Consolidated Financial Statements

For the three months and the year ended December 31, 2002

EnCana Corporation

EnCana Corporation

Consolidated Statement of Earnings

(unaudited) ($ millions, except per share amounts)		December 31 Three Months Ended 2002	2001	Year Ended 2002	2001
Revenues, Net of Royalties and Production Taxes	*(Note 4)*	**$ 3,392**	$ 944	**$ 10,011**	$ 4,894
Expenses	*(Note 4)*				
Transportation and selling		**191**	47	**574**	172
Operating		**457**	163	**1,438**	693
Purchased product		**1,131**	283	**3,448**	1,144
Administrative		**76**	6	**187**	83
Interest, net		**177**	24	**419**	45
Foreign exchange loss (gain)	*(Note 8)*	**4**	6	**(20)**	20
Depreciation, depletion and amortization		**743**	261	**2,153**	852
Gain on corporate disposition		**(51)**	-	**(51)**	-
		2,728	790	**8,148**	3,009
Net Earnings Before the Undernoted		**664**	154	**1,863**	1,885
Income tax expense	*(Note 6)*	**239**	65	**618**	631
Distributions on Subsidiary Preferred Securities, net of tax		**9**	-	**20**	-
Net Earnings from Continuing Operations		**416**	89	**1,225**	1,254
Net Earnings (Loss) from Discontinued Operations	*(Note 5)*	**13**	1	**(1)**	33
Net Earnings		**$ 429**	$ 90	**$ 1,224**	$ 1,287
Net Earnings from Continuing Operations per Common Share	*(Note 10)*				
Basic		**$ 0.87**	$ 0.35	**$ 2.92**	$ 4.89
Diluted		**$ 0.86**	$ 0.33	**$ 2.87**	$ 4.77
Net Earnings per Common Share	*(Note 10)*				
Basic		**$ 0.90**	$ 0.35	**$ 2.92**	$ 5.02
Diluted		**$ 0.88**	$ 0.34	**$ 2.87**	$ 4.90

Consolidated Statement of Retained Earnings

(unaudited) ($ millions)		Year Ended December 31 2002	2001
Retained Earnings, Beginning of Year			
As previously reported		**$ 3,689**	$ 3,721
Retroactive adjustment for change in accounting policy	*(Note 2)*	**(59)**	(42)
As restated		**3,630**	3,679
Net Earnings		**1,224**	1,287
Dividends on Common Shares and Other Distributions, net of tax		**(170)**	(1,286)
Other Adjustments		**-**	(50)
Retained Earnings, End of Year		**$ 4,684**	$ 3,630

See accompanying Notes to Consolidated Financial Statements.

EnCana Corporation

Consolidated Balance Sheet

(unaudited) ($ millions)		As at December 31, 2002	2001
Assets			
Current Assets			
Cash and cash equivalents		**$ 212**	$ 963
Accounts receivable and accrued revenue		**2,052**	623
Inventories		**543**	87
Assets of discontinued operations	*(Note 5)*	**1,482**	-
		4,289	1,673
Capital Assets, net	*(Note 4)*	**23,770**	8,162
Investments and Other Assets		**377**	237
Assets of Discontinued Operations	*(Note 5)*	**-**	728
Goodwill	*(Note 3)*	**2,886**	-
	(Note 4)	**$ 31,322**	$ 10,800
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 2,390**	$ 824
Income tax payable		**14**	656
Liabilities of discontinued operations	*(Note 5)*	**825**	-
Short-term debt	*(Note 7)*	**438**	-
Current portion of long-term debt	*(Note 8)*	**212**	160
		3,879	1,640
Long-Term Debt	*(Note 8)*	**7,395**	2,210
Deferred Credits and Other Liabilities		**585**	325
Future Income Taxes		**5,212**	2,060
Liabilities of Discontinued Operations	*(Note 5)*	**-**	586
Preferred Securities of Subsidiary		**457**	-
		17,528	6,821
Shareholders' Equity			
Preferred securities		**126**	126
Share capital	*(Note 9)*	**8,732**	196
Share options, net	*(Note 3)*	**133**	-
Paid in surplus		**61**	27
Retained earnings		**4,684**	3,630
Foreign currency translation adjustment	*(Note 2)*	**58**	-
		13,794	3,979
		$ 31,322	$ 10,800

See accompanying Notes to Consolidated Financial Statements.

EnCana Corporation

Consolidated Statement of Cash Flows

(unaudited) ($ millions, except per share amounts)		December 31 Three Months Ended 2002	2001	Year Ended 2002	2001
Operating Activities					
Net earnings from continuing operations		**$ 416**	$ 89	**$ 1,225**	$ 1,254
Depreciation, depletion and amortization		**743**	261	**2,153**	852
Future income taxes	*(Note 6)*	**396**	23	**667**	134
Other		**(106)**	11	**(266)**	19
Cash flow from continuing operations		**1,449**	384	**3,779**	2,259
Cash flow from discontinued operations		**23**	2	**42**	47
Cash flow		**1,472**	386	**3,821**	2,306
Net change in non-cash working capital from continuing operations		**(524)**	25	**(1,347)**	515
Net change in non-cash working capital from discontinued operations		**18**	23	**97**	(47)
		966	434	**2,571**	2,774
Investing Activities					
Business combination with Alberta Energy Company Ltd.	*(Note 3)*	**-**	-	**(128)**	-
Capital expenditures	*(Note 4)*	**(1,506)**	(661)	**(4,940)**	(1,955)
Proceeds on disposal of capital assets		**190**	4	**566**	47
Corporate (acquisitions) and dispositions		**93**	-	**93**	84
Net change in investments and other		**51**	31	**64**	30
Net change in non-cash working capital from continuing operations		**460**	118	**293**	88
Discontinued operations		**(1)**	(1)	**(10)**	9
		(713)	(509)	**(4,062)**	(1,697)
Financing Activities					
Issuance of short-term debt		**438**	-	**438**	440
Repayment of short-term debt		**-**	(440)	**-**	(690)
Issuance of long-term debt		**892**	1,322	**2,354**	1,566
Repayment of long-term debt		**(1,729)**	(150)	**(1,886)**	(399)
Issuance of common shares		**43**	7	**139**	48
Repurchase of common shares		**-**	(7)	**-**	(7)
Dividends on common shares		**(47)**	(26)	**(167)**	(1,282)
Payments to preferred securities holders		**-**	(1)	**(31)**	(7)
Net change in non-cash working capital from continuing operations		**(7)**	3	**(5)**	1
Discontinued operations		**(4)**	-	**(13)**	-
Other		**(57)**	-	**(82)**	-
		(471)	708	**747**	(330)
Deduct: Foreign Exchange (Gain) Loss on Cash and Cash Equivalents held in Foreign Currency		**-**	(4)	**7**	(19)
(Decrease) Increase in Cash and Cash Equivalents		**(218)**	637	**(751)**	766
Cash and Cash Equivalents, Beginning of Period		**430**	326	**963**	197
Cash and Cash Equivalents, End of Period		**$ 212**	$ 963	**$ 212**	$ 963
Cash Flow per Common Share	*(Note 10)*				
Basic		**$ 3.08**	$ 1.51	**$ 9.15**	$ 9.02
Diluted		**$ 3.03**	$ 1.47	**$ 8.99**	$ 8.81

See accompanying Notes to Consolidated Financial Statements.

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

1. BASIS OF PRESENTATION

The interim Consolidated Financial Statements include the accounts of EnCana Corporation, formerly PanCanadian Energy Corporation ("PanCanadian"), and its subsidiaries (the "Company"), including Alberta Energy Company Ltd. (see Note 3), 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 and crude oil, as well as pipelines, natural gas liquids processing and gas storage 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, 2001, except as described in Note 2. 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, 2001.

2. CHANGES IN ACCOUNTING POLICIES AND PRACTICES

Foreign Currency Translation

At January 1, 2002, the Company retroactively adopted amendments to the Canadian accounting standard for foreign currency translation. As a result of the amendments, all exchange gains and losses on long-term monetary items that do not qualify for hedge accounting are recorded in earnings as they arise. Specifically, the Company is now required to translate long-term debt denominated in U.S. dollars into Canadian dollars at the period end exchange rate with any resulting adjustment recorded in the Consolidated Statement of Earnings or as a foreign currency translation adjustment in the Consolidated Balance Sheet for self-sustaining entities. Previously, these exchange gains and losses were deferred and amortized over the remaining life of the monetary item.

As required by the standard, all prior periods have been restated for the change in accounting policy. The change results in an increase in net earnings of $12 million for the three months ended December 31, 2002 (2001 - $1 million decrease) and an increase in net earnings of $28 million for the year ended December 31, 2002 (2001 - $17 million decrease). The effect of this change on the December 31, 2001 Consolidated Balance Sheet is an increase in long-term debt and a reduction in deferred credits and other liabilities of $92 million, as well as a reduction in investments and other assets and retained earnings of $59 million.

In conjunction with the business combination described in Note 3, the Company reviewed its accounting practices for operations outside of Canada and determined that such operations are self-sustaining. The accounts of self-sustaining foreign subsidiaries are translated using the current rate method, whereby assets and liabilities are translated at period-end exchange rates, while revenues and expenses are translated using average rates for the period. Translation gains and losses relating to the subsidiaries are deferred and included as a separate component of shareholders' equity. Previously, operations outside of Canada were considered to be integrated and translated using the temporal method. Under the temporal method, monetary assets and liabilities were translated at the period-end exchange rate, other assets and liabilities at the historical rates and revenues and expenses at the average monthly rates except depreciation, depletion and amortization, which were translated on the same basis as the related assets.

This change in practice was adopted prospectively beginning April 5, 2002, and results in an increase in net earnings of $9 million for the three months ended December 31, 2002 and an increase of $2 million for the year ended December 31, 2002.

3. BUSINESS COMBINATION WITH ALBERTA ENERGY COMPANY LTD.

On January 27, 2002, PanCanadian and Alberta Energy Company Ltd. (“AEC”) announced plans to combine their companies. The transaction was accomplished through a plan of arrangement (the “Arrangement”) under the Business Corporations Act (Alberta). The Arrangement included a common share exchange, pursuant to which holders of common shares of AEC received 1.472 common shares of PanCanadian for each common share of AEC that they held. After obtaining approvals of the common shareholders and optionholders of AEC and the common shareholders of PanCanadian, the Court of Queen's Bench of Alberta and appropriate regulatory and other authorities, the transaction closed April 5, 2002, and PanCanadian changed its name to EnCana Corporation ("EnCana").

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

3. BUSINESS COMBINATION WITH ALBERTA ENERGY COMPANY LTD. (continued)

This business combination has been accounted for using the purchase method with the results of operations of AEC included in the Consolidated Financial Statements from the date of acquisition. The Arrangement resulted in PanCanadian issuing 218.5 million common shares and a transaction value of $8,714 million. The calculation of the purchase price and the allocation to assets and liabilities acquired as of April 5, 2002 is shown below. Further information related to AEC can be obtained from the audited Consolidated Financial Statements included in the Joint Information Circular concerning the merger of AEC and PanCanadian.

			($ millions)
Calculation of Purchase Price:			
Common Shares issued to AEC shareholders *(millions)*	218.5		
Price of Common Shares *($ per common share)*	38.43		
Value of Common Shares issued		$	8,397
Fair value of AEC share options exchanged for share options of EnCana Corporation ("Share options")			167
Transaction costs			150
Total purchase price			8,714
Plus: Fair value of liabilities assumed			
Current liabilities			1,781
Long-term debt, including Capital Securities			4,843
Project financing debt			604
Preferred securities			458
Other non-current liabilities			193
Future income taxes			2,647
Total Purchase Price and Liabilities Assumed		$	19,240

		($ millions)
Fair Value of Assets Acquired:		
Current assets	$	1,505
Capital assets		14,053
Other non-current assets		605
Goodwill		3,077
Total Fair Value of Assets Acquired	$	19,240

		($ millions)
Goodwill Allocation:		
Onshore North America	$	2,808
Midstream & Marketing		78
		2,886
Discontinued Operations		191
Total Goodwill Allocation	$	3,077

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

4. SEGMENTED INFORMATION

Due to the business combination described in Note 3, the Company has redefined its operations into the following segments.

• Onshore North America includes the Company's North America onshore exploration for, and production of, natural gas, natural gas liquids and crude oil.

• Offshore & International combines the following two divisions:
  • the Offshore & International Operations Division develops the reserves associated with offshore and international discoveries. The Division currently has production in Ecuador and the U.K. central North Sea and major developments in the East Coast of Canada, the Gulf of Mexico and the U.K. central North Sea.
  • the Offshore & New Ventures Exploration Division includes the Company's exploration activity in the Canadian East Coast, the North American frontier region, the Gulf of Mexico, the U.K. central North Sea, the Middle East, Africa, Australia and Latin America.

• 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.

All prior periods have been restated to conform to these definitions. Operations that have been discontinued are disclosed in Note 5.

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

	Onshore North America		Offshore & International		Midstream & Marketing	
($ millions)	**2002**	2001	**2002**	2001	**2002**	2001
Revenues						
Gross revenue	**$ 2,203**	$ 663	**$ 207**	$ 41	**$ 1,352**	$ 325
Royalties and production taxes	**324**	59	**57**	-	**-**	-
Revenues, net of royalties and production taxes	**1,879**	604	**150**	41	**1,352**	325
Expenses						
Transportation and selling	**144**	38	**14**	5	**33**	4
Operating	**296**	110	**43**	6	**118**	47
Purchased product	**-**	-	**-**	-	**1,131**	283
Depreciation, depletion and amortization	**589**	197	**118**	44	**17**	10
Segment Income	**$ 850**	$ 259	**$ (25)**	$ (14)	**$ 53**	$ (19)

	Corporate		Consolidated	
	2002	2001	**2002**	2001
Revenues				
Gross revenue	**$ 11**	$ (26)	**$ 3,773**	$ 1,003
Royalties and production taxes	**-**	-	**381**	59
Revenues, net of royalties and production taxes	**11**	(26)	**3,392**	944
Expenses				
Transportation and selling	**-**	-	**191**	47
Operating	**-**	-	**457**	163
Purchased product	**-**	-	**1,131**	283
Depreciation, depletion and amortization	**19**	10	**743**	261
Gain on corporate disposition	**(51)**	-	**(51)**	-
Segment Income	**43**	(36)	**921**	190
Administrative	**76**	6	**76**	6
Interest, net	**177**	24	**177**	24
Foreign exchange loss	**4**	6	**4**	6
	257	36	**257**	36
Net Earnings Before Income Tax	**(214)**	(72)	**664**	154
Income tax expense	**239**	65	**239**	65
Distributions on Subsidiary Preferred Securities, net of tax	**9**	-	**9**	-
Net Earnings from Continuing Operations	**$ (462)**	$ (137)	**$ 416**	$ 89

4. SEGMENTED INFORMATION (continued)

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

Onshore North America

	Produced Gas and NGLs			
	Canada		U.S. Rockies	
	2002	2001	**2002**	2001
Revenues				
Gross revenue	**$ 1,252**	$ 444	**$ 395**	$ 24
Royalties and production taxes	**176**	25	**92**	7
Revenues, net of royalties and production taxes	**1,076**	419	**303**	17
Expenses				
Transportation and selling	**89**	33	**34**	-
Operating	**133**	49	**21**	5
Operating Cash Flow	**$ 854**	$ 337	**$ 248**	$ 12

	Conventional Crude Oil		Syncrude		Total Onshore North America	
	2002	2001	**2002**	2001	**2002**	2001
Revenues						
Gross revenue	**$ 421**	$ 195	**$ 135**	$ -	**$ 2,203**	$ 663
Royalties and production taxes	**55**	27	**1**	-	**324**	59
Revenues, net of royalties and production taxes	**366**	168	**134**	-	**1,879**	604
Expenses						
Transportation and selling	**20**	5	**1**	-	**144**	38
Operating	**90**	56	**52**	-	**296**	110
Operating Cash Flow	**$ 256**	$ 107	**$ 81**	$ -	**$ 1,439**	$ 456

Offshore & International

	Ecuador		U.K. North Sea		Other		Total Offshore & International	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
Revenues								
Gross revenue	**$ 173**	$ -	**$ 34**	$ 41	**$ -**	$ -	**$ 207**	**$** 41
Royalties and production taxes	**57**	-	**-**	-	**-**	-	**57**	-
Revenues, net of royalties and production taxes	**116**	-	**34**	41	**-**	-	**150**	41
Expenses								
Transportation and selling	**10**	-	**4**	5	**-**	-	**14**	5
Operating	**28**	-	**7**	6	**8**	-	**43**	6
Operating Cash Flow	**$ 78**	$ -	**$ 23**	$ 30	**$ (8)**	$ -	**$ 93**	$ 30

Midstream & Marketing

	Midstream		Marketing		Total Midstream & Marketing	
	2002	2001	**2002**	2001	**2002**	2001
Revenues						
Gross revenue	**$ 328**	$ 39	**$ 1,024**	$ 286	**$ 1,352**	$ 325
Expenses						
Transportation and selling	**-**	-	**33**	4	**33**	4
Operating	**110**	40	**8**	7	**118**	47
Purchased product	**142**	-	**989**	283	**1,131**	283
Operating Cash Flow	**$ 76**	$ (1)	**$ (6)**	$ (8)	**$ 70**	$ (9)

4. SEGMENTED INFORMATION (continued)

Results of Operations (For the years ended December 31)

	Onshore North America		Offshore & International		Midstream & Marketing	
($ millions)	**2002**	2001	**2002**	2001	**2002**	2001
Revenues						
Gross revenue	**$ 6,152**	$ 3,569	**$ 701**	$ 171	**$ 4,133**	$ 1,462
Royalties and production taxes	**809**	303	**180**	-	**-**	-
Revenues, net of royalties and production taxes	**5,343**	3,266	**521**	171	**4,133**	1,462
Expenses						
Transportation and selling	**385**	137	**53**	19	**136**	16
Operating	**952**	429	**135**	17	**351**	247
Purchased product	**-**	-	**-**	-	**3,448**	1,144
Depreciation, depletion and amortization	**1,776**	703	**260**	96	**62**	20
Segment Income	**$ 2,230**	$ 1,997	**$ 73**	$ 39	**$ 136**	$ 35

	Corporate		Consolidated	
	2002	2001	**2002**	2001
Revenues				
Gross revenue	**$ 14**	$ (5)	**$ 11,000**	$ 5,197
Royalties and production taxes	**-**	-	**989**	303
Revenues, net of royalties and production taxes	**14**	(5)	**10,011**	4,894
Expenses				
Transportation and selling	**-**	-	**574**	172
Operating	**-**	-	**1,438**	693
Purchased product	**-**	-	**3,448**	1,144
Depreciation, depletion and amortization	**55**	33	**2,153**	852
Gain on corporate disposition	**(51)**	-	**(51)**	-
Segment Income	**10**	(38)	**2,449**	2,033
Administrative	**187**	83	**187**	83
Interest, net	**419**	45	**419**	45
Foreign exchange (gain) loss	**(20)**	20	**(20)**	20
	586	148	**586**	148
Net Earnings Before Income Tax	**(576)**	(186)	**1,863**	1,885
Income tax expense	**618**	631	**618**	631
Distributions on Subsidiary Preferred Securities, net of tax	**20**	-	**20**	-
Net Earnings from Continuing Operations	**$ (1,214)**	$ (817)	**$ 1,225**	$ 1,254

4. SEGMENTED INFORMATION (continued)

Geographic and Product Information (For the years ended December 31)

Onshore North America

	Produced Gas and NGL's – Canada 2002	Canada 2001	U.S. Rockies 2002	U.S. Rockies 2001
Revenues				
Gross revenue	**$ 3,451**	$ 2,544	**$ 869**	$ 118
Royalties and production taxes	**419**	141	**196**	39
Revenues, net of royalties and production taxes	**3,032**	2,403	**673**	79
Expenses				
Transportation and selling	**235**	112	**91**	-
Operating	**407**	175	**64**	17
Operating Cash Flow	**$ 2,390**	$ 2,116	**$ 518**	$ 62

	Conventional Crude Oil 2002	Conventional Crude Oil 2001	Syncrude 2002	Syncrude 2001	Total Onshore North America 2002	Total Onshore North America 2001
Revenues						
Gross revenue	**$ 1,463**	$ 907	**$ 369**	$ -	**$ 6,152**	$ 3,569
Royalties and production taxes	**190**	123	**4**	-	**809**	303
Revenues, net of royalties and production taxes	**1,273**	784	**365**	-	**5,343**	3,266
Expenses						
Transportation and selling	**55**	25	**4**	-	**385**	137
Operating	**317**	237	**164**	-	**952**	429
Operating Cash Flow	**$ 901**	$ 522	**$ 197**	$ -	**$ 4,006**	$ 2,700

Offshore & International

	Ecuador 2002	Ecuador 2001	U.K. North Sea 2002	U.K. North Sea 2001	Other 2002	Other 2001	Total Offshore & International 2002	Total Offshore & International 2001
Revenues								
Gross revenue	**$ 541**	$ -	**$ 160**	$ 171	**$ -**	$ -	**$ 701**	**$** 171
Royalties and production taxes	**180**	-	**-**	-	**-**	-	**180**	-
Revenues, net of royalties and production taxes	**361**	-	**160**	171	**-**	-	**521**	171
Expenses								
Transportation and selling	**34**	-	**19**	19	**-**	-	**53**	19
Operating	**83**	-	**18**	17	**34**	-	**135**	17
Operating Cash Flow	**$ 244**	$ -	**$ 123**	$ 135	**$ (34)**	$ -	**$ 333**	$ 135

Midstream & Marketing

	Midstream 2002	Midstream 2001	Marketing 2002	Marketing 2001	Total Midstream & Marketing 2002	Total Midstream & Marketing 2001
Revenues						
Gross revenue	**$ 760**	$ 260	**$ 3,373**	$ 1,202	**$ 4,133**	$ 1,462
Expenses						
Transportation and selling	**-**	-	**136**	16	**136**	16
Operating	**331**	228	**20**	19	**351**	247
Purchased product	**265**	-	**3,183**	1,144	**3,448**	1,144
Operating Cash Flow	**$ 164**	$ 32	**$ 34**	$ 23	**$ 198**	$ 55

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

4. SEGMENTED INFORMATION (continued)

Capital Expenditures

	Three Months Ended December 31		Year Ended December 31	
	2002	2001	**2002**	2001
Onshore North America	**$ 997**	$ 454	**$ 3,662**	$ 1,356
Offshore & International	**423**	142	**1,126**	407
Midstream & Marketing	**49**	60	**87**	165
Corporate	**37**	5	**65**	27
Total	**$ 1,506**	$ 661	**$ 4,940**	$ 1,955

Capital and Total Assets

	As at December 31,			
	Capital Assets		Total Assets	
	2002	2001	**2002**	2001
Onshore North America	**$ 18,994**	$ 6,442	**$ 22,977**	$ 6,970
Offshore & International	**3,710**	1,154	**4,023**	1,247
Midstream & Marketing	**874**	458	**2,348**	849
Corporate	**192**	108	**492**	1,006
Assets of Discontinued Operations	**-**	-	**1,482**	728
Total	**$ 23,770**	$ 8,162	**$ 31,322**	$ 10,800

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

5. DISCONTINUED OPERATIONS

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.

On July 9, 2002, the Company announced that it planned to sell its 70% equity investment in the Cold Lake Pipeline System and its 100% interest in the Express Pipeline System. Both crude oil pipeline systems were acquired in the business combination with Alberta Energy Company Ltd. on April 5, 2002 described in Note 3. Accordingly, these operations have been accounted for as discontinued operations. The Company, through indirect wholly owned subsidiaries, is a shipper on the Cold Lake pipeline and the Express system. The financial results for the year ended December 31, 2002 shown below includes tariff revenue of $54 million paid by the Company for services on Express (three months ended - $12 million). On January 2, 2003 and January 9, 2003, the Company announced it had completed the sale of its interest in the Cold Lake Pipeline System and Express Pipeline System for total proceeds of approximately $1.6 billion, including assumption of related long-term debt (see Note 12).

As the wind-down of the merchant energy operation was substantially complete at December 31, 2002, and the midstream pipelines were sold subsequent to year end, all discontinued operations at December 31, 2002 have been classified as current on the Consolidated Balance Sheet.

The following tables present the effect of the discontinued operations on the Consolidated Financial Statements:

Consolidated Statement of Earnings

	For the Three Months Ended December 31					
	Merchant Energy		Midstream - Pipelines		Total	
($ millions)	**2002**	2001	**2002**	2001	**2002**	2001
Revenues	**$ (9)**	$ 736	**$ 63**	$ -	**$ 54**	$ 736
Expenses						
Operating	**-**	-	**25**	-	**25**	-
Purchased product	**(10)**	730	**-**	-	**(10)**	730
Administrative	**1**	3	**-**	-	**1**	3
Interest, net	**-**	-	**8**	-	**8**	-
Depreciation, depletion and amortization	**(1)**	1	**4**	-	**3**	1
Loss on discontinuance	**6**	-	**-**	-	**6**	-
	(4)	734	**37**	-	**33**	734
Net (Loss) Earnings Before Income Tax	**(5)**	2	**26**	-	**21**	2
Income tax expense	**(2)**	1	**10**	-	**8**	1
Net (Loss) Earnings from Discontinued Operations	$ **(3)**	$ 1	$ **16**	$ -	$ **13**	$ 1

	For the Years Ended December 31					
	Merchant Energy		Midstream - Pipelines *		Total	
($ millions)	**2002**	2001	**2002**	2001	**2002**	2001
Revenues	**$ 1,454**	$ 4,085 **	**$ 212**	$ -	**$ 1,666**	$ 4,085
Expenses						
Operating	**-**	-	**78**	-	**78**	-
Purchased product	**1,465**	3,983 **	**-**	-	**1,465**	3,983
Administrative	**35**	43	**-**	-	**35**	43
Interest, net	**-**	-	**30**	-	**30**	-
Foreign exchange (gain)	**-**	-	**(3)**	-	**(3)**	-
Depreciation, depletion and amortization	**-**	4	**27**	-	**27**	4
Loss on discontinuance	**30**	-	**-**	-	**30**	-
	1,530	4,030	**132**	**-**	**1,662**	4,030
Net (Loss) Earnings Before Income Tax	**(76)**	55	**80**	-	**4**	55
Income tax expense (recovery)	**(27)**	22	**32**	-	**5**	22
Net (Loss) Earnings from Discontinued Operations	$ **(49)**	$ 33	$ **48**	$ -	$ **(1)**	$ 33

* Reflects only nine months of earnings as EnCana did not own the pipelines until April 5, 2002.

** Upon review of additional information related to 2001 sales and purchases of natural gas by the U.S. marketing subsidiary, the Company has determined certain revenue and expenses should have been reflected in the financial statements on a net basis rather than included on a gross basis as Revenue and Expenses - Purchased product. The amendment had no effect on net earnings or cash flow but Revenues and Expenses - Purchased product have been reduced by $1,126 million.

EnCana Corporation
Notes to Consolidated Financial Statements *(unaudited)*

5. DISCONTINUED OPERATIONS (continued)

Consolidated Balance Sheet

	As at December 31,					
	Merchant Energy		Midstream - Pipelines		Total	
($ millions)	**2002**	2001	**2002**	2001	**2002**	2001
Assets						
Cash and cash equivalents	**$ -**	$ -	**$ 68**	$ -	**$ 68**	$ -
Accounts receivable and accrued revenue		632	**31**	-	**31**	632
Inventories	**-**	70	**1**	-	**1**	70
	-	702	**100**	-	**100**	702
Capital assets, net	**-**	9	**817**	-	**817**	9
Investments and other assets	**-**	17	**374**	-	**374**	17
Goodwill	**-**	-	**191**	-	**191**	-
	-	728	**1,482**	-	**1,482**	728
Liabilities						
Accounts payable and accrued liabilities	**5**	584	**40**	-	**45**	584
Income tax payable	**-**	-	**17**	-	**17**	-
Current portion of long-term debt	**-**	-	**23**	-	**23**	-
	5	584	**80**	-	**85**	584
Long-term debt	**-**	-	**576**	-	**576**	-
Deferred credits and other liabilities	**-**	2	**-**	-	**-**	2
Future income taxes	**-**	-	**164**	-	**164**	-
	5	586	**820**	-	**825**	586
Net Assets of Discontinued Operations	**$ (5)**	$ 142	**$ 662**	$ -	**$ 657**	$ 142

The above table does not include any financial information for 2001 related to Midstream - Pipelines as EnCana did not own the pipelines being discontinued at that time.

6. INCOME TAXES

	Three Months Ended December 31		Year Ended December 31	
($ millions)	**2002**	2001	**2002**	2001
Provision for Income Taxes				
Current				
Canada	**$ (159)**	$ 50	**$ (30)**	$ 504
United States	**-**	(2)	**(49)**	(9)
Ecuador	**13**	-	**27**	-
United Kingdom	**(12)**	(7)	**-**	-
Other	**1**	1	**3**	2
	(157)	42	**(49)**	497
Future	**396**	23	**667**	134
	$ 239	$ 65	**$ 618**	$ 631

EnCana Corporation
Notes to Consolidated Financial Statements *(unaudited)*

7. SHORT-TERM DEBT

($ millions)	As at December 31, 2002	2001
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	**$ 438**	$ -

At December 31, 2002, one of the Company's subsidiaries had in place short-term debt of $438 million. The borrowing is under a non-revolving credit facility, which has an expiry date of May 2003 with a provision for an extension for a further six months at the option of the lender and upon the request from the subsidiary. This facility was repaid in full subsequent to year end and then cancelled.

8. LONG-TERM DEBT

($ millions)	As at December 31, 2002	2001
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	**$ 1,388**	$ 37
Unsecured notes and debentures	**1,825**	125
	3,213	162
U.S. Dollar Denominated Debt		
U.S. revolving credit and term loan borrowings	**696**	-
U.S. unsecured notes and debentures	**3,608**	2,208
	4,304	2,208
	7,517	2,370
Increase in Value of Debt Acquired	**90**	-
Current Portion of Long-term Debt	**(212)**	(160)
	$ 7,395	$ 2,210

Certain notes and debentures of the Company were acquired in the business combination described in Note 3 and are accounted for at their fair value. The difference between the fair value and the principal amount of the debt acquired is being amortized over the remaining life of the outstanding debt acquired, approximately 24 years.

As required by Canadian generally accepted accounting principles, the Company's U.S. dollar denominated debt is translated into Canadian dollars at the period end exchange rate. Translation gains and losses are recorded in income. The $20 million foreign exchange gain for the year ended December 31, 2002, includes a foreign exchange gain of $34 million ($27 million after tax) related to the translation of U.S. dollar debt. Included in the $4 million foreign exchange loss for the three months ended December 31, 2002, is a foreign exchange gain of $13 million ($10 million after tax) related to the translation of U.S. dollar debt.

On October 16, 2002, the Company announced that it had established October 22, 2002 as the record date for a meeting of Capital Securities holders to consider, and if thought advisable to approve, amendments to the terms of such Capital Securities to provide the Company with the right to call for the early redemption of the Capital Securities, with a face value of $430 million. On November 26, 2002, the holders approved the amendments and on December 9, 2002, the Company redeemed the Capital Securities for total consideration of $495 million, including accrued and unpaid interest of $17 million.

On December 24, 2002, the Company repurchased the US$85 million 7.34% Notes and the US$113 million 6.78% Notes for total consideration of approximately US$226 million, including accrued and unpaid interest.

EnCana Corporation
Notes to Consolidated Financial Statements *(unaudited)*

9. SHARE CAPITAL

(millions)	**December 31, 2002** Number	Amount	December 31, 2001 Number	Amount
Common Shares Outstanding, Beginning of Year	**254.9**	**$ 196**	254.8	$ 148
Shares Issued to AEC Shareholders (Note 3)	**218.5**	**8,397**	-	-
Shares Issued under Option Plans	**5.5**	**139**	1.9	48
Shares Repurchased	**-**	**-**	(0.2)	-
Adjustments due to Canadian Pacific Limited Reorganization	**-**	**-**	(1.6)	-
Common Shares Outstanding, End of Year	**478.9**	**$ 8,732**	254.9	$ 196

The Company has a stock-based compensation plan (EnCana plan) that allows employees 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 EnCana and Canadian Pacific Limited replacement plans expire 10 years from the date the options were granted.

In conjunction with the business combination transaction described in Note 3, options to purchase AEC common shares were replaced with options to purchase common shares of EnCana (AEC replacement plan). The transaction also resulted in these replacement options, along with all options outstanding under the EnCana plan, becoming exercisable after the close of business on April 5, 2002.

The following tables summarize the information about options to purchase common shares at December 31, 2002:

	Share Options (millions)	**Weighted Average Exercise Price ($)**
Outstanding, Beginning of Year	**10.5**	**32.31**
Granted under EnCana Plan	**12.1**	**48.13**
Granted under AEC Replacement Plan	**13.1**	**32.01**
Granted under Directors' Plan	**0.1**	**48.04**
Exercised	**(5.5)**	**25.20**
Forfeited	**(0.7)**	**43.81**
Outstanding, End of Year	**29.6**	**39.74**
Exercisable, End of Year	**17.7**	**34.10**

	Outstanding Options			**Exercisable Options**	
Range of Exercise Price ($)	Number of Options Outstanding *(millions)*	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price *($)*	Number of Options Outstanding *(millions)*	Weighted Average Exercise Price *($)*
13.50 to 19.99	3.5	1.3	18.75	3.5	18.75
20.00 to 24.99	2.1	2.3	22.25	2.1	22.25
25.00 to 29.99	3.2	2.3	26.58	3.2	26.58
30.00 to 43.99	1.9	3.1	38.56	1.7	38.11
44.00 to 53.00	18.9	3.9	47.91	7.2	47.42
	29.6	3.0	39.74	17.7	34.10

9. 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:

($ millions, except per share amounts)	Year Ended December 31 **2002**	2001
Compensation Costs	**80**	39
Net Earnings		
As reported	**1,224**	1,287
Pro forma	**1,144**	1,248
Net Earnings per Common Share		
Basic		
As reported	**2.92**	5.02
Pro forma	**2.73**	4.87
Diluted		
As reported	**2.87**	4.90
Pro forma	**2.68**	4.75

As described above, the acquisition of AEC resulted in all outstanding options at April 5, 2002 becoming fully exercisable. As the stock option expense is normally recognized over the expected life, the early vesting of outstanding options resulted in an acceleration of the compensation cost. As such, a $33 million expense relating to options outstanding at April 5, 2002 was included in the 2002 pro forma earnings above.

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:

	Year Ended December 31 **2002**	2001
Weighted Average Fair Value of Options Granted	**$ 13.31**	$ 13.53
Risk Free Interest Rate	**4.29%**	4.24%
Expected Lives (years)	**3.00**	3.00
Expected Volatility	**0.35**	0.35
Annual Dividend per Share	**$ 0.40**	$ 0.40

10. PER SHARE AMOUNTS

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

	Three Months Ended					Year Ended	
	March 31	June 30	September 30	December 31		December 31	
	2002	2002	2002	**2002**	2001	**2002**	2001
Weighted Average Common Shares Outstanding - Basic	255.3	461.1	476.8	**477.9**	254.8	**417.8**	255.6
Effect of Dilutive Securities	5.7	8.9	5.4	**7.3**	5.8	**7.3**	6.2
Weighted Average Common Shares Outstanding - Diluted	261.0	470.0	482.2	**485.2**	260.6	**425.1**	261.8

The net earnings per common share calculations include the effect of the Distributions on Preferred Securities, net of tax for the three months of $1 million (2001 - $1 million) and for the year to date $3 million (2001 - $4 million).

EnCana Corporation
Notes to Consolidated Financial Statements *(unaudited)*

11. RISK MANAGEMENT

Unrecognized gains (losses) on risk management activities:

($ millions)	**December 31, 2002**
Natural gas	**302**
Crude oil	**(122)**
Gas storage	**(43)**
Natural gas liquids	**(3)**
Power	**(3)**
Foreign currency	**(90)**
Interest rates	**62**
	103

Information with respect to contracts in place at December 31, 2001, is disclosed in Note 17 to the PanCanadian annual audited Consolidated Financial Statements and Note 15 to the AEC annual audited Consolidated Financial Statements.

12. SUBSEQUENT EVENTS

Amalgamation with Alberta Energy Company Ltd.

On January 2, 2003, the Company announced that it had completed its vertical short-form amalgamation with its wholly owned subsidiary AEC effective January 1, 2003. EnCana Corporation is now the successor issuer in respect of AEC's previously issued debt securities, including the Preferred Securities, and will be responsible for all AEC's contractual obligations.

Sale of interests in Cold Lake and Express Pipeline Systems

On January 2, 2003 and January 9, 2003, the Company announced that it had completed its previously announced sales of its interests in the Cold Lake and Express Pipeline Systems for estimated total proceeds of approximately $1.6 billion, including assumption of related long-term debt. Both sales are subject to closing and post-closing adjustments.

Sale of interest in Syncrude Joint Venture

On February 3, 2003, the Company announced it had reached agreement with Canadian Oil Sands Limited to sell a 10 percent interest in the Syncrude Joint Venture for approximately $1.07 billion. The Company has also granted Canadian Oil Sands Limited an option, which expires December 31, 2003, to purchase its remaining 3.75% interest in Syncrude and a gross overriding royalty. If exercised, the option would generate approximately $417 million in additional proceeds.

13. RECLASSIFICATION

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2002.