

Consolidated Financial Statements

For the period ended June 30, 2003

EnCana Corporation

Interim Report

For the period ended June 30, 2003

EnCana Corporation

CONSOLIDATED STATEMENT OF EARNINGS

| <i>(unaudited)</i> (\$ millions, except per share amounts) | June 30 | | | | |
|---|--------------------|-----------------|------------------|-----------------|---------------|
| | Three Months Ended | | Six Months Ended | | |
| | 2003 | 2002 | 2003 | 2002 | |
| REVENUES, NET OF ROYALTIES AND PRODUCTION TAXES | <i>(Note 3)</i> | \$ 3,194 | \$ 2,586 | \$ 7,262 | \$ 3,647 |
| EXPENSES | <i>(Note 3)</i> | | | | |
| Transportation and selling | | 175 | 157 | 364 | 206 |
| Operating | | 454 | 348 | 927 | 519 |
| Purchased product | | 1,076 | 896 | 2,503 | 1,276 |
| Administrative | | 60 | 44 | 116 | 61 |
| Interest, net | | 84 | 103 | 170 | 130 |
| Foreign exchange (gain) | <i>(Note 5)</i> | (241) | (170) | (535) | (180) |
| Depreciation, depletion and amortization | | 725 | 573 | 1,463 | 787 |
| | | 2,333 | 1,951 | 5,008 | 2,799 |
| NET EARNINGS BEFORE THE UNDERNOTED | | 861 | 635 | 2,254 | 848 |
| Income tax (recovery) expense | <i>(Note 6)</i> | (202) | 153 | 235 | 235 |
| NET EARNINGS FROM CONTINUING OPERATIONS | | 1,063 | 482 | 2,019 | 613 |
| NET EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS | <i>(Note 4)</i> | 3 | (24) | 293 | (22) |
| NET EARNINGS | | \$ 1,066 | \$ 458 | \$ 2,312 | \$ 591 |
| DISTRIBUTIONS ON PREFERRED SECURITIES, NET OF TAX | | (9) | 1 | (15) | 1 |
| NET EARNINGS ATTRIBUTABLE TO COMMON SHAREHOLDERS | | \$ 1,075 | \$ 457 | \$ 2,327 | \$ 590 |
| NET EARNINGS FROM CONTINUING OPERATIONS PER COMMON SHARE | <i>(Note 9)</i> | | | | |
| Basic | | \$ 2.23 | \$ 1.04 | \$ 4.23 | \$ 1.71 |
| Diluted | | \$ 2.20 | \$ 1.02 | \$ 4.19 | \$ 1.68 |
| NET EARNINGS PER COMMON SHARE | <i>(Note 9)</i> | | | | |
| Basic | | \$ 2.24 | \$ 0.99 | \$ 4.84 | \$ 1.65 |
| Diluted | | \$ 2.21 | \$ 0.97 | \$ 4.79 | \$ 1.62 |

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

| <i>(unaudited)</i> (\$ millions) | Six Months Ended June 30 | |
|--|--------------------------|-----------------|
| | 2003 | 2002 |
| RETAINED EARNINGS, BEGINNING OF YEAR | \$ 4,684 | \$ 3,630 |
| Net Earnings | 2,312 | 591 |
| Dividends on Common Shares and Other Distributions, net of tax | (81) | (74) |
| Charges for Normal Course Issuer Bid | (15) | - |
| RETAINED EARNINGS, END OF PERIOD | \$ 6,900 | \$ 4,147 |

See accompanying Notes to Consolidated Financial Statements.

Interim Report

For the period ended June 30, 2003

EnCana Corporation

CONSOLIDATED BALANCE SHEET

| <i>(unaudited) (\$ millions)</i> | As at June 30, 2003 | As at December 31, 2002 |
|---|------------------------------------|-------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 406 | \$ 183 |
| Accounts receivable and accrued revenue | 1,567 | 1,987 |
| Income tax receivable | 208 | - |
| Inventories | 652 | 528 |
| Assets of discontinued operations | (Note 4) 571 | 3,422 |
| | 3,404 | 6,120 |
| Capital Assets, net | (Note 3) 23,185 | 22,356 |
| Investments and Other Assets | 545 | 377 |
| Goodwill | 2,469 | 2,469 |
| | (Note 3) \$ 29,603 | \$ 31,322 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 2,109 | \$ 2,282 |
| Income tax payable | - | 20 |
| Liabilities of discontinued operations | (Note 4) 140 | 1,758 |
| Current portion of long-term debt | (Note 7) 150 | 212 |
| | 2,399 | 4,272 |
| Long-Term Debt | (Note 7) 6,122 | 7,395 |
| Deferred Credits and Other Liabilities | 565 | 564 |
| Future Income Taxes | 5,161 | 4,840 |
| Preferred Securities of Subsidiary | - | 457 |
| | 14,247 | 17,528 |
| Shareholders' Equity | | |
| Preferred securities | 549 | 126 |
| Share capital | (Note 8) 8,791 | 8,732 |
| Share options, net | 102 | 133 |
| Paid in surplus | - | 61 |
| Retained earnings | 6,900 | 4,684 |
| Foreign currency translation adjustment | (986) | 58 |
| | 15,356 | 13,794 |
| | \$ 29,603 | \$ 31,322 |

See accompanying Notes to Consolidated Financial Statements.

Interim Report

For the period ended June 30, 2003

EnCana Corporation

CONSOLIDATED STATEMENT OF CASH FLOWS

| (unaudited) (\$ millions) | June 30 | | | |
|--|--------------------|---------|------------------|---------|
| | Three Months Ended | | Six Months Ended | |
| | 2003 | 2002 | 2003 | 2002 |
| OPERATING ACTIVITIES | | | | |
| Net earnings from continuing operations | \$ 1,063 | \$ 482 | \$ 2,019 | \$ 613 |
| Depreciation, depletion and amortization | 725 | 573 | 1,463 | 787 |
| Future income taxes | (131) | 106 | 272 | 148 |
| Other | (174) | (257) | (464) | (257) |
| Cash flow from continuing operations | 1,483 | 904 | 3,290 | 1,291 |
| Cash flow from discontinued operations | (45) | 34 | - | 36 |
| Cash flow | 1,438 | 938 | 3,290 | 1,327 |
| Net change in other assets and liabilities | (17) | - | (23) | - |
| Net change in non-cash working capital from continuing operations | 8 | (240) | 61 | (508) |
| Net change in non-cash working capital from discontinued operations | 65 | (11) | 82 | 42 |
| | 1,494 | 687 | 3,410 | 861 |
| INVESTING ACTIVITIES | | | | |
| Business combination | - | (128) | - | (128) |
| Capital expenditures | (1,505) | (1,390) | (3,031) | (1,871) |
| Proceeds on disposal of capital assets | 17 | 240 | 27 | 243 |
| Corporate acquisition | - | - | (179) | - |
| Equity investments | (122) | - | (188) | - |
| Net change in investments and other | (6) | 5 | (40) | (12) |
| Net change in non-cash working capital from continuing operations | (33) | (219) | (236) | (250) |
| Discontinued operations | (15) | (69) | 1,948 | (69) |
| | (1,664) | (1,561) | (1,699) | (2,087) |
| FINANCING ACTIVITIES | | | | |
| Net issuance (repayment) of long-term debt | 505 | 572 | (840) | 492 |
| Issuance of common shares | 76 | 51 | 120 | 69 |
| Repurchase of common shares | (168) | - | (168) | - |
| Dividends on common shares | (48) | (48) | (96) | (73) |
| Payments to preferred securities holders | (4) | (7) | (12) | (7) |
| Net change in non-cash working capital from continuing operations | (3) | 2 | (8) | (1) |
| Discontinued operations | - | (5) | (438) | (5) |
| Other | (17) | (32) | (18) | (32) |
| | 341 | 533 | (1,460) | 443 |
| DEDUCT: FOREIGN EXCHANGE LOSS ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY | | | | |
| | 25 | 9 | 28 | 11 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| | 146 | (350) | 223 | (794) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | | | | |
| | 260 | 503 | 183 | 947 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | | | | |
| | \$ 406 | \$ 153 | \$ 406 | \$ 153 |

See accompanying Notes to Consolidated Financial Statements.

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

1. BASIS OF PRESENTATION

The interim Consolidated Financial Statements include the accounts of EnCana Corporation and its subsidiaries (the "Company"), and are presented in accordance with Canadian generally accepted accounting principles. The Company is in the business of exploration, production and marketing of natural gas, natural gas liquids and crude oil, as well as natural gas storage operations, natural gas liquids processing and power generation operations.

The interim Consolidated Financial Statements have been prepared following the same accounting policies and methods of computation as the annual audited Consolidated Financial Statements for the year ended December 31, 2002. The disclosures provided below are incremental to those included with the annual audited Consolidated Financial Statements. The interim Consolidated Financial Statements should be read in conjunction with the annual audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2002.

2. CORPORATE ACQUISITION

On January 31, 2003, the Company acquired the Ecuadorian interests of Vintage Petroleum Inc. for net cash consideration of \$179 million (US\$116 million). The purchase was accounted for using the purchase method with the results reflected in the consolidated results of EnCana from the date of acquisition. The acquisition was accounted for as follows:

(\$ millions)

| | | |
|---------------------|----|------|
| Working Capital | \$ | 2 |
| Capital Assets | | 194 |
| Future Income Taxes | | (17) |
| | \$ | 179 |

3. SEGMENTED INFORMATION

The Company has defined its continuing operations into the following segments:

- Upstream includes the Company's exploration for and production of natural gas, natural gas liquids and crude oil and related non-producing activities. The Company's Upstream operations are located in Canada, the United States, the U.K. central North Sea, Ecuador and International New Ventures exploration activity in the Gulf of Mexico, the U.K. central North Sea, the Middle East, Africa, Australia, Latin America, as well as, the Canadian East Coast and the North American northern frontier.
- Midstream & Marketing includes gas storage operations, natural gas liquids processing and power generation operations, as well as, marketing activity under which the Company purchases and takes delivery of product from others and delivers product to customers under transportation arrangements not utilized for the Company's own production.

The Company reports its segmented financial results showing revenue prior to all royalty payments, both cash and in-kind, consistent with Canadian disclosure practices for the oil and gas industry.

Operations that have been discontinued are disclosed in Note 4.

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

3. SEGMENTED INFORMATION (continued)

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

| (\$ millions) | Upstream | | Midstream & Marketing | |
|---|----------|----------|-----------------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | |
| Gross revenue | \$ 2,453 | \$ 1,773 | \$ 1,173 | \$ 1,091 |
| Royalties and production taxes | 434 | 281 | - | - |
| Revenues, net of royalties and production taxes | 2,019 | 1,492 | 1,173 | 1,091 |
| Expenses | | | | |
| Transportation and selling | 154 | 107 | 21 | 50 |
| Operating | 338 | 270 | 116 | 78 |
| Purchased product | - | - | 1,076 | 896 |
| Depreciation, depletion and amortization | 700 | 535 | 10 | 26 |
| Segment Income | \$ 827 | \$ 580 | \$ (50) | \$ 41 |

| | Corporate | | Consolidated | |
|---|-----------|----------|--------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | |
| Gross revenue | \$ 2 | \$ 3 | \$ 3,628 | \$ 2,867 |
| Royalties and production taxes | - | - | 434 | 281 |
| Revenues, net of royalties and production taxes | 2 | 3 | 3,194 | 2,586 |
| Expenses | | | | |
| Transportation and selling | - | - | 175 | 157 |
| Operating | - | - | 454 | 348 |
| Purchased product | - | - | 1,076 | 896 |
| Depreciation, depletion and amortization | 15 | 12 | 725 | 573 |
| Segment Income | (13) | (9) | 764 | 612 |
| Administrative | 60 | 44 | 60 | 44 |
| Interest, net | 84 | 103 | 84 | 103 |
| Foreign exchange (gain) | (241) | (170) | (241) | (170) |
| | (97) | (23) | (97) | (23) |
| Net Earnings Before Income Tax | 84 | 14 | 861 | 635 |
| Income tax (recovery) expense | (202) | 153 | (202) | 153 |
| Net Earnings from Continuing Operations | \$ 286 | \$ (139) | \$ 1,063 | \$ 482 |

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements (unaudited)

3. SEGMENTED INFORMATION (continued)

Geographic and Product Information (For the three months ended June 30)

Upstream

| (\$ millions) | North America | | | | | |
|---|-----------------------|--------|--------------|--------|-----------|--------|
| | Produced Gas and NGLs | | | | Crude Oil | |
| | Canada | | U.S. Rockies | | | |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | | | |
| Gross revenue | \$ 1,376 | \$ 954 | \$ 440 | \$ 175 | \$ 396 | \$ 398 |
| Royalties and production taxes | 221 | 132 | 119 | 42 | 50 | 48 |
| Revenues, net of royalties and production taxes | 1,155 | 822 | 321 | 133 | 346 | 350 |
| Expenses | | | | | | |
| Transportation and selling | 86 | 57 | 26 | 25 | 26 | 10 |
| Operating | 121 | 107 | 22 | 15 | 107 | 84 |
| Depreciation, depletion and amortization | 385 | 290 | 94 | 75 | 150 | 107 |
| Segment Income | \$ 563 | \$ 368 | \$ 179 | \$ 18 | \$ 63 | \$ 149 |

| | Ecuador | | U.K. North Sea | | Non-Producing | | Total Upstream | |
|---|---------|--------|----------------|-------|---------------|---------|----------------|----------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | | | | | |
| Gross revenue | \$ 144 | \$ 182 | \$ 33 | \$ 45 | \$ 64 | \$ 19 | \$ 2,453 | \$ 1,773 |
| Royalties and production taxes | 44 | 59 | - | - | - | - | 434 | 281 |
| Revenues, net of royalties and production taxes | 100 | 123 | 33 | 45 | 64 | 19 | 2,019 | 1,492 |
| Expenses | | | | | | | | |
| Transportation and selling | 11 | 10 | 5 | 5 | - | - | 154 | 107 |
| Operating | 26 | 31 | 5 | 3 | 57 | 30 | 338 | 270 |
| Depreciation, depletion and amortization | 43 | 51 | 26 | 9 | 2 | 3 | 700 | 535 |
| Segment Income | \$ 20 | \$ 31 | \$ (3) | \$ 28 | \$ 5 | \$ (14) | \$ 827 | \$ 580 |

Midstream & Marketing

| (\$ millions) | Midstream | | Marketing * | | Total Midstream & Marketing | |
|--|-----------|--------|-------------|--------|-----------------------------|----------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | | | |
| Gross revenue | \$ 211 | \$ 157 | \$ 962 | \$ 934 | \$ 1,173 | \$ 1,091 |
| Expenses | | | | | | |
| Transportation and selling | - | - | 21 | 50 | 21 | 50 |
| Operating | 73 | 78 | 43 | - | 116 | 78 |
| Purchased product | 150 | 51 | 926 | 845 | 1,076 | 896 |
| Depreciation, depletion and amortization | 10 | 20 | - | 6 | 10 | 26 |
| Segment Income | \$ (22) | \$ 8 | \$ (28) | \$ 33 | \$ (50) | \$ 41 |

* includes activity under which the Company purchases and takes delivery of product from others and delivers product to customers under transportation arrangements not utilized for the Company's own production.

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements (unaudited)

3. SEGMENTED INFORMATION (continued)

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

| (\$ millions) | Upstream | | Midstream & Marketing | |
|---|----------|----------|-----------------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | |
| Gross revenue | \$ 5,369 | \$ 2,427 | \$ 2,824 | \$ 1,570 |
| Royalties and production taxes | 933 | 349 | - | - |
| Revenues, net of royalties and production taxes | 4,436 | 2,078 | 2,824 | 1,570 |
| Expenses | | | | |
| Transportation and selling | 316 | 151 | 48 | 55 |
| Operating | 669 | 380 | 258 | 139 |
| Purchased product | - | - | 2,503 | 1,276 |
| Depreciation, depletion and amortization | 1,420 | 738 | 18 | 31 |
| Segment Income | \$ 2,031 | \$ 809 | \$ (3) | \$ 69 |

| | Corporate | | Consolidated | |
|---|-----------|----------|--------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | |
| Gross revenue | \$ 2 | \$ (1) | \$ 8,195 | \$ 3,996 |
| Royalties and production taxes | - | - | 933 | 349 |
| Revenues, net of royalties and production taxes | 2 | (1) | 7,262 | 3,647 |
| Expenses | | | | |
| Transportation and selling | - | - | 364 | 206 |
| Operating | - | - | 927 | 519 |
| Purchased product | - | - | 2,503 | 1,276 |
| Depreciation, depletion and amortization | 25 | 18 | 1,463 | 787 |
| Segment Income | (23) | (19) | 2,005 | 859 |
| Administrative | 116 | 61 | 116 | 61 |
| Interest, net | 170 | 130 | 170 | 130 |
| Foreign exchange (gain) | (535) | (180) | (535) | (180) |
| | (249) | 11 | (249) | 11 |
| Net Earnings Before Income Tax | 226 | (30) | 2,254 | 848 |
| Income tax expense | 235 | 235 | 235 | 235 |
| Net Earnings from Continuing Operations | \$ (9) | \$ (265) | \$ 2,019 | \$ 613 |

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements (unaudited)

3. SEGMENTED INFORMATION (continued)

Geographic and Product Information (For the six months ended June 30)

Upstream

| (\$ millions) | North America | | | | | |
|---|-----------------------|----------|--------------|--------|-----------|--------|
| | Produced Gas and NGLs | | | | Crude Oil | |
| | Canada | | U.S. Rockies | | | |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | | | |
| Gross revenue | \$ 3,053 | \$ 1,312 | \$ 1,011 | \$ 207 | \$ 791 | \$ 602 |
| Royalties and production taxes | 445 | 160 | 263 | 49 | 115 | 81 |
| Revenues, net of royalties and production taxes | 2,608 | 1,152 | 748 | 158 | 676 | 521 |
| Expenses | | | | | | |
| Transportation and selling | 178 | 88 | 49 | 25 | 57 | 18 |
| Operating | 256 | 151 | 37 | 20 | 209 | 136 |
| Depreciation, depletion and amortization | 787 | 407 | 194 | 92 | 297 | 163 |
| Segment Income | \$ 1,387 | \$ 506 | \$ 468 | \$ 21 | \$ 113 | \$ 204 |

| | Ecuador | | U.K. North Sea | | Non-Producing | | Total Upstream | |
|---|---------|--------|----------------|-------|---------------|--------|----------------|----------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | | | | | |
| Gross revenue | \$ 323 | \$ 182 | \$ 82 | \$ 89 | \$ 109 | \$ 35 | \$ 5,369 | \$ 2,427 |
| Royalties and production taxes | 110 | 59 | - | - | - | - | 933 | 349 |
| Revenues, net of royalties and production taxes | 213 | 123 | 82 | 89 | 109 | 35 | 4,436 | 2,078 |
| Expenses | | | | | | | | |
| Transportation and selling | 21 | 10 | 11 | 10 | - | - | 316 | 151 |
| Operating | 48 | 31 | 9 | 6 | 110 | 36 | 669 | 380 |
| Depreciation, depletion and amortization | 78 | 51 | 60 | 19 | 4 | 6 | 1,420 | 738 |
| Segment Income | \$ 66 | \$ 31 | \$ 2 | \$ 54 | \$ (5) | \$ (7) | \$ 2,031 | \$ 809 |

Midstream & Marketing

| (\$ millions) | Midstream | | Marketing * | | Total Midstream & Marketing | |
|--|-----------|--------|-------------|----------|-----------------------------|----------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Revenues | | | | | | |
| Gross revenue | \$ 692 | \$ 230 | \$ 2,132 | \$ 1,340 | \$ 2,824 | \$ 1,570 |
| Expenses | | | | | | |
| Transportation and selling | - | - | 48 | 55 | 48 | 55 |
| Operating | 193 | 133 | 65 | 6 | 258 | 139 |
| Purchased product | 458 | 51 | 2,045 | 1,225 | 2,503 | 1,276 |
| Depreciation, depletion and amortization | 17 | 24 | 1 | 7 | 18 | 31 |
| Segment Income | \$ 24 | \$ 22 | \$ (27) | \$ 47 | \$ (3) | \$ 69 |

* includes activity under which the Company purchases and takes delivery of product from others and delivers product to customers under transportation arrangements not utilized for the Company's own production.

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements (unaudited)**3. SEGMENTED INFORMATION** (continued)**Capital Expenditures**

| (\$ millions) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-----------------------|-------------------------------|-----------------|-----------------------------|-----------------|
| | 2003 | 2002 | 2003 | 2002 |
| Upstream | | | | |
| Canada | \$ 944 | \$ 699 | \$ 2,012 | \$ 1,047 |
| United States | 274 | 537 | 501 | 624 |
| Ecuador | 47 | 72 | 157 | 72 |
| United Kingdom | 14 | 23 | 38 | 62 |
| Other Countries | 43 | 36 | 68 | 39 |
| Midstream & Marketing | 156 | 16 | 210 | 17 |
| Corporate | 27 | 7 | 45 | 10 |
| Total | \$ 1,505 | \$ 1,390 | \$ 3,031 | \$ 1,871 |

Capital and Total Assets

| (\$ millions) | Capital Assets | | Total Assets | |
|-----------------------------------|------------------|----------------------|------------------|----------------------|
| | As at | | As at | |
| | June 30, 2003 | December 31, 2002 | June 30, 2003 | December 31, 2002 |
| Upstream | \$ 22,061 | \$ 21,422 | \$ 23,392 | \$ 25,192 |
| Midstream & Marketing | 902 | 742 | 3,110 | 2,216 |
| Corporate | 222 | 192 | 2,530 | 492 |
| Assets of Discontinued Operations | | | 571 | 3,422 |
| Total | \$ 23,185 | \$ 22,356 | \$ 29,603 | \$ 31,322 |

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements (unaudited)

4. DISCONTINUED OPERATIONS

On February 28, 2003, the Company completed the sale of its 10 percent working interest in the Syncrude Joint Venture ("Syncrude") to Canadian Oil Sands Limited for net cash consideration of \$1,026 million plus closing adjustments. The Company also granted Canadian Oil Sands Limited an option to purchase its remaining 3.75 percent working interest in Syncrude and a gross-overriding royalty interest. On July 10, 2003 the Company completed the sale of the remaining interest in Syncrude for proceeds of \$417 million, subject to closing adjustments. This transaction completes the Company's disposition of its interest in Syncrude and, as a result, these operations have been accounted for as discontinued operations. There was no gain or loss on this sale.

On April 24, 2002, the Company adopted formal plans to exit from the Houston-based merchant energy operation, which was included in the Midstream & Marketing segment. Accordingly, these operations have been accounted for as discontinued operations. The wind-down of these operations was substantially completed at December 31, 2002.

On July 9, 2002, the Company announced that it planned to sell its 70 percent equity investment in the Cold Lake Pipeline System and its 100 percent interest in the Express Pipeline System. Accordingly, these operations have been accounted for as discontinued operations. On January 2, 2003 and January 9, 2003, the Company completed the sale of its interest in the Cold Lake Pipeline System and Express Pipeline System for total consideration of approximately \$1.6 billion, including assumption of related long-term debt, and recorded an after-tax gain on sale of \$263 million.

The following table presents the effect of the discontinued operations on the Consolidated Financial Statements:

| Consolidated Statement of Earnings | For the three months ended June 30 | | | | | | | |
|---|------------------------------------|-------|-----------------|---------|-----------------------|-------|-------|---------|
| | Syncrude | | Merchant Energy | | Midstream - Pipelines | | Total | |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| (\$ millions) | | | | | | | | |
| Revenues, net of royalties and production taxes | \$ 28 | \$ 90 | \$ - | \$ 563 | \$ - | \$ 58 | \$ 28 | \$ 711 |
| Expenses | | | | | | | | |
| Transportation and selling | 1 | 1 | - | - | - | - | 1 | 1 |
| Operating | 20 | 68 | - | - | - | 20 | 20 | 88 |
| Purchased product | - | - | - | 580 | - | - | - | 580 |
| Administrative | - | - | - | 8 | - | - | - | 8 |
| Interest, net | - | - | - | - | - | 11 | - | 11 |
| Foreign exchange | - | - | - | - | - | (10) | - | (10) |
| Depletion, depreciation and amortization | 2 | 7 | - | 1 | - | 11 | 2 | 19 |
| Loss on discontinuance | - | - | - | 53 | - | - | - | 53 |
| | 23 | 76 | - | 642 | - | 32 | 23 | 750 |
| Net Earnings Before Income Tax | 5 | 14 | - | (79) | - | 26 | 5 | (39) |
| Income tax expense (recovery) | 2 | 2 | - | (28) | - | 11 | 2 | (15) |
| Net Earnings (Loss) from Discontinued Operations | \$ 3 | \$ 12 | \$ - | \$ (51) | \$ - | \$ 15 | \$ 3 | \$ (24) |

| Consolidated Statement of Earnings | For the six months ended June 30 | | | | | | | |
|---|----------------------------------|-------|-----------------|----------|-------------------------|-------|--------|----------|
| | Syncrude * | | Merchant Energy | | Midstream - Pipelines * | | Total | |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| (\$ millions) | | | | | | | | |
| Revenues, net of royalties and production taxes | \$ 118 | \$ 90 | \$ - | \$ 1,309 | \$ - | \$ 58 | \$ 118 | \$ 1,457 |
| Expenses | | | | | | | | |
| Transportation and selling | 2 | 1 | - | - | - | - | 2 | 1 |
| Operating | 63 | 68 | - | - | - | 20 | 63 | 88 |
| Purchased product | - | - | - | 1,313 | - | - | - | 1,313 |
| Administrative | - | - | - | 18 | - | - | - | 18 |
| Interest, net | - | - | - | - | - | 11 | - | 11 |
| Foreign exchange | - | - | - | - | - | (10) | - | (10) |
| Depletion, depreciation and amortization | 9 | 7 | - | 1 | - | 11 | 9 | 19 |
| (Gain) loss on discontinuance | - | - | - | 53 | (343) | - | (343) | 53 |
| | 74 | 76 | - | 1,385 | (343) | 32 | (269) | 1,493 |
| Net Earnings Before Income Tax | 44 | 14 | - | (76) | 343 | 26 | 387 | (36) |
| Income tax expense (recovery) | 14 | 2 | - | (27) | 80 | 11 | 94 | (14) |
| Net Earnings (Loss) from Discontinued Operations | \$ 30 | \$ 12 | \$ - | \$ (49) | \$ 263 | \$ 15 | \$ 293 | \$ (22) |

* Reflects only three months of earnings for 2002 as EnCana did not, at that time, own the operations which have been discontinued.

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

5. FOREIGN EXCHANGE (GAIN)

| <i>(\$ millions)</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-------------------------------|----------|-----------------------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| Unrealized foreign exchange (gain) on translation of U.S. dollar debt | \$ (248) | \$ (192) | \$ (493) | \$ (194) |
| Other foreign exchange losses (gains) | 7 | 22 | (42) | 14 |
| | \$ (241) | \$ (170) | \$ (535) | \$ (180) |

6. INCOME TAXES

| <i>(\$ millions)</i> | Three Months Ended June 30 | | Six Months Ended June 30 | |
|------------------------------|-------------------------------|--------|-----------------------------|--------|
| | 2003 | 2002 | 2003 | 2002 |
| Provision for Income Taxes | | | | |
| Current | | | | |
| Canada | \$ (81) | \$ 27 | \$ (59) | \$ 64 |
| United States | - | 8 | - | 8 |
| Ecuador | 7 | 7 | 19 | 7 |
| United Kingdom | 3 | 5 | 3 | 8 |
| | (71) | 47 | (37) | 87 |
| Future | 355 | 148 | 758 | 190 |
| Future tax rate reductions * | (486) | (42) | (486) | (42) |
| | \$ (202) | \$ 153 | \$ 235 | \$ 235 |

* During the quarter both the Canadian federal and Alberta governments substantively enacted income tax rate reductions previously announced.

7. LONG-TERM DEBT

| <i>(\$ millions)</i> | As at June 30, 2003 | As at December 31, 2002 |
|--|---------------------------|-------------------------------|
| Canadian Dollar Denominated Debt | | |
| Revolving credit and term loan borrowings | \$ 1,043 | \$ 1,388 |
| Unsecured notes and debentures | 1,825 | 1,825 |
| | 2,868 | 3,213 |
| U.S. Dollar Denominated Debt | | |
| U.S. revolving credit and term loan borrowings | 317 | 696 |
| U.S. unsecured notes and debentures | 2,999 | 3,608 |
| | 3,316 | 4,304 |
| Increase in Value of Debt Acquired | (Note A) 88 | 90 |
| Current Portion of Long-term Debt | (150) | (212) |
| | \$ 6,122 | \$ 7,395 |

A) Increase in Value of Debt Acquired

Certain of the notes and debentures of the Company were acquired in the business combination with Alberta Energy Company Ltd. on April 5, 2002 and were accounted for at their fair value at the date 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, approximately 24 years.

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

8. SHARE CAPITAL

| <i>(millions)</i> | June 30, 2003 | | December 31, 2002 | |
|--|---------------|----------|-------------------|----------|
| | Number | Amount | Number | Amount |
| Common Shares Outstanding, Beginning of Year | 478.9 | \$ 8,732 | 254.9 | \$ 196 |
| Shares Issued to AEC Shareholders | - | - | 218.5 | 8,397 |
| Shares Issued under Option Plans | 4.3 | 120 | 5.5 | 139 |
| Shares Repurchased | (3.3) | (61) | - | - |
| Common Shares Outstanding, End of Period | 479.9 | \$ 8,791 | 478.9 | \$ 8,732 |

During the quarter, the Company purchased, for cancellation, 3,342,900 common shares for total consideration of approximately \$168 million. Of the \$168 million paid, \$61 million was charged to Share capital, \$92 million was charged to Paid in surplus and \$15 million was charged to Retained earnings.

The Company has stock-based compensation plans that allow employees and directors to purchase common shares of the Company. Option exercise prices approximate the market price for the common shares on the date the options were issued. Options granted under the plan are generally fully exercisable after three years and expire five years after the grant date. Options granted under previous successor and/or related company replacement plans expire ten years from the date the options were granted.

The following tables summarize the information about options to purchase common shares at June 30, 2003:

| | Stock Options (millions) | Weighted Average Exercise Price (\$) |
|--------------------------------|-----------------------------|--------------------------------------|
| Outstanding, Beginning of Year | 29.6 | 39.74 |
| Granted under EnCana Plans | 5.8 | 47.50 |
| Exercised | (4.3) | 28.09 |
| Forfeited | (0.8) | 47.34 |
| Outstanding, End of Period | 30.3 | 42.71 |
| Exercisable, End of Period | 16.4 | 38.29 |

| Range of Exercise Price (\$) | Outstanding Options | | | Exercisable Options | |
|------------------------------|---|---|--------------------------------------|---|--------------------------------------|
| | Number of Options Outstanding (millions) | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price (\$) | Number of Options Outstanding (millions) | Weighted Average Exercise Price (\$) |
| 13.50 to 19.99 | 1.9 | 1.1 | 18.86 | 1.9 | 18.86 |
| 20.00 to 24.99 | 1.4 | 1.9 | 22.33 | 1.4 | 22.33 |
| 25.00 to 29.99 | 2.4 | 1.9 | 26.52 | 2.4 | 26.52 |
| 30.00 to 43.99 | 1.5 | 2.7 | 38.69 | 1.3 | 38.18 |
| 44.00 to 53.00 | 23.1 | 3.8 | 47.90 | 9.4 | 47.71 |
| | 30.3 | 2.9 | 42.71 | 16.4 | 38.29 |

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

8. SHARE CAPITAL *(continued)*

The Company does not record compensation expense in the Consolidated Financial Statements for share options granted to employees and directors. If the fair-value method had been used, the Company's Net Earnings and Net Earnings per Common Share would approximate the following pro forma amounts:

| <i>(\$ millions, except per share amounts)</i> | Six Months Ended June 30 | |
|--|-----------------------------|------|
| | 2003 | 2002 |
| Compensation Costs | 33 | 50 |
| Net Earnings | | |
| As reported | 2,312 | 591 |
| Pro forma | 2,279 | 541 |
| Net Earnings per Common Share | | |
| Basic | | |
| As reported | 4.84 | 1.65 |
| Pro forma | 4.78 | 1.51 |
| Diluted | | |
| As reported | 4.79 | 1.62 |
| Pro forma | 4.72 | 1.48 |

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

| | Six Months Ended June 30 | |
|--|-----------------------------|----------|
| | 2003 | 2002 |
| Weighted Average Fair Value of Options Granted | \$ 12.18 | \$ 13.40 |
| Risk Free Interest Rate | 3.96% | 4.46% |
| Expected Lives (years) | 3.00 | 3.00 |
| Expected Volatility | 0.33 | 0.35 |
| Annual Dividend per Share | \$ 0.40 | \$ 0.40 |

9. PER SHARE AMOUNTS

The following table summarizes the common shares used in calculating net earnings per common share.

| <i>(millions)</i> | Three Months Ended | | | Six Months Ended | |
|--|--------------------|---------|-------|------------------|-------|
| | March 31 | June 30 | | June 30 | |
| | 2003 | 2003 | 2002 | 2003 | 2002 |
| Weighted Average Common Shares Outstanding - Basic | 479.9 | 480.6 | 461.1 | 480.3 | 358.2 |
| Effect of Dilutive Securities | 7.0 | 6.3 | 8.9 | 6.0 | 6.8 |
| Weighted Average Common Shares Outstanding - Diluted | 486.9 | 486.9 | 470.0 | 486.3 | 365.0 |

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements (unaudited)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Unrecognized gains (losses) on risk management activities are as follows:

| (\$ millions) | As at June 30, 2003 |
|---------------------------|------------------------|
| Commodity Price Risk | |
| Natural gas | \$ 211 |
| Crude oil | (240) |
| Gas storage optimization | 32 |
| Power | 5 |
| Foreign Currency Risk | 39 |
| Interest Rate Risk | 65 |
| Unrecognized Gains | \$ 112 |

Information with respect to foreign currency risk and interest rate risk contracts in place at December 31, 2002, is disclosed in Note 19 to the Company's annual audited Consolidated Financial Statements.

Natural Gas

At June 30, 2003, the fair value of financial instruments that related to the corporate gas risk management activities was \$167 million. The contracts were as follows:

| | Notional Volumes (MMcf/d) | Physical/Fi nancials | Term | Price | | Unrecognized Gain/(Loss) (Cdn\$ millions) |
|--|---------------------------------|-------------------------|-----------|-----------|------------|---|
| Fixed Price Contracts | | | | | | |
| Sales Contracts | | | | | | |
| Fixed AECO price | 565 | Financial | 2003 | 6.36 | Cdn\$/mcf | \$ (24) |
| Fixed AECO price | 10 | Financial | 2003 | 3.37 | US\$/mmbtu | (4) |
| Fixed AECO price | 5 | Physical | 2003 | 5.88 | Cdn\$/mcf | (1) |
| Fixed AECO price | 10 | Physical | 2003 | 3.34 | US\$/mmbtu | (4) |
| Nymex Fixed price* | 526 | Financial | 2003 | 4.50 | US\$/mmbtu | (134) |
| Nymex Collars | 50 | Physical | 2003 | 2.46-4.90 | US\$/mmbtu | (10) |
| Alliance Pipeline Mitigation | 27 | Financial | 2003 | 3.92 | US\$/mmbtu | (11) |
| Fixed AECO price | 453 | Financial | 2004 | 6.20 | Cdn\$/mcf | 10 |
| AECO Collars | 71 | Financial | 2004 | 5.34-7.52 | Cdn\$/mcf | 1 |
| Nymex Fixed price* | 291 | Financial | 2004 | 5.06 | US\$/mmbtu | (18) |
| Chicago Fixed price | 40 | Financial | 2004 | 5.42 | US\$/mmbtu | 3 |
| Nymex Collars | 10 | Financial | 2004 | 4.60-6.55 | US\$/mmbtu | 1 |
| Nymex Collars | 50 | Physical | 2004 | 2.46-4.90 | US\$/mmbtu | (21) |
| Nymex Collars | 47 | Physical | 2005-2007 | 2.46-4.90 | US\$/mmbtu | (47) |
| Purchase Contracts | | | | | | |
| Alliance Pipeline Mitigation | 30 | Physical | 2003 | 3.24 | Cdn\$/mcf | 18 |
| Basis Contracts | | | | | | |
| Sales Contracts | | | | | | |
| Fixed NYMEX to AECO basis* | 368 | Financial | 2003 | (0.55) | US\$/mmbtu | 13 |
| Fixed Nymex to Rockies basis | 220 | Financial | 2003 | (0.49) | US\$/mmbtu | 18 |
| Fixed Nymex to Rockies basis | 356 | Physical | 2003 | (0.51) | US\$/mmbtu | 27 |
| Fixed NYMEX to AECO basis* | 271 | Financial | 2004 | (0.50) | US\$/mmbtu | 32 |
| Fixed Nymex to Rockies basis | 190 | Financial | 2004 | (0.42) | US\$/mmbtu | 39 |
| Fixed Nymex to Rockies basis | 343 | Physical | 2004 | (0.46) | US\$/mmbtu | 64 |
| Fixed NYMEX to AECO basis* | 387 | Financial | 2005-2007 | (0.59) | US\$/mmbtu | 81 |
| Fixed Nymex to Rockies basis | 132 | Financial | 2005-2007 | (0.44) | US\$/mmbtu | 50 |
| Fixed Nymex to Rockies basis | 214 | Physical | 2005-2007 | (0.43) | US\$/mmbtu | 84 |
| | | | | | | 167 |
| Gas Marketing Financial positions ⁽¹⁾ | | | | | | 7 |
| Gas Marketing Physical positions ⁽¹⁾ | | | | | | 37 |
| | | | | | \$ | 211 |

* Certain Fixed Nymex to AECO basis and Nymex Fixed price contracts have previously been combined and reported as Fixed AECO prices. They are now reclassified and reported separately.

⁽¹⁾ The gas marketing activities are part of the daily ongoing operations of the Company's proprietary production management.

Interim Report

For the period ended June 30, 2003

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Crude Oil

As at June 30, 2003, the Company's corporate oil risk management activities had an unrecognized loss of \$240 million. The contracts were as follows:

| | Notional Volumes <i>(bbl/d)</i> | Term | Average Price <i>(US\$/bbl)</i> | Unrecognized Gain/(Loss) <i>(Cdn\$ millions)</i> |
|-----------------------|---------------------------------------|------|------------------------------------|--|
| Fixed WTI NYMEX Price | 85,000 | 2003 | 25.28 | \$ (77) |
| Fixed WTI NYMEX Price | 62,500 | 2004 | 23.13 | (88) |
| Collars on WTI NYMEX | 40,000 | 2003 | 21.95-29.00 | (15) |
| Collars on WTI NYMEX | 62,500 | 2004 | 20.00-25.69 | (60) |
| | | | | \$ (240) |

Gas Storage Optimization

As part of the Company's gas storage optimization program, the Company has entered into financial instruments at various locations and terms over the next 9 months to manage the price volatility of the corresponding physical transactions and inventory.

As at June 30, 2003, the unrecognized gain was as follows:

| | Notional Volumes <i>(bcf)</i> | Price <i>(US\$/mcf)</i> | Unrecognized Gain/(Loss) <i>(Cdn\$ millions)</i> |
|--------------------|-------------------------------------|----------------------------|--|
| Purchases | 171.9 | 5.68 | \$ (34) |
| Sales | 198.1 | 5.81 | 53 |
| | | | 19 |
| Physical Contracts | | | 13 |
| | | | \$ 32 |

The unrecognized gain does not reflect unrealized gains on physical inventory in storage.

11. RECLASSIFICATION

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2003.