HUSKY ENERGY

SECOND QUARTER 2016 CONFERENCE CALL & WEBCAST TRANSCRIPT

Date: **Friday, July 22, 2016**

Time: **9:00 AM MT**

Speakers:

Asim Ghosh
President and Chief Executive Officer

Jonathan McKenzie
Chief Financial Officer

Robert Peabody
Chief Operating Officer

Bob Baird
Senior Vice President, Downstream

Dan Cuthbertson
Director, Communications and Investor Relations

OPERATOR:

Welcome to the Husky Energy Q2 2016 Conference Call and Webcast. As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star and zero.

I would now like to turn the conference over to Mr. Dan Cuthbertson, Director, Investor Relations and Communications. Please go ahead.

DAN CUTHBERTSON:

Good morning and thanks for joining us. I'm here with CEO Asim Ghosh; COO Rob Peabody; CFO Jon McKenzie; and Bob Baird, our Senior Vice President from Downstream. We will provide an overview of our second quarter results and then open the line for questions.

Today's call will include forward-looking information. The various risk factors and assumptions are outlined in this morning's news release and can be found in our annual filings on SEDAR, EDGAR and on our website. All figures are in Canadian dollars and before royalties unless otherwise stated.

Asim will now start us off.

ASIM GHOSH:

Thanks Dan. Thank you all for joining us. This quarter represents a milestone moment for Husky as the elements of the transformation we initiated six years ago are now largely in place.

At the strategic level, we have fortified our balance sheet, reduced our earnings breakeven oil price and reduced our sustaining and maintenance capital requirements. On the Operations side, we have brought on several major projects. We have transitioned our Lloyd Heavy Oil business into a Thermal growth engine. We have developed two tightly integrated value chains, the Lloyd Value Chain and the Sunrise Value Chain, to build further capacity and flexibility to capture additional margins. The Western Canada rejuvenation is nearly complete. In the Asia Pacific region we continue to build out a material business as we near the finish line on our first Indonesian development, and while I'm still on Asia Pacific, let me update you on Liwan progress. We've had very constructive discussions with our partner CNOOC and the outcome has been a framework for resolution. I expect to be in a position to provide fuller details very soon.

Finally, in the Atlantic region, production has been stabilized with additional satellite extensions providing a bridge to the next potential phase of growth.

At the macro industry level, while oil market equilibrium remains elusive and the timing of a supply/demand balance is still unclear, today, Husky, within that market is a highly resilient business, better positioned to generate free cash even in this lower-for-longer oil price environment.

In very short order, we completed several transactions that have reduced our debt by almost $3 billion and have given us a rock-solid balance sheet. At the same time, these asset sales have advanced several strategic objectives. Starting with the Midstream deal, which we recently closed, the new limited partnership will reduce our overall infrastructure spending requirements for new thermal growth while preserving our tight integration, and this includes providing the Midstream takeaway capacity for another eight Lloyd Thermal Projects, which are a key growth engine of the Company.

In Western Canada, our business has been further rejuvenated by the sale of about 25,700 barrels per day equivalent of non-core production for approximately $1.2 billion, which is good value, particularly so in today's market.

As a result of these transactions, we are reducing our sustaining capital requirements by almost $60 million per year. At the same time, we are lowering our ARO by $1.7 billion over the life of the assets on an undiscounted basis. We are now focused on fewer more material plays that provide competitive investment options. The nature of these plays is such that investment can be dialled up or dialled down as required to quickly respond to changing commodity price environments.

We spoke with many of you at our recent Investor Day where we talked about the transformation of our portfolio; I'll take a moment to look under the hood. Our focus on higher quality production over the past six years has significantly improved the resilience of the

Company. We've been investing in projects that have lower operating costs and improved margins, longer reserve lives and require less capital to maintain production. By the end of this year, more than 40% of our overall production is expected to come from these types of projects compared to just 8% in 2010.

The cornerstone of this production is our growing Lloyd Thermal portfolio. We have seen some significant progress in this quarter with the start-up of three additional projects at Edam East, Vawn and Edam West. Once fully ramped up, these projects represent more than 24,000 barrels per day of newer, high quality production.

Here's one way to think about our Lloyd Thermals at current pricing. One barrel of Lloyd Thermal production has the same netback as about two barrels of the best Fort Mac SAGD. The primary reason for this of course is that our Lloyd Thermals produce a lower viscosity oil, that oil gets a superior price realization, and also the project itself has lower operating costs. So therefore, at today's prices, our Lloyd Thermal production of about 100,000 barrels a day at year-end provides about the same total netback margin as almost 200,000 barrels a day of Fort Mac SAGD. With another 18 of these projects in the wings waiting to advance over time, representing an additional 150,000 barrels per day potential, that value becomes even more compelling.

Meanwhile, to maintain our focused integration and capture incremental margins out of our growing Lloyd Thermal and Sunrise production, we are progressing three brownfield development projects in our Downstream business. At the Lima Refinery, we are in the initial stages of a crude oil flexibility project, which will improve our processing capacity to handle our growing Lloyd Thermal production. We expect to increase our initial capacity by about 8,000 barrels a day by the end of this year, and add an additional 32,000 barrels per day of this heavy oil processing capability by 2018.

At our partner-operated Toledo Refinery, we have completed upgrades to increase the amount of bitumen we can take from Sunrise, and we are evaluating opportunities to grow our Asphalt business, which is ripe for expansion with consistently strong margins at any oil price.

The outputs of a higher quality production are lower earnings and cash flow breakevens, and a significantly improved cost structure. We've seen operating costs come down, but in our case, the bigger price is the sustainable reductions we have achieved through the structural changes in our portfolio. Our sustaining and maintenance capital costs are expected to be around $1.8 billion Upstream and $700 million Downstream for a total of $2.5 billion this year, down from a historical average of $3 billion. These costs are expected to decrease further with continued improvements in the quality of production.

Husky's evolution and the results achieved to date are transformational for the Company. Subject to business conditions, by the end of this year our overall earnings breakeven will be sub-USD$40 WTI. In regard to cash flow, at a WTI oil price in the mid-30s, we can generate enough cash to maintain our current production levels. The bottom line is that we are in a much better position to generate free cash flow, and looking at the overall portfolio, we are not a monochromatic company and as such cannot truly be defined by any one project or any one business segment.

Thermal technology has turned the Heavy Oil business into an incredibly resilient growth engine; Western Canada has been transformed to focus on fewer, more material short-cycle plays; we have built up two highly-integrated value chains in our Downstream business that support Lloyd Thermal and Sunrise production to capture additional margins; Oil Sands and Asia-Pacific are raw (phon) material businesses, each with substantial growth prospects over the long term at Sunrise and in Indonesia; and our Atlantic region continues to deliver steady, high netback production with a bridge to the next stage of the growth.

Now I'll ask Jon to pick up more specifically on Q2 financials.

JONATHAN MCKENZIE:

Thank you Asim, and welcome everybody. I'll start with a brief reminder of the elements of our financial plan: to manage our balance sheet; improve financial flexibility and lower our cost structure. Asim has touched on the steps we have taken to lower our cost structure so I'll speak to the first two elements.

First, in terms of the balance sheet, the recent asset dispositions are helping us meet our debt objectives sooner than anticipated. Once the dispositions have closed, our net debt is expected to be below CAD$4.5 billion, which compares to about $7 billion in the first quarter of this year. This is in line with our target of 2 times debt to cash flow.

Second, in regard to financial flexibility, we took decisive action to ensure our credit rating was reaffirmed and we continue to have strong investment grade ratings with all agencies. Following the dispositions, we will have in excess of $4.6 billion in borrowing capacity, almost entirely undrawn, plus cash on-hand, and we have no major long-term debt maturities until 2019.

The key objective of our financial plan has been to further strengthen the balance sheet and to provide a secure footing in a volatile commodity price environment. This objective has been entirely realized.

Now, a word on production guidance: even with the lower sales volumes from the Liwan Gas Project and the Western Canadian dispositions of 25,700 boe per day, which were not included in the original guidance numbers, our 2016 annual production remains in the range of 315,000 to 345,000 boe per day, albeit at the lower end of that range. We are able to maintain these production numbers largely because of the consistent performance across the Upstream business, including strong results from the Lloyd Thermal Projects and the steady ramp-up at Sunrise and Tucker.

In terms of capital expenditures, we expect to remain on track with our 2016 guidance for the remainder of the year, and you will recall that our CapEx was based on a price planning assumption of $30 WTI.

Our capital plan was front-end loaded and we are expecting spending for the remainder of the year to stay in line with that plan. We have three new thermals up and running, and our heavy turnaround season is largely behind us. While this maintenance work impacted production and throughputs, we expect to realize improved efficiency, uptime and reliability as a result.

Looking further out into 2017, we expect our sustaining capital to trend downward, further enhancing our ability to generate free cash flow, and we'll keep a steady focus on maintaining a strong balance sheet with financial flexibility as we continue to live within our means.

As you saw in our Investor Day, we're not short of high-quality investment opportunities within our portfolio. This includes short-cycle resource plays in Western Canada with thermal developments, in-fill wells in our Atlantic region, and our Indonesian gas fields. As Asim mentioned earlier, some of our Downstream—we also have some of our opportunities in our Downstream brownfield investments. In other words, we have plenty of high return opportunities without needing to move from our wheelhouse even at these prices.

Now, turning to our Q2 results. Average Upstream production was 316,000 boe per day which takes into account volumes at Liwan and the shut-in of production at Sunrise due to the Fort McMurray wildfires. Production also reflected some dispositions that became effective in the quarter, representing about 3600 boe per day. Throughputs at the refineries and the upgrader averaged 255,000 barrels per day reflecting the turnarounds. Upstream operating costs were $13.90 per barrel in the second quarter compared to $15.72 a year ago, representing a reduction of about 12%, and I'll point out that a big portion of our operating cost savings are sustainable due to the structural changes and the efficiencies we have implemented.

Cash flow from operations was $488 million compared to $1.2 billion in the second quarter of 2015, and $434 million in the first quarter of this year. This reflected our string of planned turnarounds, an after tax FIFO gain of $88 million and after tax hedging losses of $79 million. With the completion of our Downstream turnarounds during the quarter, the hedging program has now wrapped up.

Net earnings were a loss of $196 million. This takes into account items affecting cash flow plus three key non-cash items. Those would be a $12 million after tax property impairment, a $22 million charge for exploration and evaluation asset writedowns, and a $71 million after tax loss associated with the dispositions. Excluding these non-recurring items, the adjusted net loss was $91 million.

Now looking at pricing, WTI prices averaged USD$45.59 per barrel compared to USD$57.94 per barrel in the second quarter of 2015. Average realized pricing for total Upstream production was $34.59 per barrel compared to $49.50 per barrel in Q2 last year.

In regards to the turnarounds that straddled into Q3, a three-week turnaround is now underway on the SeaRose in the Atlantic region, and a 10-week turnaround has concluded at the Toledo Refinery.

Now Rob will take us through our operations for the quarter.

ROBERT PEABODY:

Thanks Jon. Before I get into the business unit updates for the quarter, I'll provide an update on our ongoing response to a pipeline release near Lloyd which happened yesterday. Following detection we took immediate action to isolate and halt the release which occurred on a pipeline that carries heavy oil and diluent. Berms and booms are in place and a water monitoring and testing program is underway. Total volumes released are estimated at around 200 cubic metres to 250 cubic metres. We continue to work closely with government and regulatory authorities as well as downstream communities and nearby land owners. So far, no water advisories have been issued.

We will continue to provide regular updates on our progress and, as always, our main focus is on the safety of the public and the protection of the environment. I'll add that we have a rigorous pipeline testing and inspection process in place and we will build on whatever we learn from our investigations.

Now turning to the quarter, today we are seeing the results of the roadmap we set out several years ago. The resilience we have built can be clearly seen in some of the transformational operational highlights we achieved in the first half of this year. We started up three low-cost Lloyd Thermal Projects which represent about 25,000 barrels per day of higher quality production once ramped up. At the Tucker Thermal Project we brought on the new Colony reservoir which has brought overall production to around 20,000 barrels per day. Sunrise has returned to pre-wildfire production levels and it continues its steady ramp-up of long-life production.

The Western Canada rejuvenation is in full flight following the successful disposition program.

On the Downstream side, we completed major turnarounds at several facilities to improve reliability and efficiency. In addition, we increased our heavy oil feedstock capacity at the Lima Refinery and added to our high-TAN crude processing capacity at Toledo.

In our Heavy Oil business, Edam East started up in mid-April and has already surpassed its 10,000 barrel per day design capacity. It's running at about 12,000 barrels per day right now.

This is pretty typical of these projects in their first couple of years. In mid-May we started steam operations at Vawn, and we were producing oil just six weeks later. We are now at about 5,500 barrels per day and ramping up ahead of schedule. In June, we kicked off steaming at Edam West, a 4,500 barrel per day development, and we expect production to begin soon. Rush Lake 2, another 10,000 barrel per day project, continued to be progressed over the quarter; site preparation is underway and long-lead equipment has been ordered. In addition, we've been leveraging our growing thermal expertise at Tucker where average production was about 20,000 barrels per day in June. We have lowered the SOR from the mid-7s a year ago to around 3.5 today at Tucker. Our combined Lloyd and Tucker thermal production is expected to be around 100,000 barrels per day once our three new Lloyd projects are fully ramped up.

Turning to Western Canada, completing our asset sales in line with our strategy of moving to a focus on fewer, more material assets was a major objective in the quarter. Production at Ansell averaged approximately 21,000 barrels per day, and it's worth noting that Ansell drilling costs have been reduced by about 50% over the past two years. We continue to have an inventory of about 650 drilling locations at Ansell in multiple zones. Most recently, productions adds have come mainly from the Wilrich.

In the Downstream, as Jon mentioned, it was a heavy turnaround quarter for us. Both the Lima and Toledo turnarounds have now been completed successfully. This included work to increase the amount of high-TAN crude feedstock we can run at the Toledo Refinery to 65,000 barrels per day, allowing us to enhance the profitability of this asset. We also expect to start processing about 8,000 barrels per day of heavy crude feedstock at Lima around the end of this year. This is essentially the first step on our plan to increase heavy crude feedstock to around 40,000 barrels per day in the 2018 timeframe.

In the Asia Pacific region, Liwan gross natural gas sales averaged about 161 million standard cubic feet per day with associated liquid sales of approximately 9,200 barrels per day. A second deepwater pipeline has been installed at Liwan to provide for additional flow capacity later in the life of the field.

Offshore Indonesia, we are continuing to progress our Madura Straits projects. Construction on the wellhead platform and pipeline infrastructure for the liquids-rich BD field is now about 75% complete. Four wells are being drilled as part of the initial development plan and we're on schedule to begin production in 2017. Tendering is underway for engineering, procurement, construction and installation contracts related to the MDA and MBH and MBK gas fields. All three fields will be tied into the same infrastructure and begin production the in 2018/2019 timeframe.

Moving on to Sunrise, the reservoir responded very well to the restart of production in June following the Fort McMurray wildfires. We're currently running at about 30,000 barrels per day, which is about where we were prior to the fires, and continuing to ramp up. All 55 well pairs are online and the steam oil ratio and water oil ratios are on track.

Finally, in the Atlantic region, as mentioned earlier, we're close to wrapping up the turnaround on the SeaRose. At North Amethyst, the Henry Goodrich Rig has resumed operations at the Hibernia Formation production well and we expect to see first production from that well in the fall. In the Flemish Pass Basin, our exploration and appraisal program in the area of the Bay du Nord discovery has wrapped up. Two oil discoveries were made at Bay de Verde and Baccalieu, and we're working with our partner to plan our next steps.

Thanks, and I'll now turn the call back to the Operator.

OPERATOR:

We will now begin the Analyst question-and-answer session. Any Analyst who wishes to ask a question may press star and one on their touch-tone phone. You will hear a tone to indicate you're in queue. For participants using a speakerphone, it may be necessary to pick up your handset before pressing any keys. If you wish to remove yourself from the question queue, you may press star and two. We will pause for a moment as callers join the queue.

The first question today is from Neil Mehta of Goldman Sachs. Please go ahead.

NEIL MEHTA:

Good morning guys and congratulations on the progress and strengthening the balance sheet. Just want to kick it off here and talk about FIDs. When we think about incremental growth, Lloyd Thermal certainly comes to mind, and the other is West White Rose. Can you just talk to us about where you stand in terms of potentially sanctioning growth at both of those projects?

ASIM GHOSH:

In our Investor Day we had already told you that we had identified a string of eight thermals already, and then it's all a question of really not—it's a question of being limited by the execution capability, but the projects, everything that we have identified that we spoke about today in terms of future options will generate at least 10% returns in a $40 in perpetuity WTI environment. Now, in terms of exact FID, we have already sanctioned one Lloyd Thermal which we announced last year, and as soon as we sanction the next we will be back to you.

NEIL MEHTA:

I appreciate this.

ASIM GHOSH:

You also asked about the Atlantic region. In terms of the reduced oil price environment, we have been re-engineering and we told you before that we've been looking at both value and re-engineered, the GBS, the West White Rose option as well as the subsea development option. That work is progressing on pace and then when we make a final decision on that then we'll be back to you with an announcement on that.

NEIL MEHTA:

Thank you. Then, wanted to come back on Liwan natural gas. It sounds like, based on the release, you've made some progress here in terms of coming up with a path forward. Understand there's some sensitivities but what can you share about where you stand on Liwan?

ASIM GHOSH:

I think basically I would say we've had constructive discussions with our partner, with CNOOC, and the outcome, as we said in our release, has been a framework for the resolution between us. I expect to be in a position to provide fuller details very soon, and as soon as we are in a position to offer a disclosure, we'll make sure it gets out at the earliest opportunity.

NEIL MEHTA:

Okay. Then last question from me is, just can you talk through the resumption of the dividend and the calculus that's going on in your mind and the Board's mind about at what point you want to bring this back?

ASIM GHOSH:

All I can say, all I can say is look, I want to repeat we—I don't see this as sort of A or B priorities. I see our Class A priorities being maintaining a strong balance sheet, point number one; that is now done with. That's more of a hygiene factor. Past that, two other Class A priorities once the hygiene factors is sort of—the (inaudible 26:35) investing in our rich and diverse portfolio, and establishing a sustainable cash dividend. I stress sustainable. So, therefore, the latter part requires a clear sense that there is supply/demand balance that has returned to the oil market and at that point in time we will reinvest our free cash flow in this balance. We don't see that balance in the oil market as being quite achieved yet.

NEIL MEHTA:

All right. Thank you.

OPERATOR:

As a reminder, any Analyst who wishes to ask a question, please press star, then one. The next question is from Paul Cheng of Barclays. Please go ahead.

PAUL CHENG:

Hey guys. Maybe either this is for Rob or for Jon. Any (inaudible 27:30) 2017 CapEx that you can share? Also, with your manpower today, what is the CapEx level that manpower can efficiently execute?

JONATHAN MCKENZIE:

Paul, we're at the front end of putting together our 2017 CapEx program, so it's a bit premature for me to give you some detailed guidance on it, but just in terms of some of the things that we've said publicly and some of the things that are core in terms of the principles that are going to guide us as we put our budget together is, remember that we are going to live within our means. What we mean by that is we are going to keep within the cash flow constraints based on the budget assumptions that we build at the time.

Also remember that when we do come up with our capital program, we have some pretty rigorous screens in terms of the requirements for returns on projects. Projects need to be IRR 0 at $30 WTI and give us a cost of capital return at $40.

The other thing that we've said publicly and that we will be very true to in that process is we want to have a good diversification of projects across all of our different businesses. We're not going to put ourselves in a position where we're overinvesting in one asset to the exclusion of the others. So, maintaining diversity and maintaining integration is going to be important to us.

Now, just in terms of manpower…

PAUL CHENG:

Jon, may I just ask one quick one? You say live within the mean. What kind of oil price assumption did you intend to use for next year?

JONATHAN MCKENZIE:

We haven't got to that point, Paul. We'll look at the market at that time and we will make some internal evaluation as to where we see the oil price going over 2017, but we're not there yet.

PAUL CHENG:

Okay.

JONATHAN MCKENZIE:

Okay? Just in terms of manpower and capability of executing the capital budget, you'll recall this year our capital budget is about $2 billion. We are more than capable with the manpower that we've got today to execute that budget. If in the future we choose to flex that budget or flex that capital program up into 2017, we're capable of executing an increased capital program at that point too.

ASIM GHOSH:

Paul, I spoke at length about the structural changes in the business that have made us more efficient. We have not been—we've been jealously guarding our human resource base. It's something from the first day I came into the company I saw as a strength in Husky and it's not something I wanted to monkey around with. So therefore, whatever results you've seen in terms of our cost efficiencies have really for the most part reflected structural changes and therefore we have not in any way cut to the—cut flesh in a way that will jeopardize the future of Husky. We have retained essential human resource capability in the Company.

PAUL CHENG:

Okay. Two final questions for me. First, Rob, any rough estimate now with the Appraisal program and Exploration program looking like now you are coming to a conclusion, what is the total resource estimate at the Flemish Pass? Then, any preliminary estimate based on the current cost structure, what oil price it takes we will get a 15% full-cycle IRR, and what is the next step? Over there, you say that you are looking at the next steps so can you give us some guide on what is the next step means?

Then the final question is that for the Asphalt, the 30,000 barrel per day expansion, any rough estimate on the cost? Also, are you concerned about increasing by 30,000 we will overwhelm the market?

ROBERT PEABODY:

Asphalt, yes. Paul, thanks. Yes, just on the whole Bay du Nord, Flemish Pass area, I'd say at the moment we haven't released any changes. We've basically said, "Look, we still think we're still looking at the same range." As you'll recall, it was a fairly big range Statoil put out, we put out. We're still within those ranges, we believe, going forward.

We do believe—you know we wouldn't be continuing to move forward if we didn't think we could achieve 15% returns on a development in the Flemish Pass down the road, and there's various reasons it looks like, and I won't get into them all but I think both partners are feeling pretty good ultimately that there's a development down the line there. Next steps? We're discussing those with our partner and I don't really have anything specific to report on there.

On the Asphalt side, again, we're just looking at all the—we haven't announced anything on the specifics of a capital cost estimate that goes with that Asphalt expansion. What I will say is, just to remind everyone, because of the very specific feedstock we use, Lloyd crude, it is advantaged crude from the perspective of making asphalt because we don't have to add a whole lot of additives to get it to the type of premium specifications, the market that we're targeting. That gives us that deep embedded advantage going forward. We'll provide more details when we have it all scoped out a little tighter.

We do, by the way, just to your comment on market, of course that's a big part of our study is looking at the market and where we would place this material and ensuring that we wouldn't be damaging margins by moving the product to those markets.

ASIM GHOSH:

Paul, Jon did give you some investment criteria that we use for Upstream. I'll say that in Downstream and the nature of the business being it's not related to oil price, but the margins continue to be relatively stable regardless of oil price. We would be interested in advancing projects that give us high teens returns, and so that will be kind of a return factor-in you need to keep in mind in terms of whatever we are looking at in terms of brownfield Downstream investments.

PAUL CHENG:

Asim, do you have a timeline when you would decide whether you're going to FID on this project?

ASIM GHOSH:

I would say that we will spend the next year doing the pre-engineering on this project. So, it's in the early stages of assessment and no decision has been made, but our immediate next steps are really to scope out exactly the question you asked, what is the size of the project in potential investment terms.

PAUL CHENG:

Thank you.

OPERATOR:

The next question is from Fernando Valle of Citi. Please go ahead.

FERNANDO VALLE:

Hi guys. Thanks for taking my question. Just wanted to ask on the portfolio, I know you've talked about being balanced but is there still room for asset divestitures on the conventional side in Western Canada where you could those proceeds to reinvest in the Thermal portfolio?

ASIM GHOSH:

I think the bulk of the restructuring we want to do in Western Canada has been done and as we explained earlier, this was not the best year to sell gas assets. However, we need to have gas assets that don't fit within our more focused portfolio but nonetheless are good assets in their own right, and you know at the right time we will look at some further work on that, but I think the bulk of the restructuring is now behind us.

FERNANDO VALLE:
Great. Thank you very much.

OPERATOR:
This concludes the Analyst Q&A portion of today's call. We will now take questions from members of the media. As a reminder, please press star and one on your touch-tone phone to ask a question. If you wish to remove yourself from the question queue, please press star and two. We will pause for a moment as callers join the queue.

The first question is from Jeff Morgan of the Financial Post. Please go ahead.

JEFF MORGAN:
Good morning. Thanks for taking my question. With respect to the spill, how far downstream did the heavy oil reach? Has it gotten to any of the cities downstream from Lloydminster? For example, North Battleford.

ROBERT PEABODY:
Yes, okay. This is Rob, Rob Peabody. Again, just again I will re-emphasize the major message (phon 36:45) and I'll address your question.

As we say, the volumes were about 200 cubic metres to 250 cubic metres. Some of that was just on the land and we're recovering some of that at the moment. We've put berms in place and booms are deployed along the river. We're working closely with the government; a joint effort just to ensure that all the municipalities are very well kept informed and can deal with any water quality issues they see. We've got a water sampling and testing program that we're going to be doing. No—and I'd emphasize that as of now we haven't—there have been no water advisories issued.

In terms of how far this has gone down the river, there was a sheen noticed initially there. We really haven't seen anything since, and none of the communities down the river so far have reported any sightings of oil or oil sheen.

JEFF MORGAN:

Okay. So the cities like North Battleford have not noticed a sheen on the river.

ROBERT PEABODY:

No, not yet. Just separately, as I say, we're working very closely with these cities and the Battlefords in particular have—if it was required, they have their own backup water system because they can't always draw from the river in any case because of changes in turbidity and things like that. So, they have a system they can draw on if they had to but they haven't seen anything yet.

JEFF MORGAN:

Okay. Another question, unrelated. With your disposition program, do you see any further asset sales over the course of the third quarter or the fourth quarter?

ASIM GHOSH:

Jon, do you want to take that?

JONATHAN MCKENZIE:

Yes, sure. This is Jon McKenzie. We do have some asset sales that have closed in the month of July. They're smaller than what we had closed in Q2, and as Asim spoke to in a prior question, the bulk of our asset sales are really behind us. We did announce a bigger program but to Asim's point, this is probably not the best year to sell natural gas assets. We said at the very beginning of this program that this wouldn't be a fire sale, so if the market changes and allows us to do further restructuring we'll consider it, but the bulk of the heavy lifting is now behind us.

JEFF MORGAN:

Thank you.

OPERATOR:

Thank you. The next question comes from Julie Gordon of Reuters. Please go ahead.

JULIE GORDON:

Hi. Thanks for taking my call. If I could just go back to the spill again. I'm just wondering if the pipeline closure is having any impact on flows or if there's a material impact there that we should be aware of, if it's affecting any shipments.

ROBERT PEABODY:

Yes. This is Rob again. Yes, in terms of the business impact, we're working through it, but this gathering system is flexible. There's more than one way to get through the pipeline system and so we really are expecting minimal impact to production at this stage.

JULIE GORDON:

Thank you.

OPERATOR:

The next question is from Rebecca Penty of the Bloomberg News. Please go ahead.

REBECCA PENTY:

Thanks for taking my question. I think it was Jon earlier who was talking about the spill and that you guys would apply some lessons learned. I'm curious whether you have any insights yet on what caused the spill, why there was the pipeline failure, as well as lessons that you've learned so far in responding.

ROBERT PEABODY:

This is Rob again. Yes, the investigation will take place subsequent to the first priority here which is just to absolutely focus on containment and water quality monitoring and working with the local communities to ensure that we mitigate any effects that might, might appear from it, then we'll get onto the investigation. My experience in these things is it takes several weeks before you actually can get to conclusive results and that's sometimes optimistic; it's sometimes even longer than that. But whatever we do ultimately get to as the root cause of this will be incorporated into our management systems going forward.

REBECCA PENTY:

Okay. Just a quick follow up question. You mentioned that some of the spill was on the land. Do you have a sense of how much oil actually would have made it into the river versus on the land?

ROBERT PEABODY:

No. We don't have any specifics on that. We're kind of focused on picking up everything we can.

REBECCA PENTY:

Okay. Thank you.

OPERATOR:

The next question is from Mat Simard of Radio Canada. Please go ahead.

MAT SIMARD:

Hi. My question is in regard to the spill as well. Do you know how old is the pipeline and also when was the last inspection?

ROBERT PEABODY:

I don't have any specifics on that but we do have a normal management plan and all pipelines get regular inspections. So, those details are around but as I say at the moment the focus has just been on dealing with the incident we're dealing with.

MAT SIMARD:

Okay. Just a quick follow up as well. You don't know if the leak was on a vertical or horizontal segment of the pipeline?

ROBERT PEABODY:

No, not specifically. What we do know is the leak was not under the river, as far as we can see. The leak was kind of in a location near the river.

MAT SIMARD:

Okay. Thank you.

OPERATOR:

The next question is from Jameson Berkow of Business News Network. Please go ahead.

JAMESON BERKOW:

More broadly speaking, I'm curious to know your thoughts on the whole public perception issue, the fact that second quarter results, at least from the media perspective, getting kind of overshadowed by this spill. Are you concerned at all that perhaps this is a PR issue that's almost unwinnable in the sense that there's no 100% guarantee that there'll never be pipeline spills and yet every time one comes up there's a very strong—increasingly strong you could say—public reaction?

ASIM GHOSH:

Well, look. To be honest with you I'd distinguish between the media reaction and the public reaction but as far as we are concerned we are just focused on getting on with the job. We've got—if we have a pipeline spill we address the pipeline spill, we ensure—we've got procedures in place and we ensure that we make the procedures even more robust from each learning experience. As far as the results are there, we will continue to work on the internal results of the Company regardless. I mean it's not an either or, but as far as the pipeline is concerned we will continue to provide regular updates on our progress and as always, as Rob said in his speech, our main focus is on the safety of the public and the protection of the environment.

JAMESON BERKOW:

Could you just maybe elaborate a little on the distinction between the media reaction and the public reaction? Is that that we are paying more attention to it than the general public?

ASIM GHOSH:

Well we are obviously very sensitive to whatever we get from the public and we are making sure that we are communicating with them, and from our point of view, both are important.

ROBERT PEABODY:

I'd just add one thing. Both are absolutely important but we are very engaged with the local communities, all the landowners in the area and working together with them to make sure that we get the best outcome here we possibly can, and that's been going very well.

JAMESON BERKOW:

Thank you very much.

OPERATOR:

As a reminder, if you have a question, please press star, then one.

The next question is from Reid Southwick of the Calgary Herald. Please go ahead.

REID SOUTHWICK:

Hello there. Thanks for taking my question. I'm just wondering whether Management believes we've hit the bottom on oil and gas prices yet, or if there's still some room to go, and how any of those projections will influence decisions on capital spending in the next 18 months or so.

ASIM GHOSH:

I think, as we said, what the capital spending for the next year will be—for this year we've already given guidance. For the next year will be, we will be in a position to give guidance in our normal communication process towards the end of the year.

As to what the oil price will be, I'd just have to say that we are focused on making Husky resilient to be able to ride out cycles at any reasonable sustainable level the market could throw at us. So what we are focused on is internal resiliency rather than forecasting an oil price and therefore looking at Husky's resilience coming at from that gift from the market.

REID SOUTHWICK:

Okay. Thank you.

OPERATOR:

This concludes the time allocated for questions on today's call. I would now like to turn it back over to Mr. Asim Ghosh for closing remarks.

ASIM GHOSH:

Thank you. Thank you. So, basically to summarize what I just said earlier when I started out this morning. The main elements of the transformation we have undertaken over the past six years are now largely in place and, as a result, Husky is now in a place where we do not need to be defined by any single project or any particular business segment. There are many strings in our bowl that together make us a more resilient business.

Thank you for joining us, as always.

OPERATOR:

This concludes today's conference call. You may now disconnect your lines. Thank you for participating and have a pleasant day.