

PART I

Item 1. Financial Statements

Condensed Consolidated Statement of Earnings *(unaudited)*

(US\$ millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues	<i>(Note 3)</i>			
Product revenues	\$ 646	\$ 641	\$ 2,112	\$ 1,738
Gains (losses) on risk management, net	<i>(35)</i>	96	432	(111)
Market optimization	224	215	614	393
Other	26	27	75	76
Total Revenues	861	979	3,233	2,096
Operating Expenses	<i>(Note 3)</i>			
Production, mineral and other taxes	27	20	80	73
Transportation and processing	<i>199</i>	202	617	715
Operating	132	145	377	446
Purchased product	202	197	565	349
Depreciation, depletion and amortization	210	184	590	675
Impairments	-	-	-	1,396
Accretion of asset retirement obligation	9	12	30	38
Administrative	<i>86</i>	91	168	231
Total Operating Expenses	865	851	2,427	3,923
Operating Income (Loss)	(4)	128	806	(1,827)
Other (Income) Expenses				
Interest	<i>101</i>	99	268	309
Foreign exchange (gain) loss, net	<i>(210)</i>	49	(294)	(307)
(Gain) loss on divestitures, net	<i>(406)</i>	(395)	(405)	(393)
Other (gains) losses, net	<i>(11)</i>	(4)	(46)	(67)
Total Other (Income) Expenses	(526)	(251)	(477)	(458)
Net Earnings (Loss) Before Income Tax	522	379	1,283	(1,369)
Income tax expense (recovery)	<i>228</i>	62	227	(706)
Net Earnings (Loss)	\$ 294	\$ 317	\$ 1,056	\$ (663)
Net Earnings (Loss) per Common Share				
Basic & Diluted	<i>\$ 0.30</i>	\$ 0.37	\$ 1.09	\$ (0.78)
Dividends Declared per Common Share	<i>\$ 0.015</i>	\$ 0.015	\$ 0.045	\$ 0.045
Weighted Average Common Shares Outstanding (millions)				
Basic & Diluted	<i>973.1</i>	858.3	973.1	852.7

Condensed Consolidated Statement of Comprehensive Income *(unaudited)*

(US\$ millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Earnings (Loss)	\$ 294	\$ 317	\$ 1,056	\$ (663)
Other Comprehensive Income (Loss), Net of Tax				
Foreign currency translation adjustment	<i>(97)</i>	36	(172)	(220)
Pension and other post-employment benefit plans	<i>(1)</i>	(1)	(2)	(1)
Other Comprehensive Income (Loss)	(98)	35	(174)	(221)
Comprehensive Income (Loss)	\$ 196	\$ 352	\$ 882	\$ (884)

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet *(unaudited)*

(US\$ millions)	As at September 30, 2017	As at December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 889	\$ 834
Accounts receivable and accrued revenues	635	663
Risk management <i>(Notes 18, 19)</i>	107	-
Income tax receivable	579	426
	2,210	1,923
Property, Plant and Equipment, at cost: <i>(Note 8)</i>		
Oil and natural gas properties, based on full cost accounting		
Proved properties	39,588	39,610
Unproved properties	4,684	5,198
Other	2,312	2,194
Property, plant and equipment	46,584	47,002
Less: Accumulated depreciation, depletion and amortization	(37,890)	(38,863)
Property, plant and equipment, net <i>(Note 3)</i>	8,694	8,139
Other Assets		
Risk Management <i>(Notes 18, 19)</i>	134	138
Deferred Income Taxes	84	16
Goodwill <i>(Notes 3, 4)</i>	1,429	1,658
	2,613	2,779
	<i>(Note 3)</i> \$ 15,164	\$ 14,653
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,347	\$ 1,303
Income tax payable	6	5
Risk management <i>(Notes 18, 19)</i>	17	254
	1,370	1,562
Long-Term Debt <i>(Note 9)</i>	4,197	4,198
Other Liabilities and Provisions <i>(Note 10)</i>	2,159	2,047
Risk Management <i>(Notes 18, 19)</i>	11	35
Asset Retirement Obligation <i>(Note 11)</i>	429	654
Deferred Income Taxes	33	31
	8,199	8,527
Commitments and Contingencies <i>(Note 21)</i>		
Shareholders' Equity		
Share capital - authorized unlimited common shares		
2017 issued and outstanding: 973.1 million shares (2016: 973.0 million shares) <i>(Note 12)</i>	4,757	4,756
Paid in surplus	1,358	1,358
Accumulated deficit	(186)	(1,198)
Accumulated other comprehensive income <i>(Note 13)</i>	1,036	1,210
Total Shareholders' Equity	6,965	6,126
	\$ 15,164	\$ 14,653

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Shareholders' Equity *(unaudited)*

Nine Months Ended September 30, 2017 (US\$ millions)	Share Capital	Paid in Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2016	\$ 4,756	\$ 1,358	\$ (1,198)	\$ 1,210	\$ 6,126
Net Earnings (Loss)	-	-	1,056	-	1,056
Dividends on Common Shares <i>(Note 12)</i>	-	-	(44)	-	(44)
Common Shares Issued Under Dividend Reinvestment Plan <i>(Note 12)</i>	1	-	-	-	1
Other Comprehensive Income (Loss) <i>(Note 13)</i>	-	-	-	(174)	(174)
Balance, September 30, 2017	\$ 4,757	\$ 1,358	\$ (186)	\$ 1,036	\$ 6,965

Nine Months Ended September 30, 2016 (US\$ millions)	Share Capital	Paid in Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2015	\$ 3,621	\$ 1,358	\$ (202)	\$ 1,390	\$ 6,167
Net Earnings (Loss)	-	-	(663)	-	(663)
Dividends on Common Shares <i>(Note 12)</i>	-	-	(38)	-	(38)
Common Shares Issued <i>(Note 12)</i>	986	-	-	-	986
Common Shares Issued Under Dividend Reinvestment Plan <i>(Note 12)</i>	1	-	-	-	1
Other Comprehensive Income (Loss) <i>(Note 13)</i>	-	-	-	(221)	(221)
Balance, September 30, 2016	\$ 4,608	\$ 1,358	\$ (903)	\$ 1,169	\$ 6,232

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(US\$ millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating Activities				
Net earnings (loss)	\$ 294	\$ 317	\$ 1,056	\$ (663)
Depreciation, depletion and amortization	210	184	590	675
Impairments	(Note 8) -	-	-	1,396
Accretion of asset retirement obligation	(Note 11) 9	12	30	38
Deferred income taxes	(Note 7) 227	76	283	(683)
Unrealized (gain) loss on risk management	(Note 19) 76	(41)	(396)	465
Unrealized foreign exchange (gain) loss	(Note 6) (218)	47	(317)	(223)
Foreign exchange on settlements	(Note 6) 18	(4)	27	(89)
(Gain) loss on divestitures, net	(Note 4) (406)	(395)	(405)	(393)
Other	60	56	31	13
Net change in other assets and liabilities	(11)	(6)	(27)	(15)
Net change in non-cash working capital	(Note 20) 98	(60)	(191)	(95)
Cash From (Used in) Operating Activities	357	186	681	426
Investing Activities				
Capital expenditures	(Note 3) (473)	(205)	(1,287)	(779)
Acquisitions	(Note 4) (2)	(67)	(50)	(69)
Proceeds from divestitures	(Note 4) 625	1,107	710	1,113
Net change in investments and other	14	(5)	93	(49)
Cash From (Used in) Investing Activities	164	830	(534)	216
Financing Activities				
Net issuance (repayment) of revolving long-term debt	-	(1,493)	-	(650)
Repayment of long-term debt	(Note 9) -	-	-	(400)
Issuance of common shares	(Note 12) -	981	-	981
Dividends on common shares	(Note 12) (14)	(13)	(43)	(37)
Capital lease payments and other financing arrangements	(Note 10) (21)	(17)	(61)	(49)
Cash From (Used in) Financing Activities	(35)	(542)	(104)	(155)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency				
	8	(1)	12	8
Increase (Decrease) in Cash and Cash Equivalents	494	473	55	495
Cash and Cash Equivalents, Beginning of Period	395	293	834	271
Cash and Cash Equivalents, End of Period	\$ 889	\$ 766	\$ 889	\$ 766
Cash, End of Period	\$ 39	\$ 33	\$ 39	\$ 33
Cash Equivalents, End of Period	850	733	850	733
Cash and Cash Equivalents, End of Period	\$ 889	\$ 766	\$ 889	\$ 766

See accompanying Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation and Principles of Consolidation

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

The interim Condensed Consolidated Financial Statements include the accounts of Encana and entities in which it holds a controlling interest. All intercompany balances and transactions are eliminated on consolidation. Undivided interests in oil and natural gas exploration and production joint ventures and partnerships are consolidated on a proportionate basis. Investments in non-controlled entities over which Encana has the ability to exercise significant influence are accounted for using the equity method.

The interim Condensed Consolidated Financial Statements are prepared in conformity with U.S. GAAP and the rules and regulations of the SEC. Pursuant to these rules and regulations, certain information and disclosures normally required under U.S. GAAP have been condensed or have been disclosed on an annual basis only. Accordingly, the interim Condensed 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, 2016, which are included in Item 8 of Encana's 2016 Annual Report on Form 10-K.

These unaudited interim Condensed Consolidated Financial Statements reflect, in the opinion of Management, all normal and recurring adjustments, with the exception of an out-of-period adjustment as described in Note 6, which are necessary to present fairly the financial position and results of the Company as at and for the periods presented. Interim condensed consolidated financial results are not necessarily indicative of consolidated financial results expected for the fiscal year.

2. Recent Accounting Pronouncements

New Standards Issued Not Yet Adopted

As of January 1, 2018, Encana will be required to adopt ASU 2014-09, "Revenue from Contracts with Customers" under Topic 606 and the related subsequent updates and clarifications issued, which will replace Topic 605, "Revenue Recognition", and other industry-specific guidance in the Accounting Standards Codification. The new standard is based on the principle that revenue is recognized on the transfer of promised goods or services to customers in an amount that reflects the consideration the company expects to be entitled to in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, "Deferral of Effective Date for Revenue from Contracts with Customers", which deferred the effective date of ASU 2014-09. The standard can be applied using either the full retrospective approach or a modified retrospective approach at the date of adoption. Encana has substantially completed evaluating the impact of ASU 2014-09 and currently expects that the standard will not have a material impact on the Company's Consolidated Financial Statements other than enhanced disclosures related to the disaggregation of revenues from contracts with customers, the Company's performance obligations and any significant judgments. Encana intends to adopt the new standard using the modified retrospective approach at the date of adoption.

As of January 1, 2018, Encana will be required to adopt ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". The amendment requires the service cost component to be presented with the related employee compensation costs, while the other components of net benefit costs are required to be presented separately from the service cost component and outside the subtotal of income from operations. In addition, the amendment allows only the service cost to be eligible for capitalization. The amendment will be applied retrospectively and provides certain practical expedients for the presentation of net periodic pension costs and net periodic postretirement benefit cost, while the capitalization of the service cost component will be applied prospectively, at the date of adoption. Encana does not expect the amendment to have a material impact on the Company's Consolidated Financial Statements.

As of January 1, 2019, Encana will be required to adopt ASU 2016-02, “Leases” under Topic 842, which will replace Topic 840 “Leases”. The new standard will require lessees to recognize right-of-use assets and related lease liabilities for all leases, including leases classified as operating leases, on the Consolidated Balance Sheet. The dual classification model was retained for the purpose of subsequent measurement and presentation of leases in the Consolidated Statement of Earnings and Consolidated Statement of Cash Flows. The new standard also expands disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The standard will be applied using a modified retrospective approach and provides for certain practical expedients at the date of adoption. Encana is currently identifying, gathering and analyzing contracts impacted by the adoption of the new standard, as well as evaluating the system requirements for implementation. Although Encana is not able to reasonably estimate the financial impact of ASU 2016-02 at this time, the Company anticipates there will be a material impact on the Company’s Consolidated Financial Statements resulting from the recognition of assets and liabilities related to operating lease activities.

As of January 1, 2020, Encana will be required to adopt ASU 2017-04, “Simplifying the Test for Goodwill Impairment”. The amendment eliminates the second step of the goodwill impairment test which requires the Company to measure the impairment based on the excess amount of the carrying value of the reporting unit’s goodwill over the implied fair value of its goodwill. Under this amendment, the goodwill impairment will be measured based on the excess amount of the reporting unit’s carrying value over its respective fair value. The amendment will be applied prospectively at the date of adoption. Encana is currently in the early stages of reviewing the amendment, but does not expect the amendment to have a material impact on the Company’s Consolidated Financial Statements.

3. Segmented Information

Encana’s reportable segments are determined based on the Company’s operations and geographic locations as follows:

- **Canadian Operations** includes the exploration for, development of, and production of oil, NGLs and natural gas and other related activities within the Canadian cost centre.
- **USA Operations** includes the exploration for, development of, and production of oil, NGLs and natural gas and other related activities within the U.S. cost centre.
- **Market Optimization** is primarily responsible for the sale of the Company’s proprietary production. These results are reported in the Canadian and USA Operations. Market optimization activities include third party purchases and sales of product to provide operational flexibility and cost mitigation for transportation commitments, product type, delivery points and customer diversification. These activities are reflected in the Market Optimization segment. Market Optimization sells substantially all of the Company’s upstream production to third party customers. Transactions between segments are based on market values and are eliminated on consolidation.

Corporate and Other mainly includes unrealized gains or losses recorded on derivative financial instruments. Once the instruments are settled, the realized gains and losses are recorded in the reporting segment to which the derivative instruments relate. Corporate and Other also includes amounts related to sublease rentals.

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

Segment and Geographic Information

	Canadian Operations		USA Operations		Market Optimization	
	2017	2016	2017	2016	2017	2016
Revenues						
Product revenues	\$ 226	\$ 244	\$ 420	\$ 397	\$ -	\$ -
Gains (losses) on risk management, net	25	-	16	55	-	(1)
Market optimization	-	-	-	-	224	215
Other	9	2	1	6	-	-
Total Revenues	260	246	437	458	224	214
Operating Expenses						
Production, mineral and other taxes	6	5	21	15	-	-
Transportation and processing	138	136	31	43	30	22
Operating	36	38	81	93	11	11
Purchased product	-	-	-	-	202	197
Depreciation, depletion and amortization	53	54	139	112	1	-
Impairments	-	-	-	-	-	-
Total Operating Expenses	233	233	272	263	244	230
Operating Income (Loss)	\$ 27	\$ 13	\$ 165	\$ 195	\$ (20)	\$ (16)

	Corporate & Other		Consolidated	
	2017	2016	2017	2016
Revenues				
Product revenues	\$ -	\$ -	\$ 646	\$ 641
Gains (losses) on risk management, net	(76)	42	(35)	96
Market optimization	-	-	224	215
Other	16	19	26	27
Total Revenues	(60)	61	861	979
Operating Expenses				
Production, mineral and other taxes	-	-	27	20
Transportation and processing	-	1	199	202
Operating	4	3	132	145
Purchased product	-	-	202	197
Depreciation, depletion and amortization	17	18	210	184
Impairments	-	-	-	-
Accretion of asset retirement obligation	9	12	9	12
Administrative	86	91	86	91
Total Operating Expenses	116	125	865	851
Operating Income (Loss)	\$ (176)	\$ (64)	(4)	128
Other (Income) Expenses				
Interest			101	99
Foreign exchange (gain) loss, net			(210)	49
(Gain) loss on divestitures, net			(406)	(395)
Other (gains) losses, net			(11)	(4)
Total Other (Income) Expenses			(526)	(251)
Net Earnings (Loss) Before Income Tax			522	379
Income tax expense (recovery)			228	62
Net Earnings (Loss)			\$ 294	\$ 317

Results of Operations (For the nine months ended September 30)

Segment and Geographic Information

	Canadian Operations		USA Operations		Market Optimization	
	2017	2016	2017	2016	2017	2016
Revenues						
Product revenues	\$ 787	\$ 664	\$ 1,325	\$ 1,074	\$ -	\$ -
Gains (losses) on risk management, net	6	122	30	236	-	-
Market optimization	-	-	-	-	614	393
Other	14	6	11	17	-	-
Total Revenues	807	792	1,366	1,327	614	393
Operating Expenses						
Production, mineral and other taxes	16	17	64	56	-	-
Transportation and processing	403	440	141	214	73	65
Operating	89	115	252	293	23	25
Purchased product	-	-	-	-	565	349
Depreciation, depletion and amortization	170	203	368	414	1	-
Impairments	-	493	-	903	-	-
Total Operating Expenses	678	1,268	825	1,880	662	439
Operating Income (Loss)	\$ 129	\$ (476)	\$ 541	\$ (553)	\$ (48)	\$ (46)
			Corporate & Other		Consolidated	
			2017	2016	2017	2016
Revenues						
Product revenues			\$ -	\$ -	\$ 2,112	\$ 1,738
Gains (losses) on risk management, net			396	(469)	432	(111)
Market optimization			-	-	614	393
Other			50	53	75	76
Total Revenues			446	(416)	3,233	2,096
Operating Expenses						
Production, mineral and other taxes			-	-	80	73
Transportation and processing			-	(4)	617	715
Operating			13	13	377	446
Purchased product			-	-	565	349
Depreciation, depletion and amortization			51	58	590	675
Impairments			-	-	-	1,396
Accretion of asset retirement obligation			30	38	30	38
Administrative			168	231	168	231
Total Operating Expenses			262	336	2,427	3,923
Operating Income (Loss)			\$ 184	\$ (752)	806	(1,827)
Other (Income) Expenses						
Interest					268	309
Foreign exchange (gain) loss, net					(294)	(307)
(Gain) loss on divestitures, net					(405)	(393)
Other (gains) losses, net					(46)	(67)
Total Other (Income) Expenses					(477)	(458)
Net Earnings (Loss) Before Income Tax					1,283	(1,369)
Income tax expense (recovery)					227	(706)
Net Earnings (Loss)					\$ 1,056	\$ (663)

Intersegment Information

	Marketing Sales		Market Optimization		Total	
			Upstream Eliminations			
	2017	2016	2017	2016	2017	2016
For the three months ended September 30						
Revenues	\$ 918	\$ 963	\$ (694)	\$ (749)	\$ 224	\$ 214
Operating Expenses						
Transportation and processing	72	65	(42)	(43)	30	22
Operating	11	11	-	-	11	11
Purchased product	854	904	(652)	(707)	202	197
Depreciation, depletion and amortization	1	-	-	-	1	-
Operating Income (Loss)	\$ (20)	\$ (17)	\$ -	\$ 1	\$ (20)	\$ (16)

	Marketing Sales		Market Optimization		Total	
			Upstream Eliminations			
	2017	2016	2017	2016	2017	2016
For the nine months ended September 30						
Revenues	\$ 2,825	\$ 2,365	\$ (2,211)	\$ (1,972)	\$ 614	\$ 393
Operating Expenses						
Transportation and processing	197	219	(124)	(154)	73	65
Operating	23	25	-	-	23	25
Purchased product	2,652	2,167	(2,087)	(1,818)	565	349
Depreciation, depletion and amortization	1	-	-	-	1	-
Operating Income (Loss)	\$ (48)	\$ (46)	\$ -	\$ -	\$ (48)	\$ (46)

Capital Expenditures

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Canadian Operations	\$ 123	\$ 56	\$ 292	\$ 173
USA Operations	347	149	991	605
Market Optimization	1	1	1	1
Corporate & Other	2	(1)	3	-
	\$ 473	\$ 205	\$ 1,287	\$ 779

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

	Goodwill		Property, Plant and Equipment		Total Assets	
	As at		As at		As at	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Canadian Operations	\$ 700	\$ 650	\$ 780	\$ 602	\$ 1,787	\$ 1,542
USA Operations	1,913	2,129	6,363	6,050	9,461	9,535
Market Optimization	-	-	2	2	119	105
Corporate & Other	-	-	1,549	1,485	3,797	3,471
	\$ 2,613	\$ 2,779	\$ 8,694	\$ 8,139	\$ 15,164	\$ 14,653

4. Acquisitions and Divestitures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Acquisitions				
Canadian Operations	\$ -	\$ 1	\$ 31	\$ 1
USA Operations	2	66	19	68
Total Acquisitions	2	67	50	69
Divestitures				
Canadian Operations	(20)	(457)	(26)	(457)
USA Operations	(605)	(650)	(684)	(656)
Total Divestitures	(625)	(1,107)	(710)	(1,113)
Net Acquisitions & (Divestitures)	\$ (623)	\$ (1,040)	\$ (660)	\$ (1,044)

Acquisitions

For the nine months ended September 30, 2017, acquisitions in the Canadian and USA Operations were \$31 million and \$19 million, respectively, which primarily included land purchases with oil and liquids rich potential. During the three and nine months ended September 30, 2016, acquisitions primarily included the purchase of land and property in Eagle Ford with oil and liquids rich potential.

Divestitures

During the three months ended September 30, 2017, divestitures in the USA Operations comprised the sale of the Piceance natural gas assets in northwestern Colorado for proceeds of approximately \$605 million, after closing and other adjustments. During the nine months ended September 30, 2017, divestitures in the USA Operations were \$684 million, which primarily included the sale of the Piceance natural gas assets and the sale of the Tuscaloosa Marine Shale assets in Mississippi and Louisiana.

During the three and nine months ended September 30, 2016, divestitures in the USA Operations were \$650 million and \$656 million, respectively, which primarily included the sale of the DJ Basin assets located in northern Colorado for approximately \$628 million, after closing and other adjustments.

During the three and nine months ended September 30, 2017, divestitures in the Canadian Operations were \$20 million and \$26 million, respectively, which primarily included the sale of certain properties that did not complement Encana's existing portfolio of assets. For the three and nine months ended September 30, 2016, divestitures in the Canadian Operations were \$457 million, which primarily included the sale of the Gordondale assets in Montney located in northwestern Alberta for approximately C\$603 million (\$458 million), after closing adjustments.

Amounts received from the Company's divestiture transactions have been deducted from the respective Canadian and U.S. full cost pools, except for divestitures that result in a significant alteration between capitalized costs and proved reserves in a country cost centre. For divestitures that result in a gain or loss and constitute a business, goodwill is allocated to the divestiture. Accordingly, for the three and nine months ended September 30, 2017, Encana recognized a gain of approximately \$406 million, before tax, on the sale of the Company's Piceance assets in the U.S. cost centre and allocated goodwill of \$216 million. For the three and nine months ended September 30, 2016, Encana recognized a gain of approximately \$397 million, before tax, on the sale of the Company's Gordondale assets in the Canadian cost centre and allocated goodwill of \$32 million.

5. Interest

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest Expense on:				
Debt	\$ 67	\$ 72	\$ 200	\$ 229
The Bow office building	16	16	47	47
Capital leases	6	6	16	18
Other	12	5	5	15
	\$ 101	\$ 99	\$ 268	\$ 309

6. Foreign Exchange (Gain) Loss, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar financing debt issued from Canada	\$ (187)	\$ 44	\$ (265)	\$ (233)
Translation of U.S. dollar risk management contracts issued from Canada	(21)	(1)	(53)	5
Translation of intercompany notes	(10)	4	1	5
	(218)	47	(317)	(223)
Foreign Exchange on Settlements of:				
U.S. dollar financing debt issued from Canada	3	(1)	10	(73)
U.S. dollar risk management contracts issued from Canada	(9)	-	(8)	-
Intercompany notes	15	(3)	17	(16)
Other Monetary Revaluations	(1)	6	4	5
	\$ (210)	\$ 49	\$ (294)	\$ (307)

The unrealized foreign exchange (gain) loss on translation of U.S. dollar financing debt issued from Canada for the nine months ended September 30, 2017 disclosed in the table above includes an out-of-period adjustment recorded during the three months ended June 30, 2017, in respect of unrealized losses on a foreign-denominated capital lease obligation since December 2013. The cumulative impact from December 31, 2013 to June 30, 2017 recognized within foreign exchange (gain) loss in the Company's Condensed Consolidated Statement of Earnings for the nine months ended September 30, 2017 was \$68 million, before tax (\$47 million, after tax). Encana has determined that the adjustment is not material to the Condensed Consolidated Financial Statements for the period ended September 30, 2017 or any prior periods. Accordingly, comparative periods presented in the Condensed Consolidated Financial Statements have not been restated.

7. Income Taxes

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Current Tax				
Canada	\$ -	\$ (15)	\$ (62)	\$ (28)
United States	1	-	2	-
Other Countries	-	1	4	5
Total Current Tax Expense (Recovery)	1	(14)	(56)	(23)
Deferred Tax				
Canada	71	154	91	(204)
United States	101	(98)	122	(706)
Other Countries	55	20	70	227
Total Deferred Tax Expense (Recovery)	227	76	283	(683)
Income Tax Expense (Recovery)	\$ 228	\$ 62	\$ 227	\$ (706)
Effective Tax Rate	43.7%	16.4%	17.7%	51.6%

Encana's interim income tax expense is determined using an estimated annual effective income tax rate applied to year-to-date net earnings before income tax plus the effect of legislative changes and amounts in respect of prior periods. The estimated annual effective income tax rate is impacted by expected annual earnings, income tax related to foreign operations, non-taxable capital gains and losses, tax differences on divestitures and transactions, and partnership tax allocations in excess of funding.

During the nine months ended September 30, 2017, the current income tax recovery was primarily due to the successful resolution of certain tax items previously assessed by the tax authorities relating to prior taxation years. During the three and nine months ended September 30, 2017, the deferred tax expense was primarily due to the changes in the estimated annual effective income tax rate arising from gains recognized on foreign exchange and divestitures, including allocated goodwill. During the nine months ended September 30, 2016, the deferred tax recovery was primarily due to the ceiling test impairments recognized in the Canadian and USA Operations as disclosed in Note 8.

These items noted above resulted in an effective tax rate of 17.7 percent for the nine months ended September 30, 2017, which is lower than the Canadian statutory rate of 27 percent. The effective tax rate for the nine months ended September 30, 2016 exceeded the Canadian statutory tax rate of 27 percent primarily due to the impact of the foreign jurisdictional tax rates relative to the Canadian statutory tax rate applied to jurisdictional earnings.

8. Property, Plant and Equipment, Net

	As at September 30, 2017			As at December 31, 2016		
	Cost	Accumulated DD&A	Net	Cost	Accumulated DD&A	Net
Canadian Operations						
Proved properties	\$ 14,466	\$ (14,053)	\$ 413	\$ 13,159	\$ (12,896)	\$ 263
Unproved properties	322	-	322	285	-	285
Other	45	-	45	54	-	54
	14,833	(14,053)	780	13,498	(12,896)	602
USA Operations						
Proved properties	25,059	(23,079)	1,980	26,393	(25,300)	1,093
Unproved properties	4,362	-	4,362	4,913	-	4,913
Other	21	-	21	44	-	44
	29,442	(23,079)	6,363	31,350	(25,300)	6,050
Market Optimization	7	(5)	2	6	(4)	2
Corporate & Other	2,302	(753)	1,549	2,148	(663)	1,485
	\$ 46,584	\$ (37,890)	\$ 8,694	\$ 47,002	\$ (38,863)	\$ 8,139

Canadian and USA Operations property, plant and equipment include internal costs directly related to exploration, development and construction activities of \$146 million, which have been capitalized during the nine months ended September 30, 2017 (2016 - \$119 million). Included in Corporate and Other are \$63 million (\$58 million as of December 31, 2016) of international property costs, which have been fully impaired.

For the three and nine months ended September 30, 2017, as well as for the three months ended September 30, 2016, the Company did not recognize any ceiling test impairments in the Canadian or U.S. cost centres. For the nine months ended September 30, 2016, the Company recognized before-tax ceiling test impairments of \$493 million in the Canadian cost centre and \$903 million in the U.S. cost centre. The impairments recognized in 2016 are included with accumulated DD&A in the table above and resulted primarily from the decline in the 12-month average trailing prices which reduced proved reserves volumes and values.

The 12-month average trailing prices used in the ceiling test calculations were based on the benchmark prices presented below. The benchmark prices were adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality.

	Oil & NGLs		Natural Gas	
	WTI (\$/bbl)	Edmonton Condensate ⁽²⁾ (C\$/bbl)	Henry Hub (\$/MMBtu)	AECO (C\$/MMBtu)
12-Month Average Trailing Reserves Pricing ⁽¹⁾				
September 30, 2017	49.81	65.30	3.01	2.64
December 31, 2016	42.75	55.39	2.49	2.17
September 30, 2016	41.68	54.07	2.28	2.05

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

⁽²⁾ Edmonton Condensate benchmark price has replaced the previously disclosed Edmonton Light Sweet benchmark price.

Capital Lease Arrangements

The Company has several lease arrangements that are accounted for as capital leases including an office building and an offshore production platform.

As at September 30, 2017, the total carrying value of assets under capital lease was \$47 million (\$51 million as at December 31, 2016), net of accumulated amortization of \$685 million (\$648 million as at December 31, 2016). Liabilities for the capital lease arrangements are included in other liabilities and provisions in the Condensed Consolidated Balance Sheet and are disclosed in Note 10.

Other Arrangement

As at September 30, 2017, Corporate and Other property, plant and equipment and total assets include a carrying value of \$1,267 million (\$1,194 million as at December 31, 2016) related to The Bow office building, which is under a 25-year lease agreement. The Bow asset is being depreciated over the 60-year estimated life of the building. At the conclusion of the 25-year term, the remaining asset and corresponding liability are expected to be derecognized as disclosed in Note 10.

9. Long-Term Debt

	As at September 30, 2017	As at December 31, 2016
U.S. Dollar Denominated Debt		
U.S. Unsecured Notes		
6.50% due May 15, 2019	\$ 500	\$ 500
3.90% due November 15, 2021	600	600
8.125% due September 15, 2030	300	300
7.20% due November 1, 2031	350	350
7.375% due November 1, 2031	500	500
6.50% due August 15, 2034	750	750
6.625% due August 15, 2037 ⁽¹⁾	462	462
6.50% due February 1, 2038 ⁽¹⁾	505	505
5.15% due November 15, 2041 ⁽¹⁾	244	244
Total Principal	4,211	4,211
Increase in Value of Debt Acquired	26	26
Unamortized Debt Discounts and Issuance Costs	(40)	(39)
Current Portion of Long-Term Debt	-	-
	\$ 4,197	\$ 4,198

⁽¹⁾ Notes accepted for purchase in the March 2016 Tender Offers.

As at September 30, 2017, total long-term debt had a carrying value of \$4,197 million and a fair value of \$4,845 million (as at December 31, 2016 - carrying value of \$4,198 million and a fair value of \$4,553 million). The estimated fair value of long-term borrowings is categorized within Level 2 of the fair value hierarchy and has been determined based on market information of long-term debt with similar terms and maturity, or by discounting future payments of interest and principal at interest rates expected to be available to the Company at period end.

On March 16, 2016, Encana announced tender offers (collectively, the “Tender Offers”) for certain of the Company’s outstanding senior notes (collectively, the “Notes”). The Tender Offers were for an aggregate purchase price of \$250 million, excluding accrued and unpaid interest. The consideration for each \$1,000 principal amount of Notes validly tendered and accepted for purchase included an early tender premium of \$30 per \$1,000 principal amount of Notes accepted for purchase, provided the Notes were validly tendered at or prior to the early tender date of March 29, 2016. All Notes validly tendered and accepted for purchase also received accrued and unpaid interest up to the settlement date.

On March 30, 2016, Encana announced an increase in the aggregate purchase price of the Tender Offers to \$400 million, excluding accrued and unpaid interest, and accepted for purchase: i) \$156 million aggregate principal amount of 5.15 percent notes due 2041; ii) \$295 million aggregate principal amount of 6.50 percent notes due 2038; and iii) \$38 million aggregate principal amount of 6.625 percent notes due 2037. The Company paid an aggregate amount of \$406 million, including accrued and unpaid interest of \$6 million and an early tender premium of \$14 million, for Notes accepted for purchase. The Company used cash on hand and borrowings under its revolving credit facility to fund the Tender Offers.

Encana also recognized a gain on the early debt retirement of \$103 million, before tax, representing the difference between the carrying amount of the Notes accepted for purchase and the consideration paid. The gain on the early debt retirement net of the early tender premium totaled \$89 million, which is included in other (gains) losses in the Condensed Consolidated Statement of Earnings.

10. Other Liabilities and Provisions

	As at September 30, 2017	As at December 31, 2016
The Bow Office Building	\$ 1,354	\$ 1,266
Capital Lease Obligations	315	304
Unrecognized Tax Benefits	203	193
Pensions and Other Post-Employment Benefits	123	124
Long-Term Incentive Costs (See Note 16)	129	120
Other Derivative Contracts (See Notes 18, 19)	16	14
Other	19	26
	\$ 2,159	\$ 2,047

The Bow Office Building

As described in Note 8, Encana has recognized the accumulated costs for The Bow office building, which is under a 25-year lease agreement. At the conclusion of the lease term, the remaining asset and corresponding liability are expected to be derecognized. Encana has also subleased approximately 50 percent of The Bow office space under the lease agreement. The total expected future principal and interest payments related to the 25-year lease agreement and the total undiscounted future amounts expected to be recovered from the sublease are outlined below.

	2017	2018	2019	2020	2021	Thereafter	Total
Expected Future Lease Payments	\$ 19	\$ 77	\$ 77	\$ 78	\$ 78	1,380	\$ 1,709
Less: Amounts Representing Interest	16	66	64	64	63	868	1,141
Present Value of Expected Future							
Lease Payments	\$ 3	\$ 11	\$ 13	\$ 14	\$ 15	512	\$ 568
Sublease Recoveries (undiscounted)	\$ (10)	\$ (37)	\$ (37)	\$ (38)	\$ (38)	(680)	\$ (840)

Capital Lease Obligations

As described in Note 8, the Company has several lease arrangements that are accounted for as capital leases including an office building and the Deep Panuke offshore Production Field Centre ("PFC"). Variable interests related to the PFC are described in Note 14.

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

	2017	2018	2019	2020	2021	Thereafter	Total
Expected Future Lease Payments	\$ 24	\$ 99	\$ 99	\$ 99	\$ 87	46	\$ 454
Less: Amounts Representing Interest	5	20	15	10	4	7	61
Present Value of Expected Future							
Lease Payments	\$ 19	\$ 79	\$ 84	\$ 89	\$ 83	39	\$ 393

11. Asset Retirement Obligation

	As at September 30, 2017	As at December 31, 2016
Asset Retirement Obligation, Beginning of Year	\$ 687	\$ 814
Liabilities Incurred and Acquired	9	18
Liabilities Settled and Divested	(267)	(107)
Change in Estimated Future Cash Outflows	-	(99)
Accretion Expense	30	51
Foreign Currency Translation	25	10
Asset Retirement Obligation, End of Period	\$ 484	\$ 687
Current Portion	\$ 55	\$ 33
Long-Term Portion	429	654
	\$ 484	\$ 687

12. Share Capital

Authorized

The Company is authorized to issue an unlimited number of no par value common shares and Class A Preferred Shares limited to a number equal to not more than 20 percent of the issued and outstanding number of common shares at the time of issuance. No Class A Preferred Shares are outstanding.

Issued and Outstanding

	As at September 30, 2017		As at December 31, 2016	
	Number (millions)	Amount	Number (millions)	Amount
Common Shares Outstanding, Beginning of Year	973.0	\$ 4,756	849.8	\$ 3,621
Common Shares Issued	-	-	123.1	1,134
Common Shares Issued Under Dividend Reinvestment Plan	0.1	1	0.1	1
Common Shares Outstanding, End of Period	973.1	\$ 4,757	973.0	\$ 4,756

During the nine months ended September 30, 2017, Encana issued 49,567 common shares totaling \$0.5 million under the Company's dividend reinvestment plan ("DRIP"). During the twelve months ended December 31, 2016, Encana issued 121,249 common shares totaling \$0.9 million under the DRIP.

On September 23, 2016, Encana completed a public offering (the "2016 Share Offering") of 107,000,000 common shares of Encana at a price of \$9.35 per common share for gross proceeds of approximately \$1.0 billion. After deducting underwriters' fees and costs of the 2016 Share Offering, the net cash proceeds received were approximately \$981 million. Pursuant to the 2016 Share Offering, Encana also granted the underwriters an over-allotment option (the "Over-Allotment Option") to purchase up to an additional 16,050,000 common shares at a price of \$9.35 per common share. On October 4, 2016, the Over-Allotment Option was exercised in full for additional gross proceeds of approximately \$150 million. For the year ended December 31, 2016, the aggregate gross proceeds from the 2016 Share Offering, including the Over-Allotment Option, were approximately \$1.15 billion. After deducting underwriters' fees and costs of the 2016 Share Offering, the net cash proceeds received were approximately \$1.13 billion.

Dividends

During the three months ended September 30, 2017, Encana paid dividends of \$0.015 per common share totaling \$15 million (2016 - \$0.015 per common share totaling \$13 million). During the nine months ended September 30, 2017, Encana paid dividends of \$0.045 per common share totaling \$44 million (2016 - \$0.045 per common share totaling \$38 million).

For the three and nine months ended September 30, 2017, the dividends paid included \$0.2 million and \$0.5 million, respectively, in common shares issued in lieu of cash dividends under the DRIP (for the three and nine months ended September 30, 2016 - \$0.2 million and \$0.8 million, respectively).

On November 7, 2017, the Board of Directors declared a dividend of \$0.015 per common share payable on December 29, 2017 to common shareholders of record as of December 15, 2017.

Earnings Per Common Share

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

(US\$ millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Earnings (Loss)	\$ 294	\$ 317	\$ 1,056	\$ (663)
Number of Common Shares:				
Weighted average common shares outstanding - Basic	973.1	858.3	973.1	852.7
Effect of dilutive securities	-	-	-	-
Weighted average common shares outstanding - Diluted	973.1	858.3	973.1	852.7
Net Earnings (Loss) per Common Share				
Basic & Diluted	\$ 0.30	\$ 0.37	\$ 1.09	\$ (0.78)

Encana Stock Option Plan

Encana has share-based compensation plans that allow employees to purchase common shares of the Company. Option exercise prices are not less than the market value of the common shares on the date the options are granted. All options outstanding as at September 30, 2017 have associated Tandem Stock Appreciation Rights (“TSARs”) attached. In lieu of exercising the option, the associated TSARs give the option holder the right to receive a cash payment equal to the excess of the market price of Encana’s common shares at the time of the exercise over the original grant price.

In addition, certain stock options granted are performance-based whereby vesting is also subject to Encana attaining prescribed performance relative to predetermined key measures. Historically, most holders of options with TSARs have elected to exercise their stock options as a Stock Appreciation Right (“SAR”) in exchange for a cash payment. As a result, outstanding TSARs are not considered potentially dilutive securities.

Encana Restricted Share Units (“RSUs”)

Encana has a share-based compensation plan whereby eligible employees are granted RSUs. An RSU is a conditional grant to receive an Encana common share, or the cash equivalent, as determined by Encana, upon vesting of the RSUs and in accordance with the terms of the RSU Plan and Grant Agreement. The Company intends to settle vested RSUs in cash on the vesting date. As a result, RSUs are not considered potentially dilutive securities.

13. Accumulated Other Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Foreign Currency Translation Adjustment				
Balance, Beginning of Period	\$ 1,125	\$ 1,127	\$ 1,200	\$ 1,383
Change in Foreign Currency Translation Adjustment	(97)	36	(172)	(220)
Balance, End of Period	\$ 1,028	\$ 1,163	\$ 1,028	\$ 1,163
Pension and Other Post-Employment Benefit Plans				
Balance, Beginning of Period	\$ 9	\$ 7	\$ 10	\$ 7
Reclassification of Net Actuarial (Gains) and Losses to Net Earnings (See Note 17)	-	(1)	(1)	(1)
Income Taxes	-	-	-	-
Curtailment in Net Defined Periodic Benefit Cost (See Note 17)	(1)	-	(1)	-
Income Taxes	-	-	-	-
Balance, End of Period	\$ 8	\$ 6	\$ 8	\$ 6
Total Accumulated Other Comprehensive Income	\$ 1,036	\$ 1,169	\$ 1,036	\$ 1,169

14. Variable Interest Entities

Production Field Centre

In 2008, Encana entered into a contract for the design, construction and operation of the PFC at its Deep Panuke facility. Upon commencement of operations in December 2013, Encana recognized the PFC as a capital lease asset. Under the lease contract, Encana has a purchase option and the option to extend the lease for 12 one-year terms at fixed prices after the initial lease term expires in 2021.

As a result of the purchase option and fixed price renewal options, Encana has determined it holds variable interests and that the related leasing entity qualifies as a variable interest entity (“VIE”). Encana is not the primary beneficiary of the VIE as the Company does not have the power to direct the activities that most significantly impact the VIE’s economic performance. Encana is not required to provide any financial support or guarantees to the leasing entity or its affiliates, other than the contractual payments under the lease and operating agreements. Encana’s maximum exposure is the expected lease payments over the initial contract term. As at September 30, 2017, Encana had a capital lease obligation of \$332 million (\$299 million as at December 31, 2016) related to the PFC.

Veresen Midstream Limited Partnership

Veresen Midstream Limited Partnership (“VMLP”) provides gathering, compression and processing services under various agreements related to the Company’s development of liquids and natural gas production in the Montney play. As at September 30, 2017, VMLP provides approximately 630 MMcf/d of natural gas gathering and compression and 652 MMcf/d of natural gas processing under long-term service agreements with remaining terms ranging from up to 15 to 28 years and have various renewal terms providing up to a potential maximum of 10 years.

Encana has determined that VMLP is a VIE and that Encana holds variable interests in VMLP. Encana is not the primary beneficiary as the Company does not have the power to direct the activities that most significantly impact VMLP’s economic performance. These key activities relate to the construction, operation, maintenance and marketing of the assets owned by VMLP. The variable interests arise from certain terms under the various long-term service agreements and include: i) a take or pay for volumes in certain agreements; ii) an operating fee of which a portion can be converted into a fixed fee once VMLP assumes operatorship of certain assets; and iii) a potential payout of minimum costs in certain agreements. The potential payout of minimum costs will be assessed in the eighth year of the assets’ service period and is based on whether there is an overall shortfall of total system cash flows from natural gas gathered and compressed under certain agreements. The potential payout amount can be reduced in the event VMLP markets unutilized capacity to third party users. Encana is not required to provide any financial support or guarantees to VMLP.

As a result of Encana's involvement with VMLP, the maximum total exposure, which represents the potential exposure to Encana in the event the assets under the agreements are deemed worthless, is estimated to be \$2,245 million as at September 30, 2017. The estimate comprises the take or pay volume commitments and the potential payout of minimum costs. The take or pay volume commitments associated with certain gathering and processing assets are included in Note 21 under Transportation and Processing. The potential payout requirement is highly uncertain as the amount is contingent on future production estimates, pace of development and the amount of capacity contracted to third parties. As at September 30, 2017, there were no accounts payable and accrued liabilities outstanding related to the take or pay commitment.

15. Restructuring Charges

In February 2016, Encana announced workforce reductions to better align staffing levels and the organizational structure with the Company's reduced capital spending program. During 2016, Encana incurred total restructuring charges of \$34 million, before tax, primarily related to severance costs. As at September 30, 2017, all restructuring costs have been paid.

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

	As at September 30, 2017	As at December 31, 2016
Outstanding Restructuring Accrual, Beginning of Year	\$ 7	\$ 13
Current Period Restructuring Expenses Incurred	-	34
Restructuring Costs Paid	(7)	(40)
Outstanding Restructuring Accrual, End of Period	\$ -	\$ 7

16. Compensation Plans

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

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

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

	As at September 30, 2017		As at September 30, 2016	
	US\$ Share Units	C\$ Share Units	US\$ Share Units	C\$ Share Units
Risk Free Interest Rate	1.53%	1.53%	0.49%	0.49%
Dividend Yield	0.51%	0.53%	0.57%	0.58%
Expected Volatility Rate ⁽¹⁾	59.35%	55.21%	56.11%	52.27%
Expected Term	1.6 yrs	1.7 yrs	1.6 yrs	1.8 yrs
Market Share Price	US\$11.78	C\$14.69	US\$10.47	C\$13.71

⁽¹⁾ Volatility was estimated using historical rates.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Total Compensation Costs of Transactions Classified as Cash-Settled	\$ 91	\$ 68	\$ 84	\$ 114
Less: Total Share-Based Compensation Costs Capitalized	(30)	(15)	(30)	(25)
Total Share-Based Compensation Expense (Recovery)	\$ 61	\$ 53	\$ 54	\$ 89
Recognized on the Condensed Consolidated Statement of Earnings in:				
Operating	\$ 18	\$ 18	\$ 18	\$ 31
Administrative	43	35	36	58
	\$ 61	\$ 53	\$ 54	\$ 89

As at September 30, 2017, the liability for share-based payment transactions totaled \$247 million (\$208 million as at December 31, 2016), of which \$118 million (\$88 million as at December 31, 2016) is recognized in accounts payable and accrued liabilities and \$129 million (\$120 million as at December 31, 2016) is recognized in other liabilities and provisions in the Condensed Consolidated Balance Sheet.

	As at September 30, 2017	As at December 31, 2016
Liability for Cash-Settled Share-Based Payment Transactions:		
Unvested	\$ 204	\$ 171
Vested	43	37
	\$ 247	\$ 208

The following units were granted primarily in conjunction with the Company's February annual long-term incentive award. The TSARs and SARs were granted at the volume-weighted average trading price of Encana's common shares for the five days prior to the grant date.

Nine Months Ended September 30, 2017 (thousands of units)

TSARs	850
SARs	349
PSUs	1,979
DSUs	148
RSUs	4,893

17. Pension and Other Post-Employment Benefits

The Company has recognized total benefit plans expense which includes pension benefits and other post-employment benefits (“OPEB”) for the nine months ended September 30 as follows:

	Pension Benefits		OPEB		Total	
	2017	2016	2017	2016	2017	2016
Net Defined Periodic Benefit Cost	\$ -	\$ (1)	\$ 1	\$ 10	\$ 1	\$ 9
Defined Contribution Plan Expense	17	21	-	-	17	21
Total Benefit Plans Expense	\$ 17	\$ 20	\$ 1	\$ 10	\$ 18	\$ 30

Of the total benefit plans expense, \$18 million (2016 - \$23 million) was included in operating expense, \$6 million (2016 - \$7 million) was included in administrative expense and a gain of \$6 million (2016 - nil) was included in other (gains) losses, net.

The net defined periodic benefit cost for the nine months ended September 30 is as follows:

	Defined Benefits		OPEB		Total	
	2017	2016	2017	2016	2017	2016
Service Cost	\$ 1	\$ 1	\$ 6	\$ 8	\$ 7	\$ 9
Interest Cost	6	6	2	3	8	9
Expected Return on Plan Assets	(7)	(8)	-	-	(7)	(8)
Amounts Reclassified from Accumulated Other Comprehensive Income:						
Amortization of net actuarial (gains) and losses	-	-	(1)	(1)	(1)	(1)
Curtailment	-	-	(1)	-	(1)	-
Curtailment	-	-	(5)	-	(5)	-
Total Net Defined Periodic Benefit Cost	\$ -	\$ (1)	\$ 1	\$ 10	\$ 1	\$ 9

18. Fair Value Measurements

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturity of those instruments.

Recurring fair value measurements are performed for risk management assets and liabilities and other derivative contracts, as discussed further in Note 19. These items are carried at fair value in the Condensed Consolidated Balance Sheet and are classified within the three levels of the fair value hierarchy in the following tables. There have been no significant transfers between the hierarchy levels during the period.

Fair value changes and settlements for amounts related to risk management assets and liabilities are recognized in revenues, transportation and processing expense, and foreign exchange gains and losses according to their purpose.

	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽¹⁾	Carrying Amount
As at September 30, 2017						
Risk Management Assets						
Commodity Derivatives:						
Current assets	\$ -	\$ 133	\$ -	\$ 133	\$ (57)	\$ 76
Long-term assets	-	90	-	90	(14)	76
Foreign Currency Derivatives:						
Current assets	-	31	-	31	-	31
Long-term assets	-	8	-	8	-	8
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	\$ 10	\$ 59	\$ 5	\$ 74	\$ (57)	\$ 17
Long-term liabilities	1	22	2	25	(14)	11
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	\$ -	\$ 5	\$ -	\$ 5	\$ -	\$ 5
Long-term in other liabilities and provisions	-	16	-	16	-	16

	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽¹⁾	Carrying Amount
As at December 31, 2016						
Risk Management Assets						
Commodity Derivatives:						
Current assets	\$ -	\$ 11	\$ -	\$ 11	\$ (11)	\$ -
Long-term assets	-	19	-	19	(3)	16
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	\$ -	\$ 228	\$ 36	\$ 264	\$ (11)	\$ 253
Long-term liabilities	-	38	-	38	(3)	35
Foreign Currency Derivatives:						
Current liabilities	-	1	-	1	-	1
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	\$ -	\$ 5	\$ -	\$ 5	\$ -	\$ 5
Long-term in other liabilities and provisions	-	14	-	14	-	14

⁽¹⁾ Netting to offset derivative assets and liabilities where the legal right and intention to offset exists, or where counterparty master netting arrangements contain provisions for net settlement.

The Company's Level 1 and Level 2 risk management assets and liabilities consist of commodity fixed price contracts, NYMEX three-way options, NYMEX costless collars, NYMEX call options, foreign currency swaps and basis swaps with terms to 2023. Level 2 also includes financial guarantee contracts as discussed in Note 19. The fair values of these contracts are based on a market approach and are estimated using inputs which are either directly or indirectly observable at the reporting date, such as exchange and other published prices, broker quotes and observable trading activity.

Level 3 Fair Value Measurements

As at September 30, 2017, the Company's Level 3 risk management assets and liabilities consist of WTI three-way options and WTI costless collars with terms to 2018. The WTI three-way options are a combination of a sold call, bought put and a sold put. The WTI costless collars are a combination of a sold call and a bought put. These contracts allow the Company to participate in the upside of commodity prices to the ceiling of the call option and provide the Company with complete (collars)

or partial (three-way) downside price protection through the put options. The fair values of the WTI three-way options and WTI costless collars are based on the income approach and are modelled using observable and unobservable inputs such as implied volatility. The unobservable inputs are obtained from third parties whenever possible and reviewed by the Company for reasonableness.

A summary of changes in Level 3 fair value measurements for the nine months ended September 30 is presented below:

	Risk Management	
	2017	2016
Balance, Beginning of Year	\$ (36)	\$ 16
Total Gains (Losses)	20	4
Purchases, Sales, Issuances and Settlements:		
Settlements	9	(18)
Transfers Out of Level 3 ⁽¹⁾	-	(10)
Balance, End of Period	\$ (7)	\$ (8)
Change in Unrealized Gains (Losses) Related to Assets and Liabilities Held at End of Period	\$ 8	\$ (6)

⁽¹⁾ The Company's policy is to recognize transfers out of Level 3 on the date of the event of change in circumstances that caused the transfer.

Quantitative information about unobservable inputs used in Level 3 fair value measurements is presented below:

	Valuation Technique	Unobservable Input	As at	As at
			September 30, 2017	December 31, 2016
Risk Management - WTI Options	Option Model	Implied Volatility	18% - 56%	18% - 64%

A 10 percent increase or decrease in implied volatility for the WTI options would cause a corresponding \$1 million (\$3 million as at December 31, 2016) increase or decrease to net risk management assets and liabilities.

19. Financial Instruments and Risk Management

A) Financial Instruments

Encana's financial assets and liabilities are recognized in cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities, risk management assets and liabilities, other liabilities and provisions and long-term debt.

B) Risk Management Activities

Encana uses derivative financial instruments to manage its exposure to cash flow variability from commodity prices, electricity costs and fluctuating foreign currency exchange rates. The Company does not apply hedge accounting to any of its derivative financial instruments. As a result, gains and losses from changes in the fair value are recognized in net earnings.

Commodity Price Risk

Commodity price risk arises from the effect fluctuations in future commodity prices may have on future cash flows. To partially mitigate exposure to commodity price risk, the Company has entered into various derivative financial instruments. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors. The Company's policy is to not use derivative financial instruments for speculative purposes.

Crude Oil and NGLs - To partially mitigate crude oil and NGL commodity price risk, the Company uses WTI-based and Mont Belvieu-based contracts such as fixed price contracts, options and costless collars. Encana also enters into basis swaps to manage against widening price differentials between various production areas and benchmark price points.

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

Power - The Company has entered into Canadian dollar denominated derivative contracts to manage its electricity consumption costs.

Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign currency exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. To partially mitigate the effect of foreign exchange fluctuations on future commodity revenues and expenses, the Company may enter into foreign currency derivative contracts. As at September 30, 2017, Encana had \$135 million notional U.S. dollar denominated currency swaps at an average exchange rate of US\$0.7503 to C\$1 maturing monthly through the remainder of 2017 and \$350 million notional U.S. dollar denominated currency swaps at an average exchange rate of US\$0.7359 to C\$1 maturing monthly through 2018.

Risk Management Positions as at September 30, 2017

	Notional Volumes	Term	Average Price	Fair Value
Crude Oil and NGL Contracts			US\$/bbl	
Fixed Price Contracts				
WTI Fixed Price	33.0 Mbbls/d	2017	52.27	\$ 1
WTI Fixed Price	59.2 Mbbls/d	2018	52.95	24
Butane Fixed Price	2.5 Mbbls/d	2017	36.12	(2)
WTI Three-Way Options				
Sold call / bought put / sold put	25.0 Mbbls/d	2017	61.40 / 49.95 / 39.40	2
WTI Three-Way Options				
Sold call / bought put / sold put	10.0 Mbbls/d	2018	54.19 / 45.00 / 35.00	(7)
WTI Costless Collars				
Sold call / bought put	30.0 Mbbls/d	2017	56.05 / 46.22	(1)
WTI Costless Collars				
Sold call / bought put	10.0 Mbbls/d	2018	57.08 / 45.00	(1)
Basis Contracts ⁽¹⁾		2017 - 2020		(20)
Crude Oil and NGLs Fair Value Position				(4)
Natural Gas Contracts			US\$/Mcf	
Fixed Price Contracts				
NYMEX Fixed Price	405 MMcf/d	2017	3.13	3
NYMEX Fixed Price	650 MMcf/d	2018	3.07	6
NYMEX Three-Way Options				
Sold call / bought put / sold put	300 MMcf/d	2017	3.07 / 2.75 / 2.27	(2)
NYMEX Costless Collars				
Sold call / bought put	160 MMcf/d	2017	3.57 / 2.96	1
NYMEX Call Options				
Sold call price	230 MMcf/d	2018	3.75	(8)
Sold call price	230 MMcf/d	2019	3.75	(9)
Basis Contracts ⁽²⁾				
		2017		13
		2018		60
		2019		39
		2020 - 2023		25
Natural Gas Fair Value Position				128
Other Derivative Contracts				
Fair Value Position				(21)
Foreign Currency Contracts				
Fair Value Position ⁽³⁾		2017 - 2018		39
Total Fair Value Position				\$ 142

⁽¹⁾ Encana has entered into swaps to protect against widening Midland, Magellan East Houston, Louisiana Light Sweet and Edmonton Condensate differentials to WTI.

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

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

Earnings Impact of Realized and Unrealized Gains (Losses) on Risk Management Positions

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Realized Gains (Losses) on Risk Management				
Commodity and Other Derivatives:				
Revenues ⁽¹⁾	\$ 41	\$ 54	\$ 36	\$ 358
Transportation and processing	-	-	(4)	(4)
Foreign Currency Derivatives:				
Foreign exchange	9	-	8	-
	\$ 50	\$ 54	\$ 40	\$ 354
Unrealized Gains (Losses) on Risk Management				
Commodity and Other Derivatives:				
Revenues ⁽²⁾	\$ (76)	\$ 42	\$ 396	\$ (469)
Transportation and processing	-	(1)	-	4
Foreign Currency Derivatives:				
Foreign exchange	14	-	40	-
	\$ (62)	\$ 41	\$ 436	\$ (465)
Total Realized and Unrealized Gains (Losses) on Risk Management, net				
Commodity and Other Derivatives:				
Revenues ⁽¹⁾⁽²⁾	\$ (35)	\$ 96	\$ 432	\$ (111)
Transportation and processing	-	(1)	(4)	-
Foreign Currency Derivatives:				
Foreign exchange	23	-	48	-
	\$ (12)	\$ 95	\$ 476	\$ (111)

⁽¹⁾ Includes realized gains of \$2 million and \$5 million for the three and nine months ended September 30, 2017, respectively, (2016 - gains of \$1 million and \$4 million, respectively) related to other derivative contracts.

⁽²⁾ Includes unrealized losses of nil and \$1 million for the three and nine months ended September 30, 2017, respectively, (2016 - nil and nil, respectively) related to other derivative contracts.

Reconciliation of Unrealized Risk Management Positions from January 1 to September 30

	2017		2016	
	Fair Value	Total Unrealized Gain (Loss)	Total Unrealized Gain (Loss)	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	\$ (292)			
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	476	\$ 476	\$ (111)	
Settlement of Other Derivative Contracts	5			
Fair Value of Other Derivative Contracts Entered into During the Period	(7)			
Fair Value of Contracts Realized During the Period	(40)	(40)	(354)	
Fair Value of Contracts, End of Period	\$ 142	\$ 436	\$ (465)	

Risk management assets and liabilities arise from the use of derivative financial instruments and are measured at fair value. See Note 18 for a discussion of fair value measurements.

Unrealized Risk Management Positions

	As at September 30, 2017	As at December 31, 2016
Risk Management Assets		
Current	\$ 107	\$ -
Long-term	84	16
	191	16
Risk Management Liabilities		
Current	17	254
Long-term	11	35
	28	289
Other Derivative Contracts		
Current in accounts payable and accrued liabilities	5	5
Long-term in other liabilities and provisions	16	14
Net Risk Management Assets (Liabilities) and Other Derivative Contracts	\$ 142	\$ (292)

C) Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. While exchange-traded contracts are subject to nominal credit risk due to the financial safeguards established by the New York Stock Exchange and Toronto Stock Exchange, over-the-counter traded contracts expose Encana to counterparty credit risk. This credit risk exposure is mitigated through the use of credit policies approved by the Board of Directors governing the Company's credit portfolio including credit practices that limit transactions according to counterparties' credit quality. Mitigation strategies may include master netting arrangements, requesting collateral and/or transacting credit derivatives. The Company executes commodity derivative financial instruments under master agreements that have netting provisions that provide for offsetting payables against receivables. As a result of netting provisions, the Company's maximum exposure to loss under derivative financial instruments due to credit risk is limited to the net amounts due from the counterparties under the derivative contracts, as disclosed in Note 18. As at September 30, 2017, the Company had no significant credit derivatives in place and held no collateral.

As at September 30, 2017, cash equivalents include high-grade, short-term securities, placed primarily with financial institutions and companies with strong investment grade ratings. Any foreign currency agreements entered into are with major financial institutions that have investment grade credit ratings.

A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. As at September 30, 2017, approximately 92 percent (90 percent as at December 31, 2016) of Encana's accounts receivable and financial derivative credit exposures were with investment grade counterparties.

As at September 30, 2017, Encana had three counterparties whose net settlement position individually accounted for more than 10 percent of the fair value of the outstanding in-the-money net risk management contracts by counterparty. As at September 30, 2017, these counterparties accounted for 49 percent, 11 percent and 10 percent of the fair value of the outstanding in-the-money net risk management contracts. As at December 31, 2016, Encana had one counterparty whose net settlement position accounted for 84 percent of the fair value of the outstanding in-the-money net risk management contracts.

During 2015 and 2017, Encana entered into agreements resulting from divestitures, which may require Encana to fulfill certain payment obligations on the take or pay volume commitments assumed by the purchasers. The circumstances that would require Encana to perform under the agreements include events where a purchaser fails to make payment to the guaranteed party and/or a purchaser is subject to an insolvency event. The agreements have remaining terms from four to seven years with a fair value recognized of \$21 million as at September 30, 2017 (\$19 million as at December 31, 2016). The maximum potential amount of undiscounted future payments is \$375 million as at September 30, 2017, and is considered unlikely.

20. Supplementary Information

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

A) Net Change in Non-Cash Working Capital

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating Activities				
Accounts receivable and accrued revenues	\$ (34)	\$ 28	\$ 69	\$ 154
Accounts payable and accrued liabilities	(82)	(59)	(253)	(250)
Income tax receivable and payable	214	(29)	(7)	1
	\$ 98	\$ (60)	\$ (191)	\$ (95)

B) Non-Cash Activities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Non-Cash Investing Activities				
Asset retirement obligation incurred (See Note 11)	\$ 3	\$ 2	\$ 9	\$ 6
Property, plant and equipment accruals	(18)	(23)	60	(76)
Capitalized long-term incentives (See Note 16)	30	15	30	25
Property additions/dispositions	28	30	193	85
Non-Cash Financing Activities				
Common shares issued under dividend reinvestment plan (See Note 12)	\$ 1	\$ -	\$ 1	\$ 1

21. Commitments and Contingencies

Commitments

The following table outlines the Company's commitments as at September 30, 2017:

(undiscounted)	Expected Future Payments							Total
	2017	2018	2019	2020	2021	Thereafter		
Transportation and Processing	\$ 120	\$ 525	\$ 599	\$ 573	\$ 452	\$ 2,761	\$ 5,030	
Drilling and Field Services	101	79	34	18	8	-	240	
Operating Leases	4	18	16	16	15	61	130	
Total	\$ 225	\$ 622	\$ 649	\$ 607	\$ 475	\$ 2,822	\$ 5,400	

Included within transportation and processing in the table above are certain commitments associated with midstream service agreements with VMLP as described in Note 14. Divestiture transactions can reduce certain commitments disclosed above.

Contingencies

Encana is involved in various legal claims and actions arising in the normal course of the Company's operations. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on Encana's financial position, cash flows or results of operations. Management's assessment of these matters may change in the future as certain of these matters are in early stages or are subject to a number of uncertainties. For material matters that the Company believes an unfavourable outcome is reasonably possible, the Company discloses the nature and a range of potential exposures. If an unfavourable outcome were to occur, there exists the possibility of a material impact on the Company's consolidated net earnings or loss for the period in which the effect becomes reasonably estimable. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. Such accruals are based on the Company's information known about the matters, estimates of the outcomes of such matters and experience in handling similar matters.