ (29)	\$ (64)	\$ (62)
	Corporate & Other			Consolidated					
	2018	2017 ⁽¹⁾	2016 ⁽¹⁾	2018	2017 ⁽¹⁾	2016 ⁽¹⁾			
Revenues									
Product and service revenues	\$ -	\$ -	\$ -	\$ 5,457	\$ 3,892	\$ 3,122			
Gains (losses) on risk management, net	519	442	(636)	415	482	(275)			
Sublease revenues	67	69	71	67	69	71			
Total Revenues	586	511	(565)	5,939	4,443	2,918			
Operating Expenses									
Production, mineral and other taxes	-	-	-	147	112	99			
Transportation and processing	-	-	(22)	1,083	845	901			
Operating	15	18	17	454	506	598			
Purchased product	-	-	-	1,100	788	586			
Depreciation, depletion and amortization	50	66	76	1,272	833	859			
Impairments	-	-	-	-	-	1,396			
Accretion of asset retirement obligation	32	37	51	32	37	51			
Administrative	157	254	309	157	254	309			
Total Operating Expenses	254	375	431	4,245	3,375	4,799			
Operating Income (Loss)	\$ 332	\$ 136	\$ (996)	1,694	1,068	(1,881)			
Other (Income) Expenses									
Interest				351	363	397			
Foreign exchange (gain) loss, net				168	(279)	(210)			
(Gain) loss on divestitures, net				(5)	(404)	(390)			
Other (gains) losses, net				17	(42)	(58)			
Total Other (Income) Expenses				531	(362)	(261)			
Net Earnings (Loss) Before Income Tax				1,163	1,430	(1,620)			
Income tax expense (recovery)				94	603	(676)			
Net Earnings (Loss)				\$ 1,069	\$ 827	\$ (944)			

(1) 2017 and 2016 revenues have been realigned to conform with the January 1, 2018 adoption of ASU 2014-09 "Revenue from Contracts with Customers".

Intersegment Information

For the years ended December 31	Marketing Sales			Market Optimization Upstream Eliminations			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Revenues	\$ 5,724	\$ 3,939	\$ 3,304	\$ (4,505)	\$ (3,076)	\$ (2,658)	\$ 1,219	\$ 863	\$ 646
Operating Expenses									
Transportation and processing	457	291	279	(326)	(188)	(192)	131	103	87
Operating	16	35	35	-	-	-	16	35	35
Purchased product	5,279	3,676	3,052	(4,179)	(2,888)	(2,466)	1,100	788	586
Depreciation, depletion and amortization	1	1	-	-	-	-	1	1	-
Operating Income (Loss)	\$ (29)	\$ (64)	\$ (62)	\$ -	\$ -	\$ -	\$ (29)	\$ (64)	\$ (62)

Revenues by Geographic Region

For the years ended December 31	Canada			United States			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Revenues									
Product revenues									
Oil	\$ 7	\$ 7	\$ 26	\$ 2,093	\$ 1,360	\$ 1,015	\$ 2,100	\$ 1,367	\$ 1,041
NGLs	863	481	298	289	193	126	1,152	674	424
Natural gas	826	662	628	126	296	350	952	958	978
Other revenues ⁽¹⁾	262	189	166	1,058	773	584	1,320	962	750
Gains (losses) on risk management, net	199	522	(151)	216	(40)	(124)	415	482	(275)
Total Revenues	\$ 2,157	\$ 1,861	\$ 967	\$ 3,782	\$ 2,582	\$ 1,951	\$ 5,939	\$ 4,443	\$ 2,918

(1) Includes market optimization and other revenues such as purchased product sold to third parties, sublease revenues and gathering and processing services provided to third parties.

Export Sales

Sales of oil, NGLs and natural gas produced or purchased in Canada delivered to customers outside of Canada were \$135 million for the year ended December 31, 2018 (2017 - \$64 million; 2016 - \$50 million).

Major Customers

In connection with the marketing and sale of Encana's own and purchased oil, NGLs and natural gas for the year ended December 31, 2018, the Company had one customer which individually accounted for more than 10 percent of Encana's product revenues. Sales to this customer, which has an investment grade credit rating, totaled approximately \$752 million which comprised \$250 million in Canada and \$502 million in the United States (2017 - two customers with sales of approximately \$709 million and \$412 million, respectively; 2016 - two customers with sales of approximately \$434 million and \$343 million, respectively).

Capital Expenditures by Segment

For the years ended December 31	2018	2017	2016
Canadian Operations	\$ 632	\$ 426	\$ 256
USA Operations	1,332	1,358	873
Market Optimization	-	1	1
Corporate & Other	11	11	2
	\$ 1,975	\$ 1,796	\$ 1,132

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

As at December 31	Goodwill		Property, Plant and Equipment		Total Assets	
	2018	2017	2018	2017	2018	2017
Canadian Operations	\$ 640	\$ 696	\$ 999	\$ 862	\$ 1,852	\$ 1,908
USA Operations	1,913	1,913	6,591	6,555	9,104	9,301
Market Optimization	-	-	1	2	295	152
Corporate & Other	-	-	1,381	1,535	4,093	3,906
	\$ 2,553	\$ 2,609	\$ 8,972	\$ 8,954	\$ 15,344	\$ 15,267

Goodwill, Property, Plant and Equipment and Total Assets by Geographic Region

As at December 31	Goodwill		Property, Plant and Equipment		Total Assets	
	2018	2017	2018	2017	2018	2017
Canada	\$ 640	\$ 696	\$ 2,303	\$ 2,319	\$ 5,211	\$ 5,412
United States	1,913	1,913	6,669	6,635	10,108	9,811
Other Countries	-	-	-	-	25	44
	\$ 2,553	\$ 2,609	\$ 8,972	\$ 8,954	\$ 15,344	\$ 15,267

3. Revenues from Contracts with Customers

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

Revenues

	Canadian Operations			USA Operations			Market Optimization		
For the years ended December 31	2018	2017	2016	2018	2017	2016	2018	2017	2016
Revenues from Customers									
Product revenues ⁽¹⁾									
Oil	\$ 7	\$ 7	\$ 26	\$ 2,099	\$ 1,373	\$ 1,026	\$ 89	\$ 115	\$ 124
NGLs	870	485	300	290	193	128	8	10	36
Natural gas	849	680	641	126	305	362	1,109	704	448
Service revenues									
Gathering and processing	6	9	7	4	11	24	-	-	-
Product and Service Revenues	1,732	1,181	974	2,519	1,882	1,540	1,206	829	608
Other Revenues									
Gains (losses) on risk management, net ⁽²⁾	100	22	107	(199)	18	255	(5)	-	(1)
Sublease revenues	-	-	-	-	-	-	-	-	-
Other Revenues	100	22	107	(199)	18	255	(5)	-	(1)
Total Revenues	\$ 1,832	\$ 1,203	\$ 1,081	\$ 2,320	\$ 1,900	\$ 1,795	\$ 1,201	\$ 829	\$ 607

	Corporate & Other			Consolidated		
	2018	2017	2016	2018	2017	2016
Revenues from Customers						
Product revenues ⁽¹⁾						
Oil	\$ -	\$ -	\$ -	\$ 2,195	\$ 1,495	\$ 1,176
NGLs	-	-	-	1,168	688	464
Natural gas	-	-	-	2,084	1,689	1,451
Service revenues						
Gathering and processing	-	-	-	10	20	31
Product and Service Revenues	-	-	-	5,457	3,892	3,122
Other Revenues						
Gains (losses) on risk management, net ⁽²⁾	519	442	(636)	415	482	(275)
Sublease revenues	67	69	71	67	69	71
Other Revenues	586	511	(565)	482	551	(204)
Total Revenues	\$ 586	\$ 511	\$ (565)	\$ 5,939	\$ 4,443	\$ 2,918

(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. For the year ended December 31, 2018, receivables and accrued revenues from contracts with customers were \$662 million (2017 - \$676 million).

Encana's product sales are sold under short-term contracts with terms that are less than one year at either fixed or market index prices or under long-term contracts exceeding one year at market index prices.

The Company's gathering and processing services are provided on an interruptible basis with transaction prices that are for fixed prices and/or variable consideration. Variable consideration received is related to recovery of plant operating costs or escalation of the fixed price based on a consumer price index. As the service contracts are interruptible, with service provided on an "as available" basis, there are no unsatisfied performance obligations remaining for the year ended December 31, 2018.

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

4. Interest

For the years ended December 31	2018	2017	2016
Interest Expense on:			
Debt	\$ 267	\$ 267	\$ 296
The Bow office building	63	63	62
Capital leases	16	20	24
Other	5	13	15
	\$ 351	\$ 363	\$ 397

5. Foreign Exchange (Gain) Loss, Net

For the years ended December 31	2018	2017	2016
Unrealized Foreign Exchange (Gain) Loss on:			
Translation of U.S. dollar financing debt issued from Canada	\$ 358	\$ (243)	\$ (130)
Translation of U.S. dollar risk management contracts issued from Canada	24	(44)	4
Translation of intercompany notes	(149)	(4)	(14)
	233	(291)	(140)
Foreign Exchange on Settlements of:			
U.S. dollar financing debt issued from Canada	3	14	(73)
U.S. dollar risk management contracts issued from Canada	(10)	(15)	-
Intercompany notes	(49)	10	5
Other Monetary Revaluations	(9)	3	(2)
	\$ 168	\$ (279)	\$ (210)

The unrealized foreign exchange (gain) loss on translation of U.S. dollar financing debt issued from Canada for the year ended December 31, 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 Consolidated Statement of Earnings for the year ended December 31, 2017 was \$68 million, before tax (\$47 million, after tax). Encana determined that the adjustment was not material to the Consolidated Financial Statements for the year ended December 31, 2017 or any prior periods. Accordingly, comparative periods presented in the Consolidated Financial Statements were not restated.

6. Income Taxes

The provision for income taxes is as follows:

For the years ended December 31	2018	2017	2016
Current Tax			
Canada	\$ (62)	\$ (59)	\$ (82)
United States	4	(9)	-
Other Countries	3	5	4
Total Current Tax Expense (Recovery)	(55)	(63)	(78)
Deferred Tax			
Canada	(46)	55	(163)
United States	195	611	(435)
Other Countries	-	-	-
Total Deferred Tax Expense (Recovery)	149	666	(598)
Income Tax Expense (Recovery)	\$ 94	\$ 603	\$ (676)

During the years ended December 31, 2018, 2017 and 2016, the current income tax recovery was primarily due to the successful resolution of amounts in respect of prior taxation years.

On December 22, 2017, U.S. Tax Reform was signed into law making significant changes to the U.S. tax code, including a reduction of the U.S. federal corporate tax rate from 35 percent to 21 percent. During the year ended December 31, 2017, the deferred tax expense of \$666 million included a provisional tax adjustment of \$327 million resulting from the re-measurement of the Company's tax position due to U.S. Tax Reform. The adjustment of \$327 million included a \$26 million valuation allowance re-measurement with respect to U.S. foreign tax credits and U.S. charitable donations.

During the year ended December 31, 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. As at December 31, 2018, the Company has completed its assessment of the income tax effects in respect of the provisional adjustment related to U.S. Tax Reform.

During the year ended December 31, 2016, the deferred tax recovery was primarily due to the ceiling test impairments recognized in the Canadian and USA Operations as disclosed in Note 9.

The following table reconciles income taxes calculated at the Canadian statutory rate with the actual income taxes:

For the years ended December 31	2018	2017	2016
Net Earnings (Loss) Before Income Tax			
Canada	\$ 19	\$ 512	\$ (627)
United States	929	476	(1,522)
Other Countries	215	442	529
Total Net Earnings (Loss) Before Income Tax	1,163	1,430	(1,620)
Canadian Statutory Rate	27.0%	27.0%	27.0%
Expected Income Tax	314	386	(437)
Effect on Taxes Resulting From:			
Income tax related to foreign operations	(106)	(73)	(266)
Effect of legislative changes	-	299	-
Non-taxable capital (gains) losses	22	(39)	(29)
Tax differences on divestitures and transactions	-	77	9
Partnership tax allocations in excess of funding	(68)	(54)	(17)
Amounts in respect of prior periods	(54)	(49)	(11)
Change in valuation allowance	8	54	121
Other	(22)	2	(46)
	\$ 94	\$ 603	\$ (676)
Effective Tax Rate	8.1%	42.2%	41.7%

The effective tax rate of 8.1 percent for the year ended December 31, 2018 is lower than the Canadian statutory rate of 27 percent primarily due to the impact of foreign jurisdictional tax rates relative to the Canadian statutory tax rate applied to jurisdictional earnings, partnership tax allocations in excess of funding and the successful resolution of certain tax items relating to prior taxation years. For the year ended December 31, 2017, the effective tax rate was 42.2 percent, which was higher than the Canadian statutory tax rate of 27 percent primarily due to U.S. Tax Reform, which increased Encana's effective tax rate by 22.9 percent, and the successful resolution of certain tax items relating to prior taxation years. The effective tax rate for the year ended December 31, 2016 exceeded the Canadian statutory tax rate of 27 percent primarily due to the impact of the foreign jurisdictional tax rates relative to the Canadian statutory tax rate applied to jurisdictional earnings.

The net deferred income tax asset (liability) consists of:

As at December 31	2018	2017
Deferred Income Tax Assets		
Property, plant and equipment	\$ 278	\$ 281
Risk management	-	34
Compensation plans	66	99
Interest and other deferred deductions	79	28
Unrealized foreign exchange losses	6	-
Non-capital and net capital losses carried forward	1,107	1,014
Foreign tax credits	198	198
Other	38	53
Less: valuation allowance	(195)	(187)
Deferred Income Tax Liabilities		
Property, plant and equipment	(591)	(386)
Risk management	(168)	(97)
Unrealized foreign exchange gains	-	(18)
Other	(10)	(10)
Net Deferred Income Tax Asset	\$ 808	\$ 1,009

As at December 31, 2018, Encana has recorded a valuation allowance against U.S. foreign tax credits, U.S. charitable donations and state losses in the amounts of \$156 million (2017 - \$156 million), \$3 million (2017 - \$3 million) and \$30 million (2017 - \$28 million), respectively, and Canadian unrealized foreign exchange losses in the amount of \$6 million (2017 - nil) as it is more likely than not that these benefits will not be realized based on expected future taxable earnings as determined in accordance with the Company's accounting policies.

The net deferred income tax asset (liability) for the following jurisdictions is reflected in the Consolidated Balance Sheet as follows:

As at December 31	2018	2017
Deferred Income Tax Assets		
Canada	\$ 548	\$ 555
United States	287	488
	835	1,043
Deferred Income Tax Liabilities		
Canada	(27)	(34)
United States	-	-
	(27)	(34)
Net Deferred Income Tax Asset	\$ 808	\$ 1,009

Tax pools, loss carryforwards, carryforward interest, charitable donations and tax credits available are as follows:

As at December 31	2018	Expiration Date
Canada		
Tax pools	\$ 1,699	Indefinite
Net capital losses	13	Indefinite
Non-capital losses	1,121	2027 - 2038
Charitable donations	3	2022
United States		
Tax basis	\$ 3,791	Indefinite
Non-capital losses (Federal)	3,673	2031 - 2038 ⁽¹⁾
Carryforward interest	339	Indefinite
Charitable donations	14	2019 - 2023
Foreign tax credits	198	2021 - 2025

(1) Includes 2018 non-capital losses of \$275 million which have an indefinite expiration date.

As at December 31, 2018, approximately \$10 million (2017 - \$3.2 billion) of Encana's unremitted earnings from its foreign subsidiaries were considered to be permanently reinvested outside of Canada and, accordingly, Encana has not recognized a deferred income tax liability for Canadian income taxes in respect of such earnings. If such earnings were to be remitted to Canada, Encana may be subject to Canadian income taxes and foreign withholding taxes. However, determination of any potential amount of unrecognized deferred income tax liabilities is not practicable. During 2018, approximately \$3.4 billion of unremitted earnings of certain foreign subsidiaries were repatriated to Canada, using existing tax attributes, with nominal tax expense.

The following table presents changes in the balance of Encana's unrecognized tax benefits excluding interest:

For the years ended December 31	2018	2017
Balance, Beginning of Year	\$ (306)	\$ (286)
Additions for tax positions taken in the current year	(4)	-
Additions for tax positions of prior years	(2)	(1)
Reductions for tax positions of prior years	-	1
Lapse of statute of limitations	19	-
Settlements	22	-
Foreign currency translation	23	(20)
Balance, End of Year	\$ (248)	\$ (306)

The unrecognized tax benefit is reflected in the Consolidated Balance Sheet as follows:

As at December 31	2018	2017
Income Tax Receivable	\$ -	\$ (45)
Other Liabilities and Provisions (See Note 14)	(167)	(202)
Deferred Income Tax Asset	(81)	(59)
Balance, End of Year	\$ (248)	\$ (306)

If recognized, all of Encana's unrecognized tax benefits as at December 31, 2018 would affect Encana's effective income tax rate. Encana does not anticipate that the amount of unrecognized tax benefits will significantly change during the next 12 months.

Encana recognizes interest accrued in respect of unrecognized tax benefits in interest expense. During 2018, Encana recognized a recovery of \$11 million (2017 - expense of \$12 million; 2016 - expense of \$1 million) in interest expense. As at December 31, 2018, Encana had a liability of \$5 million (2017 - \$16 million) for interest accrued in respect of unrecognized tax benefits.

Included below is a summary of the tax years, by jurisdiction, that remain statutorily open for examination by the taxing authorities.

Jurisdiction	Taxation Year
Canada - Federal	2010 - 2018
Canada - Provincial	2010 - 2018
United States - Federal	2015 - 2018
United States - State	2014 - 2018
Other	2017 - 2018

Encana and its subsidiaries file income tax returns primarily in Canada and the United States. Issues in dispute for audited years and audits for subsequent years are ongoing and in various stages of completion.

7. Accounts Receivable and Accrued Revenues

As at December 31	2018	2017
Trade Receivables and Accrued Revenues		
Oil, NGLs and natural gas	\$ 319	\$ 425
Midstream and marketing	365	284
Derivative financial instruments	36	3
Corporate and other	15	9
Total Trade Receivables and Accrued Revenues	735	721
Prepays	15	21
Deposits and Other	44	37
	794	779
Allowance for Doubtful Accounts	(5)	(5)
	\$ 789	\$ 774

Encana's trade receivables balance primarily consists of oil, NGLs and natural gas sales receivables, marketing revenues and joint interest receivables. Trade receivables are non-interest bearing. In determining the recoverability of trade receivables, the Company considers the age of the outstanding receivable and the credit worthiness of the counterparties. The Company charges uncollectible trade receivables to the allowance for doubtful accounts when it is determined no longer collectible. See Note 23 for further information about credit risk.

8. Acquisitions and Divestitures

For the years ended December 31	2018	2017	2016
Acquisitions			
Canadian Operations	\$ 17	\$ 31	\$ 1
USA Operations	-	23	209
Total Acquisitions	17	54	210
Divestitures			
Canadian Operations	(55)	(41)	(456)
USA Operations	(438)	(695)	(806)
Total Divestitures	(493)	(736)	(1,262)
Net Acquisitions & (Divestitures)	\$ (476)	\$ (682)	\$ (1,052)

ACQUISITIONS

Acquisitions in 2018 and 2017 in the Canadian and USA Operations primarily included purchases with oil and liquids rich potential. Acquisitions in 2016 in the USA Operations primarily included the purchase of natural gas gathering and water handling assets in Piceance located in Colorado and the purchase of land and property in Eagle Ford with oil and liquids rich potential.

DIVESTITURES

In 2018, amounts received from the sale of assets were \$493 million (2017 - \$736 million; 2016 - \$1,262 million). In 2018, divestitures were \$55 million in the Canadian Operations and \$438 million in the USA Operations.

Amounts received from the Company's divestiture transactions have been deducted from the respective Canadian and U.S. full cost pools, except for divestitures that result in a significant alteration between capitalized costs and proved reserves in a country cost centre. For divestitures that result in a gain or loss and constitute a business, goodwill is allocated to the divestiture.

Canadian Operations

In 2018, divestitures in the Canadian Operations primarily included the sale of the Pipestone midstream assets located in Alberta.

In 2017, divestitures in the Canadian Operations primarily included the sale of certain properties that did not complement Encana's existing portfolio of assets.

In 2016, divestitures in the Canadian Operations primarily included the sale of the Gordondale assets in Montney located in northwestern Alberta for proceeds of approximately C\$600 million (\$455 million), after closing adjustments. For the year ended December 31, 2016, Encana recognized a gain of approximately \$394 million, before tax, on the sale of the Company's Gordondale assets in the Canadian cost centre and allocated goodwill of \$32 million to the transaction.

USA Operations

In 2018, divestitures in the USA Operations primarily included the sale of the San Juan assets located in northwestern New Mexico.

In 2017, divestitures in the USA Operations primarily included the sale of the Piceance natural gas assets located in northwestern Colorado for proceeds of approximately \$605 million, after closing and other adjustments, and the sale of the Tuscaloosa Marine Shale assets in Mississippi and Louisiana. For the year ended December 31, 2017, Encana recognized a gain of approximately \$406 million, before tax, on the sale of the Company's Piceance assets in the U.S. cost centre and allocated goodwill of \$216 million to the transaction.

In 2016, divestitures in the USA Operations primarily included the sale of the DJ Basin assets located in northern Colorado for proceeds of approximately \$633 million, after closing and other adjustments, as well as the sale of certain

natural gas leasehold interests in Piceance located in Colorado for proceeds of approximately \$135 million, after closing and other adjustments.

9. Property, Plant and Equipment, Net

As at December 31	2018			2017		
	Cost	Accumulated DD&A	Net	Cost	Accumulated DD&A	Net
Canadian Operations						
Proved properties	\$ 13,996	\$ (13,261)	\$ 735	\$ 14,555	\$ (14,047)	\$ 508
Unproved properties	237	-	237	311	-	311
Other	27	-	27	43	-	43
	14,260	(13,261)	999	14,909	(14,047)	862
USA Operations						
Proved properties	27,189	(24,099)	3,090	25,610	(23,240)	2,370
Unproved properties	3,493	-	3,493	4,169	-	4,169
Other	8	-	8	16	-	16
	30,690	(24,099)	6,591	29,795	(23,240)	6,555
Market Optimization	7	(6)	1	7	(5)	2
Corporate & Other	2,136	(755)	1,381	2,299	(764)	1,535
	\$ 47,093	\$ (38,121)	\$ 8,972	\$ 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 \$147 million, which have been capitalized during the year ended December 31, 2018 (2017 - \$208 million). Included in Corporate and Other are \$56 million (2017 - \$63 million) of international property costs, which have been fully impaired.

For the years ended December 31, 2018 and December 31, 2017, the Company did not recognize any ceiling test impairments in the Canadian or U.S. cost centres. For the year ended December 31, 2016, the Company recognized before-tax ceiling test impairments of \$493 million in the Canadian cost centre and \$903 million in the U.S. cost centre. The impairments recognized in 2016 resulted primarily from the decline in the 12-month average trailing prices which reduced proved reserves volumes and values.

The 12-month average trailing prices used in the ceiling test calculations reflect benchmark prices adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality. The benchmark prices are disclosed in Note 27.

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 December 31, 2018, the total carrying value of assets under capital lease was \$41 million (2017 - \$46 million), net of accumulated amortization of \$650 million (2017 - \$684 million). Liabilities for the capital lease arrangements are included in other liabilities and provisions in the Consolidated Balance Sheet and are disclosed in Note 14.

Other Arrangement

As at December 31, 2018, Corporate and Other property, plant and equipment and total assets include a carrying value of \$1,133 million (2017 - \$1,255 million) 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 14.

Refer to Note 1 for further information regarding the change in accounting for The Bow office building upon adoption of ASU 2016-02, "Leases" under Topic 842 on January 1, 2019.

10. Other Assets

As at December 31	2018	2017
Long-Term Investments	\$ 22	\$ 26
Long-Term Receivables	79	72
Deferred Charges	9	7
Other	37	39
	\$ 147	\$ 144

11. Goodwill

As at December 31	2018	2017
Canada		
Balance, Beginning of Year	\$ 696	\$ 650
Foreign Currency Translation Adjustment	(56)	46
Balance, End of Year	640	696
United States		
Balance, Beginning of Year	1,913	2,129
Divested During the Year (See Note 8)	-	(216)
Balance, End of Year	1,913	1,913
Total Goodwill	\$ 2,553	\$ 2,609

During 2018, the Company had no additions or dispositions relating to goodwill. The change in the Canada goodwill balance reflects movements due to foreign currency translation. During 2017, the Company derecognized goodwill of \$216 million upon the divestiture of the Piceance assets as described in Note 8.

Goodwill was assessed for impairment as at December 31, 2018 and December 31, 2017. The fair values of the Canada and United States reporting units were determined to be greater than the respective carrying values of the reporting units. Accordingly, no goodwill impairments were recognized. The Company has not recognized any historical cumulative goodwill impairments.

12. Accounts Payable and Accrued Liabilities

As at December 31	2018	2017
Trade Payables	\$ 233	\$ 258
Capital Accruals	277	319
Royalty and Production Accruals	311	278
Other Accruals	295	216
Interest Payable	69	69
Current Portion of Long-Term Incentive Costs (See Note 20)	131	152
Current Portion of Capital Lease Obligations (See Note 14)	84	79
Current Portion of Asset Retirement Obligation (See Note 15)	90	44
	\$ 1,490	\$ 1,415

Payables and accruals are non-interest bearing. Interest payable represents amounts accrued related to Encana's unsecured notes as disclosed in Note 13.

13. Long-Term Debt

As at December 31	Note	2018	2017
U.S. Dollar Denominated Debt			
Revolving credit and term loan borrowings	<i>A</i>	\$ -	\$ -
U.S. Unsecured Notes:	<i>B</i>		
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	<i>F</i>	4,211	4,211
Increase in Value of Debt Acquired	<i>C</i>	22	26
Unamortized Debt Discounts and Issuance Costs	<i>D</i>	(35)	(40)
Total Long-Term Debt		\$ 4,198	\$ 4,197
Current Portion	<i>E</i>	\$ 500	\$ -
Long-Term Portion		3,698	4,197
		\$ 4,198	\$ 4,197

A) REVOLVING CREDIT AND TERM LOAN BORROWINGS

At December 31, 2018, Encana had in place committed revolving U.S. dollar denominated bank credit facilities totaling \$4.0 billion which included \$2.5 billion on a revolving bank credit facility for Encana and \$1.5 billion on a revolving bank credit facility for a U.S. subsidiary. The facilities are extendible from time to time, but not more than once per year, for a period not longer than five years plus 90 days from the date of the extension request, at the option of the lenders and upon notice from Encana. The facilities mature in July 2022, and are fully revolving up to maturity.

Encana is subject to a financial covenant in its credit facility agreements whereby financing debt to adjusted capitalization cannot exceed 60 percent. Financing debt primarily includes total long-term debt and capital lease obligations. Adjusted capitalization is calculated as the sum of total financing debt, shareholders' equity and a \$7.7 billion 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. As at December 31, 2018, the Company is in compliance with all financial covenants.

The Encana facility, which remained unused at December 31, 2018, is unsecured and bears interest at the lenders' rates for Canadian prime, U.S. base rate, Bankers' Acceptances or LIBOR, plus applicable margins. The U.S. subsidiary facility, which remained unused as at December 31, 2018, bears interest at either the lenders' U.S. base rate or LIBOR, plus applicable margins.

Standby fees paid in 2018 relating to revolving credit and term loan agreements were approximately \$15 million (2017 - \$15 million; 2016 - \$14 million).

B) UNSECURED NOTES

Shelf Prospectuses

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

U.S. Unsecured Notes

Unsecured notes include medium-term notes and senior notes that are issued from time to time under trust indentures and have equal priority with respect to the payment of both principal and interest.

C) INCREASE IN VALUE OF DEBT ACQUIRED

Certain of the notes and debentures of the Company were acquired in business combinations and were accounted for at their fair value at the dates of acquisition. The difference between the fair value and the principal amount of the debt is being amortized over the remaining life of the outstanding debt acquired, which is approximately 12 years.

D) UNAMORTIZED DEBT DISCOUNTS AND ISSUANCE COSTS

Long-term debt premiums and discounts are capitalized within long-term debt and are being amortized using the effective interest method. During 2018 and 2017, no debt premiums or discounts were capitalized. Issuance costs are amortized over the term of the related debt.

E) CURRENT PORTION OF LONG-TERM DEBT

As at December 31, 2018, the current portion of long-term debt was \$500 million (2017 - nil).

F) MANDATORY DEBT PAYMENTS

As at December 31	Principal Amount	Interest Amount
2019	\$ 500	\$ 251
2020	-	234
2021	600	235
2022	-	211
2023	-	211
Thereafter	3,111	2,335
Total	\$ 4,211	\$ 3,477

As at December 31, 2018, total long-term debt had a carrying value of \$4,198 million and a fair value of \$4,511 million (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.

14. Other Liabilities and Provisions

As at December 31	2018	2017
The Bow Office Building	\$ 1,224	\$ 1,344
Capital Lease Obligations	211	295
Unrecognized Tax Benefits (See Note 6)	167	202
Pensions and Other Post-Employment Benefits	105	116
Long-Term Incentive Costs (See Note 20)	34	175
Other Derivative Contracts (See Notes 22, 23)	10	14
Other	18	21
	\$ 1,769	\$ 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.

	2019	2020	2021	2022	2023	Thereafter	Total
Expected Future Lease Payments	\$ 70	\$ 71	\$ 72	\$ 72	\$ 73	\$ 1,118	\$ 1,476
Less: Amounts Representing Interest	59	58	58	57	56	681	969
Present Value of Expected Future Lease Payments	\$ 11	\$ 13	\$ 14	\$ 15	\$ 17	\$ 437	\$ 507
Sublease Recoveries (undiscounted)	\$ (35)	\$ (35)	\$ (35)	\$ (35)	\$ (36)	\$ (550)	\$ (726)

Refer to Note 1 for further information regarding the change in accounting for The Bow office building upon adoption of ASU 2016-02, "Leases" under Topic 842 on January 1, 2019.

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 18.

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

	2019	2020	2021	2022	2023	Thereafter	Total
Expected Future Lease Payments	\$ 99	\$ 99	\$ 87	\$ 8	\$ 8	\$ 30	\$ 331
Less: Amounts Representing Interest	15	10	4	2	2	3	36
Present Value of Expected Future Lease Payments	\$ 84	\$ 89	\$ 83	\$ 6	\$ 6	\$ 27	\$ 295

15. Asset Retirement Obligation

As at December 31	2018	2017
Asset Retirement Obligation, Beginning of Year	\$ 514	\$ 687
Liabilities Incurred and Acquired	17	11
Liabilities Settled and Divested	(56)	(333)
Change in Estimated Future Cash Outflows	(20)	88
Accretion Expense	32	37
Foreign Currency Translation	(32)	24
Asset Retirement Obligation, End of Year	\$ 455	\$ 514
Current Portion (See Note 12)	\$ 90	\$ 44
Long-Term Portion	365	470
	\$ 455	\$ 514

16. 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 December 31	2018		2017		2016	
	Number (millions)	Amount	Number (millions)	Amount	Number (millions)	Amount
Common Shares Outstanding, Beginning of Year	973.1	\$ 4,757	973.0	\$ 4,756	849.8	\$ 3,621
Common Shares Purchased	(20.7)	(102)	-	-	-	-
Common Shares Issued	-	-	-	-	123.1	1,134
Common Shares Issued Under Dividend Reinvestment Plan	0.1	1	0.1	1	0.1	1
Common Shares Outstanding, End of Year	952.5	\$ 4,656	973.1	\$ 4,757	973.0	\$ 4,756

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.

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

During the year ended December 31, 2018, the Company purchased approximately 20.7 million common shares for total consideration of approximately \$250 million. Of the amount paid, \$102 million was charged to share capital and \$148 million was charged to retained earnings.

On February 13, 2019, the Company confirmed it will proceed with its previously announced plans to spend up to \$1.25 billion to purchase common shares, for cancellation, subject to the receipt of regulatory approvals. On February 27, 2019, the Company announced that the TSX accepted its notice of intention to commence a NCIB beginning March 4, 2019 and ending March 3, 2020.

SHARE OFFERING

On September 19, 2016, Encana filed prospectus supplements (the “2016 Share Offering”) to the Company’s shelf prospectuses for the issuance of 107,000,000 common shares and granted an over-allotment option for up to an additional 16,050,000 common shares at a price of \$9.35 per common share, pursuant to an underwriting agreement. The aggregate gross proceeds from the 2016 Share Offering, including the exercise in full of the over-allotment option, were approximately \$1.15 billion. After deducting underwriters’ fees and costs of the 2016 Share Offering, the net cash proceeds received were approximately \$1.13 billion.

DIVIDEND REINVESTMENT PLAN

During the year ended December 31, 2018, Encana issued 69,329 common shares totaling \$0.6 million under the Company’s dividend reinvestment plan (“DRIP”) (2017 - issued 58,480 common shares totaling \$0.6 million; 2016 - issued 121,249 common shares totaling \$0.9 million).

DIVIDENDS

During the year ended December 31, 2018, Encana declared and paid dividends of \$0.06 per common share totaling \$57 million (2017 - \$0.06 per common share totaling \$58 million; 2016 - \$0.06 per common share totaling \$52 million). The Company’s quarterly dividend payment in 2018, 2017 and 2016 was \$0.015 per common share.

Common shares issued as part of the 2016 Share Offering described above were not eligible to receive the dividends paid on September 30, 2016.

For the year ended December 31, 2018, the dividends paid included \$0.6 million in common shares, as disclosed above, which were issued in lieu of cash dividends under the DRIP (2017 - \$0.6 million; 2016 - \$0.9 million).

On February 27, 2019, the Board of Directors declared a dividend of \$0.01875 per common share payable on March 29, 2019 to common shareholders of record as of March 15, 2019.

EARNINGS PER COMMON SHARE

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

For the years ended December 31 (US\$ millions, except per share amounts)	2018	2017	2016
Net Earnings (Loss)	\$ 1,069	\$ 827	\$ (944)
Number of Common Shares:			
Weighted average common shares outstanding - Basic	959.8	973.1	882.6
Effect of dilutive securities	-	-	-
Weighted Average Common Shares Outstanding - Diluted	959.8	973.1	882.6
Net Earnings (Loss) per Common Share			
Basic & Diluted	\$ 1.11	\$ 0.85	\$ (1.07)

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. Options granted are exercisable at 30 percent of the number granted after one year, an additional 30 percent of the number granted after two years, are fully exercisable after three years and expire seven years after the date granted. Options granted before February 2015 expire five years after the date granted.

All options outstanding as at December 31, 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. The Performance TSARs vest and expire under the same terms and conditions as the underlying option. 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. See Note 20 for further information on Encana’s outstanding and exercisable TSARs and Performance TSARs.

At December 31, 2018, there were 38.2 million common shares reserved for issuance under stock option plans (2017 - 33.3 million; 2016 - 32.2 million).

ENCANA RESTRICTED SHARE UNITS (“RSUs”)

Encana has a share-based compensation plan whereby eligible employees and Directors are granted RSUs. An RSU is a conditional grant to receive the equivalent of an Encana common share upon vesting of the RSUs and in accordance with the terms and conditions of the RSU Plans and grant agreements. The Company currently settles vested RSUs in cash. As a result, RSUs are not considered potentially dilutive securities. See Note 20 for further information on Encana’s outstanding RSUs.

17. Accumulated Other Comprehensive Income

For the years ended December 31	2018	2017	2016
Foreign Currency Translation Adjustment			
Balance, Beginning of Year	\$ 1,029	\$ 1,200	\$ 1,383
Change in Foreign Currency Translation Adjustment	(53)	(171)	(183)
Balance, End of Year	\$ 976	\$ 1,029	\$ 1,200
Pension and Other Post-Employment Benefit Plans			
Balance, Beginning of Year	\$ 13	\$ 10	\$ 7
Net Actuarial Gains and (Losses) (See Note 21)	14	7	6
Income Taxes	(3)	(2)	(2)
Reclassification of Net Actuarial (Gains) and Losses to Net Earnings (See Note 21)	(1)	-	(1)
Income Taxes	-	-	-
Reclassification of Net Prior Service Costs to Net Earnings (See Note 21)	(1)	(1)	-
Income Taxes	-	-	-
Curtailed in Net Defined Periodic Benefit Cost (See Note 21)	-	(1)	-
Income Taxes	-	-	-
Balance, End of Year	\$ 22	\$ 13	\$ 10
Total Accumulated Other Comprehensive Income	\$ 998	\$ 1,042	\$ 1,210

18. 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 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 December 31, 2018, Encana had a capital lease obligation of \$240 million (2017 - \$314 million) 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 December 31, 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 \$2,295 million as at December 31, 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 25 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 December 31, 2018, there were no accounts payable and accrued liabilities outstanding related to the take or pay commitment.

19. Restructuring Charges

In February 2016, Encana announced workforce reductions to better align staffing levels and the organizational structure with the Company's reduced capital spending program as a result of the low commodity price environment. During 2016, the Company incurred total restructuring charges of \$34 million, before tax, primarily related to severance costs, of which \$7 million remained accrued as at December 31, 2016. As at December 31, 2017, all restructuring costs were paid.

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

For the years ended December 31	2018	2017	2016
Employee Severance and Benefits	\$ -	\$ -	\$ 33
Outplacement, Moving and Other Expenses	-	-	1
	\$ -	\$ -	\$ 34

For the years ended December 31	2018	2017	2016
Outstanding Restructuring Accrual, Beginning of Year	\$ -	\$ 7	\$ 13
Current Year Restructuring Expenses Incurred	-	-	34
Restructuring Costs Paid	-	(7)	(40)
Outstanding Restructuring Accrual, End of Year ⁽¹⁾	\$ -	\$ -	\$ 7

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

20. Compensation Plans

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

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

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

US\$ Share Units			
As at December 31	2018	2017	2016
Risk Free Interest Rate	1.85%	1.67%	0.75%
Dividend Yield	1.04%	0.45%	0.51%
Expected Volatility Rate ⁽¹⁾	51.28%	57.87%	57.18%
Expected Term	1.4 yrs	1.4 yrs	1.9 yrs
Market Share Price	US\$5.78	US\$13.33	US\$11.74

C\$ Share Units			
As at December 31	2018	2017	2016
Risk Free Interest Rate	1.85%	1.67%	0.75%
Dividend Yield	0.99%	0.46%	0.50%
Expected Volatility Rate ⁽¹⁾	48.68%	54.10%	53.24%
Expected Term	1.8 yrs	1.5 yrs	1.9 yrs
Market Share Price	C\$7.88	C\$16.77	C\$15.76

(1) Volatility was estimated using historical rates.

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

For the years ended December 31	2018	2017	2016
Total Compensation Costs of Transactions Classified as Cash-Settled	\$ (65)	\$ 165	\$ 174
Less: Total Share-Based Compensation Costs Capitalized	19	(55)	(40)
Total Share-Based Compensation Expense (Recovery)	\$ (46)	\$ 110	\$ 134
Recognized on the Consolidated Statement of Earnings in:			
Operating	\$ (13)	\$ 34	\$ 48
Administrative	(33)	76	86
	\$ (46)	\$ 110	\$ 134

As at December 31, 2018, the liability for share-based payment transactions totaled \$165 million (2017 - \$327 million), of which \$131 million (2017 - \$152 million) is recognized in accounts payable and accrued liabilities and \$34 million (2017 - \$175 million) is recognized in other liabilities and provisions in the Consolidated Balance Sheet.

For the years ended December 31	2018	2017	2016
Liability for Cash-Settled Share-Based Payment Transactions:			
Unvested	\$ 148	\$ 274	\$ 171
Vested	17	53	37
	\$ 165	\$ 327	\$ 208

The following sections outline certain information related to Encana's compensation plans as at December 31, 2018.

A) TANDEM STOCK APPRECIATION RIGHTS

All options to purchase common shares issued to eligible Canadian-based employees under the Encana Stock Option Plan have associated 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 exercise over the original grant price. TSARs granted vest and are exercisable at 30 percent of the number granted after one year, an additional 30 percent of the number granted after two years, are fully exercisable after three years and expire seven years after the date granted. TSARs granted before February 2015 expire five years after the date granted.

The following tables summarize information related to the TSARs:

As at December 31	2018		2017	
(thousands of units)	Outstanding TSARs	Weighted Average Exercise Price (C\$)	Outstanding TSARs	Weighted Average Exercise Price (C\$)
Outstanding, Beginning of Year	15,270	14.87	15,482	14.92
Granted	872	13.76	850	15.43
Exercised - SARs	(371)	7.44	(316)	5.56
Exercised - Options	-	-	-	-
Forfeited	(307)	15.60	(218)	19.55
Expired	(5,097)	18.06	(528)	20.99
Outstanding, End of Year	10,367	13.45	15,270	14.87
Exercisable, End of Year	7,293	15.02	10,736	17.42

As at December 31, 2018	Outstanding TSARs			Exercisable TSARs	
Range of Exercise Price (C\$)	Number of TSARs (thousands of units)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (C\$)	Number of TSARs (thousands of units)	Weighted Average Exercise Price (C\$)
0.00 to 9.99	3,565	4.17	5.56	1,926	5.56
10.00 to 19.99	3,380	4.33	14.55	1,946	14.63
20.00 to 29.99	3,422	0.16	20.58	3,421	20.58
	10,367	2.90	13.45	7,293	15.02

During the year, Encana recorded a reduction of compensation costs of \$35 million related to the TSARs (2017 - compensation costs of \$12 million; 2016 - compensation costs of \$39 million).

As at December 31, 2018, there was approximately \$0.2 million of unrecognized compensation costs (2017 - \$8 million) related to unvested TSARs. The costs are expected to be recognized over a weighted average period of 0.9 years.

B) PERFORMANCE TANDEM STOCK APPRECIATION RIGHTS

In 2017, all Performance TSARs expired and there were no remaining obligations. Accordingly, Encana did not record any compensation costs related to the Performance TSARs in 2018 (2017 - reduction of compensation costs of \$2 million; 2016 - compensation costs of \$2 million).

C) STOCK APPRECIATION RIGHTS

U.S. dollar denominated SARs are granted to eligible U.S.-based employees, which entitle the employee to receive a payment equal to the excess of the market price of Encana's common shares at the time of exercise over the original grant price of the right. SARs granted vest and are exercisable at 30 percent of the number granted after one year, an additional 30 percent of the number granted after two years, are fully exercisable after three years and expire seven years after the date granted. SARs granted before February 2015 expire five years after the date granted. The Company currently settles vested SARs in cash.

The following tables summarize information related to the U.S. dollar denominated SARs:

As at December 31	2018		2017	
	Outstanding SARs	Weighted Average Exercise Price (US\$)	Outstanding SARs	Weighted Average Exercise Price (US\$)
(thousands of units)				
Outstanding, Beginning of Year	6,343	14.25	6,721	14.55
Granted	377	11.02	349	11.75
Exercised	(442)	5.89	(147)	4.69
Forfeited	(302)	10.88	(418)	17.94
Expired	(1,875)	17.94	(162)	20.57
Outstanding, End of Year	4,101	13.42	6,343	14.25
Exercisable, End of Year	3,105	15.19	4,611	16.85

As at December 31, 2018	Outstanding SARs			Exercisable SARs	
	Number of SARs (thousands of units)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (US\$)	Number of SARs (thousands of units)	Weighted Average Exercise Price (US\$)
Range of Exercise Price (US\$)					
0.00 to 9.99	875	4.17	4.06	401	4.06
10.00 to 19.99	2,909	1.97	15.24	2,387	16.10
20.00 to 29.99	317	0.58	22.47	317	22.47
	4,101	2.33	13.42	3,105	15.19

During the year, Encana recorded a reduction of compensation costs of \$12 million related to the SARs (2017 - compensation costs of \$6 million; 2016 - compensation costs of \$13 million).

As at December 31, 2018, there was approximately \$0.3 million of unrecognized compensation costs (2017 - \$4 million) related to unvested U.S. dollar denominated SARs. The costs are expected to be recognized over a weighted average period of 1.0 years.

D) PERFORMANCE SHARE UNITS

PSUs are granted to eligible employees, which entitle the employee to receive, upon vesting, a payment equal to the value of one Encana common share for each PSU held, subject to the terms and conditions of the PSU Plan. PSUs vest three years from the date granted, provided the employee remains actively employed with Encana on the vesting date. The Company currently settles vested PSUs in cash. Based on the performance assessment, up to a maximum of two times the original PSU grant may be eligible to vest in respect of the year being measured. The respective proportion of the original PSU grant deemed eligible to vest for each year will be valued and the notional cash value deposited to a PSU account, with payout deferred to the final vesting date.

The ultimate value of the PSUs will depend upon Encana's performance relative to predetermined corresponding performance targets measured over a three-year period. For grants commencing in 2013, performance is measured over a three-year period relative to a specified peer group.

The following table summarizes information related to the PSUs:

	Canadian Dollar Denominated Outstanding PSUs		U.S. Dollar Denominated Outstanding PSUs	
(thousands of units)	2018	2017	2018	2017
As at December 31				
Unvested and Outstanding, Beginning of Year	6,002	5,218	3,375	2,907
Granted	1,601	1,234	910	704
Vested and Released	(1,618)	(433)	(789)	(123)
Units, in Lieu of Dividends	37	33	21	18
Forfeited	(72)	(50)	(256)	(131)
Unvested and Outstanding, End of Year	5,950	6,002	3,261	3,375

During the year, Encana recorded compensation costs of \$10 million related to the outstanding PSUs (2017 - compensation costs of \$48 million; 2016 - compensation costs of \$29 million).

As at December 31, 2018, there was approximately \$16 million of unrecognized compensation costs (2017 - \$53 million) related to unvested PSUs. The costs are expected to be recognized over a weighted average period of 0.8 years.

E) DEFERRED SHARE UNITS

The Company has in place a program whereby Directors and certain key employees are issued DSUs, which vest immediately, are equivalent in value to an Encana common share and are settled in cash.

Under the DSU Plan, employees have the option to convert either 25 or 50 percent of their annual High Performance Results (“HPR”) award into DSUs. The number of DSUs converted is based on the value of the award divided by the closing value of Encana’s share price at the end of the performance period of the HPR award.

For both Directors and employees, DSUs can only be redeemed following departure from Encana in accordance with the terms of the respective DSU Plan and must be redeemed prior to December 15th of the year following the departure from Encana.

The following table summarizes information related to the DSUs:

(thousands of units)	Canadian Dollar Denominated Outstanding DSUs	
	2018	2017
As at December 31		
Outstanding, Beginning of Year	895	920
Granted	34	134
Converted from HPR awards	22	16
Units, in Lieu of Dividends	6	5
Redeemed	(2)	(180)
Outstanding, End of Year	955	895

During the year, Encana recorded a reduction of compensation costs of \$6 million related to the outstanding DSUs (2017 - compensation costs of \$3 million; 2016 - compensation costs of \$7 million).

F) RESTRICTED SHARE UNITS

RSUs are granted to eligible employees and commencing in 2018, to Directors. An RSU is a conditional grant to receive the equivalent of an Encana common share upon vesting of the RSUs and in accordance with the terms and conditions of the RSU Plans and grant agreements.

RSUs issued to employees vest three years from the date granted, provided the employee remains actively employed with Encana on the vesting date. RSUs issued to Directors fully vest on the grant date and have no required term of service. The RSUs issued to Directors are settled three years from the date granted or following the Director’s departure from Encana, whichever is earlier.

The Company currently settles RSUs granted to eligible employees and Directors in cash.

The following table summarizes information related to the RSUs:

(thousands of units)	Canadian Dollar Denominated Outstanding RSUs		U.S. Dollar Denominated Outstanding RSUs	
	2018	2017	2018	2017
As at December 31				
Unvested and Outstanding, Beginning of Year	11,029	10,998	10,534	10,418
Granted	2,582	2,411	2,742	2,434
Units, in Lieu of Dividends	68	60	68	59
Vested and Released	(2,551)	(2,088)	(2,266)	(1,268)
Forfeited	(252)	(352)	(489)	(1,109)
Unvested and Outstanding, End of Year	10,876	11,029	10,589	10,534

During the year, Encana recorded a reduction of compensation costs of \$22 million related to the outstanding RSUs (2017 - compensation costs of \$98 million; 2016 - compensation costs of \$84 million).

As at December 31, 2018, there was approximately \$30 million of unrecognized compensation costs (2017 - \$99 million) related to unvested RSUs. The costs are expected to be recognized over a weighted average period of 0.8 years.

21. Pension and Other Post-Employment Benefits

The Company sponsors defined benefit and defined contribution plans, providing pension and other post-employment benefits (“OPEB”) to its employees in Canada and the U.S. As of January 1, 2003, the defined benefit pension plan was closed to new entrants. The average remaining service period of active employees participating in the defined benefit pension plan is six years and the average remaining life expectancy of inactive employees is 14 years. The average remaining service period of the active employees participating in the OPEB plan is 13 years.

The Company is required to file an actuarial valuation of its pension plans with the provincial regulator at least every three years, or more frequently if directed by the regulator. The most recent filing was dated December 31, 2016 and the next required filing is expected to be as at December 31, 2019.

The following tables set forth changes in the benefit obligations and fair value of plan assets for the Company's defined benefit pension and other post-employment benefit plans for the years ended December 31, 2018 and 2017, as well as the funded status of the plans and amounts recognized in the Consolidated Financial Statements as at December 31, 2018 and 2017.

As at December 31	Defined Benefits		OPEB	
	2018	2017	2018	2017
Change in Benefit Obligations				
Projected Benefit Obligation, Beginning of Year	\$ 226	\$ 211	\$ 85	\$ 92
Service Cost	1	1	7	8
Interest Cost	7	7	3	3
Actuarial (Gains) Losses	(7)	7	(15)	(8)
Exchange Differences	(17)	15	(2)	-
Employee Contributions	-	-	1	1
Benefits Paid	(14)	(15)	(6)	(6)
Curtailment	-	-	-	(5)
Projected Benefit Obligation, End of Year	\$ 196	\$ 226	\$ 73	\$ 85
Change in Plan Assets				
Fair Value of Plan Assets, Beginning of Year	\$ 210	\$ 194	\$ -	\$ -
Actual Return on Plan Assets	-	15	-	-
Exchange Differences	(16)	14	-	-
Employee Contributions	-	-	1	1
Employer Contributions	2	2	5	5
Benefits Paid	(14)	(15)	(6)	(6)
Transfers to Defined Contribution Plan	-	-	-	-
Fair Value of Plan Assets, End of Year	\$ 182	\$ 210	\$ -	\$ -
Funded Status of Plan Assets, End of Year	\$ (14)	\$ (16)	\$ (73)	\$ (85)
Total Recognized Amounts in the Consolidated Balance Sheet Consist of:				
Other Assets	\$ 4	\$ 4	\$ -	\$ -
Current Liabilities	-	-	(6)	(7)
Non-Current Liabilities	(18)	(20)	(67)	(78)
Total	\$ (14)	\$ (16)	\$ (73)	\$ (85)
Total Recognized Amounts in Accumulated Other Comprehensive Income Consist of:				
Net Actuarial (Gains) Losses	\$ 28	\$ 28	\$ (48)	\$ (35)
Net Prior Service Costs	(5)	(5)	(4)	(5)
Total Recognized in Accumulated Other Comprehensive Income, Before Tax	\$ 23	\$ 23	\$ (52)	\$ (40)

The accumulated defined benefit obligation for all defined benefit plans was \$267 million as at December 31, 2018 (2017 - \$310 million).

The following table sets forth the defined benefit plans with accumulated benefit obligation and projected benefit obligation in excess of the fair value of the plan assets:

As at December 31	Defined Benefits		OPEB	
	2018	2017	2018	2017
Projected Benefit Obligation	\$ (67)	\$ (77)	\$ (73)	\$ (85)
Accumulated Benefit Obligation	(66)	(76)	(73)	(85)
Fair Value of Plan Assets	49	57	-	-

Following are the weighted average assumptions used by the Company in determining the defined benefit pension and other post-employment benefit obligations:

As at December 31	Defined Benefits		OPEB	
	2018	2017	2018	2017
Discount Rate	3.50%	3.25%	4.04%	3.44%
Rates of Increase in Compensation Levels	3.12%	3.49%	6.27%	6.26%

The following sets forth total benefit plans expense recognized by the Company:

For the years ended December 31	Pension Benefits			OPEB		
	2018	2017	2016	2018	2017	2016
Net Defined Periodic Benefit Cost	\$ 1	\$ -	\$ (1)	\$ 7	\$ 3	\$ 13
Defined Contribution Plan Expense	24	24	25	-	-	-
Total Benefit Plans Expense	\$ 25	\$ 24	\$ 24	\$ 7	\$ 3	\$ 13

Of the total benefit plans expense, \$23 million (2017 - \$25 million; 2016 - \$28 million) was included in operating expense and \$9 million (2017 - \$8 million; 2016 - \$9 million) was included in administrative expense. Excluding service costs, net defined periodic benefit costs of nil (2017 - curtailment of \$6 million; 2016 - nil) were recorded in other (gains) losses, net.

The net defined periodic benefit cost is as follows:

For the years ended December 31	Defined Benefits			OPEB		
	2018	2017	2016	2018	2017	2016
Service Cost	\$ 1	\$ 1	\$ 2	\$ 7	\$ 8	\$ 10
Interest Cost	7	7	8	3	3	4
Expected Return on Plan Assets	(8)	(9)	(11)	-	-	-
Amounts Reclassified from Accumulated Other Comprehensive Income:						
Amortization of net actuarial (gains) and losses	1	1	-	(2)	(1)	(1)
Amortization of net prior service costs	-	-	-	(1)	(1)	-
Curtailment	-	-	-	-	(1)	-
Curtailment	-	-	-	-	(5)	-
Total Net Defined Periodic Benefit Cost ⁽¹⁾	\$ 1	\$ -	\$ (1)	\$ 7	\$ 3	\$ 13

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

The amounts recognized in other comprehensive income are as follows:

For the years ended December 31	Defined Benefits			OPEB		
	2018	2017	2016	2018	2017	2016
Net Actuarial (Gains) Losses	\$ 1	\$ 1	\$ 8	\$ (15)	\$ (8)	\$ (14)
Amortization of Net Actuarial Gains and (Losses)	(1)	(1)	-	2	1	1
Amortization of Net Prior Service Costs	-	-	-	1	1	-
Curtailment	-	-	-	-	1	-
Total Amounts Recognized in Other Comprehensive (Income) Loss, Before Tax	\$ -	\$ -	\$ 8	\$ (12)	\$ (5)	\$ (13)
Total Amounts Recognized in Other Comprehensive (Income) Loss, After Tax	\$ -	\$ -	\$ 6	\$ (9)	\$ (3)	\$ (9)

The estimated net actuarial gains and net prior service costs for the pension and other post-retirement plans that will be amortized from accumulated other comprehensive income into the defined periodic benefit plan expense in 2019 is \$3 million.

Following are the weighted average assumptions used by the Company in determining the net periodic pension and other post-retirement benefit costs:

For the years ended December 31	Defined Benefits			OPEB		
	2018	2017	2016	2018	2017	2016
Discount Rate	3.25%	3.50%	3.75%	3.46%	3.76%	4.05%
Long-Term Rate of Return on Plan Assets	4.25%	5.25%	6.25%	-	-	-
Rates of Increase in Compensation Levels	3.49%	3.49%	3.49%	6.36%	6.10%	6.43%

The Company's assumed health care cost trend rates are as follows:

For the years ended December 31	2018	2017	2016
Health Care Cost Trend Rate for Next Year	6.99%	6.98%	7.30%
Rate to Which the Cost Trend Rate is Assumed to Decline (Ultimate Trend Rate)	5.00%	5.00%	5.00%
Year that the Rate Reaches the Ultimate Trend Rate	2026	2025	2026

A one percent change in the assumed health care cost trend rate over the projected period would have the following effects:

	1% Increase	1% Decrease
Effect on Total of Service and Interest Cost Components	\$ 1	\$ (1)
Effect on Other Post-Retirement Benefit Obligations	\$ 5	\$ (4)

The Company expects to contribute \$1 million to its defined benefit pension plans in 2019. The Company's OPEB plans are funded on an as required basis.

The following provides an estimate of benefit payments for the next 10 years. These estimates reflect benefit increases due to continuing employee service.

	Defined Benefit Pension Payments	Other Benefit Payments
2019	\$ 15	\$ 6
2020	14	6
2021	14	6
2022	14	6
2023	14	6
2024 - 2028	65	24

The Company's registered and other defined benefit pension plan assets are presented by investment asset category and input level within the fair value hierarchy as follows:

As at December 31	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	\$ 26	\$ -	\$ -	\$ 26
Fixed Income - Canadian Bond Funds	-	96	-	96
Equity - International	-	60	-	60
Fair Value of Plan Assets, End of Year	\$ 26	\$ 156	\$ -	\$ 182

As at December 31	2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	\$ 27	\$ 1	\$ -	\$ 28
Fixed Income - Canadian Bond Funds	-	67	-	67
Equity - Domestic	13	41	-	54
Equity - International	-	50	-	50
Real Estate and Other	-	-	11	11
Fair Value of Plan Assets, End of Year	\$ 40	\$ 159	\$ 11	\$ 210

Fixed Income investments consist of Canadian bonds issued by investment grade companies. Equity investments consist of both domestic and international securities. The fair values of these securities are based on dealer quotes, quoted market prices and net asset values. Real Estate and Other consists mainly of commercial properties and is valued based on a discounted cash flow model.

A summary in changes in Level 3 fair value measurements is presented below:

As at December 31	Real Estate and Other	
	2018	2017
Balance, Beginning of Year	\$ 11	\$ 10
Purchases, Sales and Settlements		
Purchases and sales	-	-
Settlements	(10)	-
Actual Return on Plan Assets		
Relating to assets sold during the reporting period	(1)	-
Relating to assets still held at the reporting date	-	1
Transfers In and Out of Level 3	-	-
Balance, End of Year	\$ -	\$ 11

Encana's registered pension plan assets were invested by the Company in the following as at December 31, 2018: 69 percent Bonds (2017 - 43 percent), 31 percent Foreign Equity (2017 - 23 percent), nil percent Domestic Equity (2017 - 27 percent) and nil percent Real Estate and Other (2017 - 7 percent). The expected long-term rate of return is 4 percent. The expected rate of return on pension plan assets is based on historical and projected rates of return for each asset class in the plan investment portfolio. The actual return on plan assets was nil (2017 - \$15 million). The asset allocation structure is subject to diversification requirements and constraints, which reduce risk by limiting exposure to individual equity investment, credit rating categories and foreign currency exposure.

22. 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. Fair value information related to pension plan assets is included in Note 21.

Recurring fair value measurements are performed for risk management assets and liabilities and other derivative contracts, as discussed further in Note 23. These items are carried at fair value in the 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.

	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽¹⁾	Carrying Amount
As at December 31, 2018						
Risk Management Assets						
Commodity Derivatives:						
Current assets	\$ -	\$ 492	\$ 139	\$ 631	\$ (77)	\$ 554
Long-term assets	-	177	-	177	(16)	161
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	\$ -	\$ 81	\$ -	\$ 81	\$ (77)	\$ 4
Long-term liabilities	-	38	-	38	(16)	22
Foreign Currency Derivatives:						
Current liabilities	-	21	-	21	-	21
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	\$ -	\$ 4	\$ -	\$ 4	\$ -	\$ 4
Long-term in other liabilities and provisions	-	10	-	10	-	10

	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽¹⁾	Carrying Amount
As at December 31, 2017						
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, NYMEX costless collars, NYMEX call options, foreign currency swaps and basis swaps with terms to 2023. Level 2 also includes financial guarantee contracts as discussed in Note 23. 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 December 31, 2018, the Company's Level 3 risk management assets and liabilities consist of WTI three-way options with terms to 2019. The WTI three-way options are a combination of a sold call, bought put and a sold 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 partial downside price protection through the put options. The fair values of the WTI three-way options 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 is presented below:

	Risk Management	
	2018	2017
Balance, Beginning of Year	\$ (51)	\$ (36)
Total Gains (Losses)	97	(9)
Purchases, Sales, Issuances and Settlements:		
Purchases, sales and issuances	-	-
Settlements	93	(6)
Transfers Out of Level 3 ⁽¹⁾	-	-
Balance, End of Year	\$ 139	\$ (51)
Change in Unrealized Gains (Losses) Related to Assets and Liabilities		
Held at End of Year	\$ 139	\$ (51)

(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:

As at December 31	Valuation Technique	Unobservable Input	2018	2017
Risk Management - WTI Options	Option Model	Implied Volatility	29% - 73%	17% - 76%

A 10 percent increase or decrease in implied volatility for the WTI options would cause a corresponding \$6 million (2017 - \$2 million) increase or decrease to net risk management assets and liabilities.

23. 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 and options. Encana has also entered into basis swaps to manage against widening price differentials between various production areas and benchmark price points.

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

FOREIGN EXCHANGE RISK

Foreign exchange risk arises from changes in foreign currency exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. To partially mitigate the effect of foreign exchange fluctuations on future commodity revenues and expenses, the Company may enter into foreign currency derivative contracts. As at December 31, 2018, Encana has entered into \$1.0 billion notional U.S. dollar denominated currency swaps at an average exchange rate of US\$0.7516 to C\$1, which mature monthly throughout 2019.

RISK MANAGEMENT POSITIONS AS AT DECEMBER 31, 2018

	Notional Volumes	Term	Average Price	Fair Value
Crude Oil and NGL Contracts			US\$/bbl	
Fixed Price Contracts				
WTI Fixed Price	35.0 Mbbls/d	2019	60.31	\$ 163
Propane Fixed Price	7.8 Mbbls/d	2019	35.72	26
Butane Fixed Price	6.5 Mbbls/d	2019	40.54	26
Ethane Fixed Price	5.3 Mbbls/d	2019	17.23	8
WTI Three-Way Options				
Sold call / bought put / sold put	52.5 Mbbls/d	2019	69.22 / 59.47 / 48.57	139
Basis Contracts ⁽¹⁾		2019		18
		2020		(13)
Crude Oil and NGLs Fair Value Position				367
Natural Gas Contracts			US\$/Mcf	
Fixed Price Contracts				
NYMEX Fixed Price	955 MMcf/d	2019	2.81	(21)
NYMEX Costless Collars				
Sold call / bought put	70 MMcf/d	Q1 2019	4.65 / 4.04	6
NYMEX Call Options				
Sold call price	230 MMcf/d	2019	3.75	(3)
Bought call price	230 MMcf/d	2019	3.75	(2)
Sold call price	230 MMcf/d	2020	3.25	-
Basis Contracts ⁽²⁾		2019		185
		2020		136
		2021		11
		2022 - 2023		14
Natural Gas Fair Value Position				326
Net Premiums Received on Unexpired Options				(4)
Other Derivative Contracts				
Fair Value Position				(14)
Foreign Currency Contracts				
Fair Value Position ⁽³⁾		2019		(21)
Total Fair Value Position and Net Premiums Received				\$ 654

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

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

(3) Encana has entered into U.S. dollar denominated fixed-for-floating average currency swaps to protect against fluctuations between the Canadian and U.S. dollars.

EARNINGS IMPACT OF REALIZED AND UNREALIZED GAINS (LOSSES) ON RISK MANAGEMENT POSITIONS

For the years ended December 31	2018	2017	2016
Realized Gains (Losses) on Risk Management			
Commodity and Other Derivatives:			
Revenues ⁽¹⁾	\$ (104)	\$ 40	\$ 361
Transportation and processing	-	(4)	(8)
Foreign Currency Derivatives:			
Foreign exchange	10	15	-
	\$ (94)	\$ 51	\$ 353
Unrealized Gains (Losses) on Risk Management			
Commodity and Other Derivatives:			
Revenues ⁽²⁾	\$ 519	\$ 442	\$ (636)
Transportation and processing	-	-	22
Foreign Currency Derivatives:			
Foreign exchange	(51)	32	(1)
	\$ 468	\$ 474	\$ (615)
Total Realized and Unrealized Gains (Losses) on Risk Management, net			
Commodity and Other Derivatives:			
Revenues ^{(1) (2)}	\$ 415	\$ 482	\$ (275)
Transportation and processing	-	(4)	14
Foreign Currency Derivatives:			
Foreign exchange	(41)	47	(1)
	\$ 374	\$ 525	\$ (262)

- (1) Includes a realized gain of \$7 million for the year ended December 31, 2018 (2017 - gain of \$7 million; 2016 - gain of \$6 million) related to other derivative contracts.
- (2) Includes an unrealized loss of \$2 million for the year ended December 31, 2018 (2017 - loss of \$2 million; 2016 - gain of \$5 million) related to other derivative contracts.

RECONCILIATION OF UNREALIZED RISK MANAGEMENT POSITIONS FROM JANUARY 1 TO DECEMBER 31

	2018		2017	2016
	Fair Value	Total Unrealized Gain (Loss)	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 Year	374	\$ 374	\$ 525	\$ (262)
Settlement of Other Derivative Contracts	7			
Fair Value of Contracts Realized During the Year	94	94	(51)	(353)
Fair Value of Contracts Outstanding	\$ 658	\$ 468	\$ 474	\$ (615)
Net Premiums Received on Unexpired Options	(4)			
Fair Value of Contracts and Net Premiums Received, End of Year	\$ 654			

Risk management assets and liabilities arise from the use of derivative financial instruments and are measured at fair value. See Note 22 for a discussion of fair value measurements.

UNREALIZED RISK MANAGEMENT POSITIONS

As at December 31	2018	2017
Risk Management Assets		
Current	\$ 554	\$ 205
Long-term	161	246
	715	451
Risk Management Liabilities		
Current	25	236
Long-term	22	13
	47	249
Other Derivative Contracts		
Current in accounts payable and accrued liabilities	4	5
Long-term in other liabilities and provisions	10	14
Net Risk Management Assets (Liabilities) and Other Derivative Contracts	\$ 654	\$ 183

SUMMARY OF UNREALIZED RISK MANAGEMENT POSITIONS

As at December 31	2018			2017		
	Risk Management			Risk Management		
	Asset	Liability	Net	Asset	Liability	Net
Commodity Price Positions						
Crude oil and NGLs	\$ 380	\$ 13	\$ 367	\$ -	\$ 244	\$ (244)
Natural gas	335	13	322	420	4	416
Other Positions						
Other derivative contracts	-	14	(14)	-	19	(19)
Foreign currency contracts	-	21	(21)	31	1	30
Total Fair Value Position	\$ 715	\$ 61	\$ 654	\$ 451	\$ 268	\$ 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 NYSE and the TSX, over-the-counter traded contracts expose Encana to counterparty credit risk. This credit risk exposure is mitigated through the use of credit policies approved by the Board of Directors governing the Company's credit portfolio including credit practices that limit transactions according to counterparties' credit quality. Mitigation strategies may include master netting arrangements, requesting collateral and/or transacting credit derivatives. The Company executes commodity derivative financial instruments under master agreements that have netting provisions that provide for offsetting payables against receivables. As a result of netting provisions, the Company's maximum exposure to loss under derivative financial instruments due to credit risk is limited to the net amounts due from the counterparties under the derivative contracts, as disclosed in Note 22. As at December 31, 2018, the Company had no significant credit derivatives in place and held no collateral.

As at December 31, 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 December 31, 2018, approximately 97 percent (2017 - 92 percent) of Encana's accounts receivable and financial derivative credit exposures were with investment grade counterparties.

As at December 31, 2018, Encana had four counterparties whose net settlement position individually accounted for more than 10 percent of the fair value of the outstanding in-the-money net risk management contracts by counterparty. These counterparties accounted for 30 percent, 13 percent, 12 percent and 10 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 \$14 million as at December 31, 2018 (2017 - \$19 million). The maximum potential amount of undiscounted future payments is \$228 million as at December 31, 2018, and is considered unlikely.

24. Supplementary Information

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

A) NET CHANGE IN NON-CASH WORKING CAPITAL

For the years ended December 31	2018	2017	2016
Operating Activities			
Accounts receivable and accrued revenues	\$ (150)	\$ (21)	\$ 86
Accounts payable and accrued liabilities	141	(226)	(233)
Income tax receivable and payable	254	(6)	(40)
	\$ 245	\$ (253)	\$ (187)

B) NON-CASH ACTIVITIES

For the years ended December 31	2018	2017	2016
Non-Cash Investing Activities			
Asset retirement obligation incurred (See Note 15)	\$ 17	\$ 11	\$ 18
Asset retirement obligation change in estimated future cash outflows (See Note 15)	(20)	88	(99)
Property, plant and equipment accruals	(16)	19	5
Capitalized long-term incentives	(47)	55	40
Property additions/dispositions (swaps)	210	194	100
Non-Cash Financing Activities			
Common shares issued under dividend reinvestment plan (See Note 16)	\$ 1	\$ 1	\$ 1

C) SUPPLEMENTARY CASH FLOW INFORMATION

For the years ended December 31	2018	2017	2016
Interest Paid	\$ 367	\$ 370	\$ 397
Income Taxes (Recovered), net of Amounts Paid	\$ (246)	\$ (77)	\$ (19)

25. Commitments and Contingencies

COMMITMENTS

The following table outlines the Company's commitments as at December 31, 2018:

(undiscounted)	Expected Future Payments							Total
	2019	2020	2021	2022	2023	Thereafter		
Transportation and Processing	\$ 685	\$ 677	\$ 582	\$ 555	\$ 453	\$ 2,220	\$ 5,172	
Drilling and Field Services	128	34	10	-	-	-	172	
Building Leases	17	16	16	16	15	35	115	
Total	\$ 830	\$ 727	\$ 608	\$ 571	\$ 468	\$ 2,255	\$ 5,459	

Included within transportation and processing in the table above are certain commitments associated with midstream service agreements with VMLP as described in Note 18. Divestiture transactions can reduce certain commitments disclosed above.

Operating lease expense recorded in the Consolidated Statement of Earnings was \$83 million for the year ended December 31, 2018 (2017 - \$80 million; 2016 - \$82 million).

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.

26. Subsequent Events

Acquisition of Newfield Exploration Company

On February 13, 2019, Encana completed the acquisition of all the issued and outstanding shares of common stock of Newfield whereby Encana issued approximately 543.4 million common shares to Newfield shareholders, representing an exchange ratio of 2.6719 Encana common shares for each share of Newfield common stock held. Following the acquisition, Newfield's senior notes totaling \$2.45 billion remain outstanding. Newfield's operations are focused on the development of oil-rich properties primarily located in the Anadarko Basin in Oklahoma. The post-acquisition results of operations of Newfield will be included in the Company's interim consolidated results for the period ended March 31, 2019.

27. Supplementary Oil and Gas Information (unaudited)

The unaudited supplementary information on oil and gas exploration and production activities for 2018, 2017 and 2016 has been presented in accordance with the FASB's ASC Topic 932, "Extractive Activities - Oil and Gas" and the SEC's final rule, "Modernization of Oil and Gas Reporting". Disclosures by geographic area include Canada and the United States.

Proved Oil and Gas Reserves

The following reserves disclosures reflect estimates of proved reserves, proved developed reserves, and proved undeveloped reserves, net of third-party royalty interests of oil, NGLs and natural gas owned at each year end and changes in proved reserves during each of the last three years.

The Company's estimates of proved reserves are made using available geological and reservoir data as well as production performance data. These estimates are reviewed annually by internal reservoir engineers and revised, either upward or downward, as warranted by additional data. The results of infill drilling are treated as positive revisions due to increases to expected recovery. Other revisions are due to changes in, among other things, development plans, reservoir performance, commodity prices, economic conditions, and government restrictions. Estimates of proved reserves are inherently imprecise and are continually subject to revision based on production history, results of additional exploration and development, price changes and other factors.

The following reference prices were utilized in the determination of reserves and future net revenue:

	Oil & NGLs		Natural Gas	
	WTI (\$/bbl)	Edmonton Condensate (C\$/bbl)	Henry Hub (\$/MMBtu)	AECO (C\$/MMBtu)
Reserves Pricing ⁽¹⁾				
2018	65.56	79.59	3.10	1.49
2017	51.34	67.65	2.98	2.32
2016	42.75	55.39	2.49	2.17

(1) All prices were held constant in all future years when estimating net revenues and reserves.

PROVED RESERVES ⁽¹⁾
(12-MONTH AVERAGE TRAILING PRICES)

	Oil (MMbbls)			NGLs (MMbbls)			Natural Gas (Bcf)			Total (MMBOE)
	Canada	United States	Total	Canada	United States	Total	Canada	United States	Total	
2016										
Beginning of year	6.4	157.9	164.3	62.8	61.7	124.5	1,952	1,112	3,064	799.4
Revisions and improved recovery ⁽²⁾	(0.3)	(15.6)	(15.9)	(6.4)	(1.6)	(8.0)	(422)	177	(244)	(64.7)
Extensions and discoveries	-	52.2	52.2	58.1	17.7	75.8	796	91	887	275.7
Purchase of reserves in place	-	9.6	9.6	-	2.6	2.6	-	16	16	14.9
Sale of reserves in place	(5.4)	(22.2)	(27.6)	(11.3)	(15.5)	(26.8)	(163)	(150)	(313)	(106.5)
Production	(0.7)	(26.2)	(27.0)	(9.2)	(8.5)	(17.7)	(354)	(153)	(506)	(129.1)
End of year	-	155.6	155.6	94.0	56.4	150.4	1,810	1,093	2,902	789.7
Developed	-	82.5	82.5	25.6	31.8	57.4	903	951	1,853	448.8
Undeveloped	-	73.1	73.1	68.4	24.6	93.0	907	142	1,049	341.0
Total	-	155.6	155.6	94.0	56.4	150.4	1,810	1,093	2,902	789.7
2017										
Beginning of year	-	155.6	155.6	94.0	56.4	150.4	1,810	1,093	2,902	789.7
Revisions and improved recovery ⁽²⁾	0.2	(16.0)	(15.8)	(14.6)	(3.6)	(18.1)	(31)	(27)	(58)	(43.6)
Extensions and discoveries	0.2	84.9	85.1	46.4	26.5	72.9	727	144	871	303.1
Purchase of reserves in place	-	0.8	0.8	-	0.4	0.4	-	2	2	1.5
Sale of reserves in place	-	(5.4)	(5.4)	(0.2)	(3.6)	(3.8)	(65)	(729)	(795)	(141.6)
Production	(0.2)	(27.7)	(27.8)	(10.6)	(8.7)	(19.3)	(306)	(97)	(403)	(114.3)
End of year	0.2	192.3	192.5	115.0	67.5	182.5	2,135	384	2,519	794.9
Developed	0.2	104.7	104.9	40.5	41.6	82.1	1,082	243	1,325	407.8
Undeveloped	-	87.7	87.7	74.5	25.8	100.3	1,053	141	1,195	387.1
Total	0.2	192.3	192.5	115.0	67.5	182.5	2,135	384	2,519	794.9
2018										
Beginning of year	0.2	192.3	192.5	115.0	67.5	182.5	2,135	384	2,519	794.9
Revisions and improved recovery ⁽²⁾	0.2	19.5	19.7	(17.4)	14.2	(3.2)	249	37	285	64.1
Extensions and discoveries	-	162.4	162.4	78.9	48.6	127.4	885	233	1,118	476.2
Purchase of reserves in place	-	21.3	21.3	-	7.7	7.7	-	39	39	35.5
Sale of reserves in place	-	(11.4)	(11.4)	-	(5.1)	(5.1)	-	(40)	(40)	(23.1)
Production	(0.1)	(32.7)	(32.8)	(18.0)	(10.6)	(28.5)	(368)	(55)	(423)	(131.9)
End of year	0.2	351.5	351.8	158.5	122.3	280.8	2,901	598	3,499	1,215.7
Developed	0.2	150.6	150.9	60.8	59.4	120.2	1,707	295	2,002	604.7
Undeveloped	-	200.9	200.9	97.8	62.8	160.6	1,195	302	1,497	611.0
Total	0.2	351.5	351.8	158.5	122.3	280.8	2,901	598	3,499	1,215.7

(1) Numbers may not add due to rounding.

(2) Changes in reserve estimates resulting from application of improved recovery techniques are nil and are included in revisions of previous estimates.

Definitions:

- "Proved" oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations.
- "Developed" oil and gas reserves are reserves of any category that are expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well.
- "Undeveloped" oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

Total Proved reserves increased 420.8 MMBOE in 2018 due to the following:

- Revisions and improved recovery of oil, NGLs and natural gas were 64.1 MMBOE primarily due to positive forecast changes of 133.7 MMBOE and higher 12-month average trailing oil and NGL prices of 9.4 MMBOE, partially offset by proved reserves removed due to changes in the approved development plan of 79.0 MMBOE.
- Extensions and discoveries of oil, NGLs and natural gas increased proved reserves by 476.2 MMBOE due to the extension of proved acreage primarily from successful drilling and delineation in the Permian, Montney, Eagle Ford and Duvernay assets.
- Purchases of 35.5 MMBOE were primarily in the Permian asset.
- Sale of reserves in place decreased proved developed reserves by 23.1 MMBOE primarily due to the divestiture of the San Juan assets located in northwestern New Mexico.

Total Proved reserves increased 5.2 MMBOE in 2017 due to the following:

- Revisions and improved recovery of oil, NGLs and natural gas were negative primarily due to negative revisions of 83.3 MMBOE resulting from changes in the approved development plan, which was partially offset by positive revisions of 32.6 MMBOE due to higher 12-month average trailing oil, NGL and natural gas prices.
- Extensions and discoveries of oil, NGLs and natural gas increased proved reserves by 303.1 MMBOE due to the extension of proved acreage primarily from successful drilling in the Permian, Montney and Eagle Ford assets.
- Sale of reserves in place decreased proved developed reserves by 141.6 MMBOE primarily due to the divestiture of the Piceance assets located in northwestern Colorado.

Total Proved reserves decreased 9.7 MMBOE in 2016 due to the following:

- Revisions and improved recovery of oil and NGLs included reductions of 6.5 MMbbls and 6.6 MMbbls, respectively, due to lower 12-month average trailing oil and NGL prices. Revisions and improved recovery of natural gas included a reduction of 462 Bcf due to a lower 12-month average trailing natural gas price.
- Extensions and discoveries of oil, NGLs and natural gas increased proved reserves by 275.7 MMBOE due to the extension of proved acreage primarily from successful drilling in the Permian and Montney assets.
- Sale of reserves in place decreased proved developed reserves by 65.4 MMBOE and proved undeveloped reserves by 41.2 MMBOE due to the divestitures of the DJ Basin assets located in northern Colorado and the Gordondale assets located in northwestern Alberta.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES

In calculating the standardized measure of discounted future net cash flows, constant price and cost assumptions were applied to Encana's annual future production from proved reserves to determine cash inflows. Estimates of future net cash flows from proved reserves are computed based on the average beginning-of-the-month prices during the 12-month period for the year. Future production and development costs include estimates for abandonment and dismantlement costs associated with asset retirement obligations and assume the continuation of existing economic, operating and regulatory conditions. Future income taxes are calculated by applying statutory income tax rates to future pre-tax cash flows after provision for the tax cost of the oil and natural gas properties based upon existing laws and regulations. The effect of tax credits is also considered in determining the income tax expense. The discount was computed by application of a 10 percent discount factor to the future net cash flows.

Encana cautions that the discounted future net cash flows relating to proved oil and gas reserves are an indication of neither the fair market value of Encana's oil and gas properties, nor the future net cash flows expected to be generated from such properties. The discounted future net cash flows do not include the fair market value of exploratory properties and probable or possible oil and gas reserves, nor is consideration given to the effect of anticipated future changes in oil and natural gas prices, development, asset retirement and production costs, and possible changes to tax and royalty regulations. The prescribed discount rate of 10 percent may not appropriately reflect future interest rates.

	Canada			United States		
	2018	2017	2016	2018	2017	2016
Future cash inflows	\$ 12,463	\$ 7,850	\$ 5,341	\$ 26,305	\$ 11,459	\$ 8,537
Less future:						
Production costs	5,231	3,516	2,876	6,399	3,661	3,539
Development costs	2,641	2,058	1,949	4,751	3,042	2,805
Income taxes	586	76	-	1,673	-	-
Future net cash flows	4,005	2,200	516	13,482	4,756	2,193
Less 10% annual discount for estimated timing of cash flows	1,351	618	77	6,532	2,025	957
Discounted future net cash flows	\$ 2,654	\$ 1,582	\$ 439	\$ 6,950	\$ 2,731	\$ 1,236

	Total		
	2018	2017	2016
Future cash inflows	\$ 38,768	\$ 19,309	\$ 13,878
Less future:			
Production costs	11,630	7,177	6,415
Development costs	7,392	5,100	4,754
Income taxes	2,259	76	-
Future net cash flows	17,487	6,956	2,709
Less 10% annual discount for estimated timing of cash flows	7,883	2,643	1,034
Discounted future net cash flows	\$ 9,604	\$ 4,313	\$ 1,675

CHANGES IN STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES

	Canada			United States		
	2018	2017	2016	2018	2017	2016
Balance, beginning of year	\$ 1,582	\$ 439	\$ 635	\$ 2,731	\$ 1,236	\$ 1,413
Changes resulting from:						
Sales of oil and gas produced during the year	(859)	(471)	(316)	(1,753)	(1,291)	(1,040)
Discoveries and extensions, net of related costs	1,130	582	211	3,300	1,141	267
Purchases of proved reserves in place	-	-	-	468	13	47
Sales and transfers of proved reserves in place	-	(12)	(71)	(202)	(413)	(220)
Net change in prices and production costs	407	893	20	1,642	2,183	325
Revisions to quantity estimates	121	(22)	(124)	526	(203)	39
Accretion of discount	164	44	64	273	124	141
Development costs incurred during the period	665	454	286	1,315	1,366	873
Changes in estimated future development costs	(303)	(279)	(304)	(824)	(1,433)	(456)
Other	15	7	38	16	8	(153)
Net change in income taxes	(268)	(53)	-	(542)	-	-
Balance, end of year	\$ 2,654	\$ 1,582	\$ 439	\$ 6,950	\$ 2,731	\$ 1,236

	Total		
	2018	2017	2016
Balance, beginning of year	\$ 4,313	\$ 1,675	\$ 2,048
Changes resulting from:			
Sales of oil and gas produced during the year	(2,612)	(1,762)	(1,356)
Discoveries and extensions, net of related costs	4,430	1,723	478
Purchases of proved reserves in place	468	13	47
Sales and transfers of proved reserves in place	(202)	(425)	(291)
Net change in prices and production costs	2,049	3,076	345
Revisions to quantity estimates	647	(225)	(85)
Accretion of discount	437	168	205
Development costs incurred during the period	1,980	1,820	1,159
Changes in estimated future development costs	(1,127)	(1,712)	(760)
Other	31	15	(115)
Net change in income taxes	(810)	(53)	-
Balance, end of year	\$ 9,604	\$ 4,313	\$ 1,675

RESULTS OF OPERATIONS

The following table sets forth revenue and direct cost information relating to the Company's oil and gas exploration and production activities.

	Canada			United States		
	2018	2017	2016	2018	2017	2016
Oil, NGL and natural gas revenues, net of transportation and processing	\$ 993	\$ 613	\$ 491	\$ 2,189	\$ 1,714	\$ 1,510
Less:						
Operating costs, production, mineral and other taxes, and accretion of asset retirement obligation	157	164	197	445	438	499
Depreciation, depletion and amortization	361	236	260	860	530	523
Impairments	-	-	493	-	-	903
Operating income (loss)	475	213	(459)	884	746	(415)
Income taxes	128	58	(123)	191	161	(150)
Results of operations	\$ 347	\$ 155	\$ (336)	\$ 693	\$ 585	\$ (265)

	Total		
	2018	2017	2016
Oil, NGL and natural gas revenues, net of transportation and processing	\$ 3,182	\$ 2,327	\$ 2,001
Less:			
Operating costs, production, mineral and other taxes, and accretion of asset retirement obligation	602	602	696
Depreciation, depletion and amortization	1,221	766	783
Impairments	-	-	1,396
Operating income (loss)	1,359	959	(874)
Income taxes	319	219	(273)
Results of operations	\$ 1,040	\$ 740	\$ (601)

CAPITALIZED COSTS

Capitalized costs include the cost of properties, equipment and facilities for oil and natural gas producing activities. Capitalized costs for proved properties include costs for oil and natural gas leaseholds where proved reserves have been identified, development wells and related equipment and facilities, including development wells in progress. Capitalized costs for unproved properties include costs for acquiring oil and gas leaseholds where no proved reserves have been identified.

	Canada			United States		
	2018	2017	2016	2018	2017	2016
Proved oil and gas properties	\$ 13,996	\$ 14,555	\$ 13,159	\$ 27,189	\$ 25,610	\$ 26,393
Unproved oil and gas properties	237	311	285	3,493	4,169	4,913
Total capital cost	14,233	14,866	13,444	30,682	29,779	31,306
Accumulated DD&A	13,261	14,047	12,896	24,099	23,240	25,300
Net capitalized costs	\$ 972	\$ 819	\$ 548	\$ 6,583	\$ 6,539	\$ 6,006

	Other			Total		
	2018	2017	2016	2018	2017	2016
Proved oil and gas properties	\$ 56	\$ 63	\$ 58	\$ 41,241	\$ 40,228	\$ 39,610
Unproved oil and gas properties	-	-	-	3,730	4,480	5,198
Total capital cost	56	63	58	44,971	44,708	44,808
Accumulated DD&A	56	63	58	37,416	37,350	38,254
Net capitalized costs	\$ -	\$ -	\$ -	\$ 7,555	\$ 7,358	\$ 6,554

COSTS INCURRED

Costs incurred includes both capitalized costs and costs charged to expense when incurred. Costs incurred also includes internal costs directly related to acquisition, exploration, and development activities, new asset retirement costs established in the current year as well as increases or decreases to the asset retirement obligations resulting from changes to cost estimates during the year.

	Canada			United States		
	2018	2017	2016	2018	2017	2016
Acquisition costs						
Unproved	\$ 17	\$ 31	\$ -	\$ -	\$ 21	\$ 4
Proved	-	-	1	-	2	205
Total acquisition costs	17	31	1	-	23	209
Exploration costs	1	1	1	2	4	13
Development costs	631	425	255	1,330	1,354	860
Total costs incurred	\$ 649	\$ 457	\$ 257	\$ 1,332	\$ 1,381	\$ 1,082

	Total		
	2018	2017	2016
Acquisition costs			
Unproved	\$ 17	\$ 52	\$ 4
Proved	-	2	206
Total acquisition costs	17	54	210
Exploration costs	3	5	14
Development costs	1,961	1,779	1,115
Total costs incurred	\$ 1,981	\$ 1,838	\$ 1,339

COSTS NOT SUBJECT TO DEPLETION OR AMORTIZATION

Upstream costs in respect of significant unproved properties are excluded from the country cost centre's depletable base as follows:

As at December 31	2018	2017
Canada	\$ 237	\$ 311
United States	3,493	4,169
	\$ 3,730	\$ 4,480

The following is a summary of the costs related to Encana's unproved properties as at December 31, 2018:

	2018	2017	2016	Prior to 2016	Total
Acquisition Costs	\$ 223	\$ 238	\$ 88	\$ 3,033	\$ 3,582
Exploration Costs	18	2	5	123	148
	\$ 241	\$ 240	\$ 93	\$ 3,156	\$ 3,730

Acquisition costs primarily include costs incurred to acquire or lease properties. Exploration costs primarily include costs related to geological and geophysical studies and costs of drilling and equipping exploratory wells. Ultimate recoverability of these costs and the timing of inclusion within the applicable country cost centre's depletable base is dependent upon either the finding of proved oil, NGL and natural gas reserves, expiration of leases or recognition of impairments.

Included in the \$3.7 billion of oil and gas properties not subject to depletion or amortization are approximately \$3.5 billion of acquired leasehold and mineral costs in the Permian related to the Company's acquisition of Athlon Energy Inc. in 2014. These acquisition costs are associated with acquired acreage for which proved reserves have yet to be assigned from future development. The Company continually assesses the development timeline of the acquired acreage. The timing and amount of the transfer of property acquisition costs into the depletable base are based on several factors and may be subject to changes over time from drilling plans, drilling results, availability of capital, project economics and other assessments of the property. The inclusion of these acquisition costs in the depletable base is expected to occur within 7 to 11 years. The remaining costs excluded from depletion are related to properties which are not individually significant.

28. Supplemental Quarterly Financial Information (unaudited)

The following summarizes quarterly financial data for the fiscal years of 2018 and 2017:

(US\$ millions, except per share amounts)	2018			
	Q4	Q3	Q2	Q1
Revenues	\$ 2,381	\$ 1,262	\$ 983	\$ 1,313
Impairments	-	-	-	-
Operating Income (Loss)	1,354	119	(116)	337
Gain (Loss) on Divestitures, net	1	-	1	3
Net Earnings (Loss) Before Income Tax	\$ 1,179	\$ 45	\$ (221)	\$ 160
Income Tax Expense (Recovery)	149	6	(70)	9
Net Earnings (Loss)	\$ 1,030	\$ 39	\$ (151)	\$ 151
Net Earnings (Loss) per Common Share - Basic & Diluted	\$ 1.08	\$ 0.04	\$ (0.16)	\$ 0.16

(US\$ millions, except per share amounts)	2017			
	Q4	Q3	Q2	Q1
Revenues	\$ 1,210	\$ 861	\$ 1,083	\$ 1,289
Impairments	-	-	-	-
Operating Income (Loss)	262	(4)	321	489
Gain (Loss) on Divestitures, net	(1)	406	-	(1)
Net Earnings (Loss) Before Income Tax	\$ 147	\$ 522	\$ 327	\$ 434
Income Tax Expense (Recovery)	376	228	(4)	3
Net Earnings (Loss)	\$ (229)	\$ 294	\$ 331	\$ 431
Net Earnings (Loss) per Common Share - Basic & Diluted	\$ (0.24)	\$ 0.30	\$ 0.34	\$ 0.44