

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

(unaudited) (\$ millions, except per share amounts)	June 30				
	Three Months Ended		Six Months Ended		
	2003	2002	2003	2002	
REVENUES, NET OF ROYALTIES AND PRODUCTION TAXES	(Note 3)	\$ 3,194	\$ 2,586	\$ 7,262	\$ 3,647
EXPENSES	(Note 3)				
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)	(Note 5)	(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	(Note 6)	(202)	153	235	235
NET EARNINGS FROM CONTINUING OPERATIONS		1,063	482	2,019	613
NET EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS	(Note 4)	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	(Note 9)				
Basic		\$ 2.23	\$ 1.04	\$ 4.23	\$ 1.71
Diluted		\$ 2.20	\$ 1.02	\$ 4.19	\$ 1.68
NET EARNINGS PER COMMON SHARE	(Note 9)				
Basic		\$ 2.24	\$ 0.99	\$ 4.84	\$ 1.65
Diluted		\$ 2.21	\$ 0.97	\$ 4.79	\$ 1.62

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(unaudited) (\$ 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.

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For the period ended June 30, 2003

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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.

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CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(unaudited)</i> (\$ 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.

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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.

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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

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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.

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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

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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					
	Canada		U.S. Rockies		Crude Oil	
	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.

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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

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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.

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Notes to Consolidated Financial Statements (unaudited)

5. FOREIGN EXCHANGE (GAIN)

(\$ millions)	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

(\$ millions)	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

(\$ millions)	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.

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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

<i>Range of Exercise Price (\$)</i>	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

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For the period ended June 30, 2003

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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

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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.

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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 (bbl/d)	Term	Average Price (US\$/bbl)	Unrecognized Gain/(Loss) (Cdn\$ millions)
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 (bcf)	Price (US\$/mcf)	Unrecognized Gain/(Loss) (Cdn\$ millions)
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.