Interim Consolidated Financial Statements
(unaudited)
For the period ended December 31, 2004

EnCana Corporation

U.S. DOLLARS

PREPARED IN US$

Interim Report
For the period ended December 31, 2004

EnCana Corporation

CONSOLIDATED STATEMENT OF EARNINGS (unaudited)

(US$ millions, except per share amounts)		Three Months Ended December 31 2004	Three Months Ended December 31 2003	Year Ended December 31 2004	Year Ended December 31 2003
REVENUES, NET OF ROYALTIES	*(Note 4)*				
Upstream		**$ 2,003**	$ 1,462	**$ 7,256**	$ 5,797
Midstream & Market Optimization		**1,543**	1,177	**4,749**	3,887
Corporate		**662**	-	**(195)**	2
		4,208	2,639	**11,810**	9,686
EXPENSES	*(Note 4)*				
Production and mineral taxes		**95**	50	**311**	164
Transportation and selling		**109**	143	**499**	484
Operating		**390**	296	**1,350**	1,196
Purchased product		**1,367**	1,049	**4,276**	3,455
Depreciation, depletion and amortization		**641**	632	**2,402**	1,989
Administrative		**61**	52	**197**	173
Interest, net		**113**	81	**397**	283
Accretion of asset retirement obligation	*(Note 10)*	**6**	3	**22**	17
Foreign exchange gain	*(Note 7)*	**(204)**	(161)	**(417)**	(598)
Stock-based compensation		**3**	6	**17**	18
Gain on dispositions	*(Note 6)*	**(78)**	(1)	**(113)**	(1)
		2,503	2,150	**8,941**	7,180
NET EARNINGS BEFORE INCOME TAX		**1,705**	489	**2,869**	2,506
Income tax expense	*(Note 8)*	**517**	42	**658**	364
NET EARNINGS FROM CONTINUING OPERATIONS		**1,188**	447	**2,211**	2,142
NET EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS	*(Note 5)*	**1,392**	(21)	**1,302**	218
NET EARNINGS		**$ 2,580**	$ 426	**$ 3,513**	$ 2,360
NET EARNINGS FROM CONTINUING OPERATIONS PER COMMON SHARE	*(Note 13)*				
Basic		**$ 2.59**	$ 0.97	**$ 4.80**	$ 4.52
Diluted		**$ 2.56**	$ 0.96	**$ 4.72**	$ 4.47
NET EARNINGS PER COMMON SHARE	*(Note 13)*				
Basic		**$ 5.62**	$ 0.92	**$ 7.63**	$ 4.98
Diluted		**$ 5.55**	$ 0.91	**$ 7.51**	$ 4.92

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (unaudited)

(US$ millions)		Year Ended December 31 2004	Year Ended December 31 2003
RETAINED EARNINGS, BEGINNING OF YEAR		**$ 5,276**	$ 3,523
Net Earnings		**3,513**	2,360
Dividends on Common Shares		**(183)**	(139)
Charges for Normal Course Issuer Bid	*(Note 11)*	**(671)**	(468)
RETAINED EARNINGS, END OF YEAR		**$ 7,935**	$ 5,276

See accompanying Notes to Consolidated Financial Statements.

EnCana Corporation

CONSOLIDATED BALANCE SHEET (unaudited)

(US$ millions)		**As at December 31, 2004**	As at December 31, 2003
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 602**	$ 113
Accounts receivable and accrued revenues		**1,898**	1,165
Risk management	*(Note 14)*	**336**	-
Inventories		**513**	557
Assets of discontinued operations	*(Note 5)*	**156**	781
		3,505	2,616
Property, Plant and Equipment, net	*(Note 4)*	**23,140**	17,770
Investments and Other Assets		**334**	268
Risk Management	*(Note 14)*	**87**	-
Assets of Discontinued Operations	*(Note 5)*	**1,623**	1,545
Goodwill		**2,524**	1,911
	(Note 4)	**$ 31,213**	$ 24,110
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 1,879**	$ 1,348
Income tax payable		**359**	32
Risk management	*(Note 14)*	**241**	-
Liabilities of discontinued operations	*(Note 5)*	**280**	405
Current portion of long-term debt	*(Note 9)*	**188**	287
		2,947	2,072
Long-Term Debt	*(Note 9)*	**7,742**	6,088
Other Liabilities		**118**	21
Risk Management	*(Note 14)*	**192**	-
Asset Retirement Obligation	*(Note 10)*	**611**	383
Liabilities of Discontinued Operations	*(Note 5)*	**102**	112
Future Income Taxes		**5,193**	4,156
		16,905	12,832
Shareholders' Equity			
Share capital	*(Note 11)*	**5,299**	5,305
Share options, net		**10**	55
Paid in surplus		**28**	18
Retained earnings		**7,935**	5,276
Foreign currency translation adjustment		**1,036**	624
		14,308	11,278
		$ 31,213	$ 24,110

See accompanying Notes to Consolidated Financial Statements.

EnCana Corporation

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

(US$ millions)		December 31 Three Months Ended 2004	2003	Year Ended 2004	2003
OPERATING ACTIVITIES					
Net earnings from continuing operations		**$ 1,188**	$ 447	**$ 2,211**	$ 2,142
Depreciation, depletion and amortization		**641**	632	**2,402**	1,989
Future income taxes	*(Note 8)*	**461**	136	**91**	477
Unrealized (gain) loss on risk management	*(Note 14)*	**(662)**	-	**190**	-
Unrealized foreign exchange gain	*(Note 7)*	**(163)**	(141)	**(285)**	(545)
Accretion of asset retirement obligation	*(Note 10)*	**6**	3	**22**	17
Gain on dispositions	*(Note 6)*	**(78)**	(1)	**(113)**	(1)
Other		**36**	27	**87**	56
Cash flow from continuing operations		**1,429**	1,103	**4,605**	4,135
Cash flow from discontinued operations		**62**	151	**375**	324
Cash flow		**1,491**	1,254	**4,980**	4,459
Net change in other assets and liabilities		**(105)**	(2)	**(176)**	(84)
Net change in non-cash working capital from continuing operations		**1,857**	(416)	**1,455**	(568)
Net change in non-cash working capital from discontinued operations		**(1,955)**	96	**(1,668)**	497
		1,288	932	**4,591**	4,304
INVESTING ACTIVITIES					
Business combination with Tom Brown, Inc.	*(Note 3)*	**-**	-	**(2,335)**	-
Capital expenditures	*(Note 4)*	**(1,509)**	(1,406)	**(4,817)**	(4,627)
Proceeds on disposal of assets	*(Note 4)*	**72**	282	**1,144**	301
Dispositions (acquisitions)	*(Note 6)*	**99**	-	**386**	(91)
Equity investments		**(5)**	(3)	**47**	(6)
Net change in investments and other		**70**	17	**45**	(15)
Net change in non-cash working capital from continuing operations		**77**	-	**(21)**	(113)
Discontinued operations		**1,891**	(240)	**1,292**	822
		695	(1,350)	**(4,259)**	(3,729)
FINANCING ACTIVITIES					
Net issuance of revolving long-term debt		**287**	26	**72**	288
Issuance of long-term debt		**-**	500	**3,761**	500
Repayment of long-term debt		**(1,005)**	-	**(2,759)**	(142)
Issuance of common shares	*(Note 11)*	**97**	19	**281**	114
Purchase of common shares	*(Note 11)*	**(774)**	(186)	**(1,004)**	(868)
Dividends on common shares		**(46)**	(36)	**(183)**	(139)
Other		**6**	(8)	**(5)**	(13)
Discontinued operations		**-**	-	**-**	(282)
		(1,435)	315	**163**	(542)
DEDUCT: FOREIGN EXCHANGE LOSS ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY		**6**	1	**6**	10
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**542**	(104)	**489**	23
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**60**	217	**113**	90
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 602**	$ 113	**$ 602**	$ 113

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

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 for, and production and marketing of, natural gas, crude oil and natural gas liquids, as well as natural gas storage, 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, 2003, except as noted below. 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, 2003.

2. CHANGE IN ACCOUNTING POLICIES AND PRACTICES

Consolidation of Variable Interest Entities

On November 1, 2004, the Company retroactively adopted the new Canadian Institute of Chartered Accountants' ("CICA") Accounting Guideline 15 ("AcG - 15") "Consolidation of Variable Interest Entities". The guideline defines a variable interest entity ("VIE") as a legal entity in which either the total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by other parties or the equity owners lack a controlling financial interest. The guideline requires the enterprise which absorbs the majority of a VIE's expected gains or losses, the primary beneficiary, to consolidate the VIE

There was no effect on the Company's Consolidated Financial Statements prior to the adoption of the guideline on November 1, 2004. Subsequent to November 1, 2004, the Company became the primary beneficiary of a VIE. At December 31, 2004, the Company has consolidated the results for this entity as described in Note 4.

Hedging Relationships

On January 1, 2004, the Company adopted the amendments made to the CICA Accounting Guideline 13 (“AcG - 13”) “Hedging Relationships”, and Emerging Issues Committee Abstract 128 ("EIC 28") “Accounting for Trading, Speculative or Non Trading Derivative Financial Instruments”. Derivative instruments that do not qualify as a hedge under AcG - 13, or are not designated as a hedge, are recorded in the Consolidated Balance Sheet as either an asset or liability with changes in fair value recognized in net earnings. The Company elected not to designate any of its risk management activities in place at December 31, 2003 as accounting hedges under AcG - 13 and, accordingly, has accounted for all these non-hedging derivatives using the mark-to-market accounting method. The impact on the Company’s Consolidated Financial Statements at January 1, 2004 resulted in the recognition of risk management assets with a fair value o $145 million, risk management liabilities with a fair value of $380 million and a net deferred loss of $235 million which will be recognized into net earnings as the contracts expire. At December 31, 2004, a net unrealized gain remains to be recognized over the next four years as follows:

	Unrealized Gain	
2005		
Quarter 1	$	-
Quarter 2		14
Quarter 3		9
Quarter 4		9
Total to be recognized in 2005	$	32
2006	$	24
2007		15
2008		1
Total to be recognized in 2006 through to 2008	$	40
Total to be recognized	$	72
Total to be recognized - Continuing Operations	$	73
Total to be recognized - Discontinued Operations		(1)
	$	72

At December 31, 2004, the remaining deferred gains related to continuing operations totalled $73 million of which $11 million was recorded in Accounts receivable and accrued revenues, $4 million in Investments and other assets, $44 million in Accounts payable and accrued liabilities and $44 million in Other liabilities.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

3. BUSINESS COMBINATION WITH TOM BROWN, INC.

In May 2004, the Company completed the tender offer for the common shares of Tom Brown, Inc., a Denver based independent energy company, for total cash consideration of $2.3 billion plus the assumption of $406 million of long-term debt.

The business combination has been accounted for using the purchase method with the results of operations of Tom Brown, Inc. included in the Consolidated Financial Statements from the date of acquisition.

The calculation of the purchase price and the allocation to assets and liabilities is shown below.

Calculation of Purchase Price		
Cash paid for common shares of Tom Brown, Inc.	$	2,341
Transaction costs		13
Total purchase price	$	2,354
Plus: Fair value of liabilities assumed		
Current liabilities		224
Long-term debt		406
Other non-current liabilities		39
Future income taxes		774
Total Purchase Price and Liabilities Assumed	$	3,797
Fair Value of Assets Acquired		
Current assets (including cash acquired of $19 million)	$	425
Property, plant and equipment, net		2,890
Other non-current assets		9
Goodwill		473
Total Fair Value of Assets Acquired	$	3,797

Included in current assets as Assets held for sale is $263 million related to the value of certain oil and gas properties located in west Texas and New Mexico and the assets of Sauer Drilling Company, a subsidiary of Tom Brown, Inc., for which the Company has entered into purchase and sale agreements. These sales were completed on July 30, 2004.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

4. SEGMENTED INFORMATION

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

- Upstream includes the Company's exploration for, and development and production of, natural gas, crude oil and natural gas liquids and other related activities. The majority of the Company's Upstream operations are located in Canada and the United States. International new venture exploration is mainly focused on opportunities in Africa, South America, the Middle East and Greenland.
- Midstream & Market Optimization is conducted by the Midstream & Marketing division. Midstream includes natural gas storage, natural gas liquids processing and power generation. The Marketing groups' primary responsibility is the sale of the Company's proprietary production. The results are included in the Upstream segment. Correspondingly, the Marketing groups also undertake market optimization activities which comprise third party purchases and sales of product that provide operational flexibility for transportation commitments, product type, delivery points and customer diversification. These activities are reflected in the Midstream & Market Optimization segment.
- Corporate includes unrealized gains or losses recorded on derivative instruments. Once amounts are settled, the realized gains and losses are recorded in the operating segment to which the derivative instrument relates.

Midstream & Market Optimization purchases substantially all of the Company's North American Upstream production. Transactions between business segments are based on market values and eliminated on consolidation. The tables in this note present financial information on an after eliminations basis.

Operations that have been discontinued are disclosed in Note 5.

Results of Continuing Operations (For the three months ended December 31)

	Upstream		Midstream & Market Optimization	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 2,003**	$ 1,462	**$ 1,543**	$ 1,177
Expenses				
Production and mineral taxes	**95**	50	**-**	-
Transportation and selling	**102**	132	**7**	11
Operating	**286**	213	**101**	83
Purchased product	**-**	-	**1,367**	1,049
Depreciation, depletion and amortization	**614**	596	**10**	27
Segment Income	**$ 906**	$ 471	**$ 58**	$ 7

	Corporate		Consolidated	
	2004	2003	**2004**	2003
Revenues, Net of Royalties *	**$ 662**	$ -	**$ 4,208**	$ 2,639
Expenses				
Production and mineral taxes	**-**	-	**95**	50
Transportation and selling	**-**	-	**109**	143
Operating	**3**	-	**390**	296
Purchased product	**-**	-	**1,367**	1,049
Depreciation, depletion and amortization	**17**	9	**641**	632
Segment Income	**$ 642**	$ (9)	**1,606**	469
Administrative			**61**	52
Interest, net			**113**	81
Accretion of asset retirement obligation			**6**	3
Foreign exchange gain			**(204)**	(161)
Stock-based compensation			**3**	6
Gain on dispositions			**(78)**	(1)
			(99)	(20)
Net Earnings Before Income Tax			**1,705**	489
Income tax expense			**517**	42
Net Earnings From Continuing Operations			**$ 1,188**	**$** 447

* Corporate revenue primarily reflects unrealized gains or losses recorded on derivative instruments. See also Note 14.

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

4. SEGMENTED INFORMATION (continued)

Results of Continuing Operations (For the three months ended December 31)

Upstream	Canada		United States	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 1,313**	$ 1,131	**$ 628**	$ 298
Expenses				
Production and mineral taxes	**26**	23	**69**	27
Transportation and selling	**75**	102	**27**	30
Operating	**180**	160	**39**	17
Depreciation, depletion and amortization	**455**	422	**145**	82
Segment Income	**$ 577**	$ 424	**$ 348**	$ 142

	Other		Total Upstream	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 62**	$ 33	**$ 2,003**	$ 1,462
Expenses				
Production and mineral taxes	**-**	-	**95**	50
Transportation and selling	**-**	-	**102**	132
Operating	**67**	36	**286**	213
Depreciation, depletion and amortization	**14**	92	**614**	596
Segment Income	**$ (19)**	$ (95)	**$ 906**	$ 471

Midstream & Market Optimization	Midstream		Market Optimization		Total Midstream & Market Optimization	
	2004	2003	**2004**	2003	**2004**	2003
Revenues	**$ 569**	$ 438	**$ 974**	$ 739	**$ 1,543**	$ 1,177
Expenses						
Transportation and selling	**-**	-	**7**	11	**7**	11
Operating	**87**	73	**14**	10	**101**	83
Purchased product	**416**	339	**951**	710	**1,367**	1,049
Depreciation, depletion and amortization	**10**	22	**-**	5	**10**	27
Segment Income	**$ 56**	$ 4	**$ 2**	$ 3	**$ 58**	$ 7

PREPARED IN US$

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

4. SEGMENTED INFORMATION (continued)

Upstream Geographic and Product Information (Continuing Operations) (For the three months ended December 31)

Produced Gas	Produced Gas					
	Canada		United States		Total	
	2004	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 1,041**	$ 862	**$ 578**	$ 275	**$ 1,619**	$ 1,137
Expenses						
Production and mineral taxes	**19**	19	**63**	24	**82**	43
Transportation and selling	**74**	81	**27**	30	**101**	111
Operating	**103**	84	**39**	17	**142**	101
Operating Cash Flow	**$ 845**	$ 678	**$ 449**	$ 204	**$ 1,294**	$ 882

Oil & NGLs	Oil & NGLs					
	Canada		United States		Total	
	2004	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 272**	$ 269	**$ 50**	$ 23	**$ 322**	$ 292
Expenses						
Production and mineral taxes	**7**	4	**6**	3	**13**	7
Transportation and selling	**1**	21	**-**	-	**1**	21
Operating	**77**	76	**-**	-	**77**	76
Operating Cash Flow	**$ 187**	$ 168	**$ 44**	$ 20	**$ 231**	$ 188

Other & Total Upstream	Other		Total Upstream	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 62**	$ 33	**$ 2,003**	$ 1,462
Expenses				
Production and mineral taxes	**-**	-	**95**	50
Transportation and selling	**-**	-	**102**	132
Operating	**67**	36	**286**	213
Operating Cash Flow	**$ (5)**	$ (3)	**$ 1,520**	$ 1,067

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

4. SEGMENTED INFORMATION (continued)

Results of Continuing Operations (For the year ended December 31)

	Upstream		Midstream & Market Optimization	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 7,256**	$ 5,797	**$ 4,749**	$ 3,887
Expenses				
Production and mineral taxes	**311**	164	**-**	-
Transportation and selling	**472**	429	**27**	55
Operating	**1,026**	872	**325**	324
Purchased product	**-**	-	**4,276**	3,455
Depreciation, depletion and amortization	**2,271**	1,900	**70**	48
Segment Income	**$ 3,176**	$ 2,432	**$ 51**	$ 5

	Corporate		Consolidated	
	2004	2003	**2004**	2003
Revenues, Net of Royalties *	**$ (195)**	$ 2	**$ 11,810**	$ 9,686
Expenses				
Production and mineral taxes	**-**	-	**311**	164
Transportation and selling	**-**	-	**499**	484
Operating	**(1)**	-	**1,350**	1,196
Purchased product	**-**	-	**4,276**	3,455
Depreciation, depletion and amortization	**61**	41	**2,402**	1,989
Segment Income	**$ (255)**	$ (39)	**2,972**	2,398
Administrative			**197**	173
Interest, net			**397**	283
Accretion of asset retirement obligation			**22**	17
Foreign exchange gain			**(417)**	(598)
Stock-based compensation			**17**	18
Gain on dispositions			**(113)**	(1)
			103	(108)
Net Earnings Before Income Tax			**2,869**	2,506
Income tax expense			**658**	364
Net Earnings From Continuing Operations			**$ 2,211**	**$** 2,142

* Corporate revenue primarily reflects unrealized gains or losses recorded on derivative instruments. See also Note 14.

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

4. SEGMENTED INFORMATION (continued)

Results of Continuing Operations (For the year ended December 31)

Upstream	Canada		United States	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 5,083**	$ 4,474	**$ 1,941**	$ 1,143
Expenses				
Production and mineral taxes	**87**	56	**224**	108
Transportation and selling	**352**	343	**120**	86
Operating	**685**	642	**119**	60
Depreciation, depletion and amortization	**1,751**	1,511	**475**	293
Segment Income	**$ 2,208**	$ 1,922	**$ 1,003**	$ 596

Transportation and selling for the United States includes a one-time payment of $21 million made in Q2 2004 to terminate a long-term physical delivery contract.

	Other		Total Upstream	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 232**	$ 180	**$ 7,256**	$ 5,797
Expenses				
Production and mineral taxes	**-**	-	**311**	164
Transportation and selling	**-**	-	**472**	429
Operating	**222**	170	**1,026**	872
Depreciation, depletion and amortization	**45**	96	**2,271**	1,900
Segment Income	**$ (35)**	$ (86)	**$ 3,176**	$ 2,432

Midstream & Market Optimization	Midstream		Market Optimization		Total Midstream & Market Optimization	
	2004	2003	**2004**	2003	**2004**	2003
Revenues	**$ 1,450**	$ 1,084	**$ 3,299**	$ 2,803	**$ 4,749**	$ 3,887
Expenses						
Transportation and selling	**-**	-	**27**	55	**27**	55
Operating	**279**	261	**46**	63	**325**	324
Purchased product	**1,071**	762	**3,205**	2,693	**4,276**	3,455
Depreciation, depletion and amortization	**68**	40	**2**	8	**70**	48
Segment Income	**$ 32**	$ 21	**$ 19**	$ (16)	**$ 51**	$ 5

Midstream Depreciation, depletion and amortization includes a $35 million impairment charge made in Q2 2004 on the Company's interest in Oleoducto Trasandino in Argentina and Chile.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

4. SEGMENTED INFORMATION (continued)

Upstream Geographic and Product Information (Continuing Operations) (For the year ended December 31)

Produced Gas	Produced Gas					
	Canada		United States		Total	
	2004	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 3,928**	$ 3,396	**$ 1,776**	$ 1,051	**$ 5,704**	$ 4,447
Expenses						
Production and mineral taxes	**65**	52	**205**	101	**270**	153
Transportation and selling	**296**	274	**120**	86	**416**	360
Operating	**400**	342	**119**	60	**519**	402
Operating Cash Flow	**$ 3,167**	$ 2,728	**$ 1,332**	$ 804	**$ 4,499**	$ 3,532

Transportation and selling for the United States includes a one-time payment of $21 million made in Q2 2004 to terminate a long-term physical delivery contract.

Oil & NGLs	Oil & NGLs					
	Canada		United States		Total	
	2004	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 1,155**	$ 1,078	**$ 165**	$ 92	**$ 1,320**	$ 1,170
Expenses						
Production and mineral taxes	**22**	4	**19**	7	**41**	11
Transportation and selling	**56**	69	**-**	-	**56**	69
Operating	**285**	300	**-**	-	**285**	300
Operating Cash Flow	**$ 792**	$ 705	**$ 146**	$ 85	**$ 938**	$ 790

Other & Total Upstream	Other		Total Upstream	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 232**	$ 180	**$ 7,256**	$ 5,797
Expenses				
Production and mineral taxes	**-**	-	**311**	164
Transportation and selling	**-**	-	**472**	429
Operating	**222**	170	**1,026**	872
Operating Cash Flow	**$ 10**	$ 10	**$ 5,447**	$ 4,332

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

4. SEGMENTED INFORMATION (continued)

Capital Expenditures (Continuing Operations)

	Three Months Ended December 31, 2004	Three Months Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2003
Upstream				
Canada	**$ 742**	$ 911	**$ 3,079**	$ 3,198
United States	**695**	342	**1,549**	968
Other Countries	**30**	15	**79**	78
	1,467	1,268	**4,707**	4,244
Midstream & Market Optimization	**24**	69	**64**	276
Corporate	**18**	69	**46**	107
Total	**$ 1,509**	$ 1,406	**$ 4,817**	$ 4,627

On December 17, 2004, the Company acquired certain natural gas and crude oil properties in Texas for approximately $251 million. The purchase was facilitated by an unrelated party, Brown Ranger LLC, which holds the assets in trust for the Company. Pursuant to the agreement with Brown Ranger LLC, the Company operates the properties, receives all the revenue and pays all of the expenses associated with the properties. The assets will be transferred to the Company at the earlier of June 15, 2005 or upon the disposition of certain natural gas and crude oil properties by the Company. The Company has determined that the relationship with Brown Ranger LLC represents an interest in a VIE and that the Company is the primary beneficiary of the VIE. The Company has consolidated Brown Ranger LLC from the date of acquisition.

In addition to the capital expenditures, during 2004, the Company divested of mature conventional oil and natural gas assets and other property, plant and equipment for proceeds of $1,144 million (2003 - $301 million).

Property, Plant and Equipment and Total Assets

		Property, Plant and Equipment As at December 31, 2004	Property, Plant and Equipment As at December 31, 2003	Total Assets As at December 31, 2004	Total Assets As at December 31, 2003
Upstream		**$ 22,097**	$ 16,757	**$ 26,118**	$ 19,416
Midstream & Market Optimization		**804**	784	**1,904**	1,879
Corporate		**239**	229	**1,412**	489
Assets of Discontinued Operations	*(Note 5)*			**1,779**	2,326
Total		**$ 23,140**	$ 17,770	**$ 31,213**	$ 24,110

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

5. DISCONTINUED OPERATIONS

On December 1, 2004, the Company completed the sale of its 100 percent interest in EnCana (U.K.) Limited for net cash consideration of approximately $2.1 billion. The Company's U.K. operations included crude oil and natural gas interests in the U.K. central North Sea including the Buzzard, Scott and Telford oil fields, as well as other satellite discoveries and exploration licenses. The majority of the Company's revenue in the United Kingdom was earned from a single customer who has a high quality investment grade credit rating. A gain on sale of approximately $1.4 billion was recorded. Accordingly, these operations have been accounted for as discontinued operations.

At December 31, 2004, the Company has decided to divest of its Ecuador operations and such operations have been accounted for as discontinued operations. The Company's Ecuador operations include the 100 percent working interest in the Tarapoa Block, majority operating interest in Blocks 14, 17 and Shiripuno, the non-operated economic interest in Block 15 and the 36.3 percent indirect equity investment in Oleoducto de Crudos Pesados (OCP) Ltd. ("OCP"), which is the owner of a crude oil pipeline in Ecuador that ships crude oil from the producing areas of Ecuador to an export marine terminal. The Company is a shipper on the OCP Pipeline and pays commercial rates for tariffs. The majority of the Company's crude oil produced in Ecuador is sold to a single marketing company. Payments are secured by letters of credit from a major financial institution which has a high quality investment grade credit rating.

In 2003, in two separate transactions, the Company completed the sale of its 13.75 percent working interest and a gross overriding royalty in the Syncrude Joint Venture ("Syncrude") for net cash consideration of $999 million.

On January 2, 2003 and January 9, 2003, the Company completed the sales of its interests in the Cold Lake Pipeline System and Express Pipeline System for total consideration of approximately $1 billion, including assumption of related long-term debt by the purchaser, and recorded an after-tax gain on sale of $169 million.

The following tables present the effect of the discontinued operations on the Consolidated Statement of Earnings:

Consolidated Statement of Earnings	For the three months ended December 31								
	Ecuador		United Kingdom		Syncrude		Midstream - Pipelines	Total	
	2004	2003	**2004**	2003	**2004**	2003	2003	**2004**	2003
Revenues, Net of Royalties	**$ 173**	$ 166	**$ 27**	$ 45	**$ (1)**	$ -	$ -	**$ 199**	$ 211
Expenses									
Production and mineral taxes	**19**	8	**-**	-	**-**	-	-	**19**	8
Transportation and selling	**11**	21	**7**	6	**-**	-	-	**18**	27
Operating	**36**	33	**4**	8	**-**	-	-	**40**	41
Depreciation, depletion and amortization	**66**	72	**25**	21	**-**	-	-	**91**	93
Interest, net	**(2)**	4	**(4)**	-	**-**	-	-	**(6)**	4
Accretion of asset retirement obligation	**-**	-	**-**	1	**-**	-	-	**-**	1
Foreign exchange loss (gain)	**4**	1	**(5)**	(5)	**-**	-	-	**(1)**	(4)
(Gain) loss on dispositions	**-**	-	**(1)**	1	**-**	-	-	**(1)**	1
(Gain) loss on discontinuance	**-**	-	**(1,364)**	-	**2**	-	-	**(1,362)**	-
	134	139	**(1,338)**	32	**2**	-	-	**(1,202)**	171
Net Earnings (Loss) Before Income Tax	**39**	27	**1,365**	13	**(3)**	-	-	**1,401**	40
Income tax (recovery) expense	**(1)**	44	**10**	17	**-**	-	-	**9**	61
Net Earnings (Loss) From Discontinued Operations	**$ 40**	$ (17)	**$ 1,355**	$ (4)	**$ (3)**	$ -	$ -	**$ 1,392**	$ (21)

Included in United Kingdom Revenues, Net of Royalties for the three months ended December 31, 2004 is $43 million related to realized losses on terminated risk management contracts for the United Kingdom crude oil volumes.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

5. DISCONTINUED OPERATIONS (continued)

Consolidated Statement of Earnings

	For the year ended December 31								
	Ecuador		United Kingdom		Syncrude		Midstream - Pipelines	Total	
	2004	2003	**2004**	2003	**2004**	2003	2003	**2004**	2003
Revenues, Net of Royalties	**$ 471**	$ 412	**$ 153**	$ 118	**$ (1)**	$ 87	$ -	**$ 623**	$ 617
Expenses									
Production and mineral taxes	**61**	25	**-**	-	**-**	-	-	**61**	25
Transportation and selling	**60**	45	**36**	16	**-**	2	-	**96**	63
Operating	**125**	83	**36**	18	**-**	46	-	**161**	147
Depreciation, depletion and amortization	**263**	159	**118**	74	**-**	7	-	**381**	240
Interest, net	**(3)**	4	**(9)**	-	**-**	-	-	**(12)**	4
Accretion of asset retirement obligation	**1**	1	**3**	1	**-**	-	-	**4**	2
Foreign exchange loss (gain)	**5**	2	**(2)**	(5)	**-**	-	-	**3**	(3)
(Gain) loss on dispositions	**-**	-	**(1)**	1	**-**	-	-	**(1)**	1
(Gain) loss on discontinuance	**-**	-	**(1,364)**	-	**2**	-	(220)	**(1,362)**	(220)
	512	319	**(1,183)**	105	**2**	55	(220)	**(669)**	259
Net Earnings (Loss) Before Income Tax	**(41)**	93	**1,336**	13	**(3)**	32	220	**1,292**	358
Income tax (recovery) expense	**(8)**	61	**(2)**	20	**-**	8	51	**(10)**	140
Net Earnings (Loss) From Discontinued Operations	**$ (33)**	$ 32	**$ 1,338**	$ (7)	**$ (3)**	$ 24	$ 169	**$ 1,302**	$ 218

Consolidated Balance Sheet

The impact of the discontinued operations in the Consolidated Balance Sheet is as follows:

	As at December 31						
	Ecuador	United Kingdom	Syncrude	Total	Ecuador	United Kingdom	Total
	2004				2003		
Assets							
Cash and cash equivalents	**$ 2**	**$ 12**	**$ -**	**$ 14**	$ 2	$ 33	$ 35
Accounts receivable and accrued revenues	**111**	**13**	**-**	**124**	79	123	202
Risk management	**3**	**-**	**-**	**3**	-	-	-
Inventories	**15**	**-**	**-**	**15**	16	-	16
	131	**25**	**-**	**156**	97	156	253
Property, plant and equipment, net	**1,295**	**-**	**-**	**1,295**	1,254	521	1,775
Investments and other assets	**328**	**-**	**-**	**328**	291	7	298
	$ 1,754	**$ 25**	**$ -**	**$ 1,779**	$ 1,642	$ 684	$ 2,326
Liabilities							
Accounts payable and accrued liabilities	**$ 61**	**$ 32**	**$ 3**	**$ 96**	$ 103	$ 128	$ 231
Income tax payable	**101**	**-**	**-**	**101**	33	-	33
Risk management	**72**	**-**	**-**	**72**	-	-	-
	234	**32**	**3**	**269**	136	128	264
Asset retirement obligation	**22**	**-**	**-**	**22**	19	28	47
Future income taxes	**80**	**11**	**-**	**91**	93	113	206
	336	**43**	**3**	**382**	248	269	517
Net Assets of Discontinued Operations	**$ 1,418**	**$ (18)**	**$ (3)**	**$ 1,397**	$ 1,394	$ 415	$ 1,809

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

5. DISCONTINUED OPERATIONS (continued)

Acquisition / Disposition

On January 31, 2003, the Company acquired the Ecuador interests of Vintage Petroleum Inc. (“Vintage”) for net cash consideration of $116 million. During the fourth quarter of 2003, the Company disposed of its interest in Block 27 in Ecuador for approximately $14 million.

Contingencies

In Ecuador, a subsidiary of the Company has a 40 percent non-operated economic interest in relation to Block 15 pursuant to a contract with a subsidiary of Occidental Petroleum Corporation. During the third quarter, Occidental Petroleum Corporation filed a Form 8-K indicating that its subsidiary had received formal notification from Petroecuador, the state oil company of Ecuador, initiating proceedings to determine if the subsidiary had violated the Hydrocarbons Law and its Participation Contract for Block 15 with Petroecuador and whether such violations constitute grounds for terminating the Participation Contract.

In its Form 8-K, Occidental Petroleum Corporation indicated that it believes it has complied with all material obligations under the Participation Contract and that any termination of the Participation Contract by Ecuador based upon these stated allegations would be unfounded and would constitute an unlawful expropriation under international treaties.

In addition to the above, the Company is proceeding with its arbitration related to value-added tax ("VAT") owed to the Company and is in discussions related to certain income tax matters related to interest deductibility in Ecuador.

6. DISPOSITIONS (ACQUISITIONS)

On December 22, 2004, the Company sold its interest in the Alberta Ethane Gathering System Joint Venture for approximately $108 million, including working capital. A $54 million pre-tax gain was recorded on this sale. On December 15, 2004, the Company sold its 25 percent limited partnership interest in Kingston CoGen Limited Partnership for net cash consideration of $25 million, recording a pre-tax gain on sale of $28 million.

In March 2004, the Company sold its equity investment in a well servicing company for approximately $44 million, recording a pre-tax gain on sale of $34 million.

On February 18, 2004, the Company sold its 53.3 percent interest in Petrovera Resources ("Petrovera") for approximately $287 million, including working capital adjustments. In order to facilitate the transaction, the Company purchased the 46.7 percent interest of its partner for approximately $253 million, including working capital adjustments, and then sold the 100 percent interest in Petrovera for a total of approximately $540 million, including working capital adjustments. In accordance with full cost accounting for oil and gas activities, proceeds were credited to property, plant and equipment.

On July 18, 2003, the Company acquired the common shares of Savannah Energy Inc. ("Savannah") for net cash consideration of $91 million. Savannah's operations are in Texas, USA. This purchase was accounted for using the purchase method with the results reflected in the consolidated results of the Company from the date of acquisition.

Other dispositions of discontinued operations are disclosed in Note 5.

PREPARED IN US$

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

7. FOREIGN EXCHANGE GAIN

	Three Months Ended December 31,		Year Ended December 31,	
	2004	2003	**2004**	2003
Unrealized Foreign Exchange Gain on Translation of U.S. Dollar Debt Issued in Canada	**$ (163)**	$ (141)	**$ (285)**	$ (545)
Realized Foreign Exchange Gains	**(41)**	(20)	**(132)**	(53)
	$ (204)	$ (161)	**$ (417)**	$ (598)

8. INCOME TAXES

The provision for income taxes is as follows:

	Three Months Ended December 31,		Year Ended December 31,	
	2004	2003	**2004**	2003
Current				
Canada	**$ 89**	$ (118)	**$ 594**	$ (136)
United States	**(30)**	29	**(12)**	39
Other	**(3)**	(5)	**(15)**	(16)
Total Current Tax	**56**	(94)	**567**	(113)
Future	**461**	133	**200**	836
Future Tax Rate Reductions *	**-**	3	**(109)**	(359)
Total Future Tax	**461**	136	**91**	477
	$ 517	$ 42	**$ 658**	$ 364

* On March 31, 2004, the Alberta government substantively enacted the income tax rate reduction previously announced in February 2004.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2004	2003	**2004**	2003
Net Earnings Before Income Tax	**$ 1,705**	$ 489	**$ 2,869**	$ 2,506
Canadian Statutory Rate	**39.1%**	41.0%	**39.1%**	41.0%
Expected Income Tax	**667**	200	**1,123**	1,026
Effect on Taxes Resulting from:				
Non-deductible Canadian crown payments	**38**	55	**192**	231
Canadian resource allowance	**(59)**	(52)	**(246)**	(258)
Canadian resource allowance on unrealized risk management losses	**(37)**	-	**(10)**	-
Statutory and other rate differences	**(10)**	(24)	**(55)**	(45)
Effect of tax rate changes	**-**	3	**(109)**	(359)
Non-taxable capital gains	**(50)**	(48)	**(91)**	(119)
Previously unrecognized capital losses	**7**	(48)	**17**	(119)
Tax basis retained on dispositions	**(17)**	-	**(179)**	-
Large corporations tax	**11**	2	**24**	27
Other	**(33)**	(46)	**(8)**	(20)
	$ 517	$ 42	**$ 658**	$ 364
Effective Tax Rate	**30.3%**	8.6%	**22.9%**	14.5%

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

9. LONG-TERM DEBT

	As at December 31, 2004	As at December 31, 2003
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	**$ 1,515**	$ 1,425
Unsecured notes and debentures	**1,309**	1,335
Preferred securities	**-**	252
	2,824	3,012
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	**399**	417
Unsecured notes and debentures	**4,641**	2,713
Preferred securities	**-**	150
	5,040	3,280
Increase in Value of Debt Acquired *	**66**	83
Current Portion of Long-Term Debt	**(188)**	(287)
	$ 7,742	$ 6,088

* 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, approximately 22 years.

To fund the acquisition of Tom Brown, Inc., the Company arranged a $3 billion non-revolving term loan facility with a group of the Company's lenders. At December 31, 2004, the facility has been completely repaid and cancelled.

10. ASSET RETIREMENT OBLIGATION

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties:

	As at December 31, 2004	As at December 31, 2003
Asset Retirement Obligation, Beginning of Year	**$ 383**	$ 288
Liabilities Incurred	**98**	45
Liabilities Settled	**(16)**	(23)
Liabilities Disposed	**(35)**	-
Change in Estimated Future Cash Flows	**124**	-
Accretion Expense	**22**	17
Other	**35**	56
Asset Retirement Obligation, End of Year	**$ 611**	$ 383

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

11. SHARE CAPITAL

(millions)	**December 31, 2004** Number	**December 31, 2004** Amount	December 31, 2003 Number	December 31, 2003 Amount
Common Shares Outstanding, Beginning of Year	**460.6**	**$ 5,305**	478.9	$ 5,511
Shares Issued under Option Plans	**9.7**	**281**	5.5	114
Shares Repurchased	**(20.0)**	**(287)**	(23.8)	(320)
Common Shares Outstanding, End of Year	**450.3**	**$ 5,299**	460.6	$ 5,305

On October 26, 2004, the Company received regulatory approval for a new Normal Course Issuer Bid commencing October 29, 2004. Under this bid, the Company may purchase for cancellation up to 23,114,500 of its Common Shares, representing five percent of the approximately 462.29 million Common Shares outstanding as of the filing of the bid on October 22, 2004. On February 4, 2005, the Company received regulatory approval for an amendment to the Normal Course Issuer Bid which increases the number of shares available for purchase from five percent of the issued and outstanding Common Shares to ten percent of the public float of Common Shares (a total of approximately 46.1 million Common Shares). The current Normal Course Issuer Bid expires on October 28, 2005.

During the quarter, the Company purchased, for cancellation, 14,493,600 Common Shares (Year-to-date - 19,983,600 Common Shares) for total consideration of approximately $774 million (Year-to-date - $1,004 million). Of the total amount paid, $287 million was charged to Share capital, $46 million was charged to Paid in surplus and $671 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 plans are generally fully exercisable after three years and expire five years after the grant date. Options granted under predecessor 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 December 31, 2004:

	Stock Options *(millions)*	**Weighted Average Exercise Price *(C$)***
Outstanding, Beginning of Year	**28.8**	**43.13**
Exercised	**(9.7)**	**36.63**
Forfeited	**(1.0)**	**47.50**
Outstanding, End of Year	**18.1**	**46.29**
Exercisable, End of Year	**10.8**	**45.09**

Range of Exercise Price (C$)	**Outstanding Options** Number of Options Outstanding *(millions)*	**Outstanding Options** Weighted Average Remaining Contractual Life *(years)*	**Outstanding Options** Weighted Average Exercise Price *(C$)*	**Exercisable Options** Number of Options Outstanding *(millions)*	**Exercisable Options** Weighted Average Exercise Price *(C$)*
13.50 to 19.99	0.1	0.2	18.49	0.1	18.49
20.00 to 24.99	0.6	3.5	22.69	0.6	22.69
25.00 to 29.99	0.4	1.3	26.18	0.4	26.18
30.00 to 43.99	0.5	1.7	40.18	0.4	39.93
44.00 to 53.00	16.5	2.4	47.97	9.3	47.87
	18.1	2.4	46.29	10.8	45.09

The Company has recorded stock-based compensation expense in the Consolidated Statement of Earnings for stock options granted to employees and directors in 2003 using the fair-value method. Stock options granted in 2004 have an associated Tandem Share Appreciation Right attached. Compensation expense has not been recorded in the Consolidated Statement of Earnings related to stock options granted prior to 2003. If the Company had applied the fair-value method to options granted prior to 2003, pro forma Net Earnings and Net Earnings per Common Share for the three months ended December 31, 2004 would have been $2,570 million; $5.60 per common share - basic; $5.53 per common share - diluted (2003 - $418 million; $0.90 per common share - basic; $0.90 per common share - diluted). Pro forma Net Earnings and Net Earnings per Common Share for the year ended December 31, 2004 would have been $3,476 million; $7.55 per common share - basic; $7.43 per common share - diluted (2003 - $2,326 million; $4.91 per common share - basic; $4.85 per common share - diluted).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

11. SHARE CAPITAL (continued)

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:

	December 31, 2003
Weighted Average Fair Value of Options Granted *(C$)*	$ 12.21
Risk-Free Interest Rate	3.87%
Expected Lives *(years)*	3.00
Expected Volatility	0.33
Annual Dividend per Share *(C$)*	$ 0.40

12. COMPENSATION PLANS

The tables below outline certain information related to the Company's compensation plans at December 31, 2004. Additional information is contained in Note 16 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2003.

A) Pensions

The following table summarizes the net benefit plan expense:

	Three Months Ended December 31,		Year Ended December 31,	
	2004	2003	**2004**	2003
Current Service Cost	**$ 2**	$ 1	**$ 6**	$ 6
Interest Cost	**5**	3	**14**	12
Expected Return on Plan Assets	**(4)**	(2)	**(12)**	(9)
Plan Amendment	**-**	2	**-**	2
Amortization of Net Actuarial Loss	**1**	1	**4**	4
Amortization of Transitional Obligation	**(1)**	-	**(2)**	(2)
Amortization of Past Service Cost	**1**	(2)	**2**	(1)
Expense for Defined Contribution Plan	**9**	3	**19**	12
Net Benefit Plan Expense	**$ 13**	$ 6	**$ 31**	$ 24

At December 31, 2004, $17 million has been contributed to the pension plans.

B) Share Appreciation Rights ("SAR's")

The following table summarizes the information about SAR's at December 31, 2004:

	Outstanding SAR's	**Weighted Average Exercise Price**
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**1,175,070**	**35.87**
Exercised	**(698,775)**	**35.48**
Forfeited	**(11,040)**	**29.25**
Outstanding, End of Year	**465,255**	**36.61**
Exercisable, End of Year	**465,255**	**36.61**
U.S. Dollar Denominated *(US$)*		
Outstanding, Beginning of Year	**753,417**	**28.98**
Exercised	**(365,647)**	**29.19**
Forfeited	**(1,840)**	**25.29**
Outstanding, End of Year	**385,930**	**28.80**
Exercisable, End of Year	**385,930**	**28.80**

PREPARED IN US$

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

12. COMPENSATION PLANS (continued)

B) Share Appreciation Rights ("SAR's") (continued)

The following table summarizes the information about Tandem SAR's at December 31, 2004:

	Outstanding Tandem SAR's	Weighted Average Exercise Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	-	-
Granted	1,080,450	55.31
Forfeited	(212,950)	54.37
Outstanding, End of Year	867,500	55.54
Exercisable, End of Year	-	-

C) Deferred Share Units ("DSU's")

The following table summarizes the information about DSU's at December 31, 2004:

	Outstanding DSU's	Weighted Average Exercise Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	319,250	48.68
Granted, Directors	58,931	54.04
Units, in Lieu of Dividends	3,208	59.86
Exercised	(6,083)	48.68
Outstanding, End of Year	375,306	49.61
Exercisable, End of Year	293,955	52.55

D) Performance Share Units ("PSU's")

The following table summarizes the information about PSU's at December 31, 2004:

	Outstanding PSU's	Weighted Average Exercise Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	126,283	46.52
Granted	1,690,790	53.95
Forfeited	(169,970)	53.51
Outstanding, End of Year	1,647,103	53.42
Exercisable, End of Year	-	-
U.S. Dollar Denominated *(US$)*		
Outstanding, Beginning of Year	-	-
Granted	250,224	41.12
Forfeited	(25,609)	41.12
Outstanding, End of Year	224,615	41.12
Exercisable, End of Year	-	-

EnCana Corporation
Notes to Consolidated Financial Statements *(unaudited)*
(All amounts in US$ millions unless otherwise specified)

13. PER SHARE AMOUNTS

The following table summarizes the Common Shares used in calculating Net Earnings per Common Share:

	Three Months Ended					Year Ended	
	March 31,	June 30,	September 30,	December 31,		December 31,	
(millions)	2004	2004	2004	**2004**	2003	**2004**	2003
Weighted Average Common Shares Outstanding - Basic	460.9	460.3	461.7	**458.8**	462.3	**460.4**	474.1
Effect of Dilutive Securities	6.2	5.2	4.5	**6.1**	3.6	**7.6**	5.6
Weighted Average Common Shares Outstanding - Diluted	467.1	465.5	466.2	**464.9**	465.9	**468.0**	479.7

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As a means of managing commodity price volatility, the Company has entered into various financial instrument agreements and physical contracts. None of these risk management contracts qualify or have been designated as accounting hedges. The following information presents all positions for financial instruments only.

As discussed in Note 2, on January 1, 2004, the fair value of all outstanding financial instruments that were not considered accounting hedges was recorded in the Consolidated Balance Sheet with an offsetting net deferred loss amount. The deferred loss is recognized into net earnings over the life of the related contracts. Changes in fair value after that time are recorded in the Consolidated Balance Sheet with the associated unrealized gain or loss recorded in net earnings. The estimated fair value of all derivative instruments is based on quoted market prices or, in their absence, third party market indications and forecasts.

The following table presents a reconciliation of the change in the unrealized amounts from January 1, 2004 to December 31, 2004:

		Net Deferred Amounts Recognized on Transition	Fair Market Value	Total Unrealized Gain/(Loss)
Fair Value of Contracts, January 1, 2004	*(Note 2)*	$ 235	$ (235)	$ -
Change in Fair Value of Contracts Still Outstanding at December 31, 2004		-	78	78
Fair Value of Contracts Realized During 2004		(307)	307	-
Fair Value of Contracts Entered into During 2004		-	(339)	(339)
Fair Value of Contracts Outstanding		$ (72)	$ (189)	$ (261)
Premiums Paid on Collars and Options			110	
Fair Value of Contracts Outstanding and Premiums Paid, End of Year			$ (79)	
Amounts Allocated to Continuing Operations		$ (73)	$ (10)	$ (190)
Amounts Allocated to Discontinued Operations		1	(69)	(71)
		$ (72)	$ (79)	$ (261)

The total realized loss recognized in net earnings for the quarter and year-to-date ended December 31, 2004 was $155 million ($227 million, before tax) and $464 million ($686 million, before tax), respectively.

EnCana Corporation
Notes to Consolidated Financial Statements *(unaudited)*
(All amounts in US$ millions unless otherwise specified)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

At December 31, 2004, the remaining net deferred amounts recognized on transition and the risk management amounts are recorded in the Consolidated Balance Sheet as follows:

	As at December 31, 2004
Remaining Deferred Amounts Recognized on Transition	
Accounts receivable and accrued revenues	$ 11
Investments and other assets	4
Accounts payable and accrued liabilities	44
Other liabilities	44
Net Deferred Gain - Continuing Operations	$ 73
Net Deferred Loss - Discontinued Operations	(1)
	$ 72
Risk Management	
Current asset	$ 336
Long-term asset	87
Current liability	241
Long-term liability	192
Net Risk Management Liability - Continuing Operations	$ (10)
Net Risk Management Liability - Discontinued Operations	(69)
	$ (79)

A summary of all unrealized estimated fair value financial positions is as follows:

	As at December 31, 2004
Commodity Price Risk	
Natural gas	$ 107
Crude oil	(143)
Power	2
Foreign Currency Risk	-
Interest Rate Risk	24
Total Fair Value Positions - Continuing Operations	$ (10)
Total Fair Value Positions - Discontinued Operations	(69)
	$ (79)

Information with respect to power, foreign currency risk and interest rate risk contracts in place at December 31, 2003 is disclosed in Note 17 to the Company's annual audited Consolidated Financial Statements. No significant new contracts have been entered into as at December 31, 2004.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Natural Gas

At December 31, 2004, the Company's gas risk management activities from financial contracts had an unrealized gain of $36 million and a fair market value position of $107 million. The contracts were as follows:

	Notional Volumes *(MMcf/d)*	Term	Average Price		Fair Market Value
Sales Contracts					
Fixed Price Contracts					
NYMEX Fixed Price	481	2005	6.72	US$/Mcf	$ 81
Colorado Interstate Gas (CIG)	113	2005	4.87	US$/Mcf	(27)
Other [1]	110	2005	5.21	US$/Mcf	(23)
NYMEX Fixed Price	525	2006	5.66	US$/Mcf	(105)
Colorado Interstate Gas (CIG)	100	2006	4.44	US$/Mcf	(37)
Other [1]	171	2006	4.85	US$/Mcf	(59)
Collars and Other Options					
Purchased NYMEX Put Options	906	2005	5.46	US$/Mcf	29
Other [2]	5	2005	4.57 - 7.23	US$/Mcf	-
NYMEX 3-Way Call Spread	180	2005	5.00/6.69/7.69	US$/Mcf	(13)
Purchased NYMEX Put Options	210	2006	5.00	US$/Mcf	5
Basis Contracts					
Fixed NYMEX to AECO Basis	877	2005	(0.66)	US$/Mcf	70
Fixed NYMEX to Rockies Basis	268	2005	(0.49)	US$/Mcf	19
Other [3]	442	2005	(0.47)	US$/Mcf	4
Fixed NYMEX to AECO Basis	703	2006	(0.65)	US$/Mcf	41
Fixed NYMEX to Rockies Basis	312	2006	(0.57)	US$/Mcf	14
Fixed NYMEX to CIG Basis	279	2006	(0.83)	US$/Mcf	(9)
Other [3]	182	2006	(0.36)	US$/Mcf	2
Fixed Rockies to CIG Basis	12	2007	(0.10)	US$/Mcf	-
Fixed NYMEX to AECO Basis	345	2007-2008	(0.65)	US$/Mcf	17
Fixed NYMEX to Rockies Basis	248	2007-2008	(0.57)	US$/Mcf	14
Fixed NYMEX to CIG Basis	110	2007-2009	(0.68)	US$/Mcf	5
Purchase Contracts					
Fixed Price Contracts					
Waha Purchase	27	2005	5.90	US$/Mcf	(2)
Waha Purchase	23	2006	5.32	US$/Mcf	3
					29
Gas Storage Optimization Financial Positions					2
Gas Marketing Financial Positions [4]					5
Total Unrealized Gain on Financial Contracts					36
Premiums Paid on Options					71
Total Fair Value Positions					$ 107

[1] Other Fixed Price Contracts relate to various price points at San Juan, Waha, Houston Ship Channel ("HSC"), Colorado Interstate Gas ("CIG") and Rockies.

[2] Other Collars and Other Options relate to collars at Permian, San Juan, Waha, CIG, HSC, Mid-Continent, Rockies and Texas Oklahoma.

[3] Other Basis Contracts relate to San Juan, CIG, HSC, Mid-Continent, Waha and Ventura.

[4] The gas marketing activities are part of the daily ongoing operations of the Company's proprietary production management.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Crude Oil

At December 31, 2004, the Company's oil risk management activities from all financial contracts had an unrealized loss of $251 million and a fair market value position of $(212) million. The contracts were as follows:

	Notional Volumes *(bbl/d)*	Term	Average Price *(US$/bbl)*	Fair Market Value
Fixed WTI NYMEX Price	41,000	2005	28.41	$ (209)
Costless 3-Way Put Spread	9,000	2005	20.00/25.00/28.78	(45)
Unwind WTI NYMEX Fixed Price	(4,500)	2005	35.90	11
Purchased WTI NYMEX Call Options	(38,000)	2005	49.76	13
Purchased WTI NYMEX Put Options	35,000	2005	40.00	13
Fixed WTI NYMEX Price	15,000	2006	34.56	(31)
Purchased WTI NYMEX Put Options	22,000	2006	27.36	(2)
				(250)
Crude Oil Marketing Financial Positions [1]				(1)
Total Unrealized Loss on Financial Contracts				(251)
Premiums Paid on Options				39
Total Fair Value Positions				$ (212)
Total Fair Value Positions - Continuing Operations				(143)
Total Fair Value Positions - Discontinued Operations				(69)
				$ (212)

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

15. RECLASSIFICATION

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2004.