Husky Energy Inc.

Annual Information Form

For the Year Ended December 31, 2014

February 27, 2015

TABLE OF CONTENTS

ADVISORIES

In this AIF, the terms "Husky" and "the Company" mean Husky Energy Inc. and its subsidiaries and partnership interests on a consolidated basis, including information with respect to predecessor corporations.

Unless otherwise noted, all financial information included and incorporated by reference in this AIF is determined using IFRS as issued by the International Accounting Standards Board.

Except where otherwise indicated, all dollar amounts stated in this AIF are Canadian dollars.

ABBREVIATIONS AND GLOSSARY OF TERMS

When used in this AIF, the following terms have the meanings indicated:

Units of Measure	
bbl	barrel
bbls	barrels
bbls/day	barrels per calendar day
bcf	billion cubic feet
boe	barrels of oil equivalent
boe/day	barrels of oil equivalent per calendar day
GJ	gigajoule
lt	litres
lt/day	litres per day
m	meters
mbbls	thousand barrels
mbbls/day	thousand barrels per calendar day
mboe	thousand barrels of oil equivalent
mboe/day	thousand barrels of oil equivalent per day
mcf	thousand cubic feet
mmbbls	million barrels
mmboe	million barrels of oil equivalent
mmbtu	million British thermal units
mmcf	million cubic feet
mmcf/day	million cubic feet per calendar day
MW	megawatts
tpy	tons per year

Acronyms	
AER	Alberta Energy Regulator
AIF	Annual Information Form
API	American Petroleum Institute
ARO	Asset Retirement Obligations
ASC	Alberta Securities Commission
ASP	Alkaline Surfactant Polymer
BACT	Best Available Control Technology
CAPP	Canadian Association of Petroleum Producers
CEMA	Cumulative Environmental Management Association
CEPA	Canadian Energy Pipeline Association
CFA	Canadian Fuels Association
CHOPS	Cold Heavy Oil Production with Sand
CNOOC	China National Offshore Oil Corporation
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
COGEH	Canadian Oil and Gas Evaluation Handbook
CPF	Central Processing Facility
CSA	Canadian Securities Administrators
CSS	Cyclic Steam Stimulation
EDGAR	Electronic Data Gathering, Analysis, and Retrieval system
EIA	Energy Information Administration
EL	Exploration Licence
EOR	Enhanced Oil Recovery

EPA	Environmental Protection Agency
FASB	Financial Accounting Standards Board
FEED	Front End Engineering Design
FPSO	Floating Production, Storage and Offloading Vessel
GHG	Greenhouse Gas
GHGRP	Greenhouse Gas Reporting Program
HOIMS	Husky Operational Integrity Management System
HSB	Husky Synthetic Blend
IFRS	International Financial Reporting Standards
LARP	Lower Athabasca Regional Plan
LNG	Liquefied Natural Gas
MD&A	Management's Discussion And Analysis
MEG	Monoethylene Glycol
NGL	Natural Gas Liquids
NIT	NOVA Inventory Transfer
NYMEX	New York Mercantile Exchange
OPEC	Organization of Petroleum Exporting Countries
PHMSA	Pipeline and Hazardous Materials Safety Administration
PSC	Production Sharing Contract
PTAC	Petroleum Technology Alliance Canada
SAGD	Steam Assisted Gravity Drainage
SEC	Securities and Exchange Commission of the United States
SEDAR	System for Electronic Document Analysis and Retrieval
UNFCC COP	United Nations Framework Convention on Climate Change Conference of the Parties
U.S.	United States
WCI	Western Climate Initiative
WTI	West Texas Intermediate
2-D	two-dimensional
3-D	three-dimensional

The Company uses the term boe, which is calculated on an energy equivalence basis whereby one barrel of crude oil is equivalent to six thousand cubic feet of natural gas. Readers are cautioned that the term boe may be misleading, particularly if used in isolation. This measure is primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Abandonment costs
Costs of abandoning a well, net of any salvage value, and disconnecting the well from the surface gathering system.

API° gravity
Measure of oil density or specific gravity used in the petroleum industry. The API scale expresses density such that the greater the density of the petroleum, the lower the degree of API gravity.

Barrel
A unit of volume equal to 42 U.S. gallons.

Bitumen
Bitumen is solid or semi-solid with a viscosity greater than 10,000 centipoise at original temperature in the deposit and atmospheric pressure.

Coal bed methane
The primary energy source of natural gas is methane. Coal bed methane is methane found and recovered from the coal bed seams. The methane is normally trapped in coal by water that is under pressure. When the water is removed the methane is released.

Delineation well
A well in close proximity to an oil or gas well that helps determine the aerial extent of the reservoir.

Development well
A well drilled within the proved area of an oil and gas reservoir to the depth of a stratigraphic horizon known to be productive.

Diluent
A lighter gravity liquid hydrocarbon, usually condensate or synthetic oil, added to heavy oil to improve the transmissibility of the oil through a pipeline.

Dry and abandoned well
A well found to be incapable of producing oil or gas in sufficient quantities to justify completion as a producing oil or gas well.

Enhanced oil recovery
The increased recovery from a crude oil pool achieved by artificial means or by the application of energy extrinsic to the pool. An artificial means or application includes pressuring, cycling, pressure maintenance or injection to the pool of a substance or form of energy but does not include the injection in a well of a substance or form of energy for the sole purpose of aiding in the lifting of fluids in the well, or stimulation of the reservoir at or near the well by mechanical, chemical, thermal or explosive means.

Exploration licence
A licence with respect to the Canadian offshore or the Northwest or Yukon Territories conferring the right to explore for, and the exclusive right to drill and test for, petroleum; the exclusive right to develop the applicable area in order to produce petroleum; and, subject to satisfying the requirements for issuance of a production licence and compliance with the terms of the licence and other provisions of the relevant legislation, the exclusive right to obtain a production licence.

Exploratory well
A well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas, in another reservoir. Generally, an exploratory well is any well that is not a development well, a service well, an extension well, which is a well drilled to extend the limits of a known reservoir, or a stratigraphic test well as those terms are defined herein.

Field
An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both.

Heavy crude oil
Crude oil measured between 10 API° and 22.3 API° and is liquid at original temperature in the deposit and atmospheric pressure.

Horizontal drilling
Drilling horizontally rather than vertically through a reservoir, thereby exposing more of the well to the reservoir and increasing production.

Infill well
A well drilled on an irregular pattern disregarding normal spacing requirements. These wells are drilled to produce from parts of a reservoir that would otherwise not be recovered through existing wells drilled in accordance with normal spacing.

Light crude oil
Crude oil measured at 31.1 API° or lighter.

Liquefied petroleum gas
Liquefied propanes and butanes, separately or in mixtures.

Medium crude oil
Crude oil measured between 22.3 API° and 31.1 API°.

Natural gas liquids
Those hydrocarbon components recovered from raw natural gas as liquids by processing through extraction plants, or recovered from field separators, scrubbers or other gathering facilities. These liquids include the hydrocarbon components ethane, propane, butanes and condensate or a combination thereof.

Oil sands
Sands and other rock materials that contain crude bitumen and include all other mineral substances in association therewith.

Production Sharing Contract
A contract for the development of resources under which the contractor's costs (investment) are recoverable each year out of the production but with a maximum amount of production that can be applied to the cost recovery in any year. This annual allocation of production is referred to as cost oil; the remainder is referred to as profit oil and is divided in accordance with the contract between the contractor and the host government.

Reserve Replacement Ratio
The reserve replacement ratio represents the rate at which the Company replaces reserve volumes realized through current production for a given period. The ratio is calculated as the sum of: closing reserve volumes less opening reserve volumes plus production volumes divided by production volumes.

Secondary recovery
Oil or gas recovered by injecting water or gas into the reservoir to force additional oil or gas to the producing wells. Usually, but not necessarily, this is done after the primary recovery phase has passed.

Seismic survey
A method by which the physical attributes in the outer rock shell of the earth are determined by measuring, with a seismograph, the rate of transmission of shock waves through the various rock formations. The rate at which the waves are transmitted varies with the medium through which they pass.

Service well
A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, saltwater disposal, water supply for injection, observation or injection for in-situ combustion.

Significant discovery licence
A licence issued following the declaration of a significant discovery, which is indicated by the first exploration well that demonstrates by flow testing the existence of sufficient hydrocarbons in a particular geological feature to suggest potential for sustained production. A significant discovery licence confers the same rights as that of an exploration licence.

Specific gravity
The ratio between the weight of equal volumes of water and another liquid measured at standard temperature. The weight of water is assigned a value of one. However, the specific gravity of oil is normally expressed in degrees of API gravity as follows:

$$\text{Degrees API} = \frac{141.5}{\text{Specific gravity @ F60 degrees}} - 131.5$$

Spot price
The price for a one-time open market transaction for immediate delivery of a specific quantity of product at a specific location where the commodity is purchased “on the spot” at current market rates.

Steam assisted gravity drainage
An enhanced oil recovery method used to produce heavy crude oil and bitumen in-situ. Steam is injected via a horizontal well along a producing formation. The temperature in the formation increases and lowers the viscosity of the crude oil allowing it to fall to a horizontal production well beneath the steam injection well.

Stratigraphic test well
A drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intention of being completed for hydrocarbon production. This classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (i) "exploratory-type," if not drilled in a proved area, or (ii) "development-type," if drilled in a proved area.

Synthetic oil
A mixture of hydrocarbons derived by upgrading heavy crude oils, including bitumen, through a process that reduces the carbon content and increases the hydrogen content.

Three-dimensional seismic survey
Three dimensional seismic imaging which uses a grid of numerous cables rather than a few lines stretched in one line.

Turnaround
Maintenance at a plant or facility which requires the plant or facility to be completely or partially shut down for the duration.

Two-dimensional seismic survey
A vertical section of seismic data consisting of numerous adjacent traces acquired sequentially.

Waterflood
One method of secondary recovery in which water is injected into an oil reservoir for the purpose of forcing oil out of the reservoir and into the bore of a producing well.

Wellhead
The structure, sometimes called the "Christmas tree," that is positioned on the surface over a well and used to control the flow of oil or gas as it emerges from the subsurface casing head.

Working interest
An interest in the net revenues of an oil and gas property, which is proportionate to the share of exploration and development costs borne until such costs have been recovered, and which entitles the holder to participate in a share of net revenue thereafter.

EXCHANGE RATE INFORMATION

The following table discloses various indicators of the Canadian dollar/U.S. dollar rate of exchange or the cost of a U.S. dollar in Canadian currency for the three years indicated.[(1)(2)]

	Year ended December 31,		
(Cdn $ per U.S. $)	**2014**	**2013**	**2012**
Year-end	1.160	1.064	0.995
Low	1.059	0.982	0.964
High	1.167	1.074	1.044
Average	1.104	1.030	0.999

(1) The year-end exchange rates were as quoted by the Bank of Canada for the noon buying rate.
(2) The high, low and average rates were either quoted or calculated as at the last day of the relevant period.

CORPORATE STRUCTURE

Husky Energy Inc.

Husky Energy Inc. was incorporated under the *Business Corporations Act* (Alberta) on June 21, 2000. The Company's Articles were amended effective February 28, 2011 to permit the issuance of common shares as payment of stock dividends on the common shares and to authorize preferred shares to be issued in one or more series. The Company's Articles were amended effective March 11, 2011 to create Cumulative Redeemable Preferred Shares, Series 1 (the "Series 1 Preferred Shares") and Cumulative Redeemable Preferred Shares, Series 2 (the "Series 2 Preferred Shares"); and were amended effective December 4, 2014, to create Cumulative Redeemable Preferred Shares, Series 3 (the "Series 3 Preferred Shares") and Cumulative Redeemable Preferred Shares, Series 4 (the "Series 4 Preferred Shares").

Husky has its registered office and its head and principal office at 707, 8th Avenue S.W., P.O. Box 6525, Station D, Calgary, Alberta, T2P 3G7.

Intercorporate Relationships

The following table lists Husky's significant subsidiaries and jointly controlled entities and their place of incorporation, continuance or organization, as the case may be, as at December 31, 2014.[(1)] All of the following companies and partnerships, except as otherwise indicated, are 100% beneficially owned or controlled or directed, directly or indirectly by Husky.

Name	Jurisdiction
Subsidiary of Husky Energy Inc.	
Husky Oil Operations Limited	Alberta
Subsidiaries and jointly controlled entities of Husky Oil Operations Limited	
Husky Oil Limited Partnership	Alberta
Husky Terra Nova Partnership	Alberta
Husky Downstream General Partnership	Alberta
Husky Energy Marketing Partnership	Alberta
Husky Energy International Corporation	Alberta
Sunrise Oil Sands Partnership (50%)	Alberta
BP-Husky Refining LLC (50%)	Delaware
Lima Refining Company	Delaware
Husky Marketing and Supply Company	Delaware

(1) Principal operating subsidiaries exclusive of intercorporate relationships due to financing related receivables and investments.

GENERAL DEVELOPMENT OF HUSKY

Three-year History of Husky

2012

On March 22, 2012, the Company issued U.S. $500 million of 3.95% senior unsecured notes due April 15, 2022 pursuant to the universal short form base shelf prospectus filed with the ASC and the SEC on June 13, 2011 and an accompanying prospectus supplement. The notes are redeemable at the option of the Company at a make-whole premium and interest is payable semi-annually. The notes are unsecured and unsubordinated and rank equally with all of the Company's other unsecured and unsubordinated indebtedness.

On June 15, 2012, Husky repaid the maturing U.S. $400 million of 6.25% notes for U.S. $413 million, including U.S. $13 million of interest. The amount paid to note holders was equivalent to $410 million in Canadian dollars.

On December 14, 2012, Husky amended and restated both of its revolving syndicated credit facilities to allow the Company to borrow up to $1.5 billion and $1.6 billion in either Canadian or U.S. currency from a group of banks on an unsecured basis. The maturity date for the $1.5 billion facility was extended to December 14, 2016 and there was no change to the August 31, 2014 maturity date of the $1.6 billion facility.

On December 31, 2012, Husky filed a universal short form base shelf prospectus (the "Canadian Shelf Prospectus") with applicable securities regulators in each of the provinces of Canada, other than Quebec, that enabled the Company to offer up to $3.0 billion of common shares, preferred shares, debt securities, subscription receipts, warrants and units in Canada up to and including January 30, 2015. This Canadian Shelf Prospectus replaced the universal short form base shelf prospectus filed in Canada during November 2010 which expired in December 2012.

During 2012, the Company continued to advance exploration and development projects on its oil resource land base. Heavy oil production commenced in the second quarter of 2012 ahead of schedule at both the Pikes Peak South and Paradise Hill heavy oil thermal projects and production ramped up to a combined average of 17,000 bbls/day exceeding the combined 11,500 bbls/day design rates. The Company advanced construction on the 3,500 bbls/day Sandall thermal development project and commenced initial drilling. Design and initial site work continued at the 10,000 bbls/day Rush Lake commercial project. Initial planning continued for three additional commercial thermal projects.

The Overall Development Plan for the Liwan Gas Project on Block 29/26 in the South China Sea was approved by the Government of China. The development project was more than 80% complete at the end of 2012. Approximately 90 kilometers of the two 79-kilometer deep water pipelines connecting the gas field to the central platform had been laid and approximately 190 kilometers out of 261 kilometers of shallow water pipeline had been laid from the central platform to the onshore gas plant. The completed jacket for the shallow water central platform was placed onto the ocean floor on August 30, 2012.

FEED for the development of the Liuhua 29-1 gas field was completed. Planning continued for the development of the single well Liuhua 34-2 field in 2012.

In December 2012, Husky signed a joint venture agreement with CPC Corporation, Taiwan, for an exploration block in the South China Sea. The exploration block is located 100 kilometers southwest of the island of Taiwan and covers approximately 10,000 square kilometers. Husky holds a 75% working interest during exploration, while CPC Corporation has the right to participate in the development program up to a 50% interest.

The 2012 exploration drilling program on the Madura Strait Block concluded in October 2012, with four new discoveries being made as a result of a five well exploration drilling program.

Husky and BP continued to advance the development of the Sunrise Energy Project in multiple stages. During 2012, drilling of the planned steam assisted gravity drainage horizontal well pairs for Phase I was completed and site construction and equipment installations were advanced. Development work continued on the next phase of the project, where regulatory approvals are in place for a total 200,000 bbls/day (100,000 bbls/day net).

Development continued at the White Rose field with the addition of an infill production well which was brought online in August 2012. At the end of 2012, a total of 22 wells, including nine producing wells, 10 water injectors, and three gas injectors were on production. A development plan amendment was filed with the regulator in October 2012 to facilitate development of resources at the South White Rose Extension satellite. At North Amethyst, development continued in 2012 with the addition of the fourth production well. At the end of 2012, four production and three water injection wells were online. An application to develop the deeper Hibernia formation at North Amethyst progressed through the regulatory review process. A water injection well to support the existing producing well for the West White Rose pilot project was completed and brought online during 2012. Evaluation of a wellhead platform to facilitate future development continued during 2012 and supporting regulatory filings were submitted for an environmental assessment of the concept.

Husky and Seadrill entered into a five-year contract for the use of Seadrill's West Mira rig, a new harsh environment semi-submersible rig currently being built and expected to be completed in late 2015.

Exploration activity in the Atlantic Region included drilling of the Searcher prospect in the southern Jeanne D'Arc Basin. The well did not encounter commercial hydrocarbons and was expensed in 2012.

2013

During February 2013, the limit on the $1.5 billion revolving syndicated credit facility, allowing the Company to borrow in either Canadian or U.S. currency on an unsecured basis, was increased to $1.6 billion. There was no change to the maturity date of the facility. There continues to be no difference between the terms of the Company's revolving syndicated credit facilities other than their maturity dates.

At the Liwan Gas Project, drilling and completion work continued in 2013, with all nine wells on the Liwan 3-1 gas field completed and made ready for production. During May 2013, the platform topsides were completed and transported approximately 2,500 kilometers from Qingdao, China, to the South China Sea and installed onto the jacket. In addition, the 261 kilometers of shallow water pipeline from the central platform to the gas plant and construction of the onshore gas plant was completed. Five major construction vessels and their support vessels were in operation during 2013, while construction continued on the deep water facilities. Despite encountering unusually difficult weather conditions during an extended typhoon season in late 2013, all piping to connect the individual wells to the manifolds and the manifolds to the connecting infield production flow lines was installed.

On June 5, 2013, Husky received regulatory approval for a development plan amendment for the South White Rose field, the third satellite extension at the White Rose field in the Atlantic Region. The amendment provided for gas injection, which will enhance oil production and provide additional storage for recovered gas. Installation of gas injection equipment to support the South White Rose Extension was completed at the end of 2013.

On October 31, 2013 and November 1, 2013, Husky filed a universal short form base shelf prospectus (the "U.S. Shelf Prospectus") with the ASC and the SEC, respectively, that enables the Company to offer up to U.S. $3.0 billion of debt securities, common shares, preferred shares, subscription receipts, warrants and units of the Company in the United States up to and including November 30, 2015. The U.S. Shelf Prospectus replaced the shelf prospectus which was filed in June 2011 and expired in July 2013.

Husky and its partner made two significant discoveries in the year of a high-quality, light, sweet crude oil resource in the Flemish Pass Basin. The first discovery was made at the Harpoon O-85 well followed by a second discovery made at the Bay Du Nord prospect, both located approximately 500 kilometers offshore Newfoundland. The evaluation of well results at the Harpoon discovery is ongoing, with further appraisal drilling required to assess the potential of the prospect. The two discoveries made in the year bring the total number of significant discoveries in the region to three. The 2009 Mizzen discovery of slightly heavier oil has best estimate contingent resources estimated by Husky of 130 million barrels on a 100% working interest basis (46.1 million barrels net to Husky) as at December 31, 2014. Husky holds a 35% working interest in all three wells.

For the West White Rose Extension Project, Husky and its joint venture partners concluded a benefits agreement with the Government of Newfoundland and Labrador for the project and a development application to the Canada-Newfoundland and Labrador Offshore Petroleum Board was submitted. Construction of a graving dock commenced in Argentia, Newfoundland and detailed engineering and design in advance of a final investment decision is ongoing.

The North Amethyst G-25-9 multilateral well was completed and brought online in late November 2013, with average gross production of 20,000 bbls/day (14,000 bbls/day net to Husky). In addition, drilling commenced on the North Amethyst Hibernia well in the fourth quarter of 2013, targeting a secondary deeper zone below the main North Amethyst field.

At the 60,000 bbls/day (30,000 bbls/day net to Husky) Sunrise Energy Project, the CPF was more than 75% complete at December 31, 2013 with major equipment installed and field tanks and buildings for Plant 1A in place. Commissioning of the first six well pads commenced in 2013.

At December 31, 2013, construction was substantially complete at the 3,500 bbls/day Sandall heavy oil thermal development project, and steaming was underway.

In 2013, construction work continued at the 10,000 bbls/day Rush Lake commercial project with first production expected in the second half of 2015.

In 2013, the liquids-rich natural gas formations at Ansell in west central Alberta continued to be a key area of focus with 25 wells (gross) drilled and 30 wells (gross) completed. At December 31, 2013, the Company had drilled and completed over 300 (gross) wells at the play, which had an average production of 13,800 boe/day in 2013.

2014

Production commenced in early 2014 ahead of schedule at the Sandall heavy oil development with rates exceeding the 3,500 bbls/day design rate capacity throughout the year. Production at the end of 2014 was approximately 5,700 bbls/day.

On January 9, 2014, the Company sanctioned two new heavy oil thermal projects, Edam East and Vawn, in Saskatchewan, each of which is expected to deliver 10,000 bbls/day of production. Site clearing, detailed engineering and module fabrication work was completed during 2014 with first oil expected in the second half of 2016.

FEED on the feedstock flexibility project at the Company's Lima Refinery was completed in 2014. The project is expected to give the refinery flexibility to take up to 40,000 bbls/day of Western Canadian heavy oil while overall nameplate capacity would remain unchanged at 160,000 bbls/day. The initial planned completion date has been deferred with the project now expected to be completed in the 2018-2019 time frame.

On March 17, 2014, the Company issued U.S. $750 million of 4.00% notes due April 15, 2024 pursuant to the U.S. Shelf Prospectus. The notes are redeemable at the option of the Company at any time, subject to a make whole premium unless the notes are redeemed in the three month period prior to maturity. Interest is payable semi-annually. The notes are unsecured and unsubordinated and rank equally with all of the Company's other unsecured and unsubordinated indebtedness.

At the Liwan Gas Project, first gas from the deep water wells on the Liwan 3-1 gas field was achieved on March 30, 2014 with gas sales to the Guangdong market natural gas grid commencing on April 24, 2014. In addition, the tie-in of the Liuhua 34-2 field single production well into the Liwan 3-1 field deep water infrastructure was completed and commissioned with first gas production taking place in December of 2014. Total gas and NGL production averaged approximately 114.2 mmcf/day and 4.2 mbbls/day respectively in 2014.

On May 6, 2014, the Company sanctioned a 3,500 bbls/day thermal project at Edam West with first production expected in the second half of 2016.

On June 15, 2014, the Company repaid the maturing 5.90% notes issued under a trust indenture dated September 11, 2007. The amount paid to noteholders was U.S. $772 million, including U.S. $22 million of interest, equivalent to $839 million in Canadian dollars, including interest of $25 million.

On June 19, 2014, the $1.6 billion revolving syndicated credit facility was increased to $1.63. The maturity, previously set to expire on August 31, 2014, was extended to June 19, 2018. The Company also increased the limit on one of its operating facilities from $50 million to $100 million.

On September 15, 2014, the Company launched a commercial paper program in Canada. The program is supported by the Company's syndicated credit facilities and the Company is authorized to issue commercial paper up to a maximum of $1.0 billion having a term not to exceed 365 days. The weighted average interest rate for commercial paper outstanding as at December 31, 2014 was 1.24 percent.

On December 9, 2014, the Company issued 10 million Cumulative Redeemable Preferred Shares, Series 3 (the "Series 3 Preferred Shares") at a price of $25.00 per share for aggregate gross proceeds of $250 million under the Canadian Shelf Prospectus. Holders of the Series 3 Shares are entitled to receive a cumulative quarterly fixed dividend yielding 4.50 percent annually for the initial period ending December 31, 2019 as declared by Husky. Thereafter, the dividend rate will be reset every five years at the rate equal to the five-year Government of Canada bond yield plus 3.13 percent. Holders of Series 3 Preferred Shares will have the right, at their option, to convert their shares into Cumulative Redeemable Preferred Shares, Series 4 (the "Series 4 Preferred Shares"), subject to certain conditions, on December 31, 2019 and on every five years thereafter. Holders of the Series 4 Preferred Shares will be entitled to receive cumulative quarterly floating dividends at a rate equal to the 90-day Government of Canada Treasury Bill rate plus 3.13 percent.

On December 10, 2014, the Company announced the results of an independent assessment of its heavy oil resources in the Lloydminster region. The assessment has increased the Company's overall working interest of total heavy oil initially in place which is now estimated at 17 billion barrels, of which 16 billion barrels are discovered heavy oil initially in place. The assessment conducted by Sproule Unconventional Limited has also estimated the Company's working interest of best estimate contingent resources to be 1.9 billion barrels as of December 31, 2013, of which 54 percent, or 1 billion barrels, has the potential to be recovered using thermal technology.

At the Sunrise Energy Project, steaming commenced in December 2014. Phase 1 of the project is being developed with two processing plants. The first 30,000 bbls/day plant is expected to begin production towards the end of the first quarter of 2015. The second 30,000 bbls/day plant is expected to begin steaming in mid-2015, with production commencing in late 2015. Production is expected to ramp up to full capacity over a two-year period. Husky is the operator of the Sunrise Energy Project and has a 50 percent working interest in the project with BP Canada Energy Company, which operates the jointly-owned BP-Husky Toledo refinery.

In the Atlantic Region, development drilling commenced at the South White Rose Extension project with production from the project expected to commence in mid-year 2015. The project is expected to produce peak production volumes of approximately 15,000 bbls/day (net). The Company also commenced drilling in 2014 at the North Amethyst Hibernia formation which will target a secondary deeper zone below the main North Amethyst producing field. Production from the Hibernia formation is expected to start up in the second half of 2015 with peak production volumes expected to reach 5,000 bbls/day (net). In addition, the Company and its partner commenced an 18-month appraisal and exploration drilling program in the Flemish Pass offshore Newfoundland and Labrador, including the area of the Bay Du Nord discovery. Husky holds a 35 percent working interest in the Bay Du Nord discovery. Hearings for the public review of the application for a wellhead platform to facilitate full field development at West White Rose were held during 2014. Construction continued on the dry-dock in Argentia, Newfoundland and early site preparation was advanced, including construction of a graving dock. Husky has deferred a final investment decision on the project.

The liquids-rich gas formations at Ansell in west central Alberta continue to be a key area of focus, with 31 wells (gross) drilled and 23 wells (gross) completed in 2014. To date, the Company has drilled and completed over 350 (gross) wells at the play with average production of 17,500 boe/day in 2014, an increase of 27 percent when compared to 2013.

Husky completed a two-well pad in 2014 at the Duvernay liquids-rich natural gas resource play at Kaybob, Alberta. Results from the four-well pad drilled and completed in 2013 and the two-well pad completed in 2014 continue to be in-line with expectations.

Construction work continued at the 10,000 bbls/day Rush Lake heavy oil thermal development with first production expected in the third quarter of 2015. Site clearing, detailed engineering and module fabrication commenced at the two 10,000 bbls/day Edam East and Vawn developments in 2014 with first production expected in the second half of 2016.

Progress continued on the shallow water gas developments in the Madura Strait Block during 2014. Work related to the BD field engineering, procurement, installation and construction contract is ongoing and approximately 29 percent complete. The contract for the construction and lease of a FPSO vessel received final approval in the second quarter of 2014 and was signed in December 2014.

Tender plans for the MDA and MBH development projects were approved by SKK Migas, the Indonesia oil and gas regulator, and the tendering process is in progress. The Gas Sales Agreement for the first tranche of gas from this development is complete and awaiting final approval from the regulator. The development plan for the MDK field to tie into the MDA/MBH combined development was approved by SKK Migas in July 2014.

During 2014, Husky signed a PSC for the Anugerah contract area. The contract area covers approximately 8,215 square kilometres and is primarily offshore East Java, Indonesia, with water depths of up to 1,400 metres. The main prospective locations are in water depths of 800 to 1,300 metres. The contract area is located approximately 150 kilometres east of the Madura Strait Block. Under the PSC, Husky has an obligation to carry out seismic surveys to assess the petroleum potential of the exploration block within the first three years. Exploration work, including planning for a 3-D seismic survey covering the contract area, is in progress.

DESCRIPTION OF HUSKY'S BUSINESS

General

Husky is a publicly traded international integrated energy company headquartered in Calgary, Alberta, Canada.

Management has identified segments for the Company's business based on differences in products, services and management responsibility. The Company's business is conducted predominantly through two major business segments - Upstream and Downstream.

Upstream includes exploration for, and development and production of, crude oil, bitumen, natural gas and NGL (Exploration and Production) and marketing of the Company's and other producers' crude oil, natural gas, NGL, sulphur and petroleum coke, pipeline transportation, the blending of crude oil and natural gas, and storage of crude oil, diluent and natural gas (Infrastructure and Marketing). The Company's Upstream operations are located primarily in Western Canada, offshore East Coast of Canada, offshore China and offshore Indonesia.

Downstream includes upgrading of heavy crude oil feedstock into synthetic crude oil (Upgrading), refining in Canada of crude oil and marketing of refined petroleum products including gasoline, diesel, ethanol blended fuels, asphalt and ancillary products, and production of ethanol (Canadian Refined Products) and refining in the U.S. of primarily crude oil to produce and market gasoline, jet fuel and diesel fuels that meet U.S. clean fuels standards (U.S. Refining and Marketing).

Social and Environmental Policy

Husky has a Health, Safety and Environment Policy that affirms its commitment to operational integrity. Operational integrity at Husky means conducting all activities safely and reliably so that the public is protected, impact to the environment is minimized, the health and wellbeing of employees are safeguarded, contractors and customers are safe, and physical assets (such as facilities and equipment) are protected from damage or loss.

The Health, Safety and Environment Committee of the Board of Directors is responsible for oversight of health, safety and environment policy, audit results and for monitoring compliance with the Company’s environmental policies, key performance indicators and regulatory requirements. The mandate of the Health, Safety and Environment Committee is available on the Husky website at www.huskyenergy.com.

Husky Operational Integrity Management System

Husky approaches social responsibility and sustainable development by seeking a balance among economic, environmental and social factors while maintaining growth. Husky strives to find solutions to issues that do not compromise the needs of future generations. In 2008, Husky implemented HOIMS, which is followed by all Husky businesses. HOIMS is a systematic approach to anticipating, identifying and mitigating hazardous situations within the Company's operations. The implementation of HOIMS has produced tangible business results, including improved performance, fewer incidents and enhanced business value. It incorporates best practices from across the industry, consistent with Husky’s commitment to excellence in operational integrity. HOIMS includes 14 fundamental elements; each element contains well defined objectives and expectations that guide Husky to continuously improve operational integrity. Resources are dedicated to the continued implementation and execution of HOIMS, and audits are conducted to help ensure that HOIMS is effectively integrated into daily operations.

The fundamental elements of HOIMS are:

1. Ensure all levels of management demonstrate leadership and commitment to operational integrity. Define and ensure appropriate accountability for HOIMS throughout the organization.
2. Prevent incidents by identifying and minimizing workplace and personal health risks. Promote and reinforce all safe behaviours.
3. Manage risks by performing comprehensive risk assessments to provide essential decision-making information. Develop and implement plans to manage significant risks and impacts to as low as reasonably practical levels.
4. Be prepared for an emergency or security threat. Identify all necessary actions to be taken to protect people, the environment, the organization’s assets and reputation in the event of an emergency or security threat.
5. Maintain operations reliability and integrity by use of clearly defined and documented operational,

maintenance, inspection and corrosion programs. Seek improvements in process and equipment dependability by systematically eliminating defects and sources of loss.

6. Provide assurance that personnel possess the necessary competencies, knowledge, abilities and behaviours to perform and demonstrate designated tasks and responsibilities effectively, efficiently and safely.
7. Report and investigate all incidents. Learn from incidents and use the information to take corrective action and prevent recurrence.
8. Operate responsibly to minimize the environmental impact of operations. Leave a positive legacy behind when operations cease.
9. Ensure that risks and exposures from proposed changes are identified, evaluated and managed to remain at an acceptable level.
10. Identify, maintain and safeguard important information. Ensure personnel can readily access and retrieve information. Promote and encourage constructive dialogue within the organization to share industry recommended practices and acquired knowledge.
11. Ensure conformance with corporate policies and compliance with all relevant government regulations. Work constructively to influence proposed laws and regulations, and debate on emerging issues.
12. Design, construct, commission, operate and decommission all assets in a healthy, safe, secure, environmentally sound, reliable and efficient manner.
13. Ensure contractors and suppliers perform in a manner that is consistent and compatible with Husky's policies and business performance standards. Ensure contracted services and procured materials meet the requirements and expectations of Husky's standards.
14. Confirm that HOIMS processes are implemented and assess whether they are working effectively. Measure progress and continually improve towards meeting HOIMS objectives, targets, and key performance indicators.

Environmental Protection

Husky's operations are subject to various environmental requirements under federal, provincial, state and local laws and regulations, as well as international conventions. These laws and regulations cover matters such as air emissions, wastewater discharge, non-saline water use, land disturbances and handling and disposal of waste materials. These regulatory requirements have grown in number and complexity over time, covering a broader scope of industry operations and products. In addition to existing requirements, Husky recognizes that there are emerging regulatory frameworks that may have a financial impact on the Company's operations, including pending legislation on criteria regarding air contaminants and GHG emissions.

Husky is required by the Government of Canada to report GHG emissions for facilities that emit more than 50,000 tonnes of CO_2e per year. Husky has implemented an Environmental Performance Reporting System that gathers, consolidates, and calculates information, generates reports and identifies trends regarding GHG and other air emissions, water use, as well as other environmental factors such as ARO.

Husky recognizes that the intensity of its GHG emissions is increasing driven by growth in the Company's thermal oil business. As part of its efforts to manage GHG emissions performance, the Company is investing in technology to capture and utilize CO_2 from its operations for EOR. The Company currently captures CO_2 from its Lloydminster Ethanol Plant and is testing multiple commercial technologies for exhaust gas CO_2 capture from steam generators at a thermal oil production facility. The captured CO_2 is then injected into reservoirs in the Lloydminster area of Saskatchewan for EOR purposes. Husky is also focused on steam to oil ratio optimization, which impacts the GHG emissions intensity of thermal operations and has invested in vacuum insulated tubing as an example to reduce steam consumption. The Company has dedicated resources to identifying new ways of managing GHG emissions performance through technology and process improvements.

Directly and through joint venture partnerships, Husky is a member of several industry associations that collaborate to identify and implement best practices on environmental performance. IPIECA, the global oil and gas industry association for environmental and social issues, produces guidelines that Husky uses to improve its environmental practices, enhance its strategic planning, engage with regulators and enhance operations. Husky is also a member of the Integrated CO_2 Action Network, which is working to improve deployment of carbon capture and storage technologies in Canada. As a member of Petroleum Technology Alliance Canada, Husky participates in technology research for energy efficiency and emissions reduction. In addition, as an active member of the In-situ Water Technology Development Centre, Husky is developing new technologies to reduce energy and water use. Husky dedicates teams to water management issues, with expertise in hydrogeology, surface water aquatics, hydrology, water treatment and drilling waste management. Husky continues to seek ways to conserve and recycle water, including looking at alternative water sources, recycling produced water and the use of ASP to increase water efficiency. At the Tucker Thermal Facility, produced water is recycled and make up water is sourced from very saline, non-potable groundwater. The Sunrise Energy Project will also recycle produced water, and will use process-affected water from a nearby oil sands operation, after it has been treated, to generate steam for oil recovery.

Ongoing remediation and reclamation work is occurring at approximately 5,300 well sites and facilities. In 2014, Husky spent approximately $167.4 million on ARO, and the Company expects to spend approximately $97.3 million in 2015 on environmental site closure activities, including abandonment, decommissioning, reclamation and remediation.

The Company completed a review of its ARO provisions, including estimated costs and projected timing of performing the abandonment and retirement operations. The results of this review have been incorporated into the estimated liability as disclosed in Note 16 of the Company's 2014 audited consolidated financial statements.

At December 31, 2014, Husky had 490 retail locations in its light refined products operations, which consisted of 333 Husky controlled, owned or leased locations and 157 independent retailer locations. Husky is continually monitoring the owned and leased locations for environmental compliance and, where required, performing remediation including routine underground tank replacements. Husky has several “legacy” (inactive facility) sites which require remediation. These legacy sites range from refinery sites to retail locations.

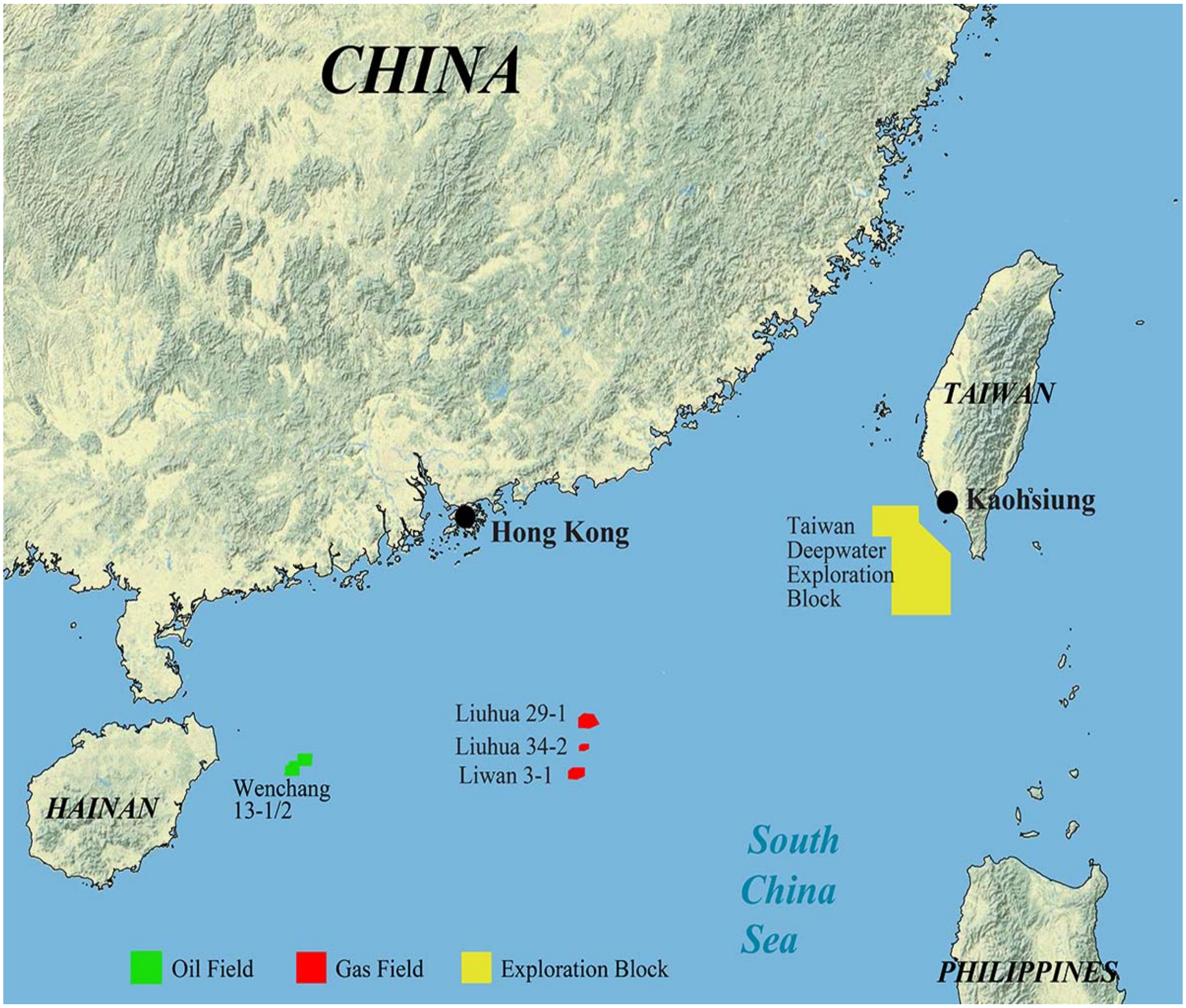
It is not possible to predict with certainty the amount of additional investment in new or existing facilities required to be incurred in the future for environmental protection or to address regulatory compliance requirements, such as reporting. Although these costs may be significant, Husky does not expect that they will have a material adverse effect on liquidity and financial position over the long-term.

Upstream Operations

Description of Major Properties and Facilities

Husky's portfolio of Upstream assets includes properties with reserves of light crude oil, medium crude oil, heavy crude oil, bitumen, NGL, natural gas and sulphur.

China



Liwan Gas Project

The Liwan Gas Project includes the natural gas discoveries at the Liwan 3-1, Liuhua 34-2 and Liuhua 29-1 fields within the Contract Area 29/26 exploration block located in the Pearl River Mouth Basin of the South China Sea, approximately 300 kilometers southeast of the Hong Kong Special Administrative Region.

In late 2010, Husky Oil China Ltd. signed a Heads of Agreement with CNOOC, which specified CNOOC's election to participate in the development of the Block 29/26 discoveries to its maximum 51% working interest and key principles to fund, develop and operate the Liwan 3-1 deep water gas field. It was agreed that the project would be separated into deep water and shallow water development projects, with Husky acting as deep water operator and CNOOC acting as shallow water operator. The development plan includes tie-in of the Liuhua 34-2 and Liuhua 29-1 fields into the shallow water infrastructure and the three fields will share a subsea production system, subsea pipeline transportation and onshore gas processing infrastructure.

In 2013, Husky completed the deep water development of the Liwan 3-1 field. During the same period, CNOOC completed the shallow water central platform standing in approximately 120 meters of water. The CNOOC-operated shallow water development also includes a 261 kilometer 30 inch diameter pipeline running from the central platform to the onshore Gaolan Gas Plant. The gas plant includes liquids separation facilities, ten spherical NGL storage tanks, an export jetty, control facilities, as well as administrative and accommodation buildings.

The Liwan 3-1 field commenced production at the end of March 2014. The gas field is currently producing from 9 wells to the central platform and on through to the onshore Gaolan Gas Plant. The single production well, Liuhua 34-2 field was tied into the deep water facilities of the Liwan 3-1 field and commenced production in December 2014. Gas sales from Liwan were in the range of 180 to 250 mmcf/day (gross) in 2014. Husky's share of natural gas production was 114.2 mmcf/day representing its 49% working interest share plus production allocated to Husky to recover past exploration costs. Husky's share of production from the two fields including NGL was 23.3 mboe/day. Negotiations for the sale of the gas from the Liuhua 29-1 field are ongoing.

Wenchang

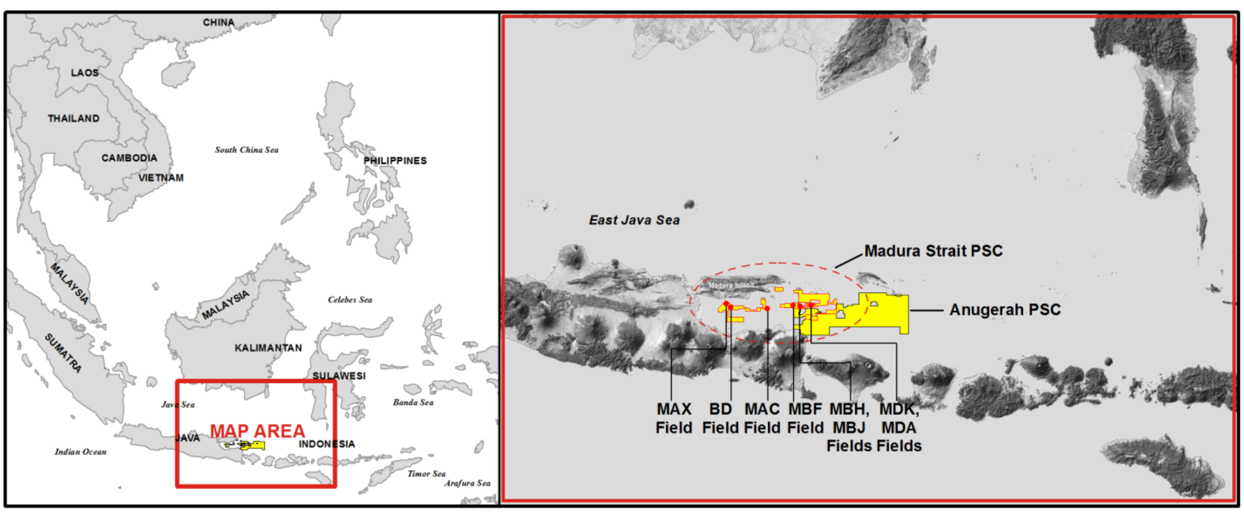
The Wenchang field is located in the western Pearl River Mouth Basin, approximately 400 kilometers south of the Hong Kong Special Administrative Region and 100 kilometers east of Hainan Island. Husky holds a 40% working interest in two oil fields, which commenced production in July 2002. The Wenchang 13-1 and 13-2 oil fields are currently producing from 32 wells in 100 meters of water into an FPSO stationed between fixed platforms located in each of the two fields. Husky's share of production averaged 4.8 mbbls/day during 2014. The PSC is due to expire in 2017.

Taiwan

In December 2012, Husky signed a joint venture agreement with CPC Corporation, Taiwan, for an exploration block in the South China Sea. The exploration block is located 100 kilometers southwest of the island of Taiwan and covers approximately 10,000 square kilometers. Husky holds a 75% working interest during exploration, while CPC Corporation has the right to participate in the development program up to a 50% interest.

In 2013 and 2014, Husky completed the minimum 2-D seismic survey obligation required in the joint venture agreement and is currently processing the survey data to identify geological structures for 3-D seismic surveying to be considered in 2016. Husky has options to carry out three-dimensional seismic surveys and to drill at least one exploration well in subsequent exploration periods.

Indonesia



Madura Strait

Husky has a 40% interest in approximately 621,700 acres (2,516 square kilometers) of the Madura Strait Block, located offshore East Java, south of Madura Island, Indonesia. Husky's two partners are CNOOC, which is the operator and has a 40% working interest, and Samudra Energy Ltd., which holds the remaining 20% interest through its affiliate, SMS Development Ltd.

The BD gas field was granted commercial status and the Plan of Development was approved by the Indonesian state oil company in 1995. The field was to supply natural gas to a proposed independent power plant; however, construction of the power plant did not proceed due to economic issues that occurred in Indonesia at that time and as a result, the BD development was deferred. Market conditions became more favourable for the BD development to supply gas to meet the demand of the East Java region and an updated development plan was approved in 2008 by the Government of Indonesia.

In October 2010, the Government of Indonesia approved an extension of the PSC that was originally awarded in 1982. The approval provided a 20-year extension to the contract, which now runs until 2032. The BD field FEED was completed in the second quarter of 2010.

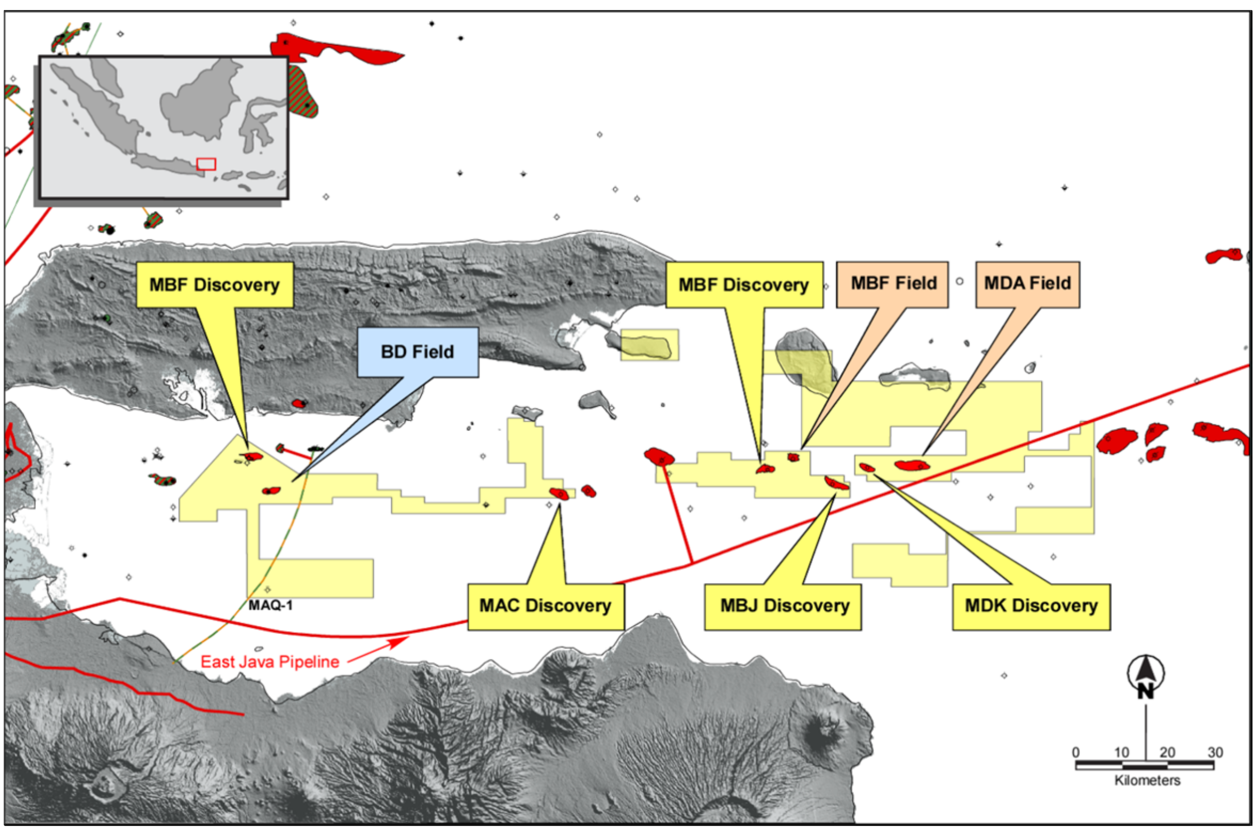
In 2011, CNOOC drilled an appraisal well that confirmed commercial quantities of hydrocarbons in the MDA field. An exploration well was also drilled in 2011 on the MBH field and a new gas field was discovered. The gas sales contracts for the BD field previously signed in 2010 with three gas buyers were amended in 2011. In November 2012, the functions of BP Migas, the then Indonesian oil and gas regulator, were temporarily transferred to the Energy and Mineral Resources Ministry and subsequently, a new body, SKK Migas, was established as the new industry regulator. As discussed and agreed with the new regulator, a re-tender for the BD field FPSO commenced.

In 2012, the exploration drilling program resulted in discoveries on the MAC, MAX, MDK and MBJ fields. The fields are being evaluated for commercial development potential.

In January 2013, the plan of development for a combined MDA and MBH development project was approved by SKK Migas. In July 2013, the BD field engineering, procurement, installation and commissioning contract was awarded and engineering/construction work under the contract commenced. The Government of Indonesia appointed a lead distributor for the major portion of the gas from the MDA and MBH fields and a Heads of Agreement has been signed. The Gas Sales Agreement for the first tranche of gas from this development is complete and awaiting final approval from the regulator. Exploration drilling on the block in 2013 resulted in an additional discovery at the MBF field.

In 2014, the tender plans for the combined development project for the MDA and MBH fields were approved by SKK Migas. The development plan for the MDK field to tie into the MDA/MBH combined development was approved by SKK Migas in July 2014. A contract for the lease of an FPSO for the BD field was signed in December.

First gas from the Madura Strait Block is anticipated in mid-2017.



North Sumbawa II

Husky executed a PSC in November 2008 with the Government of Indonesia for the North Sumbawa II contract area. Husky holds a 100% interest in the North Sumbawa II Block, which is located in the East Java Basin approximately 300 kilometers east of the Madura Strait block and covers an area of 937,300 acres (3,793 square kilometers). In August 2014, Husky gave notice to the Government of Indonesia of its intention to relinquish the PSC.

Anugerah

Husky executed a PSC in February 2014 with the Government of Indonesia for the Anugerah contract area. Husky holds a 100% interest in the Anugerah Block, which is located in the East Java Basin approximately 150 kilometers east of the Madura Strait Block and 220 km west of the North Sumbawa II Block. The block covers an area of 2,030,000 acres (8,215 square kilometers) with main prospective locations in water depths of 800 to 1,300 meters. The PSC requires the acquisition of 2-D and 3-D seismic data during the first three years of the contract. Planning is in progress for the seismic acquisition program to be carried out in 2015.

Atlantic Region

Husky's offshore East Coast exploration and development program is focused in the Jeanne d'Arc Basin on the Grand Banks, which contains the Hibernia and Terra Nova fields, the White Rose field and satellite extensions, including North Amethyst, West White Rose and the South White Rose Extensions; and the Flemish Pass Basin, which contains the Mizzen, Bay du Nord and Harpoon discoveries. Husky is the operator of the White Rose field and satellite extensions, and holds an ownership interest in the Terra Nova field as well as in a number of smaller undeveloped fields. Husky also holds significant exploration acreage offshore Newfoundland and a portfolio of ELs offshore Greenland.

White Rose Oil Field

The White Rose oil field is located 354 kilometers off the coast of Newfoundland and Labrador and approximately 48 kilometers east of the Hibernia oil field on the eastern section of the Jeanne d'Arc Basin. Husky is the operator of the White Rose field and satellite tiebacks, including the North Amethyst, West White Rose and South White Rose Extensions. The Company has a 72.5% working interest in the core field and a 68.875% working interest in the satellite fields.

First oil was achieved at White Rose in November 2005. The White Rose field was the third oil field developed offshore Newfoundland and currently has nine production wells, 10 water injectors, and three gas injectors. During 2014, Husky's production from the White Rose field was 6.5 mmbbls (17.7 mbbls/day).

On May 31, 2010, first oil was achieved from North Amethyst, the first satellite field extension for the White Rose field. The field is located approximately six kilometers southwest of the SeaRose FPSO. Production flows from North Amethyst to the SeaRose FPSO through a series of subsea flow lines. During 2014, Husky's production from North Amethyst was 5.6 mmbbls (15.3 mbbls/day). As of December 31, 2014, the field had five production wells and four water injection wells, which completes the base plan for the field. A development plan amendment was approved by regulators in June 2013. In October 2013, Husky received regulatory approval to develop a second, deeper formation at North Amethyst utilizing existing infrastructure. A supporting water injector is already in place. The Company commenced drilling in 2014 at the North Amethyst Hibernia formation which will target a secondary deeper zone below the main North Amethyst producing field. Production from the Hibernia formation is expected to start up in the second half of 2015.

Initial production from West White Rose was achieved in September 2011 through a two-well pilot project. These wells have helped provide further information on the reservoir to refine development plans for the full West White Rose field. Husky's share of production from this satellite field was 2.0 mmbbls (5.6 mbbls/day) during 2014.

Hearings for the public review of the application for a wellhead platform to facilitate full field development at West White Rose were held during 2014. Construction on the dry-dock in Argentia, Newfoundland and early site preparation was advanced, including construction of a graving dock. Husky has deferred a final investment decision on the White Rose Extension Project while it re-evaluates concept development plans.

Gas injection at the South White Rose Extension commenced in the first quarter of 2014, with oil production equipment installed in summer 2014. Drilling of the first oil production well is underway with production anticipated in mid-2015.

Terra Nova Oil Field

The Terra Nova oil field is located approximately 350 kilometers southeast of St. John's, Newfoundland in 91 to 100 metres of water. The Terra Nova oil field is divided into three distinct areas, known as the Graben, the East Flank and the Far East. Production at Terra Nova commenced in January 2002. Husky's working interest in the field increased to 13% effective December 1, 2010.

As at December 31, 2014, there were 14 development wells drilled in the Graben area, consisting of eight production wells, three water injection wells and three gas injection wells. In the East Flank area there were 14 development wells, consisting of eight production wells and six water injection wells. There is one extended reach producer and an extended reach water injection well in the Far East area. The Operator continues to progress delineation and development opportunities at Terra Nova.

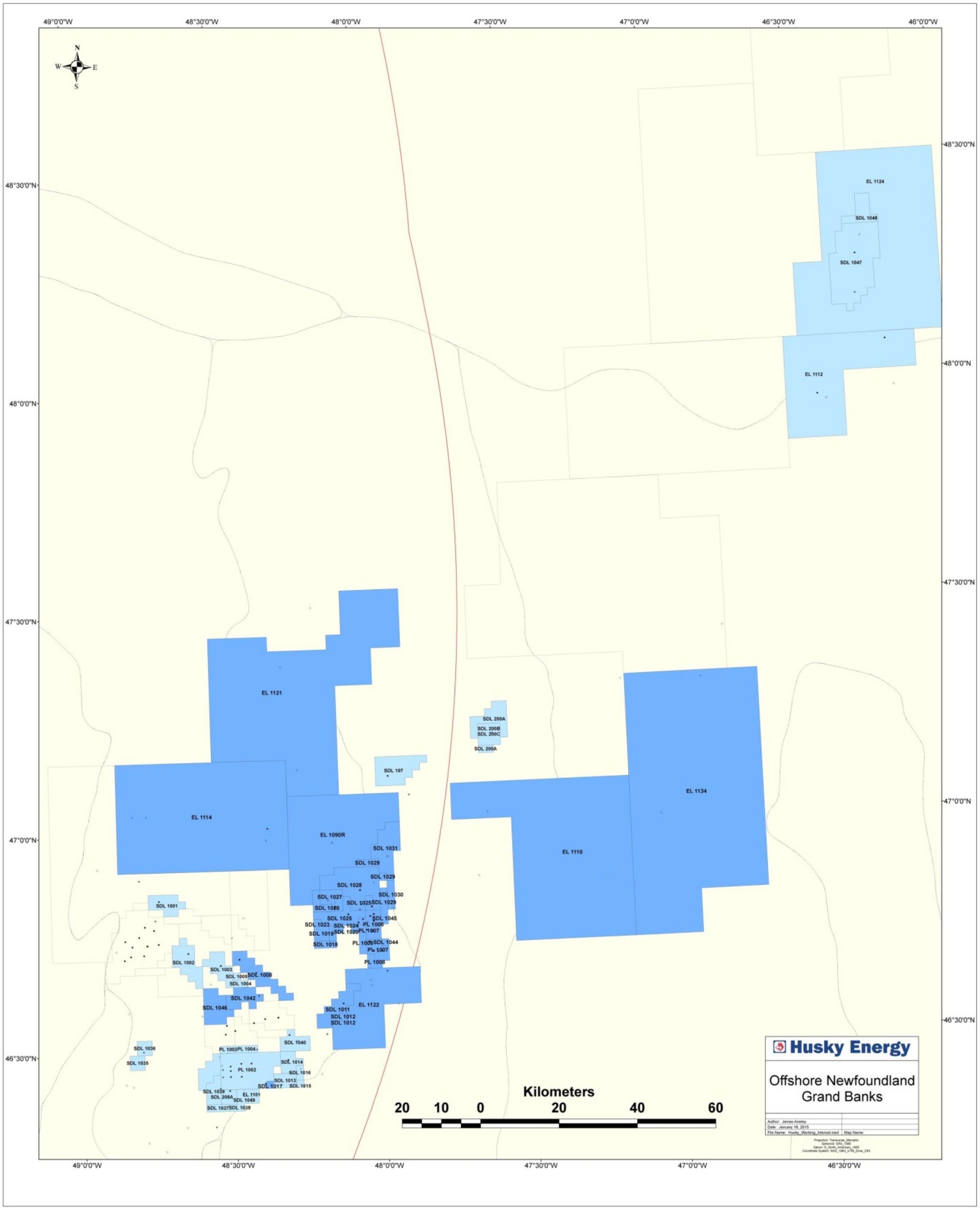
Husky's share of production in 2014 from the Terra Nova field was 2.2 mmbbls (6.0 mbbls/day). Production at Terra Nova was impacted by a 25-day turnaround associated with scheduled maintenance on the FPSO and coincided with the 2014 subsea program to replace a water injection tee and reinstate the second production flowline to the Northwest Drill Centre. Production from the field resumed on August 31, 2014.

East Coast Exploration

Husky believes that the Atlantic Region has exploration potential, and that the Company's position there will provide growth opportunities for light crude oil and natural gas development in the medium to long-term. Husky presently holds working interests ranging from 5.8% to 73.125% in 23 significant discovery areas in the Jeanne d'Arc Basin, Flemish Pass Basin, offshore Newfoundland and Labrador and Baffin Island.

In November 2014, following the major discoveries made, Husky and its partner commenced an 18-month appraisal drilling program in the Northern Flemish Pass, beginning in the Bay du Nord area. Evaluation of well results at Bay du Nord have confirmed significant quantities of hydrocarbons with best estimate economic contingent resources estimated by Husky at 400 million barrels of crude oil on a 100% working interest basis (141.2 million net to Husky) as at December 31, 2014. The Bay du Nord prospect is south of the Mizzen discovery and west of the Harpoon discovery. Mizzen, discovered in 2009, holds best estimate economic contingent resources estimated by Husky at 130 million barrels of crude oil on a 100% working interest basis (46.1 million net to Husky) as at December 31, 2014. Evaluation of well results at Harpoon continues. Husky holds a 35% working interest in all three wells.

The Company plans to participate in additional exploration and delineation wells during 2015 in the southern Flemish Pass Basin and the Jeanne d'Arc Basin. Drilling of an exploration well on the Aster prospect in the Flemish Pass Basin commenced on December 19, 2014, and results are currently being evaluated.



Greenland

Husky is the operator of two ELs offshore the west coast of Disko Island, Greenland. Husky continues to evaluate its opportunities in the region.

Oil Sands

Sunrise Energy Project

On March 31, 2008, Husky and BP completed a transaction that created an integrated North American oil sands business. The business is comprised of a 50/50 partnership to develop the Sunrise Energy Project, operated by Husky, and a 50/50 limited liability company for the BP-Husky Toledo Refinery, operated by BP.

The Sunrise Energy Project is an in-situ SAGD oil sands project located in the Athabasca region of northern Alberta. The project will be developed in multiple phases with Phase 1 consisting of two 30,000 bbls/day steam plants (Plants 1A and 1B). The project was sanctioned in 2010 and Husky awarded major engineering and construction contracts for the central processing and field facilities and the partnership reached an agreement on the movement of diluted bitumen to market and transportation of diluent to the Sunrise oil sands site. Development drilling of all planned SAGD horizontal well pairs for Phase 1 was completed in 2012. Construction of the central processing facilities and field facilities was substantially completed in 2014 and steaming from Plant 1A commenced in December 2014. First oil is expected towards the end of the first quarter of 2015. Plant 1B is scheduled to be completed and commence steaming in mid-2015.

Undeveloped Oil Sands Assets

Husky holds in excess of 550,000 acres in undeveloped oil sands leases and has a 100% working interest in all leases except in Athabasca South, in which it has a 50% working interest. The undeveloped oil sands leases include the Saleski asset covering more than 241,000 acres located north of Wabasca, Alberta. Saleski contains a best estimate economic contingent resource of 10 billion barrels of bitumen.

Tucker Oil Sands Project

Tucker is an in-situ SAGD oil sands project located 30 kilometers northwest of Cold Lake, Alberta that commenced production at the end of 2006. Husky has expanded the project through the development of the overlying Lower Grand Rapids formation with an initial six well pairs. Production at Tucker in 2014 was 10.8 mbbls/day. Several applications to the AER have been approved or are proceeding for additional drilling and field development through 2015.

Heavy Oil

Lloydminster Heavy Oil and Gas

The majority of Husky's heavy oil assets are located in the Lloydminster region of Alberta and Saskatchewan, with lands consisting of approximately two million acres. This extensive land position spans most of the productive oil fields in the area, all within 100 kilometers of the City of Lloydminster. The Company operates over 4,500 wells in the area, with a 100% working interest in the majority of these wells. Husky's operations are supported by a network of Husky owned oil treating facilities and pipelines that transport heavy crude oil from the field locations to the Husky Lloydminster asphalt refinery, the Husky Lloydminster Upgrader and the third-party pipeline systems at Hardisty, Alberta, providing full integration with the Company's Upstream Infrastructure and Marketing and Downstream businesses.

Production of heavy oil from the Lloydminster area uses a variety of techniques, including production methods, horizontal well technology, CSS and SAGD. Husky’s gross heavy and medium crude oil production from the area averaged 107.4 mbbls/day in 2014. Of the total crude oil produced, 61.8 mbbls/day was production of heavy crude oil, using CHOPS and horizontal technologies, 43.8 mbbls/day was from Husky’s thermal operations and 1.8 mbbls/day was from the medium gravity waterflooded fields in the Wainwright and Wildmere areas. Husky also produces natural gas from numerous small shallow pools in the Lloydminster region and recovers solution gas produced from heavy oil wells. During 2014, Husky’s gross natural gas production from the Lloydminster region averaged 17.7 mmcf/day.

Construction was completed at the 3,500 bbls/day Sandall thermal development project in the first quarter of 2014. Production commenced ahead of schedule and continues to be strong with oil rates averaging 5,600 bbls/day in the fourth quarter of 2014.

Design and construction is continuing at the 10,000 bbls/day Rush Lake commercial project with first production expected in the third quarter of 2015. Production performance from the two well pair pilot is in line with expectations.

Site clearing, detailed engineering and module fabrication continued at the two 10,000 bbls/day Edam East and Vawn thermal development projects and at the 3,500 bbls/day Edam West thermal development project with production from all three projects expected in second half of 2016.

The Company advanced its horizontal drilling program in 2014 with the completion of 94 wells. Based on the positive performance of previous horizontal drilling programs, Husky is continuing this program and is planning to drill approximately eight wells in 2015, and continuing to implement waterflooding in selected pools. The Company also drilled 153 gross CHOPS wells during 2014. In 2015, ten CHOPS wells are planned. Development activity in these areas has been reduced in 2015 in response to market conditions.

McMullen Thermal Development

Husky completed a successful winter delineation program at the McMullen thermal development property, in the first half of 2014, which consisted of drilling 40 stratigraphic wells, the acquisition of 25 square kilometers of 3-D seismic survey data and the completion of environmental field study work. Additional drilling commenced at McMullen in December 2014 which continued into the first quarter of 2015 to further progress the play.

Non-Thermal Enhanced Oil Recovery

Husky operated five solvent EOR pilot programs in 2014 and a CO2 capture and liquefaction plant at the Lloydminster Ethanol Plant. This liquefied CO2 is used in the ongoing EOR piloting program.

Western Canada (excluding Heavy Oil and Oil Sands)

Northwest

Western Canada northwest development operations are located primarily in north and central Alberta from the foothills in western Alberta to Slave Lake and Grande Prairie in northern Alberta. Husky operates 85 facilities in the area, including the Ram River Gas Plant in which the Company has an average 85% working interest. Production for 2014 from northwest operations averaged 59.0 mboe/day. Production consisted of approximately 240.0 mmcf/day of natural gas and 19.0 mbbls/day of crude oil and NGL.

The area is heavily weighted to natural gas production at approximately 67%. Husky is pursuing liquids-rich natural gas and crude oil development opportunities within the existing asset portfolio including oil developments at McMullen and Wapiti along with emerging liquids-rich gas plays in the Strachan and Kakwa areas.

Conventional crude oil development primarily centers around heavy oil at McMullen which is located approximately 40 kilometers southwest of Wabasca, Alberta. The McMullen conventional development is currently producing approximately 5.0 mboe/day. Development in 2014 included drilling one development pad and completing a total of three pads that were put on production for total incremental volumes of 700 bbls/day.

The Company continued to develop a resource cardium oil play in the Wapiti area south of the city of Grand Prairie, Alberta utilizing horizontal well and multi-stage fracturing technology to unlock crude oil reserves in the Cardium zone. The 2014 drilling program was reduced to six wells and ten completions. Production from the area has grown to approximately 3.5 mboe/day.

Husky also progressed development of two major liquids rich gas resource plays. Production from the Strachan Cardium play near Rocky Mountain House was increased from 1.0 to 5.0 mboe/day during the year with four new horizontal wells drilled and eight new wells coming on production in 2014. There are plans for six additional wells to be drilled in 2015 to maintain production.

The Kakwa Wilrich liquids rich gas resource play south of Grande Prairie is a non-operated asset with Conoco Phillips, (Husky working interest 50%). This is a new development play where seven wells were drilled and completed with four coming on production by year end for a net Husky production rate of approximately 4.0 mboe/day. Plans for 2015 include drilling four additional wells to grow production to 8.0 mboe/day.

Southeast

Husky's Western Canada southeast development operations are located primarily in southern Alberta and southern Saskatchewan. Husky operates 68 crude oil and 27 gas facilities in the area. Production in 2014 from these operations averaged 63.0 mmcf/day of natural gas and 36.0 mbbls/day of crude oil and NGL.

Husky's resource oil drilling programs target medium productivity reservoirs enhanced by utilizing horizontal drilling and multiple-stage fracturing treatments. The Company currently has approximately 100 wells producing from the plays.

Husky applies the ASP EOR process at Warner in southern Alberta and at Gull Lake and Fosterton in southern Saskatchewan. In addition, Husky holds a 20.3% non-operating working interest in the Instow, Saskatchewan ASP flood. Production in December 2014 for this ASP EOR program was approximately 3.0 mbbls/day.

Development of the Bakken and Torquay formations continued in southeast Saskatchewan. In 2014, Husky drilled seven oil wells, brought seven wells on production, acquired 6.25 sections at Oungre East, expanded the facility with a gas injection pilot and treater and began construction of infrastructure at Oungre East to support continued development. Production from the Oungre property in December 2014 was approximately 2.0 mboe/day.

Conventional oil development in southern Alberta and Saskatchewan will focus on the Mannville and Paleozoic reservoirs where the Company has a large inventory of locations to drill.

Gas Resource Development

Gas resource development operations are located primarily in northern Alberta in the Edson and Grande Prairie regions and include Husky's two primary assets: the Ansell/Galloway area and the Duvernay formation at Kaybob. Husky's production in 2014 from Ansell/Galloway averaged 2.4 mbbls/day of natural gas liquids and 90.3 mmcf/day of natural gas. To date, the Company has drilled and completed over 350 (gross) wells at the Ansell project including 24 (gross) wells in 2014. In the Kaybob area, production averaged 0.8 mbbls/day of natural gas liquids and 4.2 mmcf/day of natural gas in 2014. Husky drilled and completed a two-well pad in 2014 at the Duvernay liquids-rich natural gas resource play at Kaybob, Alberta.

Rainbow Development

Rainbow Lake, located approximately 700 kilometers northwest of Edmonton, Alberta, is the site of Husky's largest light oil production operation in Western Canada. Husky's production for 2014 from the Rainbow Lake district averaged 8.4 mbbls/day of light crude oil and NGL and 80.6 mmcf/day of natural gas.

The Company holds a 50% interest in a 90 MW natural gas fired cogeneration facility adjacent to Husky's Rainbow Lake processing plant. The cogeneration facility produces electricity for the Power Pool of Alberta and thermal energy, or steam, for the Rainbow Lake processing plant. Results from this joint venture are included in Upstream Exploration and Production.

Northwest Territories

Husky holds two ELs acquired in 2011 in the Northwest Territories at the Slater River Canol shale play. Two vertical pilot wells were drilled, completed and flow tested in 2012. These wells satisfied the requirements to extend the term of both the ELs to the full nine year term. The Company acquired a 220 square kilometer multi-component 3D seismic survey in 2012, and construction of an all season access road was completed in 2014. Husky withdrew an application to drill four horizontal wells originally planned in 2015.

Distribution of Oil and Gas Production

Crude Oil and NGL

Husky provides heavy crude oil feedstock to its Upgrader and its asphalt refinery, which are located at Lloydminster, Alberta/Saskatchewan. The combined dry crude feedstock requirements of the Upgrader and asphalt refinery are approximately equal to Husky's heavy crude oil production from the Lloydminster area. Husky also purchases third-party volumes. Husky markets heavy crude oil production directly to refiners located in the mid-west and eastern United States and Canada. Husky markets its light and synthetic crude oil production to third-party refiners in Canada, the United States and Asia in addition to Husky's Lima Refinery. NGL is sold to local petrochemical end users, retail and wholesale distributors, and refiners in North America.

Husky markets third-party volumes of crude oil, synthetic crude oil and NGL in addition to its own production. For a discussion of Husky's distribution methods associated with crude oil and NGL, see "Commodity Marketing".

Natural Gas

The following table shows the distribution of Husky's gross average daily natural gas production for the years indicated. The Company markets third-party natural gas production in addition to its own production.

	Years Ended December 31,		
	2014	**2013**	**2012**
	(mmcf/day)		
Sales Distribution			
United States	183	141	154
Canada	138	198	242
	321	339	396
Sales to Aggregators	—	2	4
Internal Use (1)	186	172	154
	507	513	554

(1) Husky consumes natural gas for fuel at several of its facilities.

Fixed Price Contracts

The following table shows the future commitments to deliver natural gas from Husky reserves. Husky's proved developed reserves of natural gas in Western Canada are more than adequate to meet future delivery commitments.

	bcf	**Fixed Price $/mmbtu**
2015	3.8	4.34
2016	—	—
2017	—	—

Disclosures of Oil and Gas Activities

Production History

Average Gross Daily Production	Year Ended Dec 31, 2014	Three Months Ended Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
Canada - Western Canada					
Light Crude Oil and NGL (mbbls/day)	30.1	31.2	30.3	27.7	31.4
Medium Crude Oil (mbbls/day)	21.5	19.7	20.2	22.4	23.7
Heavy Crude Oil (mbbls/day)	76.8	77.5	76.1	78.1	75.5
Bitumen (mbbls/day)	54.6	55.7	56.2	54.6	52.0
Natural Gas (mmcf/day)	506.8	521.3	509.3	490.6	505.9
Canada - Atlantic Region					
Light Crude Oil (mbbls/day)	44.6	43.4	37.3	47.6	50.3
Asia Pacific Region(1)					
Light Crude Oil and NGL (mbbls/day)	9.0	15.2	9.3	2.6	8.7
Natural Gas (mmcf/day)	114.2	180.2	161.0	113.0	—
Total Gross Production (mboe/day)	**340.1**	**359.6**	**341.1**	**333.6**	**325.9**

Average Gross Daily Production	Year Ended Dec 31, 2013	Three Months Ended Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Canada - Western Canada					
Light Crude Oil and NGL (mbbls/day)	29.7	30.2	29.2	28.6	30.7
Medium Crude Oil (mbbls/day)	23.2	23.4	23.2	22.9	23.0
Heavy Crude Oil (mbbls/day)	74.5	75.9	75.3	72.3	74.4
Bitumen (mbbls/day)	47.7	46.7	48.0	48.3	47.9
Natural Gas (mmcf/day)	512.7	503.8	505.5	504.7	537.3
Canada - Atlantic Region					
Light Crude Oil (mbbls/day)	44.1	40.8	41.7	46.1	47.9
Asia Pacific Region					
Light Crude Oil and NGL (mbbls/day)	7.3	7.3	6.8	7.6	7.8
Total Gross Production (mboe/day)	**312.0**	**308.3**	**308.5**	**309.9**	**321.3**

Average Gross Daily Production	Year Ended Dec 31, 2012	Three Months Ended Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012
Canada - Western Canada					
Light Crude Oil and NGL (mbbls/day)	30.1	31.9	29.0	29.4	30.5
Medium Crude Oil (mbbls/day)	24.1	23.2	23.9	24.1	24.9
Heavy Crude Oil (mbbls/day)	76.9	76.0	77.1	78.1	76.2
Bitumen (mbbls/day)	35.9	46.7	37.8	29.6	29.6
Natural Gas (mmcf/day)	554.0	523.7	544.9	559.5	588.3
Canada - Atlantic Region					
Light Crude Oil (mbbls/day)	33.8	45.7	18.5	19.0	52.1
Asia Pacific Region					
Light Crude Oil and NGL (mbbls/day)	8.4	8.5	7.9	8.4	8.6
Total Gross Production (mboe/day)	**301.5**	**319.3**	**285.0**	**281.9**	**319.9**

(1) Reported production volumes include Husky's net working interest production from the Liwan Gas Project (49%) and an incremental share of production volumes which are allocated to Husky until full project exploration cost recovery is attained.

Netback Analysis

The following tables show Husky's netback analysis by product and area:

Average Per Unit Amounts	Year Ended Dec 31, 2014	Three Months Ended Dec 31, 2014	Sept 30, 2014	June 30, 2014	Mar 31, 2014
Light Crude Oil and NGL ($/bbl)					
Canada - Western Canada					
Price Received	$82.53	$65.00	$84.95	$89.96	$91.42
Royalties	$12.78	$8.99	$13.78	$13.34	$15.16
Production Costs	$25.75	$23.50	$25.63	$26.96	$27.15
Netback	$44.00	$32.51	$45.53	$49.67	$49.11
Canada - Atlantic Canada					
Price Received	$107.50	$77.49	$105.24	$122.62	$121.27
Royalties	$18.43	$6.17	$18.28	$25.15	$22.88
Production Costs	$13.38	$13.55	$17.86	$10.52	$12.59
Transportation Costs (1)	$2.49	$2.27	$3.32	$2.48	$2.07
Netback	$73.20	$55.50	$65.78	$84.47	$83.74
Canada - Total					
Price Received (1)	$95.95	$70.94	$94.32	$109.03	$108.51
Royalties	$16.14	$7.35	$16.27	$20.80	$19.91
Production Costs	$18.38	$17.70	$21.34	$16.57	$18.19
Netback	$61.43	$45.89	$56.72	$71.66	$70.41
China(2)					
Price Received	$95.99	$67.56	$102.57	$115.85	$117.00
Royalties	$18.83	$4.30	$29.07	$21.26	$28.02
Production Costs	$13.15	$12.81	$14.61	$88.07	$10.56
Netback	$64.01	$50.45	$58.89	$6.52	$78.41
Company Total					
Price Received (1)	$95.96	$70.64	$94.65	$109.07	$109.33
Royalties	$16.32	$7.08	$16.77	$20.81	$20.69
Production Costs	$18.05	$17.27	$21.07	$16.93	$17.45
Netback	$61.60	$46.29	$56.80	$71.33	$71.18
Medium Crude Oil ($/bbl)					
Canada - Western Canada					
Price Received	$80.69	$64.60	$83.35	$89.67	$83.47
Royalties	$13.54	$12.00	$15.42	$14.40	$12.44
Production Costs	$23.49	$23.32	$25.64	$24.29	$20.99
Netback	$43.66	$29.28	$42.29	$50.99	$50.04
Heavy Crude Oil ($/bbl)					
Canada - Western Canada					
Price Received	$71.82	$58.78	$77.34	$79.44	$72.18
Royalties	$8.98	$7.65	$9.84	$9.87	$8.59
Production Costs	$20.89	$19.43	$21.50	$20.03	$22.70
Netback	$41.95	$31.70	$46.00	$49.54	$40.90
Bitumen ($/bbl)					
Canada - Western Canada					
Price Received	$70.57	$58.21	$75.50	$77.97	$70.78
Royalties	$6.30	$5.39	$6.85	$6.93	$6.03
Production Costs	$13.10	$12.11	$12.64	$12.71	$15.07
Netback	$51.17	$40.71	$56.00	$58.33	$49.68
Natural gas ($/mcf)					
Canada - Western Canada (3)					
Price Received	$4.41	$3.98	$4.00	$4.86	$4.82
Royalties	$0.21	$0.11	$0.19	$0.39	$0.18
Production Costs	$2.07	$2.08	$2.02	$2.17	$2.03
Netback	$2.12	$1.79	$1.79	$2.30	$2.62

Average Per Unit Amounts	Year Ended Dec 31, 2014	Three Months Ended Dec 31, 2014	Sept 30, 2014	June 30, 2014	Mar 31, 2014
Natural gas ($/mcf)					
China[2]					
Price Received	$13.03	$13.18	$12.78	$13.04	—
Royalties	$0.64	$0.69	$0.55	$0.68	—
Production Costs	$1.21	$1.30	$1.49	$0.58	—
Netback	$11.19	$11.19	$10.74	$11.79	—

(1) Transportation costs are shown separately from price in Canada - Atlantic Region. This cost category is netted against price when calculating Canada Total and Company Total balances.

(2) Reported production volumes include Husky Liwan Gas Project (49%) and an incremental share of production volumes which are allocated to Husky until full project exploration cost recovery is attained.

(3) Includes royalties.

Average Per Unit Amounts	Year Ended Dec 31, 2013	Three Months Ended Dec 31, 2013	Sept 30, 2013	June 30, 2013	Mar 31, 2013
Light Crude Oil and NGL ($/bbl)					
Canada - Western Canada					
Price Received	$82.73	$78.42	$91.80	$80.54	$80.33
Royalties	$12.87	$12.57	$10.94	$13.96	$14.00
Production Costs	$23.63	$21.59	$26.84	$23.87	$22.54
Netback	$46.23	$44.26	$54.02	$42.71	$43.79
Canada - Atlantic Canada					
Price Received	$114.60	$117.87	$117.84	$106.28	$116.93
Royalties	$14.65	$15.98	$14.23	$12.92	$15.50
Production Costs	$12.47	$15.19	$13.31	$12.16	$9.98
Transportation Costs (1)	$2.62	$2.80	$3.16	$2.54	$2.08
Netback	$84.86	$83.90	$87.14	$78.66	$89.37
Canada - Total					
Price Received (1)	$100.22	$99.50	$105.26	$94.86	$101.40
Royalties	$13.93	$14.54	$12.88	$13.33	$14.93
Production Costs	$16.96	$17.91	$18.88	$16.64	$15.03
Netback	$69.33	$67.05	$73.50	$64.89	$71.44
China					
Price Received	$107.95	$110.17	$115.30	$94.26	$112.95
Royalties	$26.23	$26.19	$27.98	$21.46	$29.52
Production Costs	$11.39	$13.63	$12.72	$10.28	$9.97
Netback	$70.33	$70.35	$74.60	$62.52	$73.46
Company Total					
Price Received (1)	$100.87	$100.49	$106.13	$94.80	$102.43
Royalties	$15.00	$15.62	$14.19	$14.08	$16.22
Production Costs	$16.45	$17.51	$18.34	$16.05	$14.44
Netback	$69.42	$67.36	$73.60	$64.67	$71.77
Medium Crude Oil ($/bbl)					
Canada - Western Canada					
Price Received	$76.31	$67.86	$93.67	$73.62	$61.74
Royalties	$14.25	$11.06	$16.23	$10.80	$10.78
Production Costs	$20.53	$20.23	$23.45	$24.09	$22.19
Netback	$41.53	$36.57	$53.99	$38.73	$28.77
Heavy Crude Oil ($/bbl)					
Canada - Western Canada					
Price Received	$63.44	$56.51	$84.45	$66.77	$45.67
Royalties	$8.20	$7.69	$10.93	$8.06	$6.03
Production Costs	$20.63	$20.16	$21.82	$20.73	$20.15
Netback	$34.61	$28.66	$51.70	$37.98	$19.49
Bitumen ($/bbl)					
Canada - Western Canada					
Price Received	$61.68	$54.08	$83.17	$65.71	$43.12
Royalties	$5.37	$6.63	$6.64	$4.94	$3.25
Production Costs	$12.39	$12.80	$11.83	$13.61	$11.61
Netback	$43.92	$34.65	$64.70	$47.16	$28.26
Natural Gas ($/mcf)					
Canada - Western Canada (2)					
Price Received	$3.19	$3.30	$2.66	$3.72	$3.08
Royalties	($0.01)	($0.08)	($0.09)	$0.11	$0.02
Production Costs	$2.14	$2.09	$2.25	$2.30	$2.02
Netback	$1.06	$1.29	$0.50	$1.31	$1.04

(1) Transportation costs are shown separately from price in Canada - Atlantic Region. This cost category is netted against price when calculating Canada Total and Company Total balances.

(2) Includes royalties.

Producing and Non-Producing Wells [1][2][3]

Producing Wells

	Oil Wells		Natural Gas Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
Canada						
Alberta	4,208	3,444	5,312	3,846	9,520	7,290
Saskatchewan	6,273	5,356	1,345	1,220	7,618	6,576
British Columbia	199	57	296	260	495	317
Newfoundland	21	6	—	—	21	6
	10,701	8,863	6,953	5,326	17,654	14,189
International						
China	28	11	10	5	38	16
Libya	3	1	—	—	3	1
	31	12	10	5	41	17
As at December 31, 2014	**10,732**	**8,875**	**6,963**	**5,331**	**17,695**	**14,206**
Canada						
Alberta	4,236	3,475	5,445	3,968	9,681	7,443
Saskatchewan	6,683	5,744	1,374	1,249	8,057	6,993
British Columbia	198	56	304	266	502	322
Newfoundland	21	6	—	—	21	6
	11,138	9,281	7,123	5,483	18,261	14,764
International						
China	29	11	—	—	29	11
Libya	3	1	—	—	3	1
	32	12	—	—	32	12
As at December 31, 2013	**11,170**	**9,293**	**7,123**	**5,483**	**18,293**	**14,776**
Canada						
Alberta	4,341	3,575	5,732	4,221	10,073	7,796
Saskatchewan	6,941	6,000	1,373	1,256	8,314	7,256
British Columbia	199	57	311	270	510	327
Newfoundland	30	12	—	—	30	12
	11,511	9,644	7,416	5,747	18,927	15,391
International						
China	32	13	—	—	32	13
Libya	—	—	—	—	—	—
	32	13	—	—	32	13
As at December 31, 2012	**11,543**	**9,657**	**7,416**	**5,747**	**18,959**	**15,404**

Non-Producing Wells

	2014					
	Oil Wells		Natural Gas Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
Canada	6,722	6,068	1,854	1,513	8,576	7,581

(1) The number of gross wells is the total number of wells in which Husky owns a working interest. The number of net wells is the sum of the fractional interests owned in the gross wells. Productive wells are those producing or capable of producing at December 31, 2014.

(2) The above table does not include producing wells in which Husky has no working interest but does have a royalty interest. At December 31, 2014, Husky had a royalty interest in 4,193 wells, of which 1,528 were oil producers and 2,665 were gas producers.

(3) For purposes of the table, multiple completions are counted as a single well. Where one of the completions in a given well is an oil completion, the well is classified as an oil well. In 2014, there were 1,347 gross and 1,219 net oil wells and 313 gross and 207 net natural gas wells that were completed in two or more formations and from which production is not commingled.

Landholdings - Developed Acreage

(thousands of acres)	Gross	Net
As at December 31, 2014		
Western Canada		
Alberta	4,574	2,924
Saskatchewan	806	638
British Columbia	185	145
Manitoba	3	—
	5,568	3,707
Atlantic Region	57	20
	5,625	3,727
China	17	7
Libya	7	2
Total	5,649	3,736
As at December 31, 2013		
Western Canada		
Alberta	4,554	2,917
Saskatchewan	818	648
British Columbia	187	146
Manitoba	3	—
	5,562	3,711
Atlantic Region	57	20
	5,619	3,731
China	17	7
Libya	7	2
Total	**5,643**	**3,740**
As at December 31, 2012		
Western Canada		
Alberta	4,590	2,912
Saskatchewan	871	700
British Columbia	187	147
Manitoba	2	—
	5,650	3,759
Atlantic Region	57	20
	5,707	3,779
China	17	7
Libya	7	2
Total	**5,731**	**3,788**

Landholdings - Undeveloped Acreage

(thousands of acres)	**Gross**	**Net**
As at December 31, 2014		
Western Canada		
Alberta	4,529	3,247
Saskatchewan	1,708	1,550
British Columbia	743	583
Manitoba	3	1
	6,983	5,381
Northwest Territories and Arctic	483	466
Atlantic Region	2,698	1,295
	10,164	7,142
United States	89	29
China	56	27
Indonesia	1,559	1,186
Greenland	5,205	4,555
Taiwan	2,545	1,909
Total	19,618	14,848
As at December 31, 2013		
Western Canada		
Alberta	4,694	3,422
Saskatchewan	1,567	1,403
British Columbia	826	634
Manitoba	3	1
	7,090	5,460
Northwest Territories and Arctic	483	466
Atlantic Region	5,500	3,269
	13,073	9,195
United States	110	74
China	56	27
Indonesia	1,559	937
Greenland	8,471	5,983
Taiwan	2,545	1,909
Total	**25,814**	**18,125**
As at December 31, 2012		
Western Canada		
Alberta	5,022	3,683
Saskatchewan	1,602	1,431
British Columbia	950	709
Manitoba	3	1
	7,577	5,824
Northwest Territories and Arctic	483	466
Atlantic Region	5,046	3,124
	13,106	9,414
United States	616	259
China	495	243
Indonesia	1,559	937
Greenland	8,471	5,983
Taiwan	2,545	1,909
Total	**26,792**	**18,745**

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

The Company does not have any material work commitments associated with its undeveloped land.

Approximately 752,580 acres, or less than 11% of the Company's net undeveloped landholdings in Canada, will be subject to expiry in 2015.

Husky holds interests in a diverse portfolio of undeveloped petroleum assets in Western Canada, the Atlantic Region, offshore Greenland, China, Taiwan and Indonesia, the United States, the Canadian Northwest Territories and the Arctic. As part of its active portfolio management, Husky continually reviews the economic viability of its undeveloped properties using industry standard economic evaluation techniques and pricing and economic environment assumptions. Each year, as part of this active management process, some properties are selected for further development activities, while others are held in abeyance, sold, swapped or relinquished back to the mineral rights owner. There is no guarantee that commercial reserves will be discovered or developed on these properties.

Drilling Activity - Number of Wells Drilled

	Year Ended December 31,					
	2014		2013		2012	
	Gross	Net	Gross	Net	Gross	Net
Canada - Western Canada						
Exploration						
Oil	53	44	39	24	47	30
Gas	9	6	19	14	19	12
Dry	3	3	—	—	—	—
	65	53	58	38	66	42
Development						
Oil	469	419	768	709	775	715
Gas	78	68	68	41	23	17
Dry	3	3	1	—	5	4
	550	490	837	750	803	736
	615	543	895	788	869	778
Canada - Atlantic Region						
Development						
Oil	1	0.1	2	1.1	2	1.4
China						
Development						
Oil	—	—	3	1.2	—	—
Gas	—	—	—	—	—	—
	—	—	3	1.2	—	—

Service/Stratigraphic Test Wells

	2014		2013		2012	
	Gross	Net	Gross	Net	Gross	Net
Canada - Western Canada	127	127	130	106	116	95
Canada - Atlantic Region	4	1.9	8	3.9	2	1.7
China	—	—	—	—	—	—
Indonesia	1	0.4	2	0.9	5	2

Costs Incurred

	Total	Western Canada	Atlantic Region	Total Canada	United States	China	Indonesia	Libya
			($ millions)					
Property acquisition								
Unproven	—	—	—	—	—	—	—	—
Proven	51	51	—	51	—	—	—	—
Exploration	375	260	98	358	—	12	5	—
Development	3,940	2,785	752	3,537	—	380	23	—
2014	**4,366**	**3,096**	**850**	**3,946**	**—**	**392**	**28**	**—**

	Total	Western Canada	Atlantic Region	Total Canada	United States	China	Indonesia	Libya
			($ millions)					
Property acquisition								
Unproven	1	1	—	1	—	—	—	—
Proven	37	37	—	37	—	—	—	—
Exploration	601	357	223	580	—	5	16	—
Development	3,722	2,655	402	3,057	—	665	—	—
2013	**4,361**	**3,050**	**625**	**3,675**	**—**	**670**	**16**	**—**

	Total	Western Canada	Atlantic Region	Total Canada	United States	China	Indonesia	Libya
			($ millions)					
Property acquisition								
Unproven	15	15	—	15	—	—	—	—
Proven	6	6	—	6	—	—	—	—
Exploration	363	247	92	339	—	—	25	—
Development	4,908	3,527	547	4,074	—	833	1	—
2012	**5,293**	**3,795**	**639**	**4,434**	**—**	**833**	**26**	**—**

Oil and Gas Reserves Disclosures

Husky's oil and gas reserves are estimated in accordance with the standards contained in the COGEH, and the reserves data disclosed conforms with the requirements of National Instrument 51-101 “Standards of Disclosure for Oil and Gas Activities” (“NI 51-101”). The majority of Husky's oil and gas reserves are prepared by internal reserves evaluation staff using a formalized process for determining, approving and booking reserves, with the remainder evaluated by Sproule Unconventional Limited (“Sproule”). This process requires all reserves evaluations to be done on a consistent basis using established definitions and guidelines. Approval of individually significant reserves changes requires review by an internal panel of qualified reserves evaluators. The Audit Committee of the Board of Directors has examined Husky's procedures for assembling and reporting reserves data and other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has approved, on the recommendation of the Audit Committee, the content of Husky's disclosure of its reserves data and other oil and gas information.

The following oil and gas reserves disclosure has been prepared in accordance with NI 51-101 effective December 31, 2014. Husky received approval from the CSA to also disclose its reserves using the rules of the United States FASB and the SEC (the “U.S. Rules”) as supplementary disclosure to the reserves and oil and gas activities disclosure required by NI 51-101. The reserves information prepared in accordance with the U.S. Rules is included in the Company's Form 40-F, which is available at www.sec.gov or on the Company's website at www.huskyenergy.com. The material differences between reserves quantities disclosed under NI 51-101 and those disclosed under the U.S. Rules is that NI 51-101 requires the determination of reserves quantities to be based on forecast pricing assumptions whereas the U.S. Rules require the determination of reserves quantities to be based on constant price assumptions calculated using a 12 month average price for the year (sum of the benchmark price on the first calendar day of each month in the year divided by 12).

Note that the numbers in each column of the tables throughout this section may not add due to rounding. Unless otherwise noted in this document, all provided reserves estimates have an effective date of December 31, 2014.

Independent Audit or Evaluation of Oil and Gas Reserves

McDaniel & Associates Consultants Ltd. (“McDaniel”), an independent firm of qualified oil and gas reserves evaluation engineers, was engaged to conduct an audit of the Company's internally evaluated crude oil, natural gas, NGL and the Tucker property reserves estimates, other than for the Company’s Heavy Oil and Gas business unit. McDaniel issued an audit opinion stating that the Company's internally generated proved and probable reserves and net present values based on forecast and constant price assumptions are, in aggregate, reasonable, and have been prepared in accordance with generally accepted oil and gas engineering and evaluation practices as set out in the COGEH.

Sproule, an independent firm of oil and gas reserves evaluation engineers, was engaged to conduct a full evaluation of Husky's crude oil, natural gas and natural gas products reserves for the Company's Heavy Oil and Gas business unit, excluding the Tucker property.

Disclosure of Oil and Gas Information

Unless otherwise noted in this document, all provided reserves estimates have an effective date of December 31, 2014 and are Husky’s total reserves including those prepared by internal reserves revaluation staff and those evaluated by Sproule for the Company’s Heavy Oil and Gas business unit, excluding the Tucker property. Gross reserves or gross production are reserves or production attributable to Husky's interest prior to deduction of royalties; net reserves or net production are reserves or production net of such royalties. Gross or net production reported refers to sales volume, unless otherwise indicated. Unless otherwise noted, production and reserves figures are stated on a gross basis. Unless otherwise indicated, oil and gas commodity prices are quoted after the effect of hedging gains and losses. Unless otherwise indicated, all financial information is in accordance with IFRS as issued by the International Accounting Standards Board.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Disclosure of Exemption Under National Instrument 51-101

Husky sought and was granted by the CSA an exemption from the requirement under NI 51-101 to involve independent qualified oil and gas reserves evaluators or auditors. Notwithstanding this exemption, the Company involves independent qualified reserves auditors as part of Husky's corporate governance practices. Their involvement helps assure that the Company's internal oil and gas reserves estimates are materially correct. In addition, Husky engaged Sproule to evaluate Husky's reserves for its Heavy Oil and Gas business unit, excluding the Tucker property.

In Husky's view, the reliability of Husky's internally generated oil and gas reserves data is not materially less than would be afforded by Husky involving independent qualified reserves evaluators to evaluate and review the reserves data. The primary factors supporting the involvement of independent qualified reserves evaluators apply when (i) their knowledge of, and experience with, a reporting issuer's reserves data are superior to that of the internal reserves evaluators and (ii) the work of the independent qualified reserves evaluators is significantly less likely to be adversely influenced by self-interest or management of the reporting issuer than the work of internal reserves evaluation staff. In Husky's view, neither of these factors applies in Husky's circumstances.

Summary of Oil and Natural Gas Reserves
As at December 31, 2014
Forecast Prices and Costs

Canada

	Light Crude Oil *(mmbbls)*		Medium Crude Oil *(mmbbls)*		Heavy Crude Oil *(mmbbls)*		Bitumen *(mmbbls)*	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Proved								
Developed Producing	107.6	87.1	78.0	69.4	77.7	70.8	56.4	52.4
Developed Non-producing	2.4	2.1	1.5	1.4	11.6	10.5	64.8	60.2
Undeveloped	22.4	18.8	5.5	4.8	16.7	15.6	299.0	249.2
Total Proved	132.3	107.9	85.0	75.6	106.0	96.8	420.2	361.8
Probable	136.7	106.1	22.2	19.0	55.5	50.8	1,497.2	1,183.7
Total Proved Plus Probable	**269.1**	**214.0**	**107.2**	**94.7**	**161.5**	**147.7**	**1,917.4**	**1,545.6**

	Coal Bed Methane *(bcf)*		Natural Gas *(bcf)*		NGL *(mmbbls)*		Total *(mmboe)*	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Proved								
Developed Producing	19.3	18.2	1,573.0	1,371.7	53.6	38.3	638.7	549.7
Developed Non-producing	—	—	79.8	72.5	1.0	0.8	94.6	87.0
Undeveloped	—	—	481.5	473.5	13.4	11.0	437.1	378.3
Total Proved	19.3	18.2	2,134.3	1,917.6	67.9	50.1	1,170.4	1,015.0
Probable	3.0	2.8	480.8	439.6	16.4	12.5	1,808.7	1,445.8
Total Proved Plus Probable	**22.3**	**21.0**	**2,615.1**	**2,357.2**	**84.3**	**62.6**	**2,979.1**	**2,460.8**

China

	Light Crude Oil *(mmbbls)*		Medium Crude Oil *(mmbbls)*		Heavy Crude Oil *(mmbbls)*		Bitumen *(mmbbls)*	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Proved								
Developed Producing	6.3	5.7	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	6.3	5.7	—	—	—	—	—	—
Probable	0.7	0.6	—	—	—	—	—	—
Total Proved Plus Probable	**7.0**	**6.3**	**—**	**—**	**—**	**—**	**—**	**—**

	Coal Bed Methane *(bcf)*		Natural Gas *(bcf)*		NGL *(mmbbls)*		Total *(mmboe)*	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Proved								
Developed Producing	—	—	341.0	335.1	10.2	10.2	73.3	71.7
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	—	—	341.0	335.1	10.2	10.2	73.3	71.7
Probable	—	—	171.9	162.3	4.8	4.5	34.1	32.1
Total Proved Plus Probable	**—**	**—**	**512.9**	**497.5**	**14.9**	**14.7**	**107.4**	**103.9**

Indonesia [1]

	Light Crude Oil (mmbbls)		Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	—	—	—	—	—	—	—	—
Probable	—	—	—	—	—	—	—	—
Total Proved Plus Probable	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

	Coal Bed Methane (bcf)		Natural Gas (bcf)		NGL (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	167.2	123.4	7.2	4.5	35.0	25.1
Total Proved	—	—	167.2	123.4	7.2	4.5	35.0	25.1
Probable	—	—	155.8	104.8	1.7	0.3	27.6	17.7
Total Proved Plus Probable	**—**	**—**	**323.0**	**228.1**	**8.8**	**4.8**	**62.7**	**42.8**

[1] Husky's beneficial interest in the Madura Strait Block is held by way of a 40% interest in Husky - CNOOC Madura Limited ("HCML"), an entity that is party to a PSC with the Government of Indonesia. Husky has entered into a unanimous shareholder agreement dated April 8, 2008 with the other shareholders of HCML that provides for joint control of HCML. International Financial Reporting Standard 11, "Joint Arrangements" ("IFRS 11"), requires Husky to follow the equity method of accounting for its investment in the Madura Strait Block. IFRS 11 focuses on the legal form of the corporate structure in which Husky's Madura assets are held. Husky holds its interest in the Madura Strait Block through HCML and accordingly is required to use the equity method to account for this interest. As a consequence, Husky sought and was granted by the Canadian Securities Administrators an exemption from the provisions in NI 51-101 which would have otherwise required Husky to exclude the reserves allocated to the Madura Strait Block from the total disclosed reserves and future net revenue of Husky and to only disclose those reserves separately because the Madura Strait Block is accounted for by the equity method of accounting.

Libya

	Light Crude Oil (mmbbls)		Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	0.1	0.1	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	0.1	0.1	—	—	—	—	—	—
Probable	—	—	—	—	—	—	—	—
Total Proved Plus Probable	**0.1**	**0.1**	**—**	**—**	**—**	**—**	**—**	**—**

	Coal Bed Methane (bcf)		Natural Gas (bcf)		NGL (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	0.1	0.1
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	—	—	—	—	—	—	0.1	0.1
Probable	—	—	—	—	—	—	—	—
Total Proved Plus Probable	**—**	**—**	**—**	**—**	**—**	**—**	**0.1**	**0.1**

Total

	Light Crude Oil (mmbbls)		Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved								
Developed Producing	113.9	92.8	78.0	69.4	77.7	70.8	56.4	52.4
Developed Non-producing	2.4	2.1	1.5	1.4	11.6	10.5	64.8	60.2
Undeveloped	22.4	18.8	5.5	4.8	16.7	15.6	299.0	249.2
Total Proved	138.7	113.6	85.0	75.6	106.0	96.8	420.2	361.8
Probable	137.4	106.6	22.2	19.0	55.5	50.8	1,497.2	1,183.7
Total Proved Plus Probable	**276.1**	**220.3**	**107.2**	**94.7**	**161.5**	**147.7**	**1,917.4**	**1,545.6**

	Coal Bed Methane (bcf)		Natural Gas (bcf)		NGL (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Proved								
Developed Producing	19.3	18.2	1,914.0	1,706.8	63.7	48.5	712.0	621.4
Developed Non-producing	—	—	79.8	72.5	1.0	0.8	94.7	87.0
Undeveloped	—	—	648.7	596.8	20.6	15.6	472.2	403.4
Total Proved	19.3	18.2	2,642.5	2,376.1	85.3	64.8	1,278.8	1,111.9
Probable	3.0	2.8	808.6	706.7	22.8	17.2	1,870.4	1,495.7
Total Proved Plus Probable	**22.3**	**21.0**	**3,451.0**	**3,082.8**	**108.1**	**82.0**	**3,149.2**	**2,607.5**

Summary of Net Present Values of Future Net Revenue - Before Income Taxes and Discounted
As at December 31, 2014
Forecast Prices and Costs

Canada

($ millions)	Before Income Taxes and Discounted at (%/year) 5%	10%	15%	20%
Proved				
Developed Producing	6,552	5,982	5,379	4,873
Developed Non-producing	1,888	1,419	1,100	872
Undeveloped	6,051	3,509	2,150	1,337
Total Proved	14,491	10,910	8,629	7,082
Probable	26,101	13,541	8,408	5,740
Total Proved Plus Probable	**40,592**	**24,451**	**17,037**	**12,822**

China

($ millions)	Before Income Taxes and Discounted at (%/year) 5%	10%	15%	20%
Proved				
Developed Producing	3,654	3,318	3,032	2,790
Developed Non-producing	—	—	—	—
Undeveloped	—	—	—	—
Total Proved	3,654	3,318	3,032	2,790
Probable	1,608	1,173	881	679
Total Proved Plus Probable	**5,262**	**4,491**	**3,913**	**3,469**

Indonesia

($ millions)	Before Income Taxes and Discounted at (%/year) 5%	10%	15%	20%
Proved				
Developed Producing	—	—	—	—
Developed Non-producing	—	—	—	—
Undeveloped	296	184	109	57
Total Proved	296	184	109	57
Probable	260	154	88	47
Total Proved Plus Probable	**556**	**338**	**197**	**103**

Libya

($ millions)	Before Income Taxes and Discounted at (%/year) 5%	10%	15%	20%
Proved				
Developed Producing	—	—	—	—
Developed Non-producing	2	2	1	1
Undeveloped	—	—	—	—
Total Proved	2	2	1	1
Probable	—	—	—	—
Total Proved Plus Probable	**2**	**2**	**2**	**2**

Total

($ millions)	Before Income Taxes and Discounted at (%/year) 5%	10%	15%	20%
Proved				
Developed Producing	10,206	9,300	8,411	7,663
Developed Non-producing	1,890	1,420	1,101	873
Undeveloped	6,347	3,693	2,259	1,394
Total Proved	18,443	14,414	11,771	9,930
Probable	27,969	14,868	9,377	6,466
Total Proved Plus Probable	**46,412**	**29,282**	**21,149**	**16,396**

Summary of Net Present Values of Future Net Revenue - After Income Taxes and Discounted
As at December 31, 2014
Forecast Prices and Costs

Canada

	After Income Taxes and Discounted at (%/year)			
($ millions)	**5%**	**10%**	**15%**	**20%**
Proved				
Developed Producing	4,774	4,348	3,901	3,528
Developed Non-producing	1,490	1,119	867	687
Undeveloped	4,354	2,389	1,340	713
Total Proved	10,618	7,856	6,108	4,928
Probable	18,942	9,546	5,740	3,784
Total Proved Plus Probable	**29,560**	**17,402**	**11,847**	**8,712**

China

	After Income Taxes and Discounted at (%/year)			
($ millions)	**5%**	**10%**	**15%**	**20%**
Proved				
Developed Producing	3,197	2,894	2,640	2,424
Developed Non-producing	—	—	—	—
Undeveloped	—	—	—	—
Total Proved	3,197	2,894	2,640	2,424
Probable	1,309	952	711	545
Total Proved Plus Probable	**4,506**	**3,846**	**3,351**	**2,969**

Indonesia

	After Income Taxes and Discounted at (%/year)			
($ millions)	**5%**	**10%**	**15%**	**20%**
Proved				
Developed Producing	—	—	—	—
Developed Non-producing	—	—	—	—
Undeveloped	192	110	54	15
Total Proved	192	110	54	15
Probable	176	97	48	16
Total Proved Plus Probable	**368**	**206**	**101**	**31**

Libya

	After Income Taxes and Discounted at (%/year)			
($ millions)	**5%**	**10%**	**15%**	**20%**
Proved				
Developed Producing	—	—	—	—
Developed Non-producing	2	2	1	1
Undeveloped	—	—	—	—
Total Proved	2	2	1	1
Probable	—	—	—	—
Total Proved Plus Probable	**2**	**2**	**2**	**2**

Total

($ millions)	After Income Taxes and Discounted at (%/year) 5%	10%	15%	20%
Proved				
Developed Producing	7,971	7,243	6,540	5,953
Developed Non-producing	1,491	1,121	868	688
Undeveloped	4,546	2,499	1,393	728
Total Proved	14,009	10,862	8,802	7,369
Probable	20,428	10,594	6,499	4,345
Total Proved Plus Probable	**34,437**	**21,456**	**15,301**	**11,714**

Total Future Net Revenue for Total Proved Plus Probable Reserves - Undiscounted
As at December 31, 2014
Forecast Prices and Costs

($ millions)	Revenue	Royalties	Operating Costs	Develop-ment Costs[(1)]	Abandon-ment and Reclama-tion Costs[(1)]	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
Canada								
Proved								
Developed Producing	38,899	6,221	15,707	1,374	10,183	5,414	1,482	3,932
Developed Non-producing	5,661	531	2,018	485	—	2,627	556	2,071
Undeveloped	31,100	5,309	7,385	6,515	306	11,586	2,952	8,634
Total Proved	75,660	12,061	25,110	8,374	10,489	19,627	4,990	14,637
Probable	172,268	38,141	37,218	25,341	669	70,899	18,165	52,733
Total Proved Plus Probable	**247,929**	**50,202**	**62,328**	**33,715**	**11,158**	**90,525**	**23,155**	**67,370**
China								
Proved								
Developed Producing	5,748	—	1,134	241	326	4,046	491	3,555
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	5,748	—	1,134	241	326	4,046	491	3,555
Probable	2,689	—	412	—	—	2,277	419	1,858
Total Proved Plus Probable	**8,436**	**—**	**1,546**	**241**	**326**	**6,323**	**910**	**5,412**
Indonesia								
Proved								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	1,381	—	701	211	—	468	151	318
Total Proved	1,381	—	701	211	—	468	151	318
Probable	1,149	—	559	147	—	443	132	311
Total Proved Plus Probable	**2,529**	**—**	**1,260**	**358**	**—**	**912**	**283**	**629**
Libya								
Proved								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	4	—	2	1	—	2	—	2
Undeveloped	—	—	—	—	—	—	—	—
Total Proved	4	—	2	1	—	2	—	2
Probable	—	—	—	—	—	—	—	—
Total Proved Plus Probable	**5**	**—**	**2**	**1**	**—**	**2**	**—**	**2**
Total								
Proved								
Developed Producing	44,647	6,221	16,841	1,615	10,509	9,460	1,973	7,487
Developed Non-producing	5,665	531	2,020	486	—	2,628	556	2,072
Undeveloped	32,481	5,309	8,086	6,726	306	12,054	3,102	8,952
Total Proved	82,793	12,061	26,947	8,827	10,815	24,143	5,632	18,511
Probable	176,106	38,141	38,189	25,488	669	73,619	18,717	54,902
Total Proved Plus Probable	**258,899**	**50,202**	**65,136**	**34,316**	**11,484**	**97,762**	**24,348**	**73,414**

Future Net Revenue by Production Group
As at December 31, 2014
Forecast Prices and Costs

	Future Net Revenue Before Income Taxes (discounted at 10%/year)									
	Canada		China		Indonesia		Libya		Total	
	($ millions)	*($/boe)*	*($ millions)*	*($/boe)*	*($ millions)*	*($/boe)*	*($ millions)*	*($/boe)*	*($ millions)*	*($/boe)*
Proved										
Developed Producing										
Light Crude Oil & NGL	1,367	13	302	19	—	—	—	—	1,668	14
Medium Crude Oil	1,606	23	—	—	—	—	—	—	1,606	23
Heavy Crude Oil	584	8	—	—	—	—	—	—	584	8
Natural Gas	1,234	5	3,016	53	—	—	—	—	4,250	14
Coal Bed Methane	15	5	—	—	—	—	—	—	15	5
Bitumen	1,177	22	—	—	—	—	—	—	1,177	22
Developed Non-producing										
Light Crude Oil & NGL	76	37	—	—	—	—	2	30	77	37
Medium Crude Oil	25	18	—	—	—	—	—	—	25	18
Heavy Crude Oil	278	26	—	—	—	—	—	—	278	26
Natural Gas	78	6	—	—	—	—	—	—	78	6
Coal Bed Methane	—	—	—	—	—	—	—	—	—	—
Bitumen	963	16	—	—	—	—	—	—	963	16
Undeveloped										
Light Crude Oil & NGL	226	12	—	—	—	—	—	—	226	12
Medium Crude Oil	82	17	—	—	—	—	—	—	82	17
Heavy Crude Oil	145	9	—	—	—	—	—	—	145	9
Natural Gas	214	2	—	—	184	7	—	—	398	3
Coal Bed Methane	—	—	—	—	—	—	—	—	—	—
Bitumen	2,842	11	—	—	—	—	—	—	2,842	11
Total Proved										
Light Crude Oil & NGL	1,669	13	302	19	—	—	2	30	1,972	14
Medium Crude Oil	1,712	23	—	—	—	—	—	—	1,712	23
Heavy Crude Oil	1,006	10	—	—	—	—	—	—	1,006	10
Natural Gas	1,526	4	3,016	53	184	7	—	—	4,726	11
Coal Bed Methane	15	5	—	—	—	—	—	—	15	5
Bitumen	4,983	14	—	—	—	—	—	—	4,983	14
Probable										
Light Crude Oil & NGL	3,398	30	46	9	—	—	—	76	3,443	29
Medium Crude Oil	415	22	—	—	—	—	—	—	415	22
Heavy Crude Oil	1,162	23	—	—	—	—	—	—	1,162	23
Natural Gas	578	7	1,128	39	154	9	—	—	1,859	15
Coal Bed Methane	3	6	—	—	—	—	—	—	3	6
Bitumen	7,985	7	—	—	—	—	—	—	7,985	7
Total Proved Plus Probable										
Light Crude Oil & NGL	5,066	21	347	17	—	—	2	33	5,415	21
Medium Crude Oil	2,127	22	—	—	—	—	—	—	2,127	22
Heavy Crude Oil	2,169	15	—	—	—	—	—	—	2,169	15
Natural Gas	2,104	5	4,144	48	338	8	—	—	6,585	12
Coal Bed Methane	18	5	—	—	—	—	—	—	18	5
Bitumen	12,968	8	—	—	—	—	—	—	12,968	8

Pricing Assumptions

The pricing assumptions disclosed in the table below were derived using the industry averages prescribed by McDaniel, Sproule and GLJ Petroleum Consultants Ltd.

	Crude Oil		Natural Gas			
	WTI (USD $/bbl)	Brent (USD $/bbl)	NYMEX (USD $/mmbtu)	NIT (Cdn $/GJ)	Inflation rates (1)	Exchange rates (2)
Historical						
2010	79.46	79.42	4.39	3.91	—	0.971
2011	95.12	111.27	4.04	3.48	—	1.011
2012	94.21	111.54	2.79	2.28	—	1.001
2013	97.97	107.91	3.65	3.00	—	0.971
2014	93.04	99.52	4.32	4.47	—	0.905
Forecast						
2015	64.17	68.50	3.29	3.38	1.833	0.853
2016	76.67	81.03	3.77	3.83	1.833	0.868
2017	83.33	87.70	4.02	4.06	1.833	0.868
2018	87.08	90.67	4.35	4.41	1.833	0.868
2019	90.67	94.27	4.68	4.76	1.833	0.868

(1) Inflation rates for forecasting prices and costs.
(2) Exchange rate used to generate the benchmark reference prices.

Reconciliation of Gross Proved Reserves

	Light Crude Oil & NGL *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Natural Gas *(bcf)*	Bitumen *(mmbbls)*	Total *(mmboe)*
Canada - Western Canada						
End of 2013	166.0	90.7	113.5	2,174.9	359.1	1,091.7
Revisions - Technical	(29.2)	(0.1)	22.5	64.5	(6.3)	(2.4)
Revisions - Economic	(0.1)	0.5	(1.2)	(22.7)	0.1	(4.5)
Purchases	—	—	1.9	0.4	0.8	2.8
Sales	(0.1)	—	(6.7)	(1.4)	—	(7.1)
Discoveries	0.1	—	—	—	4.0	4.1
Extensions	11.1	1.7	15.8	122.6	55.1	104.1
Improved Recovery	0.5	—	4.4	0.2	11.3	16.1
Production	(11.0)	(7.8)	(44.0)	(185.0)	(4.0)	(97.6)
End of 2014	**137.1**	**85.0**	**106.0**	**2,153.5**	**420.2**	**1,107.3**
Canada - Atlantic Region						
End of 2013	74.5	—	—	—	—	74.5
Revisions - Technical	4.9	—	—	—	—	4.9
Revisions - Economic	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	—	—	—	—	—	—
Improved Recovery	—	—	—	—	—	—
Production	(16.3)	—	—	—	—	(16.3)
End of 2014	**63.1**	**—**	**—**	**—**	**—**	**63.1**
China						
End of 2013	16.0	—	—	284.7	—	63.4
Revisions - Technical	2.8	—	—	98.0	—	19.1
Revisions - Economic	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	1.0	—	—	—	—	1.0
Improved Recovery	—	—	—	—	—	—
Production	(3.3)	—	—	(41.7)	—	(10.3)
End of 2014	**16.5**	**—**	**—**	**341.0**	**—**	**73.3**
Indonesia						
End of 2013	7.2	—	—	167.2	—	35.0
Revisions - Technical	—	—	—	—	—	—
Revisions - Economic	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	—	—	—	—	—	—
Improved Recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2014	**7.2**	**—**	**—**	**167.2**	**—**	**35.0**

	Light Crude Oil & NGL *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Natural Gas *(bcf)*	Bitumen *(mmbbls)*	Total *(mmboe)*
Libya						
End of 2013	0.1	—	—	—	—	0.1
Revisions - Technical	—	—	—	—	—	—
Revisions - Economic	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extension	—	—	—	—	—	—
Improved Recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2014	**0.1**	**—**	**—**	**—**	**—**	**0.1**

	Light Crude Oil & NGL *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Natural Gas *(bcf)*	Bitumen *(mmbbls)*	Total Company *(mmboe)*
Total						
End of 2013	263.6	90.7	113.5	2,626.8	359.1	1,264.7
Revisions - Technical	(21.5)	(0.1)	22.5	162.5	(6.3)	21.7
Revisions - Economic	(0.1)	0.5	(1.2)	(22.7)	0.1	(4.5)
Purchases	—	—	1.9	0.4	0.8	2.8
Sales	(0.1)	—	(6.7)	(1.4)	—	(7.1)
Discoveries	0.1	—	—	—	4.0	4.1
Extensions	12.1	1.7	15.8	122.6	55.1	105.2
Improved Recovery	0.5	—	4.4	0.2	11.3	16.1
Production	(30.6)	(7.8)	(44.0)	(226.7)	(4.0)	(124.2)
End of 2014	**223.9**	**85.0**	**106.0**	**2,661.8**	**420.2**	**1,278.8**

Major additions to proved reserves in 2014 include:

- the extension through additional drilling locations at Sunrise in the Oil Sands that resulted in the booking of an additional 40 mmbbls of bitumen in proved undeveloped reserves;
- extensions, improved recovery and strong performance in heavy oil and gas thermal projects that resulted in the booking of an additional 36 mmboe of bitumen in proved reserves;
- strong performance from Liwan 3-1 that resulted in an additional 19 mmboe of natural gas and NGL in proved developed producing reserves; and
- the extension through additional drilling locations at the Ansell liquids-rich natural gas resource play in the Alberta Deep Basin that resulted in the booking of an additional 10 mmboe of natural gas and NGL in proved undeveloped reserves.

Reconciliation of Gross Probable Reserves

	Light Crude Oil & NGL *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Natural Gas *(bcf)*	Bitumen *(mmbbls)*	Total *(mmboe)*
Canada - Western Canada						
End of 2013	57.2	20.9	62.5	494.1	1,511.4	1,734.4
Revisions - Technical	(16.2)	0.2	(6.8)	(40.3)	5.8	(23.7)
Revisions - Economic	—	(0.1)	1.1	1.0	4.0	5.3
Revisions - Transfer to Proved	(8.0)	(0.2)	(2.0)	(49.5)	(65.5)	(83.9)
Purchases	—	—	0.6	0.1	2.7	3.3
Sales	—	—	(11.1)	(0.2)	—	(11.1)
Discoveries	—	—	—	—	—	—
Extensions	4.9	1.3	8.4	78.2	0.2	27.9
Improved Recovery	1.1	—	2.8	0.4	38.6	42.6
Production	—	—	—	—	—	—
End of 2014	**39.1**	**22.2**	**55.5**	**483.8**	**1,497.2**	**1,694.6**
Canada - Atlantic Region						
End of 2013	50.2	—	—	—	—	50.2
Revisions - Technical	12.9	—	—	—	—	12.9
Revisions - Economic	—	—	—	—	—	—
Revisions - Transfer to Proved	(0.4)	—	—	—	—	(0.4)
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	51.4	—	—	—	—	51.4
Improved Recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2014	**114.1**	**—**	**—**	**—**	**—**	**114.1**
China						
End of 2013	8.0	—	—	254.7	—	50.5
Revisions - Technical	(0.5)	—	—	—	—	(0.5)
Revisions - Economic	—	—	—	—	—	—
Revisions - Transfer to Proved	(2.3)	—	—	(82.8)	—	(16.1)
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	0.2	—	—	—	—	0.2
Improved Recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2014	**5.4**	**—**	**—**	**171.9**	**—**	**34.1**
Indonesia						
End of 2013	1.7	—	—	152.0	—	27.0
Revisions - Technical	—	—	—	3.8	—	0.6
Revisions - Economic	—	—	—	—	—	—
Revisions - Transfer to Proved	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extension	—	—	—	—	—	—
Improved Recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2014	**1.7**	**—**	**—**	**155.8**	**—**	**27.6**

	Light Crude Oil & NGL *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Natural Gas *(bcf)*	Bitumen *(mmbbls)*	Total *(mmboe)*
Libya						
End of 2013	—	—	—	—	—	—
Revisions - Technical	—	—	—	—	—	—
Revisions - Economic	—	—	—	—	—	—
Revisions - Transfer to Proved	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extension	—	—	—	—	—	—
Improved Recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2014	**—**	**—**	**—**	**—**	**—**	**—**

	Light Crude Oil & NGL *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Natural Gas *(bcf)*	Bitumen *(mmbbls)*	Total Company *(mmboe)*
Total						
End of 2013	117.1	20.9	62.5	900.8	1,511.4	1,862.0
Revisions - Technical	(3.8)	0.2	(6.8)	(36.5)	5.8	(10.6)
Revisions - Economic		(0.1)	1.1	1.0	4.0	5.3
Revisions - Transfer to Proved	(10.7)	(0.2)	(2.0)	(132.3)	(65.5)	(100.4)
Purchases	—	—	0.6	0.1	2.7	3.3
Sales	—	—	(11.1)	(0.2)	—	(11.1)
Discoveries	—	—	—	—	—	—
Extension	56.5	1.3	8.4	78.2	0.2	79.5
Improved Recovery	1.1	—	2.8	0.4	38.6	42.6
Production	—	—	—	—	—	—
End of 2014	**160.2**	**22.2**	**55.5**	**811.6**	**1,497.2**	**1,870.4**

Major changes to probable reserves in 2014 include:

- initial booking of the wellhead drilling platform in the West White Rose Extension that resulted in the booking of 52 mmbbls of light oil in probable reserves; and
- extensions, improved recovery and strong performance in heavy oil thermal developments resulted in the booking of an additional 45 mmbbls of bitumen in probable reserves.

Reconciliation of Gross Proved Plus Probable Reserves

	Light Crude Oil & NGL *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Natural Gas *(bcf)*	Bitumen *(mmbbls)*	Total *(mmboe)*
Canada - Western Canada						
End of 2013	223.2	111.6	176.0	2,699.0	1,870.4	2,826.1
Revisions - Technical	(45.4)	0.2	15.7	24.1	(0.5)	(26.1)
Revisions - Economic	(0.1)	0.4	(0.1)	(21.7)	4.1	0.8
Revisions - Transfer to Proved	(8.0)	(0.2)	(2.0)	(49.5)	(65.5)	(83.9)
Purchases	—	—	2.4	0.6	3.5	6.0
Sales	(0.1)	—	(17.8)	(1.6)	—	(18.2)
Discoveries	0.1	—	—	—	4.0	4.1
Extensions	16.0	3.0	24.2	200.8	55.4	132.0
Improved Recovery	1.6	—	7.1	0.6	49.9	58.7
Production	(11.0)	(7.8)	(44.0)	(185.0)	(4.0)	(97.6)
End of 2014	**176.2**	**107.2**	**161.5**	**2,637.4**	**1,917.4**	**2,801.9**
Canada - Atlantic Region						
End of 2013	124.6	—	—	—	—	124.6
Revisions - Technical	17.9	—	—	—	—	17.9
Revisions - Economic	—	—	—	—	—	—
Revisions - Transfer to Proved	(0.4)	—	—	—	—	(0.4)
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	51.4	—	—	—	—	51.4
Improved Recovery	—	—	—	—	—	—
Production	(16.3)	—	—	—	—	(16.3)
End of 2014	**177.2**	**—**	**—**	**—**	**—**	**177.2**
China						
End of 2013	24.0	—	—	539.4	—	113.9
Revisions - Technical	2.3	—	—	98.0	—	18.7
Revisions - Economic	—	—	—	—	—	—
Revisions - Transfer to Proved	(2.3)	—	—	(82.8)	—	(16.1)
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	1.2	—	—	—	—	1.2
Improved Recovery	—	—	—	—	—	—
Production	(3.3)	—	—	(41.7)	—	(10.3)
End of 2014	**21.9**	**—**	**—**	**512.9**	**—**	**107.4**
Indonesia						
End of 2013	8.8	—	—	319.2	—	62.1
Revisions - Technical	—	—	—	3.8	—	0.6
Revisions - Economic	—	—	—	—	—	—
Revisions - Transfer to Proved	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	—	—	—	—	—	—
Improved Recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2014	**8.8**	**—**	**—**	**323.0**	**—**	**62.7**

	Light Crude Oil & NGL *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Natural Gas *(bcf)*	Bitumen *(mmbbls)*	Total *(mmboe)*
Libya						
End of 2013	0.1	—	—	—	—	0.1
Revisions - Technical	—	—	—	—	—	—
Revisions - Economic	—	—	—	—	—	—
Revisions - Transfer to Proved	—	—	—	—	—	—
Purchases	—	—	—	—	—	—
Sales	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—
Extensions	—	—	—	—	—	—
Improved Recovery	—	—	—	—	—	—
Production	—	—	—	—	—	—
End of 2014	**0.1**	**—**	**—**	**—**	**—**	**0.1**

	Light Crude Oil & NGL *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Natural Gas *(bcf)*	Bitumen *(mmbbls)*	Total Company *(mmboe)*
Total						
End of 2013	380.7	111.6	176.0	3,527.6	1,870.4	3,126.7
Revisions - Technical	(25.3)	0.2	15.7	125.9	(0.5)	11.1
Revisions - Economic	(0.1)	0.4	(0.1)	(21.7)	4.1	0.8
Revisions - Transfer to Proved	(10.7)	(0.2)	(2.0)	(132.3)	(65.5)	(100.4)
Purchases	—	—	2.4	0.6	3.5	6.0
Sales	(0.1)	—	(17.8)	(1.6)	—	(18.2)
Discoveries	0.1	—	—	—	4.0	4.1
Extensions	68.6	3.0	24.2	200.8	55.4	184.6
Improved Recovery	1.6	—	7.1	0.6	49.9	58.7
Production	(30.6)	(7.8)	(44.0)	(226.7)	(4.0)	(124.2)
End of 2014	**384.2**	**107.2**	**161.5**	**3,473.3**	**1,917.4**	**3,149.2**

Undeveloped Reserves

Undeveloped reserves are attributed internally in accordance with standards and procedures contained in the COGEH. Proved undeveloped oil and gas reserves are those reserves that can be estimated with a high degree of certainty to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Probable undeveloped oil and gas reserves are those reserves that are less certain to be recovered than proved reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. There are numerous uncertainties inherent in estimating quantities of crude oil and natural gas reserves. Classifications of reserves as proved or probable are only attempts to define the degree of uncertainty associated with the estimates. In addition, whereas proved reserves are those reserves that can be estimated with a high degree of certainty to be economically producible, probable reserves are those reserves that are as likely as not to be recovered. Therefore, probable reserves estimates, by definition, have a higher degree of uncertainty than proved reserves.

Husky funds capital programs by cash generated from operating activities, cash on hand, equity issuances, and short-term and long-term debt. Decisions to develop proved undeveloped and probable undeveloped reserves are based on various factors including economic conditions, technical performance and size of the development program. Approximately 45% of Husky's gross proved undeveloped reserves are assigned to the Sunrise Energy Project. Steaming on Phase I of the project started in mid-December 2014. Approximately 16% of Husky's gross proved undeveloped reserves are assigned to the liquids-rich Ansell area. This project has ongoing drilling with the recent acquisition of gas plant capacity. Approximately 7% of Husky's gross proved undeveloped reserves are assigned to the Madura BD project.

As at December 31, 2014, there were no material proved undeveloped reserves that have remained undeveloped for greater than five years.

Proved Undeveloped Reserves

First attributed	Light Crude Oil & NGL *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Bitumen *(mmbbls)*	Natural Gas *(bcf)*	Total Oil & NGL *(mmbbls)*
Year Prior	79.1	20.3	65.3	272.2	853.9	436.8
2012	16.6	3.7	8.1	12.3	399.4	40.7
2013	16.2	1.7	13.0	41.3	216.5	72.3
2014	6.9	0.9	8.9	70.8	104.0	87.5

Probable Undeveloped Reserves

First attributed	Light Crude Oil & NGL *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Bitumen *(mmbbls)*	Natural Gas *(bcf)*	Total Oil & NGL *(mmbbls)*
Year Prior	145.7	13.5	62.2	2,160.1	330.9	2,381.5
2012	11.5	0.7	5.9	12.3	299.0	30.4
2013	11.6	3.1	18.1	134.8	216.3	167.5
2014	56.6	1.0	7.6	41.5	71.6	106.8

Future Development Costs

The Company expects to fund its future development costs by cash generated from operating activities, cash on hand, and short and long-term debt. In addition, the Company has access to additional funding through credit facilities and the issuance of equity through shelf prospectuses, subject to market conditions. The cost associated with this funding would not affect reserves and would not be material in comparison with future net revenues.

The following tables include estimates of the forecasted costs of developing the Company's proved and proved plus probable reserves as at December 31, 2014:

	Canada		China		Indonesia		Libya	
Year	**Proved Reserves** *($ millions)*	**Proved Plus Probable Reserves** *($ millions)*	**Proved Reserves** *($ millions)*	**Proved Plus Probable Reserves** *($ millions)*	**Proved Reserves** *($ millions)*	**Proved Plus Probable Reserves** *($ millions)*	**Proved Reserves** *($ millions)*	**Proved Plus Probable Reserves** *($ millions)*
2015	2,148	2,853	45	45	104	123	—	—
2016	1,597	2,355	35	35	96	182	1	1
2017	1,223	2,397	161	161	10	53	—	—
2018	872	2,622	126	126	—	—	—	—
2019	854	2,150	—	—	—	—	—	—
Remaining	12,169	32,497	200	200	—	—	—	—
Total	**18,863**	**44,873**	**567**	**567**	**211**	**358**	**1**	**1**

	Total *($ millions)*	
Year	**Proved Reserves**	**Proved Plus Probable Reserves**
2014	2,298	3,022
2015	1,729	2,572
2016	1,395	2,610
2017	998	2,748
2018	854	2,150
Remaining	12,369	32,697
Total	**19,642**	**45,799**

Additional Information Concerning Abandonment and Reclamation Costs

The Company estimates the costs associated with abandonment and reclamation costs for surface leases, wells, facilities, and pipelines through its previous experience, where available, or by estimating such costs. With respect to abandonment and reclamation costs for surface leases, wells, facilities, and pipelines, net of estimated salvage value, the Company expects to incur these costs for a total undiscounted amount of $10.5 billion. Discounted at 10% per year, the total abandonment costs, net of estimated salvage value, for wells is $3.3 billion. This amount was deducted in estimating the future net revenue. Of the undiscounted portion of the total abandonment and reclamation costs, $758 million is expected to be paid in the next three years.

Production Estimates
Yearly Production Estimates for 2015

	Light Crude Oil *(mmbbls)*	Medium Crude Oil *(mmbbls)*	Heavy Crude Oil *(mmbbls)*	Bitumen *(mmbbls)*	Natural Gas *(bcf)*
Canada					
Total Gross Proved	24.5	8.0	23.9	18.5	166.3
Total Gross Probable	4.2	0.4	3.7	3.5	6.4
Total Gross Proved Plus Probable	**28.8**	**8.4**	**27.7**	**22.0**	**172.7**
International					
Total Gross Proved	4.8	—	—	—	54.4
Total Gross Probable	0.3	—	—	—	—
Total Gross Proved Plus Probable	**5.1**	—	—	—	**54.4**
Total					
Total Gross Proved	29.3	8.0	23.9	18.5	220.7
Total Gross Probable	4.5	0.4	3.7	3.5	6.4
Total Gross Proved Plus Probable	**33.9**	**8.4**	**27.7**	**22.0**	**227.1**

No individual property accounts for 20% or more of the estimated production disclosed.

Infrastructure and Marketing

The Infrastructure and Marketing business is comprised of the marketing of the Company's and other producers' crude oil, natural gas, NGL, sulphur and petroleum coke, pipeline transportation, the blending of crude oil and natural gas, and the storage of crude oil, diluent and natural gas.

Infrastructure

Husky has been involved in the gathering, transporting and storage of heavy crude oil in the Lloydminster area since the early 1960s. Husky's crude oil pipeline systems include more than 2,000 kilometers of pipeline capable of transporting up to 710 mbbls/day of blended heavy crude oil, diluent and synthetic crude oil when the systems are fully powered. The pipeline systems transport blended heavy crude oil to Lloydminster, accessing markets through Husky's Upgrader and asphalt refinery in Lloydminster. Blended heavy crude oil from the field and synthetic crude oil from the upgrading operations are transported south to Hardisty, Alberta to a connection with the major export trunk pipelines: Enbridge Pipeline multi-line system, Spectra Express Pipeline, TransCanada's Keystone pipeline and the smaller Inter Pipeline. The blended crude oil is transported to eastern and southern markets on these pipelines. Husky's crude oil pipeline systems also have feeder pipeline interconnections with the Inter Pipeline at Cold Lake, the Echo Pipeline at Hardisty, the Gibsons Hardisty Terminal, the Enbridge Hardisty Caverns and Merchant Terminal and the Talisman Chauvin Pipeline.

The following table shows the average daily pipeline throughput for the periods indicated:

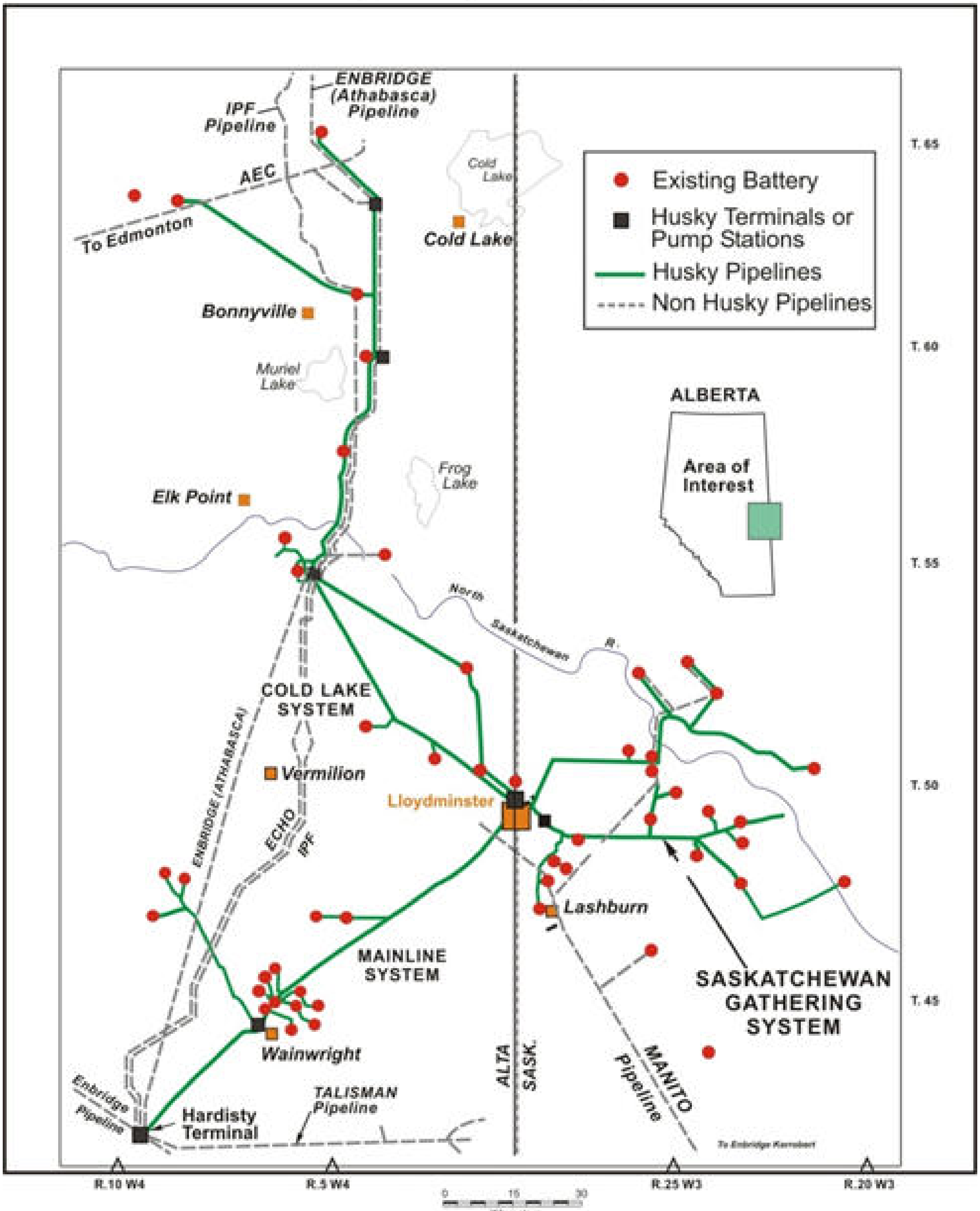
	Years Ended December 31,		
(mbbls/day)	**2014**	**2013**	**2012**
Combined Pipeline Throughput [1]	531	557	581

[1] Throughput includes the Husky internal and third-party volumes.

In recent years, Husky has completed a number of expansions on its pipeline system and Hardisty terminal facilities to capitalize on anticipated increases in heavy oil production from the Lloydminster and Cold Lake areas and to service the new incremental take-away capacity from the Keystone pipeline. In May 2012, a new 300,000-barrel tank at the Hardisty terminal was placed in service. Construction of the two 300,000-barrel storage tanks and the expanded piping and blending infrastructure is complete. The project is now in the commissioning phase with start-up expected in the first quarter of 2015.

Husky's heavy crude oil processing facilities are located throughout the Lloydminster area and are connected to Husky's pipeline system. These facilities process Husky's and other producers' raw heavy crude oil from the field production by removing sand, water and other impurities to produce clean dry heavy crude oil. There are also third-party processing facilities connected to Husky's pipeline. The heavy crude oil is blended with a diluent to reduce both viscosity and density in order to meet pipeline specifications for transportation.

Heavy Oil Pipeline Systems

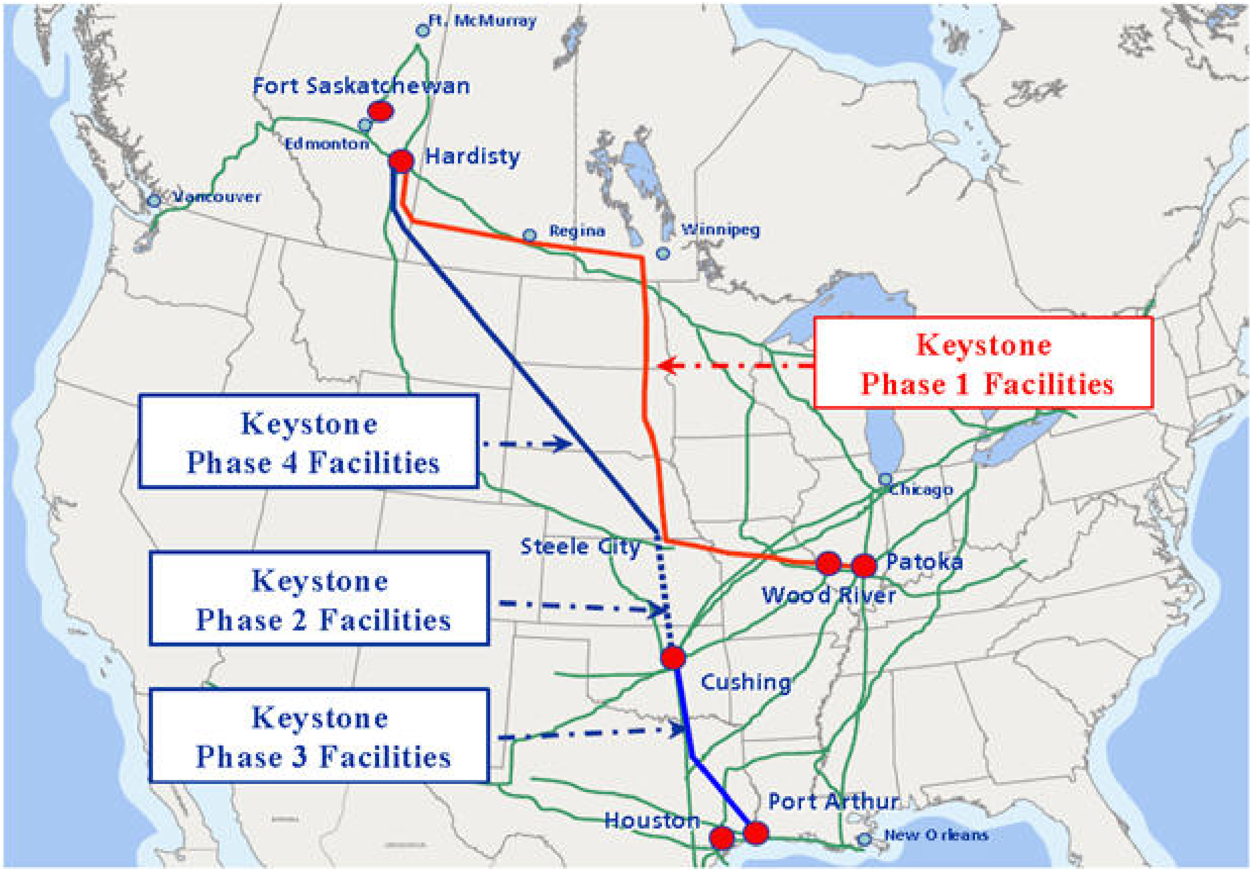


In 2010, Husky commenced its pipeline commitment on the Keystone pipeline system, which ships Canadian crude oil from Hardisty, Alberta to Patoka, Illinois. This commitment was part of a strategy, commenced in 2006, to expand the market for Husky's crude oil into the Midwest United States. This strategy was further supported through the acquisition of the Lima Refinery in 2007, which now enables Husky's Canadian synthetic crude oil production (along with additional third-party purchases) to be processed at the refinery.

Due to Husky's ongoing Keystone pipeline commitment, the Lima Refinery has the option, depending on the economics, to access a significant amount of Canadian crude oil as part of its crude feedstock requirements. The

Keystone pipeline has also enabled Husky to sell heavy crude oil through interconnecting pipeline systems to the Lima, Ohio Refinery and into Cushing, Oklahoma.

Since 2012, the pipeline systems leaving Canada have been subject to significant apportionment, affecting both Canadian export volumes and crude oil prices in Western Canada. Husky has to a large extent been insulated from these effects through the reliability of its proprietary pipeline system, its firm capacity on Keystone and through Husky's demand for Canadian crude feedstocks to its upgrading and refining assets. To date, Husky has been able to avoid any production shut ins. As a seller and buyer of crude oils, Husky has a relatively balanced exposure to many location and grade differentials.



Husky has been carefully monitoring opportunities to participate in growing crude oil markets accessed by rail, which have developed due to refiners' desire for inland crude oil, priced at significant discounts to ocean imports. Husky has made opportunistic crude oil deliveries to rail loading facilities via trucks where netbacks can be increased relative to pipeline alternatives. While Husky's primary focus is on low cost pipeline transportation options, it intends to develop a flexible crude delivery strategy to use rail transport to a variety of crude oil markets.

Results from Husky’s third-party pipeline and infrastructure businesses are included in Upstream Infrastructure and Marketing and results associated with Husky's internal production volumes are included in Upstream Exploration and Production.

Natural Gas Storage Facilities

Husky has operated a 19 bcf natural gas storage facility at Hussar, Alberta since 2000. Results from Husky’s natural gas storage business are included in Upstream Infrastructure and Marketing.

Commodity Marketing

Husky is a marketer of both its own and third-party production of crude oil, synthetic crude oil, NGL, natural gas and sulphur. The Company also markets petroleum coke, a by-product from the Lloydminster Upgrader. Husky supplies feedstock to its Lloydminster Upgrader and asphalt refinery from its own and third-party heavy oil production sourced from the Lloydminster and Cold Lake areas. The Company also sells blended heavy crude oil directly to refiners based in the United States and Canada. Husky's extensive infrastructure in the Lloydminster area supports its heavy crude oil refining and marketing operations.

Husky markets light and medium crude oil and NGL sourced from Husky's own production and third-party production. Light crude oil is acquired for processing by third-party refiners at Edmonton, Alberta and by Husky's refinery at Prince George, British Columbia. Husky markets the synthetic crude oil produced at its Upgrader in Lloydminster to refiners in Canada and the United States, including the Lima Refinery and other refineries in the Midwest of the United States.

Husky markets natural gas sourced from its own production and third-party production. The Company is currently committed to gas sales contracts with third parties, which in the aggregate do not exceed amounts forecast to be deliverable from Husky's reserves. The natural gas sales contracted are primarily at market prices. At December 31, 2014, Husky's long-term fixed price natural gas sales contracts totalled approximately 4 bcf to be delivered in full until expiry in April 2015. The Company trades natural gas to generate revenue from assets managed, including transportation and natural gas storage facilities.

Husky has developed its commodity marketing operations to include the acquisition of third-party volumes to increase volumes and enhance the value of its midstream assets. The Company plans to expand its marketing operations by continuing to increase marketing activities. The Company believes that this increase will generate synergies with the marketing of its own production volumes and the optimization of its assets. Results from Husky's commodity marketing business are included in Upstream Infrastructure and Marketing.

Downstream Operations

U.S. Refining and Marketing

Lima, Ohio Refinery

The Lima Refinery, located in Ohio between Toledo and Dayton, has an atmospheric crude throughput capacity of 160 mbbls/day. The Lima Refinery currently processes both light sweet crude oil feedstock sourced from the United States and Africa and, since 2010 with the commissioning of the Keystone Pipeline system, Canadian synthetic crudes, including HSB produced by the Lloydminster Upgrader. The Lima Refinery produces gasoline, gasoline blend stocks, diesel, jet fuel, petrochemical feedstock and other by-products. The feedstock is received via the Mid-Valley and Marathon Pipelines, and the refined products are transported via the Buckeye and Inland pipeline systems and by rail car to primary markets in Ohio, Illinois, Indiana, Pennsylvania, and southern Michigan.

During 2014, crude oil feedstock throughput at the Lima Refinery averaged 132 mbbls/day. Production of gasoline averaged 68 mbbls/day, total distillates averaged 56 mbbls/day and total other products averaged 17 mbbls/day.

The Lima Refinery continues to progress reliability and profitability improvement projects. Construction of the 20 mbbls/day kerosene hydrotreater, which increased on-road diesel and jet fuel production volumes, was completed and brought on-line in early 2013. In addition, FEED commenced in the second half of 2013 to revamp existing refinery process units and add new equipment to allow the refinery to process up to 40,000 bbls/day of Western Canadian heavy crude oil while maintaining the capability and flexibility to refine existing light crude oil. Regulatory approval was granted by the U.S. EPA. This project is ongoing and anticipated to be completed in the 2018-2019 timeframe.

BP-Husky Toledo, Ohio Refinery

The BP-Husky Toledo Refinery, in which Husky holds a 50% interest, has a name plate capacity of 160 mbbls/day and an operating capacity of 135 to 145 mbbls/day on its current crude slate. Products include low sulphur gasoline, ultra-low sulphur diesel, aviation fuels, propane and asphalt. The BP-Husky Toledo Refinery is located in one of the highest energy consumption regions in the United States.

Husky, together with its partner BP, plan to expand the BP-Husky Toledo Refinery's bitumen processing capacity to handle production from the Sunrise Energy Project development. BP currently markets 100% of the refinery's output; however, once Sunrise Phase I reaches design production rates, Husky will have the right to market its own share of the refined products.

In 2010, Husky and BP announced the sanction of the Continuous Catalyst Regeneration Reformer Project at the BP-Husky Toledo Refinery. Project construction formally commenced in August 2010 and was completed in March 2013. This project improved the efficiency and competitiveness of the refinery by reducing energy consumption, lowering operating costs and safety concerns with the replacement of two naphtha reformers and one hydrogen plant with a 42,000 bbls/day continuous catalyst regeneration reformer system plant.

The Company and its partner initiated the Hydrotreater Recycle Gas Compressor Project in 2013, which was completed in the fourth quarter of 2014. The installation of the new recycle gas compressor in the existing hydrotreater is expected to improve operational integrity and plant performance.

During the year ended December 31, 2014, Husky's share of crude oil feedstock throughput averaged 63 mbbls/day, production of gasoline averaged 39 mbbls/day, middle distillates averaged 18 mbbls/day and other fuel and feedstock averaged 8 mbbls/day.

Upgrading Operations

Husky owns and operates the Husky Lloydminster Upgrader, a heavy oil upgrading facility located in Lloydminster, Saskatchewan. The Upgrader is designed to process blended heavy crude oil feedstock into high quality, low sulphur synthetic crude oil. Synthetic crude oil is used as refinery feedstock for the production of premium transportation fuels in Canada and the United States. In addition, the Upgrader recovers the diluent, which is blended with the heavy crude oil prior to pipeline transportation to reduce viscosity and facilitate its movement, and returns it to the field to be reused.

The Upgrader was commissioned in 1992 with an original design capacity of 46 mbbls/day of synthetic crude oil. Current production is considerably higher than the original design rate capacity as a result of throughput modifications and improved reliability. In 2007, the Upgrader commenced production of transportation grade diesel. The Upgrader's current rated production capacity is 82 mbbls/day of synthetic crude oil, diluents, and ultra low sulphur diesel.

Production at the Upgrader averaged 54 mbbls/day of synthetic crude oil, 14 mbbls/day of diluent and 5 mbbls/day of ultra low sulphur diesel in 2014. In addition, the Upgrader also produced, as by-products of its upgrading operations, approximately 341 lt/day of sulphur and 893 lt/day of petroleum coke during 2014. These products are sold in Canadian and international markets.

Canadian Refined Products

Husky's Canadian Refined Products operations include refining of light crude oil, manufacturing of fuel and fuel grade ethanol, manufacturing of asphalt products from heavy crude oil and acquisition by purchase and exchange of refined petroleum products. Husky's retail distribution network includes the wholesale, commercial and retail marketing of refined petroleum products and provides a platform for non-fuel related convenience product businesses.

Light oil refined products are produced at the Husky refinery at Prince George, British Columbia and are also acquired from third-party refiners and marketed through Husky and Mohawk branded retail and commercial petroleum outlets and through direct marketing to third-party dealers and end users. Asphalt and residual products are produced at Husky's asphalt refinery at Lloydminster, Alberta and are marketed directly or through Husky's eight emulsion plants, five of which are also asphalt terminals located throughout Western Canada.

Prince George Refinery

Husky's light oil refinery in Prince George, British Columbia, provides refined products to Husky and third-party retail outlets in the central and northern regions of the province. Feedstock is delivered to the refinery by pipeline from northeastern British Columbia. Prince George Refinery production is equal to approximately 18% of Husky's total refined product supply requirements.

The refinery produces all grades of unleaded gasoline, seasonal diesel fuels, mixed propane and butane, and heavy fuel oil. In 2014, refinery throughput averaged 11.7 mbbls/day.

Lloydminster Asphalt Refinery

Husky's Lloydminster Asphalt Refinery processes heavy crude oil into asphalt products used in road construction and maintenance and industrial asphalt products. The refinery has a throughput capacity of 29.0 mbbls/day of heavy crude oil. The refinery also produces straight run gasoline, bulk distillates and residuals. The straight run gasoline stream is removed and re-circulated into the heavy oil pipeline network as pipeline diluent and the distillate stream is used by the Upgrader to make ultra low sulphur diesel fuel. The bulk distillates are hydrogen deficient and are transferred directly to the Upgrader and then treated for blending into the HSB stream. Residuals are a blend of medium and light distillate and gas oil streams, which are sold directly to customers typically as drilling and well fracturing fluids or used in asphalt cutbacks and emulsions.

Refinery throughput averaged 28.8 mbbls/day of blended heavy crude oil feedstock during 2014. In 2014, daily sales volumes of asphalt averaged 16.0 mbbls/day and daily sales volumes of residual and other products averaged 14.0 mbbls/day. Due to the seasonal demand for asphalt products, most Canadian asphalt refineries typically operate at full capacity only during the normal paving season in Canada and the northern United States. Husky has implemented various plans to increase refinery throughput during the other months of the year, such as increasing storage capacity and developing U.S. markets for asphalt products. This is intended to allow Husky to run at or near full capacity year round.

Asphalt Distribution Network

Husky's Pounder Emulsions division has a significant market share in Western Canada for road application emulsion products. Additional non-asphalt based road maintenance products are also marketed and distributed through Pounder Emulsions. The Company's sales to the United States and eastern Canada accounted for over 50% of its total asphalt sales in 2014. Exported asphalt products are shipped as far as California and New York in the United States and Quebec in Canada. Husky typically sells in excess of 5.4 mmbbls of asphalt cement each year. All of Husky's asphalt requirements are supplied by Husky's asphalt refinery.

Husky's asphalt distribution network consists of emulsion plants and asphalt terminals located at Kamloops, British Columbia, Edmonton and Lethbridge, Alberta, Saskatchewan and Winnipeg, Manitoba and three emulsion plants located at Watson Lake, Yukon and Lloydminster and Saskatoon, Saskatchewan. Husky also terminals asphalt at its Prince George Refinery and uses an independently operated terminal in Vancouver, British Columbia.

In 2015, Husky plans to increase retail capacity in U.S. markets, expand market access for drilling and completion products, implement safety and reliability improvements and develop new products, markets and specifications.

Ethanol Plants

In September 2006, Husky commissioned an ethanol plant in Lloydminster, Saskatchewan. This plant has an annual nameplate capacity of 130 million litres. In December 2007, the Minnedosa, Manitoba ethanol plant was commissioned also with an annual nameplate capacity of 130 million litres. The plant is operating above that capacity. In 2014, ethanol production averaged 780,656 lt/day.

Husky's ethanol production supports its ethanol-blended gasoline marketing program. When added to gasoline, ethanol promotes more complete fuel combustion, prevents fuel line freezing and reduces carbon monoxide emissions, ozone precursors and net emissions of GHGs. Environment Canada has designated ethanol blended gasoline as an "Environmental Choice" product. Husky sells a large portion of its production to other major oil companies for their ethanol blending requirements in Western Canada.

During 2012, the Lloydminster plant commissioned a CO_2 capture facility. The plant is currently capturing CO_2 for use in Husky's heavy oil reservoir enhancement project.

Other Supply Arrangements

In addition to the refined petroleum products supplied by the Prince George Refinery of 3.0 mbbls/day and by the Husky Lloydminster Upgrader of 5.2 mbbls/day in 2014, Husky has rack-based pricing purchase agreements for refined products with all major Canadian refiners. During 2014, Husky purchased approximately 31.5 mbbls/day of refined petroleum products from refiners and acquired approximately 8.7 mbbls/day of refined petroleum products pursuant to exchange agreements with third-party refiners.

Branded Petroleum Product Outlets and Commercial Distribution

As at December 31, 2014, there were 490 independently operated Husky-branded petroleum product outlets. These outlets include travel centres, convenience stores, cardlock operations and bulk distribution facilities located from the Ontario/Quebec border to the West Coast. Most travel centres also feature a proprietary cardlock system that enables commercial users to purchase products using a sophisticated card system that processes transactions and provides detailed billing, fuel and sales tax information. Husky also recently launched a new commercial card program that delivers universal card accepted, advanced online fuel management functionality and state-of-the-art fraud protection. A variety of full and self-serve retail locations serve urban and rural markets across the network, while Husky's bulk distributors offer direct sales to commercial and farm markets in Western Canada.

Independent retailers or agents operate all Husky-branded petroleum product outlets. Retail outlets feature varying services, such as convenience stores, service bays, 24-hour service, car washes, Husky House restaurants, proprietary and co-branded quick serve restaurants and ATM machines. In addition to ethanol-blended gasoline, Husky offers DieselMax and propane services together with Chevron lubricants. Husky supplies refined petroleum products to its branded independent retailers on an exclusive basis and provides financial and other assistance for location improvements, marketing support and related services.

The following table shows the number of Husky-branded petroleum outlets by province as of December 31, 2014:

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	2014 Total	2013 Total
Branded Petroleum Outlets							
Retail Owned Outlets	52	63	12	15	73	215	222
Leased	35	36	4	11	32	118	126
Independent Retailers	50	71	13	6	17	157	155
Total	**137**	**170**	**29**	**32**	**122**	**490**	**503**
Cardlocks [(1)]	22	31	5	7	19	84	81
Convenience Stores [(1)]	82	91	15	23	104	315	334
Restaurants	9	12	4	2	13	40	41

(1) Located at branded petroleum outlets.

Husky also markets refined petroleum products directly to various commercial markets, including independent dealers, national rail companies and major industrial and commercial customers in Western Canada and the northwestern United States. In 2014, daily sales volumes of gasoline, diesel fuel and liquefied petroleum gas were 24.7 mbbls/day, 24.9 mbbls/day, and 0.2 mbbls/day, respectively.

The following table shows average daily sales volumes of light refined petroleum products for the periods indicated:

	Years ended December 31,		
(mbbls/day)	**2014**	**2013**	**2012**
Gasoline	24.8	25.0	26.2
Diesel fuel	24.9	25.5	27.2
Liquefied Petroleum Gas	0.1	0.4	0.8
	49.8	50.9	54.2

INDUSTRY OVERVIEW

The operations of the oil and gas industry are governed by a considerable number of laws and regulations mandated by multiple levels of government and regulatory authorities in Canada, the United States and other foreign jurisdictions. These laws and regulations, along with global economic conditions, have shaped the developing trends of the industry. The following discussion summarizes the trends, legislation and regulations that have the most significant impact on the short and long-term operations of the oil and gas industry.

Crude Oil and Natural Gas Production

Global crude oil production continued to increase during 2014 and the U.S. EIA forecasts global fuels supply to outpace consumption in 2015 by approximately 0.6 mmbbls/day compared to 0.9 mmbbls/day in 2014. Total U.S. crude oil production, resulting from continued growth in U.S. shale and tight oil formations, increased to approximately 9.2 mmbbls/day in December 2014 and is forecast to average 9.3 mmbbls/day in 2015 and 9.5 mmbbls/day in 2016. [1]

In Canada, production from oil sands projects is expected to continue increasing in the decades to come. In the CAPP June 2014 publication, production of bitumen from both mining and in-situ operations was forecast to increase by 9.5 percent in 2015 compared with 2014, however the impact from falling commodity prices and project delays is expected to have an impact on CAPP's forecast. Of the remaining established oil sands reserves in Alberta, 134 billion barrels or 80 percent is considered recoverable by in-situ techniques and 33 billion barrels is considered recoverable by mining.[2]

In its June 2014 forecast, CAPP projected total Canadian crude oil production to increase by approximately 73 percent to 6.4 mmbbls/day by 2030, compared to 3.7 mmbbls/day in 2014. This growth forecast is 0.3 mmbbls/day lower when compared to CAPP's projection from 2013 as higher forecast production from liquids rich plays is offset by lower forecast production from the oil sands. Oil sands production is forecast to increase by approximately 129 percent to 4.8 mmbbls/day by 2030, compared to 2.1 mmbbls/day in 2014. Conventional crude oil production, representing approximately 42 percent of current Canadian production, is forecast to increase by 3 percent to 1.6 mmbbls/day and is expected to represent 25 percent of total Canadian production by 2030 resulting from significant increases in oil sands production.[2]

Total Canadian natural gas production increased by 3.3 percent in 2014 compared with 2013 primarily reflecting higher North American benchmark natural gas prices.[3] Total U.S. natural gas production increased by approximately 5.9 percent in 2014 compared to 2013 and is forecast to increase by an additional 3.2 percent in 2015. At the same time, total U.S. consumption of natural gas increased by 3.4 percent in 2014 compared to 2013 and is expected to increase by 0.2 percent in 2015.[2]

Commodity Pricing

Crude oil and natural gas producers negotiate purchase and sale contracts directly with respective buyers and these contracts are typically based on the prevailing market price of the commodity. The market price for crude oil is determined largely by global factors and the contract price considers oil quality, transportation and other terms of the agreement. The price for natural gas in Canada is determined primarily by North America fundamentals because virtually all natural gas production in North America is consumed by North American customers, predominantly in the United States. Commodity prices are based on supply and demand which may fluctuate due to market uncertainty and other factors beyond the control of entities operating in the industry.

The significant decline in benchmark oil prices around the globe during the second half of 2014, primarily related to the increasing production and inventory levels, along with increased volatility has created significant uncertainty with respect to forecast of oil prices into 2015. The EIA projects that the spot price of Brent, an imported light sweet benchmark crude oil produced in the North Sea will average U.S. $58/bbl in 2015 compared to an average price of U.S. $99/bbl and U.S. $108/bbl in 2014 and 2013, respectively. Similarly, the EIA projects that the spot price of WTI will average U.S. $55/bbl in 2015 compared to an average price of U.S. $93/bbl and U.S. $98/bbl in 2014 and 2013, respectively. The EIA expects the discount of the WTI crude oil price to Brent to average $3/bbl through 2015.[1]

Market Access

Transportation and market access in North America for crude oil emerged as a major issue in 2012, and continued to be a significant challenge for the industry during 2014. The industry continues to seek alternative forms of transportation to supplement the use of pipelines, such as railways, barges and marine tankers to ensure that Western Canada's crude oil maintains access to world markets. Constraints on transportation and market access will continue to be a challenge for the industry.

Current pipeline capacity exiting Western Canada totals 3.7 mmbbls/day; however a number of proposed crude oil pipelines could increase capacity by an additional 3.4 mmbbls/day between 2015 and 2018. The proposed pipeline projects are the Keystone XL to the U.S. Gulf Coast, the Alberta Clipper Expansion to Superior, Wisconsin, the Trans Mountain Expansion to Burnaby, British Columbia, the Enbridge Northern Gateway to Kitimat, British Columbia and the TransCanada Energy East to the east coast of Canada. Considerable uncertainty exists around if and when each of these will be in service.[2]

CAPP forecasts that crude oil volumes transported by rail will increase to approximately 700 mbbls/day in 2016 from approximately 200 mbbls/day in 2013.[2]

Royalties, Incentives and Income Taxes

Canada

The amount of royalties payable on production from privately owned lands is negotiated between the mineral freehold owner and the lessee, and this production may also be subject to certain provincial taxes and royalties. Royalty rates for production from Crown lands are determined by provincial governments. When setting royalty rates, commodity prices, levels of production and operating and capital costs are considered. Royalties payable are generally calculated as a percentage of the value of gross production and generally depend on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery, depth of well, and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are, from time to time, carved out of the owner's working interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests or net carried interests.

Royalty rates pertaining to Husky operations in Western Canada averaged 12 percent of gross revenues in both 2014 and 2013. In the Company's Atlantic Region, the average royalty rate was 17 percent in 2014 compared with 13 percent in 2013 due to Tier 1 and super royalty rates being reached at the North Amethyst and West White Rose Satellite Extensions.

The Canadian federal corporate income tax rate was 15 percent in 2014 and 2013. Provincial rates ranged between 11 percent and 16 percent in 2014 and 2013.

Other Jurisdictions

Royalty rates in the Company's Asia Pacific Region averaged 8 percent in 2014 compared to 24 percent 2013 with the reduction due to production from the Liwan Gas Project which commenced at the end of the first quarter of 2014.

Operations in the U.S are subject to the U.S. federal tax rate of 35 percent and various state-level taxes. Operations in China are subject to the Chinese tax rate of 25 percent. Operations in Indonesia are subject to tax at a rate of 40 percent as governed by each project's PSC.

The Company's consolidated effective tax rate was 29 percent for 2014 and 30 percent for 2013. Royalty rates averaged 12 percent of gross revenue in both 2014 and 2013.

Land Tenure Regulation

In Canada, rights to natural resources are largely owned by the provincial and federal governments. Rights are granted to explore for and produce oil and natural gas subject to shared jurisdiction agreements, ELs, significant discovery and production licenses, leases, permits, and provincial legislation which may include contingencies such as obligations to perform work or make payments.

For international jurisdictions, rights to natural resources are largely owned by national governments that grant rights in forms such as ELs and permits, production licenses, and PSCs. Companies in the oil and gas industry are subject to ongoing compliance with the regulatory requirements established by the relevant country for the right to explore, develop and produce petroleum and natural gas in that particular jurisdiction.

Environmental Regulations

All phases of the oil and natural gas business are subject to environmental regulation pursuant to a variety of federal, provincial, state and local laws and regulations, as well as international conventions (collectively, "environmental regulations").

Environmental regulations impose, among other things, restrictions, liabilities and obligations in connection with the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances to the environment. Environmental regulations also require that wells, facilities and other properties associated with Husky's operations be constructed, operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations, including exploration and development projects and significant changes to certain existing projects, may require the submission and approval of environmental impact assessments.

The oil and gas industry has already generally adapted to current environmental regulations and initiatives including but not limited to, water, emissions performance, climate change mitigation and adaptation, pipeline integrity management, reclamation, hydraulic fracturing and land use.

Water

Extensive regulations are imposed on Husky's operations to ensure surface water and fresh groundwater is protected. These include guidelines dictating aspects including:

- well, pipeline, and facility offsets from fresh surface water bodies and domestic water wells;
- drilling fluids, well construction materials, and methods to ensure isolation of fresh groundwater aquifers from resource exploration and extraction activities;
- downhole offsets for completions operations to ensure isolation from fresh groundwater aquifers, with specific risk mitigation expectations for hydraulic fracturing;
- monitoring of fresh groundwater aquifers at major operating facilities;
- water discharge criteria for onshore and offshore facilities; and,
- fluid transport, handling, and storage.

Water withdrawals, in particular freshwater withdrawals, are regulated in all of the jurisdictions in which Husky has operations. Husky has reporting requirements relating to most licenced water withdrawals to support operations. Guidelines dictate water source selection and management. Water withdrawals are further governed by local watershed and/or industry water management plans.

Husky recognizes the importance of water security to the success of its operations, and engages in dialogue on proposed water regulatory changes, both directly and through industry associations, to ensure the Company's interests are recognized and Husky is sufficiently prepared to fully comply when new water regulations come into force.

Climate Change

Husky operates in many jurisdictions that regulate or have proposed to regulate industrial GHG emissions. GHG regulations can be categorized as

- intensity or absolute based GHG compliance costs;
- cap-and-trade systems;
- carbon taxes;
- tax and cap-and-trade hybrid systems; and
- other regulatory measures including low carbon fuel and renewable fuel standards.

Husky engages in consultations for the design of proposed regulations and supports efforts to harmonize regulations across jurisdictions, both directly with regulators and through industry associations.

International Climate Change Agreements

In 2010, as part of the Copenhagen Accord at the UNFCC COP held in Copenhagen, Denmark in 2009, Canada committed to reducing its greenhouse gas emissions by 17% below 2005 levels by 2020, which is aligned with the U.S. target. The Accord includes non-binding commitments from all the major emitters including the United States, China, India and Brazil, and provides for international review of both developed and developing countries' targets and actions, but does not discuss any compliance mechanisms. In 2014, the U.S. and China jointly announced significant GHG emissions targets that are in part designed to inject momentum into the global climate negotiations with an eye toward reaching a successful climate change agreement at the 21st UNFCC COP in Paris, France, in 2015. Canada responded to this development by pledging increased aid to the United Nations' Green Climate Fund. In addition, the UNFCC COP met in Lima, Peru in 2014 to continue negotiations in preparation for the meeting in Paris.

Canadian Federal Greenhouse Gas Regulations

The Canadian federal government has begun addressing emissions of specific sectors of the economy, including working closely with the U.S. government to establish common North American vehicle emissions standards, as well as performance standards for thermal electricity generation. Also, in line with the United States, Canada has adopted renewable fuels regulations, requiring fuel producers and importers to have an average of at least 5% of their gasoline supply come from renewable sources (such as ethanol) and to have an average of at least 2% of their diesel supply come from renewable sources (such as bio-diesel).

The Canadian federal government continues to engage with the Canadian oil and gas industry and chemical industry (including ethanol producers) on proposed regulations for these sectors, seeking to balance emissions performance and global competitiveness.

Canadian Provincial Greenhouse Gas Regulations

Regulations have been enforced in Alberta since 2007 that require facilities that emit more than 100,000 tonnes of CO_2e in a year to reduce their emissions intensity by up to 12% below an established baseline emissions intensity, or pay $15/tonne for CO_2e that does not meet the target.

In British Columbia, regulations in force since 2008 targeted a provincial reduction in GHG emissions of at least 33% below 2007 levels by 2020. In October 2014, British Columbia introduced Bill 2, the Greenhouse Gas Industrial Reporting and Control Act which, if put into force by regulation, will limit the emissions from LNG facilities to 0.16 tonnes of GHG emissions for each 1 tonne of LNG processed by the operator.

During 2007 and 2008, Ontario, British Columbia, Quebec and Manitoba committed, as partners, to move forward with a cap-and-trade system designed under the WCI, while Nova Scotia, Saskatchewan and the Yukon Territory signed on as observers of the WCI. The WCI initiative was designed to reduce greenhouse gas emissions at the regional level to 15% below 2005 levels by 2020. The cap-and-trade system is intended to limit the allowable emissions for each partner, allocate them to large industrial facilities, and create an international market where emissions could be traded among participants.

In November 2011, the WCI formed WCI, Inc., a non-profit corporation, to provide administrative and technical services to support the implementation of state and provincial GHG emission trading programs. As WCI jurisdictions begin to implement cap-and-trade programs, WCI, Inc. will develop a compliance tracking system that tracks both allowances and offset certificates, administer allowance auctions and conduct market monitoring of allowance auctions and allowance and offset certificate trading. California and Quebec moved forward with cap-and-trade in 2012, with compliance requirements beginning in 2013. Ontario, British Columbia, and Manitoba have indicated that they are committed to implementing programs in the near future as well.

U.S. Greenhouse Gas Regulations

The U.S. does not have federal legislation establishing targets for the reduction of or limits on the emission of GHGs. However, the U.S. EPA has and may continue to promulgate regulations concerning the reporting and control of GHG emissions. In 2009, the U.S. EPA enacted the GHGRP, which requires any facility releasing more than 25,000 tpy of CO2e emissions to report those emissions on an annual basis, beginning with calendar year 2010. In addition to reporting direct CO2e emissions, the GHGRP requires refineries to estimate the CO2e emissions from the potential subsequent combustion of the refinery's products.

In May 2010, the U.S. EPA finalized the Greenhouse Gas Tailoring Rule. This rule "tailored" the Clean Air Act by phasing in permitting requirements for GHG emissions, including BACT requirements for new and modified sources of air emissions emitting more than a threshold quantity of GHGs. In June 2014, the U.S. Supreme Court issued its opinion in Utility Air Regulatory Group v. EPA. The Court invalidated portions of the Tailoring Rule but upheld the EPA's authority to require BACT for GHG emissions associated with sources that must obtain Prevention of Significant Deterioration permits based on their non-GHG emissions. Based on the Court's opinion, it is possible that the U.S. EPA will amend the Tailoring Rule in a way that imposes additional GHG requirements on Husky's U.S. operations.

In September 2013, the U.S. EPA issued proposed standards for GHG emissions from new coal- and oil-fired power plants. In June 2014, the EPA issued the "Clean Power Plan," which is a proposed set of rules to significantly reduce CO2e emissions from existing power plants. The U.S. EPA has issued standards for oil and gas production and transmission sector that, among other requirements, mandates the use of "Reduced Emission Completions" for hydraulically fractured natural gas wells. In January 2015, the U.S. EPA announced that it will release proposed methane emissions standard for the upstream oil and gas sector by the summer of 2015. The U.S. EPA has not yet issued proposed or final GHG emissions standards for new or existing refineries but could do so in the future. These and other U.S. EPA regulations regarding GHG emissions are subject to judicial challenges and could be modified by congressional legislation.

Pipeline Integrity

Recent high-profile oil spill events have led to a review by industry regulators. In 2012, the AER hired Group 10 Engineering Ltd., a third-party consultant, to review the industry's pipeline requirements and industry best practices for public safety and response to pipeline incidents, pipeline integrity management, and the safety of pipelines at, or near, water crossings. Husky participated in the interview process. The final report was released in August 2013 and included 17 recommendations to improve pipeline safety that were accepted by the province of Alberta.

The British Columbia Oil and Gas Commission is currently conducting a review of all pipeline segments, and the B.C. Ministry of Environment has recently issued a land based spill preparedness and response policy intentions paper for comment on the Government of B.C. website.

In 2012, CEPA announced CEPA Integrity First, an industry-wide initiative to improve the industry's pipeline safety, environmental and socio-economic performance. The program is based on sharing best practices and applying advanced technology, and highlights pipeline incident prevention, emergency response, reclamation and education. The prevention section focuses on programs and processes related to pipeline integrity. The emergency response section concentrates on programs CEPA members have in place. The reclamation section addresses the quality of post-incident activities, and the education section provides additional information about pipelines in Canada. CEPA is taking the lead with CAPP, providing support and context around pipelines owned and operated by producing companies, as well as emphasizing the importance of reliable and safe energy infrastructure to the oil and gas industry.

Abandonment Liability

In early 2013, the AER made significant changes to its abandonment liability program and licence transfer process. These changes were implemented on May 1, 2013 under Directive 006: *Licensee Liability Rating Program and Licence Transfer Process* ("Directive 6") and effected important changes to the Licensee Liability Rating Program. The Licensee Liability Rating Program is designed to prevent Alberta taxpayers from incurring costs to suspend, abandon, remediate, and reclaim a well, facility or pipeline. Under the Licensee Liability Rating Program, each licensee is assigned a Liability Management Rating. Liability Management Rating is the ratio of a licensee's eligible deemed assets under the Licensee Liability Rating Program, the Large Facility Liability Management Program and the Oilfield Waste Liability Program to its deemed liabilities in these programs. The Liability Management Rating assessment is designed to assess a licensee's ability to address its suspension, abandonment, remediation and reclamation liabilities. This assessment is conducted monthly and on receipt of a licence transfer application in which the licensee is the transferor or transferee.

Directive 6 requires oil and gas operators in Alberta to pay higher security deposits to maintain the required Liability Management Rating with the AER. The changes will be implemented over a three-year period. If a licensee fails to post security, if required, then the AER may take a number of steps to enforce these provisions, which include non-compliance fees, partial or full suspension of operations, suspension and/or cancellation of a permit, licence or approval, and prevention of the transfer of licences held by licensees that do not meet the new requirements.

Hydraulic Fracturing

Hydraulic fracturing is a method of increasing well production by injecting fluid under high pressure down a well, which causes the surrounding rock to crack or fracture. The fluid typically consists of water, sand, chemicals and other additives and flows into the cracks where the sand remains to keep the cracks open and enable natural gas or liquids to be recovered. Fracturing fluids are produced back to the surface through the wellbore and are stored for reuse or future disposal in accordance with regional regulations, which may include injection into underground wells. The design of the well bores protects groundwater aquifers from the fracturing process.

The Government of Canada manages use of chemicals through its Chemical Management Plan and New Substances Program. Some provinces require the details of fracturing fluids to be submitted to regulators. In Alberta, the AER requires that all fracturing operations submit reports regarding the quantity of fluids and additives. In the U.S., the process is regulated by state and local governments. However, the EPA is considering undertaking a broad study as it pertains to the national Clean Water Act which may or may not result in future federal regulations.

Land Use

In 2012, the Government of Alberta approved the LARP, which covers the lower Athabasca region and includes Husky's oil sands assets and major projects. The LARP was developed to manage cumulative effects within the region using three formal management frameworks; Air Quality, Surface Water Quality and Groundwater Quality. The use of each framework establishes approaches to ensure trends are identified and assessed, regional limits are not exceeded and that air and water remain healthy for the region's residents and ecosystems during oil sands development.

Industry Collaboration Initiatives

Husky participates in a number of industry associations and sustainability groups to better understand environmental, safety and social issues while benefitting from and contributing to industry innovation and good management practices.

In early 2012, Husky joined IPIECA, the global oil and gas industry association for environmental and social issues, and is participating in its Water Task Force and Climate Change Working Group as well as other topic focused groups. The Company is also a member of Oil Spill Response Limited, an international industry-owned cooperative which exists to respond effectively to oil spills wherever in the world they may occur. Husky also participates in industry reporting through CAPP and CFA.

Husky participated in a two-year (2013-2014) joint industry study to characterize water sources and water disposal zones in West Central Alberta, an area of increasing multi-stage hydraulic fracturing for development of shale and tight gas resources. Husky is committed to adhering to the CAPP Guiding Principles for Hydraulic Fracturing and Hydraulic Fracturing Operating Practices for shale and tight gas development.

As a member of the In-situ industry Water Technology Development Centre, Husky is collaborating with other major oil and gas companies and is committed to developing technologies that will reduce water and energy use for the thermal heavy oil industry. Husky also collaborates through involvement in numerous industry water committees, including the CAPP Water Task Group and its specialty sub-committees, the PTAC Water Innovation and Planning Committee, the CEMA Water Working Group and supporting technical groups, and the IPIECA Water Working Group; and, through involvement in watershed committees including the North Saskatchewan Watershed Alliance and the Beaver River Watershed Alliance.

Husky pursues memberships with the following sustainability groups and industry associations to better understand environmental, safety and social issues while benefitting and contributing to industry innovation and best practices: Alberta Biodiversity Monitoring Institute, Alberta Industrial Fire Protection Association, Beaver River Watershed Alliance, Calgary Region Airshed Zone, CAPP, CFA, Canadian Land Reclamation Association, CDP, China Offshore Environmental Services, China Offshore Oil Operation Safety Office, Clearwater Mutual Aid CO-OP, Conference Board of Canada – Council on Emergency Management, CEMA, Decentralized Energy Canada, Eastern Canada Response Corporation, Environmental Citizens Action Committee, Environmental Services Association of Alberta, Foothills Land Management Forum, Hardisty Air Management Zone Association, Indonesian Petroleum Association, Integrated CO2 Network, International Oil & Gas Producers Association, IPIECA, Lakeland Industry and Community Association, LPG Emergency Response Corporation, Lloydminster Emergency Preparedness Stakeholder Group, Mackenzie Delta Spill Response Corporation, Marine Pollution Control, Mutual Aid Alberta, North Saskatchewan Watershed Alliance, Ohio Chemistry Trade Council, Oil Spill Response Limited, One Ocean, Orphan Well Association, Ottawa River Coalition, Parkland Airshed Management Zone, PTAC, Plains CO2

Reduction Partnership, Prince George Air Improvement Roundtable, Prince George Industrial Mutual Aid Committee, Regional Aquatics Monitoring Program, Saskatchewan Petroleum Industry Government Environmental Committee, Southeast Saskatchewan Airshed Association, China's State Oceanic Administration, Upstream Saskatchewan Spill Response Co-op Area 2, 3 & 4 Spill Response Cooperatives, Water Technology Development Centre – joint industry project, Western Canadian Spill Services, Western Yellowhead Air Management Zone and Wood Buffalo Environmental Association, Peach Airshed Zone Association, Fort Air Partnership, West Central Airshed Society, Alberta Capital Airshed Alliance, Palliser Airshed Society.

Husky's Sustainability Commitment

Husky's sustainability is a key pillar of the financial well-being of the Company. At the end of 2010, the Company presented its business strategy and set out a five-year plan with clearly defined financial goals and performance targets. Four years into that plan, the Company is meeting or exceeding its key performance indicators. While sustainability begins with a strong financial foundation, success is directly linked to how the Company conducts its business, whether it is by improving safety, enhancing environmental performance through innovative ways to protect the environment, or in delivering lasting benefits to the communities.

(1) "Short-Term Energy Outlook", January 2015, U.S. Energy Information Administration
(2) "Crude Oil Forecast, Markets and Pipelines", June 2014, Canadian Association of Petroleum Producers
(3) "Marketable Natural Gas production in Canada", January 12, 2015, National Energy Board

RISK FACTORS

The following summarizes the most significant risks relating to Husky and its operations that should be considered when purchasing securities of Husky. Husky has developed an enterprise risk matrix to identify risks to its people, the environment, its assets and its reputation, and to systematically mitigate these risks to an acceptable level. The risk matrix and associated mitigation strategies are reviewed quarterly by senior management and semi-annually by the Audit Committee of the Board of Directors.

Operational, Environmental and Safety Incidents

The Company's businesses are subject to inherent operational risks in respect to safety and the environment that require continuous vigilance. The Company seeks to minimize these operational risks by carefully designing and building its facilities and conducting its operations in a safe and reliable manner using its integrated management system that considers the environmental requirements and process and occupational safety HOIMS. Failure to manage the risks effectively could result in potential fatalities, serious injury, asset damage or environmental impact. Enterprise risk management, emergency preparedness, business continuity and security policies and programs are in place for all operating areas and are adhered to on an ongoing basis. The Company, in accordance with industry practice, maintains insurance coverage against losses from certain of these risks. Nonetheless, insurance proceeds may not be sufficient to cover all losses, and insurance coverage may not be available for all types of operational risks.

Commodity Price Volatility

Husky's results of operations and financial condition are dependent on the prices received for its crude oil and natural gas production. Lower prices for crude oil and natural gas could adversely affect the value and quantity of Husky's oil and gas reserves. Husky's reserves include significant quantities of heavier grades of crude oil that trade at a discount to light crude oil. Heavier grades of crude oil are typically more expensive to produce, process, transport and refine into high value refined products. Refining and transportation capacity for heavy crude oil is limited and planned increases of North American heavy crude oil production may create the need for additional heavy oil refining and transportation capacity. As a result, wider price differentials could have adverse effects on Husky's financial performance and condition, reduce the value and quantities of Husky's heavier crude oil reserves and delay or cancel projects that involve the development of heavier crude oil resources. There is no guarantee that planned pipeline development projects will provide sufficient transportation capacity and access to refining capacity to accommodate expected increases in North American heavy crude oil production.

Prices for crude oil are based on world supply and demand. Supply and demand can be affected by a number of factors including, but not limited to, actions taken by OPEC, non-OPEC crude oil supply, social conditions in oil producing countries, the occurrence of natural disasters, general and specific economic conditions, prevailing weather patterns and the availability of alternate sources of energy.

Husky's natural gas production is currently located in Western Canada and Asia Pacific. Western Canada is subject to North American market forces. North American natural gas supply and demand is affected by a number of factors including, but not limited to, the amount of natural gas available to specific market areas either from the well head or from storage facilities, prevailing weather patterns, the price of crude oil, the U.S. and Canadian economies, the occurrence of natural disasters and pipeline restrictions.

In Asia or in North America, the crude oil price is based on the balance of supply and demand. Natural gas price in North America is affected primarily by supply and demand, as well as by prices for alternative energy sources. The natural gas Husky produces in the Asia Pacific Region is sold to specific buyers with long-term contracts. The price is fixed for the initial 5 years for the Liwan 3-1 gas field and then linked to city-gas pricing adjustment. For Liuhua 34-2, the price is fixed during the delivery period.

In certain instances, the Company uses derivative commodity instruments to manage exposure to price volatility on a portion of its oil and gas production and firm commitments for the purchase or sale of crude oil and natural gas.

The fluctuations in crude oil and natural gas prices are beyond the Company's control and could have a material adverse effect on the Company's business, financial condition and cash flow. For information on 2014 commodity price sensitivities, refer to Section 3.0 of the 2014 Annual MD&A.

Reservoir Performance Risk

Lower than projected reservoir performance on the Company's key growth projects could have a material impact on the Company's financial position, medium to long-term business strategy and cash flow. Inaccurate appraisal of large project reservoirs could result in missed production, revenue and earnings targets and negatively affect the Company's reputation, investor confidence and the Company's ability to deliver on its growth strategy.

In order to maintain the Company's future production of crude oil, natural gas and NGL and maintain the value of the reserves portfolio, additional reserves must be added through discoveries, extensions, improved recovery, performance related revisions and acquisitions. The production rate of oil and gas properties tends to decline as reserves are depleted while the associated unit operating costs increase. In order to mitigate the effects of this, the Company must undertake successful exploration and development programs, increase the recovery factor from existing properties through applied technology and identify and execute strategic acquisitions of proved developed and undeveloped properties and unproved prospects. Maintaining an inventory of developable projects depends on, among other things, obtaining and renewing rights to explore, develop and produce oil and natural gas, drilling success, completing long-lead time capital intensive projects on budget and on schedule and the application of successful exploitation techniques on mature properties.

Restricted Market Access and Pipeline Interruptions

Husky's results depend upon the Company's ability to deliver products to the most attractive markets. The Company's results could be impacted by restricted market access resulting from a lack of pipeline or other transportation alternatives to attractive markets as well as regulatory and/or other marketplace barriers. The interruptions and restrictions may be caused by the inability of a pipeline to operate, or they can be related to capacity constraints as the supply of feedstock into the system exceeds the infrastructure capacity. With growing conventional and oil sands production across North America and limited availability of infrastructure to carry the Company's products to the marketplace, oil and natural gas transportation capacity is expected to be restricted in the next few years. Restricted market access may potentially have a material impact on the Company's financial position, medium to long-term business strategy, cash flow and corporate reputation. Unplanned shutdowns and closures of its refineries and or upgrader may limit Husky’s ability to deliver product with negative implications on sales and results from operating activities.

Security and Terrorist Threats

Security threats and terrorist or activist activities may impact the Company’s personnel, which could result in injury, death, extortion, hostage and/or kidnapping, including unlawful confinement. A security threat, terrorist attack or activist incident targeted at a facility, office or offshore vessel/installation owned or operated by the Company could result in the interruption or cessation of key elements of the Company's operations. Outcomes of such incidents could have a material impact on the Company’s financial position, business strategy and cash flow.

A cyber incident may impact the operational state and/or cause physical damage to the Company’s assets, along with potential health and safety risks or loss of intellectual property.

International Operations

International operations can expose the Company to uncertain political, economic and other risks. The Company's operations in certain jurisdictions may be adversely affected by political, economic or social instability or events. These events may include, but are not limited to, onerous fiscal policy, renegotiation or nullification of agreements, imposition of onerous regulation, changes in laws governing existing operations, financial constraints, including currency and exchange rate fluctuations, and unreasonable taxation. This could adversely affect the Company's interest in its foreign operations and future profitability.

Gas Storage

The potential inability to deliver an effective gas storage solution as inventories grow over the life of the White Rose field may potentially result in prolonged shutdown of these operations, which may have a material impact on the Company's financial position, medium to long-term business strategy and cash flow.

Skills and Human Resource Shortage

The Company recognizes that a robust, productive and healthy workforce drives efficiency, effectiveness and financial performance. Attracting and retaining qualified and skilled labour is critical to the successful execution of the Company's current and future business strategies. A tight labour market, an insufficient number of qualified candidates and an aging workforce are factors that can precipitate a human resource risk for the Company if not properly managed. Failure to retain current employees and attract new skilled employees could materially affect the Company's ability to conduct its business.

Major Project Execution

The Company manages a variety of oil and gas projects ranging from Upstream to Downstream assets. The risks associated with project development and execution, as well as the risks involved in commissioning and integration of new assets with existing facilities, can impact the economic feasibility of the Company's projects. These risks can result in, among other things, cost overruns, schedule delays and a decline in the market value of the Company's oil and gas products. These risks can also impact the Company's safety and environmental performance, which could negatively affect the Company's reputation.

Partner Misalignment

Joint venture partners operate a portion of Husky's assets in which the Company has an ownership interest. Husky is at times dependent upon its partners for the successful execution of various projects. If a dispute with partners were to occur over the development and operation of a project or if partners were unable to fund their contractual share of the capital expenditures, a project may be delayed and the Company may be partially or totally liable for its partner's share of the project.

Reserves Data, Future Net Revenue and Resource Estimates

The reserves and resource data contained or referenced in this AIF represent estimates only. The accurate assessment of oil and gas reserves and resources is critical to the continuous and effective management of the Company's Upstream assets. Reserves and resources estimates support various investment decisions about the development and management of resource plays. In general, estimates of economically recoverable crude oil and gas reserves and resources and the future net cash flow therefrom are based upon a number of variable factors and assumptions, such as product prices, future operating and capital costs, historical production from the properties and the assumed effects of regulation by governmental agencies, including with respect to royalty payments, all of which may vary considerably from actual results. All such estimates are to some degree uncertain, and classifications of reserves and resources are only attempts to define the degree of uncertainty involved. For those reasons, estimates of the economically recoverable oil and gas reserves and resources attributable to any particular group of properties, classification of such reserves and resources based on risk of recovery and estimates of future net revenues expected therefrom may differ substantially from actual results. The data may be prepared by different engineers or by the same engineers at different times. These factors may cause the estimates to vary substantially over time. All reserves and resources estimates involve a degree of ambiguity and, at times, rely on indirect measurement techniques to estimate the size and recoverability of the resource. While new technologies have increased the accuracy and efficacy of these techniques, there remains the potential for human or systemic error in recording and reporting the magnitude of the Company's oil and gas reserves and resources. Inaccurate appraisal of large project reservoirs could result in missed production, revenue and earnings targets and could negatively affect the Company's reputation, investor confidence and the Company's ability to deliver on its growth strategy.

Government Regulation

Given the scope and complexity of Husky's operations, the Company is subject to regulation and intervention by governments at the federal, provincial, state and municipal levels in the countries in which it conducts its operations or exploratory activities. As these governments continually balance competing demands from different interest groups and stakeholders, the Company recognizes that the magnitude of regulatory risks has the potential to change over time. Changes in government policy, legislation or regulation could impact the Company's existing and planned projects as well as impose costs of compliance, increase capital expenditures and operating expenses. Examples of the Company's regulatory risks include, but are not limited to, uncertain or negative interactions with governments, uncertain energy policies, uncertain environmental and safety policies, penalties, taxes, royalties, government fees, reserves access, limitations or increases in costs relating to the exportation of commodities, restrictions on the acquisition of exploration and production rights and land tenure, expropriation or cancellation of contract rights, limitations on control over the development and abandonment of fields, and loss of licenses to operate.

Environmental Regulation

Changes in environmental regulation could have a material adverse effect on Husky's financial condition and results of operations by requiring increased capital expenditures and operating costs or by impacting the quality, formulation or demand of products, which may or may not be offset through market pricing. The scope and complexity of changes in environmental regulation make it challenging to forecast the potential impact to Husky. Husky engages in the dialogue on proposed changes, both directly and through industry associations, to ensure the Company's interests are recognized and Husky is sufficiently prepared to fully comply when new regulations come into force.

Husky anticipates further changes in environmental legislation could occur, which may result in stricter standards and enforcement, larger fines and liabilities, increased compliance costs and approval delays for critical licences and permits, which could have a material adverse effect on Husky's financial condition and results of operations through increased capital and operating costs.

Some of the topics that are or could in the future be subject to new or enhanced environmental regulation include:

- water use, withdrawals and discharges;
- the use of hydraulic fracturing to aid in oil and gas production;
- targets for reduced purchases of unconventional oils, such as bitumen;
- new GHG regulations in jurisdictions where the Company has operations;
- jurisdictional calculation and regulation of fuel life-cycle carbon content;
- fuel reformulation to support reduced combustion emissions;
- new regulations for managing air pollutants at facility and equipment levels; and
- regulations affecting the transportation of product by rail.

Transportation of Dangerous Goods Regulation

The transportation of flammable liquids (crude, ethanol, gasoline, etc.) by rail is an emerging issue for the petroleum industry. Throughout 2014, Transport Canada and the PHMSA in the United States issued a series of orders and directives that are intended to enhance the safe transport of flammable liquids. Among these changes is greater oversight by the regulators, enhancements to emergency preparedness and response requirements, rail car design, testing and classification practices as well as discussions on a federal rail liability and compensation regime. Some of the enhancements came into effect in 2014, however the details of the other measures are still being worked on by CAPP, Canadian Fuels and other trade associations. On August 1, 2014, PHMSA published a Notice of Proposed Rulemaking concerning more stringent standards and operational controls for trains transporting high volumes of crude oil and other flammable materials and an Advance Notice of Proposed Rulemaking for oil spill response plans for these trains. If finalized, the rules would require the replacement of existing railcars and the implementation of other compliance measures. The final impact to the Company and the industry due to additional transportation costs imposed by the PHMSA rules and other developing standards has yet to be determined.

Climate Change Regulation

The Company continues to monitor the international and domestic efforts to address climate change, including international low carbon fuel standards and regulations and emerging regulations in the jurisdictions in which the Company operates.

Existing regulations in Alberta require facilities that emit more than 100,000 tonnes of CO_2e in a year to reduce their emissions intensity by up to 12 percent below an established baseline emissions intensity. These regulations currently affect the Company's Ram River Gas Plant and Tucker Thermal Facility and are expected to affect the Sunrise Energy Project when it starts production.

The Saskatchewan government is currently in the process of developing such regulations. These regulations may impact the Company's current and future operations in that province.

British Columbia currently has a $30 per tonne carbon tax that is placed on fuel the Company uses and purchases in that jurisdiction, which affects all of the Company's operations in British Columbia. Additionally, British Columbia has a Low Carbon Fuel Standard in place that requires a reduction in the allowable carbon intensities of all fuels, with penalties applied after 2016 for intensities that do not meet targets. Due to the geographical location of the Company's Prince George Refinery, the Company is already at the blend-wall as the cloud point of the Company's produced diesel has to meet the requirements for vehicle engines operating at low temperatures. These regulations may impact the Company's current and future operations in that province.

The Federal Government of Canada has announced its intention to take a sector based approach to future climate change regulations although it is not clear how new regulations will be structured or what compliance mechanisms will be available for the Company’s affected operations. Climate change regulations may become more onerous over time as public and political pressures increase to implement initiatives that further reduce GHG emissions. Although the impact of emerging regulations is uncertain, they may have a material adverse effect on the Company’s financial condition and results of operations through increased capital and operating costs.

The Company’s U.S. refining business may be materially impacted by implementation of the EPA’s climate change rules or by future U.S. GHG legislation that applies to the oil and gas industry or the consumption of petroleum products. Such legislation or regulation could require the Company's U.S. refining operations to significantly reduce emissions and/or purchase allowances, which may have a material adverse effect on the Company’s financial condition and results of operations through increased capital and operating costs.

Financial Risks

The Company's financial risks are largely related to commodity price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. From time to time, the Company uses derivative financial instruments to manage its exposure to these risks. These derivative financial instruments are not intended for trading or speculative purposes.

Foreign Currency Risk

The Company's results are affected by the exchange rates between various currencies including the Canadian and U.S. dollars. The majority of the Company's expenditures are in Canadian dollars while the majority of the Company's revenues are received in U.S. dollars from the sale of oil and gas commodities that receive prices determined by reference to U.S. benchmark prices. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of oil and gas commodities. Correspondingly, a decrease in the value of the Canadian dollar relative to the U.S. dollar will increase the revenues received from the sale of oil and gas commodities. In addition, a change in the value of the Canadian dollar against the U.S. dollar will result in an increase or decrease in the Company's U.S. dollar denominated debt and related interest expense, as expressed in Canadian dollars. The fluctuations in exchange rates are beyond the Company's control and could have a material adverse effect on the Company's business, financial condition and cash flow.

The Company enters into short-dated foreign exchange contracts to fix the exchange rate for conversion of U.S. revenue dollars to hedge against these potential fluctuations. The Company also designates a portion of its U.S debt as a hedge of the Company's net investment in the U.S. refining operations which are considered as a foreign functional currency. At December 31, 2014, the amount that the Company designated was U.S. $2.9 billion (December 31, 2013 - U.S. $3.2 billion).

Interest Rate Risk

Interest rate risk is the impact of fluctuating interest rates on earnings, cash flows and valuations. In order to manage interest rate risk and the resulting interest expense, the Company mitigates some of its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt through the use of its credit facilities and various financial instruments. The optimal mix maintained will depend on market conditions. The Company may also enter into interest rate swaps from time to time as an additional means of managing current and future interest rate risk.

Credit Risk

Credit risk represents the financial loss that the Company would suffer if the Company's counterparties in a transaction fail to meet or discharge their obligation to the Company. The Company actively manages this exposure to credit and contract execution risk from both a customer and a supplier perspective. Internal credit policies govern the Company's credit portfolio and limit transactions according to a counterparty's and a supplier's credit quality. Counterparties for all financial derivatives transacted by the Company are major financial institutions or counterparties with investment grade credit ratings.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company's process for managing liquidity risk includes ensuring, to the extent possible, that it has access to multiple sources of capital including: cash and cash equivalents, cash from operating activities, undrawn credit facilities and the availability to raise capital from various debt capital markets, including under its shelf prospectuses. The availability of capital under its shelf prospectuses is dependent on market conditions.

Competition

The energy industry is highly competitive with respect to gaining access to the resources required to increase oil and gas reserves and production and gain access to markets. The Company competes with others to acquire prospective lands, retain drilling capacity and field operating and construction services obtain sufficient pipeline and other transportation capacity, gain access to and retain adequate markets for its products and services and gain access to capital markets. The Company's ability to successfully complete development projects could be adversely affected if it is unable to acquire economic supplies and services due to competition. Subsequent increases in the cost of or delays in acquiring supplies and services could result in uneconomic projects. The Company's competitors comprise all types of energy companies, some of which have greater resources.

Internal Credit Risk

Credit ratings affect Husky's ability to obtain short-term and long-term financing and the cost of such financing. Additionally, the ability of Husky to engage in ordinary course derivative or hedging transactions and maintain ordinary course contracts with customers and suppliers on acceptable terms depends on Husky's credit ratings. A reduction in the current rating on Husky's debt by one or more of its rating agencies, particularly a downgrade below investment grade ratings, or a negative change in Husky's ratings outlook could adversely affect Husky's cost of financing and its access to sources of liquidity and capital. Credit ratings are intended to provide investors with an independent measure of credit quality of any issuer of securities. The credit ratings accorded to Husky's securities by the rating agencies are not recommendations to purchase, hold or sell the securities in as much as such ratings do not comment as to market price or suitability for a particular investor. Any rating may not remain in effect for any given period of time or may be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant.

General Economic Conditions

General economic conditions may have a material adverse effect on the Company's results of operations, liquidity and financial condition. A decline in economic activity will reduce demand for petroleum products and adversely affect the price the Company receives for its commodities. The Company's cash flow could decline, assets could be impaired, future access to capital could be restricted and major development projects could be delayed or abandoned.

Cost or Availability of Oil and Gas Field Equipment

The cost or availability of oil and gas field equipment may adversely affect the Company's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including land and offshore drilling rigs, land and offshore geological and geophysical services, engineering and construction services and construction materials. These materials and services may not be available when required at reasonable prices.

Climatic Conditions

Extreme climatic conditions may have significant adverse effects on operations. The predictability of the demand for energy is affected to a large degree by the predictability of weather and climate. In addition, the Company's exploration, production and construction operations, or disruptions to the operations of major customers or suppliers, can be affected by extreme weather. This may result in cessation or diminishment of production, delay of exploration and development activities or delay of plant construction. All of these could potentially cause adverse financial impacts.

The Company operates in some of the harshest environments in the world, including offshore in the Atlantic Region. Climate change is expected to increase severe weather conditions in these locations including winds, flooding and variable temperatures, which are contributing to the melting of Northern ice and increased creation of icebergs. Icebergs off the coast of Newfoundland and Labrador may threaten offshore oil production facilities, causing damage to equipment and possible production disruptions, spills, asset damage and human impacts. The Company has in place a number of policies to protect people, equipment and the environment in the event of extreme weather conditions and ice melt conditions.

The Company's Atlantic Region business unit has a robust ice management program which uses a range of resources including a dedicated ice surveillance aircraft, as well as synergistic relationships with government agencies including Environment Canada, the Coast Guard and Canadian Ice Service. Regular ice surveillance flights commence in February and continue until the threat has abated. In addition, Atlantic Region operators employ a series of supply and support vessels to actively manage ice and icebergs. These vessels are equipped with a variety of ice management tools including towing ropes, towing nets and water cannons. The Company also maintains a series of ad-hoc relationships with contractors, allowing the quick mobilization of additional resources as required. In 2008, three additional vessels were hired for ice management, bringing the total number of available vessels to 10.

HUSKY EMPLOYEES

The number of Husky's permanent employees was as follows:

	As at December 31,		
	2014	2013	2012
	5,774	5,479	5,178

DIVIDENDS

The following table shows the aggregate amount of the dividends per common share, Series 1 Preferred Shares and Series 3 Preferred Shares of the Company declared payable in respect of its last three years ended December 31:

	2014	2013	2012
Dividends per Common Share	$1.20	$1.20	$1.20
Dividends per Series 1 Preferred Share	$1.11	$1.11	$1.11
Dividends per Series 3 Preferred Share	—	—	—

Dividend Policy and Restrictions

Common Share Dividends

The Board of Directors has established a dividend policy that pays quarterly dividends of $0.30 ($1.20 annually) per common share. The declaration and payment of dividends are at the discretion of the Board of Directors, which will consider earnings, capital requirements and financial condition of Husky, the satisfaction of the applicable solvency test in Husky's governing corporate statute, the *Business Corporations Act* (Alberta), and other relevant factors.

Shareholders have the ability to receive dividends in common shares or in cash. Quarterly dividends are declared in an amount expressed in dollars per common share and can be paid by way of issuance of a fraction of a common share per outstanding common share determined by dividing the dollar amount of the dividend by the volume weighted average trading price of the common shares on the principal stock exchange on which the common shares are traded. The volume weighted average trading price of the common shares is calculated by dividing the total value by the total volume of common shares traded over the five trading day period immediately prior to the payment date of the dividend on the common shares. The Board of Directors discontinued the payment of dividends by way of the issuance of common shares on November 15, 2013 and reinstated it on May 6, 2014.

Husky's dividend policy will continue to be reviewed and there can be no assurance that further dividends will be declared or the amount of any future dividend.

Series 1 Preferred Share Dividends

Holders of Series 1 Preferred Shares are entitled to receive a cumulative quarterly fixed dividend, payable on the last day of March, June, September and December in each year, yielding 4.45% annually for the initial period ending March 31, 2016, as and when declared by the Board of Directors. Thereafter, the dividend rate will be reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 1.73%. Holders of Series 1 Preferred Shares will have the right, at their option, to convert their shares into Series 2 Preferred Shares, subject to certain conditions, on March 31, 2016 and on March 31 every five years thereafter. Holders of the Series 2 Preferred Shares are entitled to receive a cumulative quarterly floating rate dividend at a rate equal to the three-month Government of Canada Treasury Bill yield plus 1.73% as and when declared by the Board of Directors.

Series 3 Preferred Share Dividends

Holders of the Series 3 Shares are entitled to receive a cumulative quarterly fixed dividend yielding 4.50% annually for the initial period ending December 31, 2019 as declared by Husky. Thereafter, the dividend rate will be reset every five years at the rate equal to the five-year Government of Canada bond yield plus 3.13%. Holders of Series 3 Shares will have the right, at their option, to convert their shares into Series 4 Shares, subject to certain conditions, on December 31, 2019 and on December 31 every five years thereafter. Holders of the Series 4 Shares will be entitled to receive cumulative quarterly floating dividends at a rate equal to the 90-day Government of Canada Treasury Bill yield plus 3.13%.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

Husky is authorized to issue an unlimited number of no par value common shares. The holders of common shares are entitled to receive notice of and attend all meetings of shareholders, except meetings at which only holders of a specified class or series of shares are entitled to vote, and are entitled to one vote per common share held. Holders of common shares are also entitled to receive dividends as declared by the Board of Directors on the common shares payable in whole or in part as a stock dividend in fully paid and non-assessable common shares or by the payment of cash. Holders are also entitled to receive the remaining property of Husky upon dissolution in equal rank with the holders of all other common shares.

If the Board of Directors declares a dividend on the common shares payable in whole or in part as a stock dividend, unless otherwise determined by the Board of Directors of Husky in respect of a particular dividend, the value of the common shares for purposes of each stock dividend declared by the Board of Directors of Husky shall be deemed to be the volume weighted average trading price of the common shares on the principal stock exchange on which the common shares are traded, calculated by dividing the total value by the total volume of common shares traded over the 5 trading day period immediately prior to the payment date of the dividend on the common shares. In such event, shareholders of record wishing to accept a payment of the stock dividend, and of future stock dividends declared by the Board of Directors in the form of common shares, are required to complete and deliver to Husky's transfer agent a Stock Dividend Confirmation Notice at least five business days prior to the record date of a declared dividend. The Stock Dividend Confirmation Notice permits shareholders to confirm that they will accept common shares as payment of the dividend on all or a stated number of their common shares. A Stock Dividend Confirmation Notice will remain in effect for all stock dividends on the common shares to which it relates and which are held by the shareholder unless the shareholder delivers a revocation notice to Husky's transfer agent, in which case the Stock Dividend Confirmation Notice will not be effective for any dividends having a declaration date that is more than five business days following receipt of the revocation notice by Husky's transfer agent. In the event a shareholder fails to deliver a Stock Dividend Confirmation Notice at least five business days prior to the record date of a declared dividend, or delivers a Stock Dividend Confirmation Notice confirming that the holder of common shares accepts the common shares as payment of the dividend on some but not all of the holder's common shares, the dividend on common shares for which no Stock Dividend Confirmation Notice was delivered or the dividend on those of the holder's common shares in respect of which the holder did not deliver a Stock Dividend Confirmation Notice, will be paid in cash. See "Dividends - Dividend Policy and Restrictions."

Preferred Shares

Husky is authorized to issue an unlimited number of no par value preferred shares. The preferred shares as a class have attached thereto the rights, privileges, restrictions and conditions set forth below.

The preferred shares may from time to time be issued in one or more series, and the Board of Directors may fix from time to time before such issue the number of preferred shares which is to comprise each series and the designation, rights, privileges, restrictions and conditions attached to each series of preferred shares including, without limiting the generality of the foregoing, any voting rights, the rate or amount of dividends or, the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion if any, and any sinking fund or other provision.

The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of Husky, whether voluntary or involuntary, or any other return of capital or distribution of assets of Husky amongst its shareholders for the purpose of winding up its affairs, be entitled to preference over the common shares of Husky and over any other shares of Husky ranking by their terms junior to the preferred shares of that series. The preferred shares of any series may also be given such other preferences over the common shares of Husky and any other such preferred shares.

If any cumulative dividends or amounts payable on the return of capital in respect of a series of preferred shares are not paid in full, all series of preferred shares shall participate ratably in respect of accumulated dividends and return of capital.

In 2011, Husky issued 12 million Series 1 Preferred Shares and authorized the issuance of 12 million Series 2 Preferred Shares. In 2014, Husky issued 10 million Series 3 Preferred Shares. See "Dividends - Dividend Policy and Restrictions - Series 1 Preferred Share Dividends" and "Dividends - Dividend Policy and Restrictions - Series 3 Preferred Share Dividends."

Liquidity Summary

The following information relating to Husky's credit ratings is provided as it relates to Husky's financing costs, liquidity and operations. Specifically, credit ratings affect Husky's ability to obtain short-term and long-term financing and the cost of such financing. Additionally, the ability of Husky to engage in certain collateralized business activities on a cost effective basis depends on Husky's credit ratings. A reduction in the current rating on Husky's debt by one or more of its rating agencies, particularly a downgrade below investment grade ratings, or a negative change in Husky's ratings outlook could adversely affect Husky's cost of financing and its access to sources of liquidity and capital. In addition, changes in credit ratings may affect Husky's ability to enter, and the associated costs of entering, (i) into ordinary course derivative or hedging transactions, which may require Husky to post additional collateral under certain of its contracts, and (ii) into and maintaining ordinary course contracts with customers and suppliers on acceptable terms.

	Outlook	Rating
Moody's		
Senior Unsecured Debt	Stable	Baa2
Standard and Poor's		
Senior Unsecured Debt	Stable	BBB+
Series 1 Preferred Shares	Stable	P-2 (low)
Series 3 Preferred Shares	Stable	P-2 (low)
Dominion Bond Rating Service		
Senior Unsecured Debt	Stable	A (low)
Series 1 Preferred Shares	Stable	Pfd-2 (low)
Series 3 Preferred Shares	Stable	Pfd-2 (low)
Commercial Paper	Stable	R-1 (low)

Credit ratings are intended to provide investors with an independent measure of credit quality of any issuer of securities. The credit ratings accorded to Husky's securities by the rating agencies are not recommendations to purchase, hold or sell the securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Any rating may not remain in effect for any given period of time or may be revised or withdrawn entirely by a rating agency in the future, if in its judgment, circumstances so warrant.

Moody's

Moody’s long-term credit ratings are on a rating scale that ranges from Aaa (highest) to C (lowest). A rating of Baa2 by Moody's is within the fourth highest of nine categories and is assigned to debt securities which are considered medium-grade (i.e., they are subject to moderate credit risk). Such debt securities may possess certain speculative characteristics. The addition of a 1, 2 or 3 modifier after a rating indicates the relative standing within a particular rating category. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Standard and Poor's

Standard and Poor’s long-term credit ratings are on a rating scale that ranges from AAA (highest) to D (lowest). A rating of BBB+ by Standard & Poor’s is within the fourth highest of ten categories and indicates that the obligation exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within the major rating categories.

Standard and Poor’s began rating Husky’s Series 1 Preferred Shares and Series 3 Preferred Shares on its Canadian preferred share scale on March 11, 2011 and December 9, 2014, respectively. Preferred share ratings are a forward-looking opinion about the creditworthiness of an issuer with respect to a specific preferred share obligation. There is a direct correspondence between the ratings assigned on the preferred share scale and Standard & Poor’s ratings scale for long-term credit ratings. According to Standard and Poor’s ratings system, a P-2 (low) rating on the Canadian preferred share rating scale is equivalent to a BBB- rating on the long-term credit rating scale.

Dominion Bond Rating Service

Dominion Bond Rating Service's long-term credit ratings are on a rating scale that ranges from AAA (highest) to D (lowest). A rating of A (low) by Dominion Bond Rating Service is within the third highest of ten categories and is assigned to debt securities considered to be of good credit quality. The capacity for payment of financial obligations is substantial, but of lesser credit quality than that of higher rated securities. Entities in the A category may be vulnerable to future events, but qualifying negative factors are considered manageable. The assignment of a "(high)" or "(low)" modifier within each rating category indicates relative standing within such category.

Dominion Bond Rating Service began rating Husky's Series 1 Preferred Shares and Series 3 Preferred Shares on its Canadian preferred share scale on March 10, 2011 and December 9, 2014, respectively. Preferred share ratings are meant to give an indication of the risk that an issuer will not fulfill its full obligations in a timely manner, with respect to both dividend and principal commitments. Dominion Bond Rating Service preferred share ratings range from Pdf-1 (highest) to D (lowest). According to the Dominion Bond Rating Service ratings system, preferred shares rated Pfd-2 are of satisfactory credit quality where protection of dividends and principal is still substantial, but earnings, the balance sheet and coverage ratios are not as strong as Pfd-1 rated companies.

Dominion Bond Rating Service began rating Husky's commercial paper on September 4, 2014. Credit ratings on commercial paper are on a short-term debt rating scale that ranges from R-1 (high) to D1 representing the range of such securities rated from highest to lowest qualify. A rating of R-1 (low) by Dominion Bond Rating Service is the third highest of 10 categories and is assigned to debt securities considered to be of good credit quality. The capacity for the payment of short-term financial obligations as they become due is substantial with overall strength not as favourable as higher rating categories. Entities in this category may be vulnerable to future events, but qualifying negative factors are considered manageable. The R-1 and R-2 commercial paper categories are denoted by (high), (middle), and (low) designations.

MARKET FOR SECURITIES

Husky's common shares, Series 1 Preferred Shares and Series 3 Preferred Shares are listed and posted for trading on the Toronto Stock Exchange under the respective trading symbols “HSE”, “HSE.PR.A” and “HSE.PR.C”. The Series 1 Preferred Shares began trading on the Toronto Stock Exchange on March 18, 2011. The Series 3 Preferred Shares began trading on the Toronto Stock Exchange on December 9, 2014.

The following table discloses the trading price range and volume of Husky's common shares traded on the Toronto Stock Exchange during Husky's financial year ended December 31, 2014:

	High	**Low**	**Volume (000's)**
January	33.84	32.24	14,898
February	33.98	31.70	20,593
March	34.28	32.29	14,578
April	37.31	33.24	22,044
May	37.09	35.22	12,830
June	37.28	34.06	18,104
July	34.83	32.91	18,131
August	33.39	32.05	14,043
September	33.62	30.55	17,897
October	30.74	26.41	29,044
November	27.57	24.11	29,257
December	27.93	21.39	35,153

The following table discloses the trading price range and volume of the Series 1 Preferred Shares traded on the Toronto Stock Exchange during Husky's financial year ended December 31, 2014:

	High	**Low**	**Volume (000's)**
January	23.21	22.58	118
February	23.11	22.32	199
March	23.22	22.55	1,148
April	23.24	22.85	248
May	23.65	22.86	343
June	23.12	22.57	108
July	23.45	22.93	364
August	23.39	22.84	108
September	23.11	22.86	210
October	23.00	22.48	395
November	23.30	22.47	250
December	22.79	18.75	534

The following table discloses the trading price range and volume of the Series 3 Preferred Shares traded on the Toronto Stock Exchange during Husky's financial year ended December 31, 2014:

	High	**Low**	**Volume (000's)**
December	25.73	24.70	1,005

DIRECTORS AND OFFICERS

The following are the names and residences of the directors and officers of Husky as of the date of this AIF, their positions and offices with Husky and their principal occupations for at least the five preceding years. Each director will hold office until the Company's next annual meeting or until his or her successor is appointed or elected. In addition, Cheung Kong (Holdings) Limited announced in January 2015 a reorganization and combination of the businesses of Cheung Kong (Holdings) Limited and its subsidiaries and Hutchison Whampoa Limited and its subsidiaries to create two new Hong Kong listed companies: (i) CK Hutchison Holdings Limited; and (ii) Cheung Kong Property Holdings Limited. It is expected that effective March 18, 2015 each of Messrs. Li, Fok, Kwok, Magnus and Sixt will become directors of CK Hutchison Holdings Limited and cease to be directors of Cheung Kong (Holdings) Limited.

Directors

Name & Residence	Office or Position	Principal Occupation During Past Five Years
Li, Victor T.K. Hong Kong Special Administrative Region	Co-Chair Director of Husky since August 2000	Mr. Li is Managing Director, Deputy Chairman and Chairman of the Executive Committee of Cheung Kong (Holdings) Limited (a public investment holding and project management company). He is also the Managing Director and Deputy Chairman of CK Hutchison Holdings Limited (which is proposed to be listed on the Main Board of The Stock Exchange of Hong Kong Limited in March 2015 as the new holding company of the Cheung Kong Group). He is also a Director of Cheung Kong Property Holdings Limited (which is proposed to be listed on the Main Board of The Stock Exchange of Hong Kong Limited around the end of the first half of 2015). Mr. Li is also Deputy Chairman and Executive Director of Hutchison Whampoa Limited (an investment holding company); Chairman and Executive Director of Cheung Kong Infrastructure Holdings Limited (an infrastructure company) and of CK Life Sciences Int'l, (Holdings) Inc. (a biotechnology company); a Non-Executive Director of Power Assets Holdings Limited (a holding company); a Non-Executive Director and the Deputy Chairman of HK Electric Investments Limited (an investment holding company); a Non-Executive Director of HK Electric Investments Manager Limited (the trustee-manager of HK Electric Investments); and a non-executive Director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Li is also the Deputy Chairman of Li Ka Shing Foundation Limited, Li Ka Shing (Overseas) Foundation and Li Ka Shing (Canada) Foundation. Mr. Li is a member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China and he is also a member of the Council for Sustainable Development of the Hong Kong Special Administrative Region, a member of the Commission on Strategic Development and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Li is also the Honorary Consul of Barbados in Hong Kong.

		Mr. Li holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering, both received from Stanford University in 1987. He obtained an honorary degree, Doctor of Laws, honoris causa (LL.D.) from The University of Western Ontario in 2009.
Fok, Canning K.N. Hong Kong Special Administrative Region	Co-Chair and Chair of the Compensation Committee Director of Husky since August 2000	Mr. Fok is Group Managing Director and an Executive Director of Hutchison Whampoa Limited. He is also a Non-Executive Director of CK Hutchison Holdings Limited (which is proposed to be listed on the Main Board of The Stock Exchange of Hong Kong Limited in March 2015 as new holding company of the Cheung Kong Group). Mr. Fok is Chairman and a Director of Hutchison Harbour Ring Limited, Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Telecommunications (Australia) Limited, Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust, Power Assets Holdings Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Mr. Fok is Deputy Chairman and an Executive Director of Cheung Kong Infrastructure Holdings Limited, a Non-Executive Director of Cheung Kong (Holdings) Limited and Alternate Director to a Director of Hutchison Telecommunications Hong Kong Holdings Limited. Mr. Fok was also Chairman and a Director of Partner Communications Company Ltd. from 1998 to 2009 and Chairman and Non-Executive Director of Hutchison Telecommunications International Limited from 2004 to 2010. Mr. Fok obtained a Bachelor of Arts degree from St. John's University, Minnesota in 1974 and a Diploma in Financial Management from the University of New England, Australia in 1976. He has been a member of the Institute of Chartered Accountants in Australia since 1979.
Bradley, Stephen E. Beijing, People's Republic of China	Member of the Audit Committee and the Corporate Governance Committee Director of Husky since July 2010	Mr. Bradley is a Director of Broadlea Group Ltd., Vice Chairman, Beijing Uni-Alliance Property Development Co. Ltd., Senior Consultant, ICAP (Asia Pacific) Ltd. and a Director of Swire Properties Ltd. (Hong Kong). Mr. Bradley entered the British Diplomatic Service in 1981 and served in various capacities, including Director of Trade & Investment Promotions (Paris) from 1999 to 2002; Minister, Deputy Head of Mission & Consul-General (Beijing) from 2002 to 2003 and HM Consul-General (Hong Kong) from 2003 to 2008. Mr. Bradley also worked in the private sector as Marketing Director, Guinness Peat Aviation (Asia) from 1987 to 1988 and Associate Director, Lloyd George Investment Management (now part of BMO Global Asset Management) from 1993 to 1995. Mr. Bradley retired from the Diplomatic Service in 2009. Mr. Bradley obtained a Bachelor of Arts degree from Balliol College, Oxford University in 1980 and a post-graduate diploma from Fudan University, Shanghai in 1981. Mr.Bradley is a Member of the Hong Kong Securities and Investment Institute and an ICD.D with the Institute of Corporate Directors of Canada

Ghosh, Asim Alberta, Canada	President & Chief Executive Officer Director of Husky since May 2009	Mr. Ghosh was appointed the President & Chief Executive Officer of Husky on June 1, 2010. Prior thereto Mr. Ghosh was the Managing Director and Chief Executive Officer of Vodafone India Limited (formerly Vodafone Essar Limited) (a telecommunications company) until March 2009. Mr. Ghosh began his career with Procter & Gamble in Canada in 1971 and subsequently worked with Rothmans International in what was then its Carling O'Keefe subsidiary from 1980 to 1988, his last position being Senior Vice President of the brewery operations. In 1989, Mr. Ghosh moved to India as the Chief Executive Officer of the Pepsi Foods (Frito Lay) start up in India. From 1991 to 1998 he held senior executive positions and then the position of Chief Executive Officer of the A S Watson Industries subsidiary (a manufacturer of consumer goods) of Hutchison Whampoa Limited. In August 1998, he became Managing Director and Chief Executive Officer of the company that would become Vodafone India Limited. Mr. Ghosh was Chairman of the Cellular Operators Association of India and of the National Telecom Committee of the Confederation of Indian Industries. He is an independent director of Kotak Mahindra Bank Limited, a listed bank in India, and was on the Board of Directors of Vodafone India Limited until February 2010. Mr. Ghosh is also a director of the Li Ka Shing (Canada) Foundation and a member of the Board of Directors of the Canadian Council of Chief Executives. Mr. Ghosh obtained an undergraduate degree in Electrical Engineering from the Indian Institute of Technology in 1969 and received a Master's degree in Business Administration from the Wharton School, University of Pennsylvania in 1971.
Glynn, Martin J.G. British Columbia, Canada	Chair of the Corporate Governance Committee and a Member of the Compensation Committee Director of Husky since August 2000	Mr. Glynn is a Director of Public Sector Pension Investment Board (PSP Investments), Sun Life Financial Inc., Sun Life Assurance Company of Canada and Chair of UBC Investment Management Trust Inc. Mr. Glynn was a Director from 2000 to 2006 and President and Chief Executive Officer of HSBC Bank USA N.A. from 2003 until his retirement in 2006. Mr. Glynn was a Director of HSBC Bank Canada from 1999 to 2006 and President and Chief Executive Officer from 1999 to 2003. Mr. Glynn obtained a Bachelor of Arts, Honours degree from Carleton University, Canada in 1974 and a Master's degree in Business Administration from University of British Columbia in 1976.

Koh, Poh Chan Hong Kong Special Administrative Region	Director of Husky since August 2000	Ms. Koh is Finance Director of Harbour Plaza Hotel Management (International) Ltd. (a hotel management company). Ms. Koh is qualified as a Fellow Member (FCA) of the Institute of Chartered Accountants in England and Wales and is an Associate of the Canadian Institute of Chartered Accountants (CPA, CA) and the Chartered Institute of Taxation in the U.K. (CTA). Ms. Koh graduated from the London School of Accountancy in 1971 and was admitted to the Institute of Chartered Accountants in England and Wales in 1973, to the Chartered Institute of Taxation in the UK in 1976 as well as the Institute of Chartered Accountants of Ontario, Canada in 1980.
Kwok, Eva L. British Columbia, Canada	Member of the Compensation Committee and the Corporate Governance Committee Director of Husky since August 2000	Mrs. Kwok is Chairman, a Director and Chief Executive Officer of Amara Holdings Inc. (a private investment holding company). Mrs. Kwok is also a Director of CK Life Sciences Int'l., (Holdings) Inc. and Cheung Kong Infrastructure Holdings Limited. Mrs. Kwok is also a director of the Li Ka Shing (Canada) Foundation. Mrs. Kwok was a Director of Shoppers Drug Mart Corporation from 2004 to 2006 and of the Bank of Montreal Group of Companies until March 2009. Mrs. Kwok obtained a Master's degree in Science from the University of London in 1967.
Kwok, Stanley T.L. British Columbia, Canada	Chair of the Health, Safety and Environment Committee Director of Husky since August 2000	Mr. Kwok is a Director and President of Stanley Kwok Consultants (a planning and development company). Mr. Kwok is also a Director and President of Amara Holdings Inc. and a Director of Cheung Kong (Holdings) Limited and CTC Bank of Canada. He is also a Director of CK Hutchison Holdings Limited (which is proposed to be listed on the Main Board of The Stock Exchange of Hong Kong Limited in March 2015 as new holding company of the Cheung Kong Group). Mr. Kwok obtained a Bachelor of Science degree (Architecture) from St. John's University, Shanghai in 1949 and an A.A. Diploma from the Architectural Association School of Architecture in London, England in 1954.
Ma, Frederick S. H. Hong Kong Special Administrative Region	Member of the Audit Committee and the Health, Safety and Environment Committee Director of Husky since July 2010	Mr. Ma has held senior management positions in international financial institutions and Hong Kong Special Administrative Region publicly listed companies in his career. He was also a former Principal Official with the Hong Kong Special Administrative Region (SAR) Government.

		In addition to being a Director of Husky Energy Inc., he is currently an independent Non-Executive Director and Chairman of the Audit Committee of Agricultural Bank of China Limited and Aluminum Corporation of China Limited and an independent Non-Executive Director of Hutchison Port Holdings Management Pte. Limited and Mass Transit Railway Corporation Limited. Mr. Ma is also a Non-Executive Director of COFCO Corporation, China Mobile Communications Corporation and FWD Group Management Holdings Limited. In July 2002, Mr. Ma joined the Government of the Hong Kong Special Administrative Region as the Secretary for Financial Services and the Treasury. He assumed the post of Secretary for Commerce and Economic Development in July 2007, but resigned from the Government in July 2008 due to medical reasons. Mr. Ma was appointed as a member of the International Advisory Council of China Investment Corporation in July 2009. In January 2013, he was appointed as a member of the Global Advisory Council of Bank of America. Mr. Ma was appointed as an Honorary Professor of the School of Economics and Finance at the University of Hong Kong in October 2008 and as a Professor of Finance Practice of the Institute of Advanced Executive Education at the Hong Kong Polytechnic University in July 2012. In August 2013, he was appointed as an Honorary Professor of the Faculty of Business Administration at the Chinese University of Hong Kong. Mr. Ma obtained a Bachelor of Arts (Honours) degree in Economics and History from the University of Hong Kong in 1973 and an Honorary Doctor of Social Sciences in October 2014 from Lingnan University.
Magnus, George C. Hong Kong Special Administrative Region	Member of the Audit Committee Director of Husky since July 2010	Mr. Magnus is a Non-Executive Director of Cheung Kong (Holdings) Limited since November 2005. He is a Non-Executive Director of Hutchison Whampoa Limited and Cheung Kong Infrastructure Holdings Limited and an Independent Non-Executive Director of HK Electric Investments Limited. He is also a Non-Executive Director of CK Hutchison Holdings Limited (which is proposed to be listed on the Main Board of The Stock Exchange of Hong Kong Limited in March 2015 as new holding company of the Cheung Kong Group).. Mr. Magnus acted as an Executive Director of Cheung Kong (Holdings) Limited from 1980 and as Deputy Chairman from 1985 until his retirement from these positions in October 2005. He served as Deputy Chairman of Hutchison Whampoa Limited from 1985 to 1993 and as Executive Director from 1993 to 2005. He also served as Chairman of Hongkong Electric Holdings Limited (now known as Power Assets Holdings Limited) from 1993 to 2005. He was Non-Executive Director of Power Assets Holdings Limited from 2005 to 2012 and then an Independent Non-Executive Director until January 2014. Mr. Magnus obtained a Bachelor of Arts degree in 1959. He obtained a Master's degree in Economics from King's College, Cambridge University in 1963.

McGee, Neil D. Luxembourg	Member of the Health, Safety and Environment Committee Director of Husky since November 2012	Mr. McGee is the Managing Director of Hutchison Whampoa Europe Investments S.à r.l. He is an Executive Director of Power Assets Holdings Limited. Prior to his joining Hutchison Whampoa Europe Investments S.à r.l., he served as Group Finance Director of Power Assets Holdings Limited from 2006 to 2012, Chief Financial Officer of Husky Oil Limited from 1998 to 2000 and Chief Financial Officer of Husky Energy Inc. from 2000 to 2005. Prior to joining Husky Oil Limited in 1998, Mr. McGee held various financial, legal and corporate secretarial positions within the Hutchison Whampoa Group. Mr. McGee holds a Bachelor of Arts degree and a Bachelor of Laws degree from the Australian National University.
Russel, Colin S. Gloucestershire, United Kingdom	Member of the Audit Committee and the Health, Safety and Environment Committee Director of Husky since February 2008	Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd. (a business advisory company). Mr. Russel is a Director of Cheung Kong Infrastructure Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc. and ARA Asset Management Pte. Ltd. Mr. Russel was the Canadian Ambassador to Venezuela, Consul General for Canada in Hong Kong, Director for China of the Department of Foreign Affairs, Ottawa, Director for East Asian Trade in Ottawa, Senior Trade Commissioner for Canada in Hong Kong, Director for Japan Trade in Ottawa and was in the Trade Commissioner Service for Canada in Spain, Hong Kong, Morocco, the Philippines, London and India. Previously, Mr. Russel was an international project manager with RCA Ltd., Canada and development engineer with AEI Ltd., UK. Mr. Russel is a Professional Engineer and Qualified Commercial Mediator. He received his degree in Electrical Engineering in 1962 and a Master's degree in Business Administration in 1971 both from McGill University, Canada.
Shaw, Wayne E. Ontario, Canada	Member of the Corporate Governance Committee and the Health, Safety and Environment Committee Director of Husky since August 2000	Mr. Shaw is the President of Imperial Valley Holdings Ltd. Prior to his retirement in April 2013, he was a Senior Partner with Stikeman Elliott LLP, Barristers and Solicitors. Mr. Shaw is also a Director of the Li Ka Shing (Canada) Foundation. Mr. Shaw holds a Bachelor of Arts degree and a Bachelor of Laws degree, both received from the University of Alberta in 1967. He is a member of the Law Society of Upper Canada.

Shurniak, William Saskatchewan, Canada	Deputy Chair and Chair of the Audit Committee Director of Husky since August 2000	Mr. Shurniak is an independent Non-Executive Director of Hutchison Whampoa Limited and from May 2005 to June 2011 he was a Director and Chairman of Northern Gas Networks Limited (a private distributor of natural gas in Northern England). Mr. Shurniak also held the following positions until his return to Canada in 2005: Director and Chairman of ETSA Utilities (a utility company) since 2000, Powercor Australia Limited (a utility company) since 2000, CitiPower Pty Ltd. (a utility company) since 2002, and a director of Envestra Limited (a natural gas distributor) since 2000, CrossCity Motorways Pty Ltd. (an infrastructure and transportation company) since 2002 and Lane Cove Tunnel Company Pty Ltd. (an infrastructure and transportation company) since 2004. Mr. Shurniak obtained an Honorary Doctor of Laws degree from the University of Saskatchewan in May 1998 and from The University of Western Ontario in October 2000. On July 30, 2005, he was a recipient of the Saskatchewan Centennial Medal from the Lieutenant Governor of Saskatchewan. In 2009 he was awarded the Saskatchewan Order of Merit by the government of the Province of Saskatchewan. In December 2012 Mr. Shurniak was a recipient of The Queen Elizabeth II Diamond Jubilee Medal from the Lieutenant Governor of Saskatchewan. On June 4, 2014, the University of Regina conferred an Honorary Doctor of Laws degree on Mr. Shurniak.
Sixt, Frank J. Hong Kong Special Administrative Region	Member of the Compensation Committee Director of Husky since August 2000	Mr. Sixt is Group Finance Director and Executive Director of Hutchison Whampoa Limited. He is also Group Finance Director and a Non-Executive Director of CK Hutchison Holdings Limited (which is proposed to be listed on the Main Board of The Stock Exchange of Hong Kong Limited in March 2015 as new holding company of the Cheung Kong Group). Mr. Sixt is also a Non-Executive Chairman of TOM Group Limited, an Executive Director of Cheung Kong Infrastructure Holdings Limited, a Non-Executive Director of Cheung Kong (Holdings) Limited, Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust, and Power Assets Holdings Limited and a Director of Hutchison Telecommunications (Australia) Limited. Mr. Sixt is also a Director of the Li Ka Shing (Canada) Foundation. He was previously a Director of Partner Communications Company Ltd. from 1998 to 2009 and a Non-Executive Director of Hutchison Telecommunications International Limited from 2004 to 2010. Mr. Sixt obtained a Master's degree in Arts from McGill University, Canada in 1978 and a Bachelor's degree in Civil Law from Université de Montréal in 1978. He is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

Officers

Name and Residence	Office or Position	Principal Occupation During Past Five Years
Andruko, Darren R. Alberta, Canada	Acting Chief Financial Officer	Acting Chief Financial Officer of Husky since July 2014. Vice President & Treasurer of Husky Oil Operations Limited (HOOL)[1] since April 2012. Treasurer of HOOL since 2009.
Peabody, Robert J. Alberta, Canada	Chief Operating Officer	Chief Operating Officer of Husky since January 2006.
Girgulis, James D. Alberta, Canada	Senior Vice President, General Counsel & Secretary	Vice President, Legal & Corporate Secretary of Husky since August 2000. Senior Vice President, General Counsel & Secretary since April 2012.

(1) See “Intercorporate Relationships”.

As at February 26, 2015, the directors and officers of Husky, as a group, beneficially owned or controlled or directed, directly or indirectly, 805,399 common shares of Husky, representing less than 1% of the issued and outstanding common shares.

Conflicts of Interest

The officers and directors of Husky may also become officers and/or directors of other companies engaged in the oil and gas business generally and which may own interests in oil and gas properties in which Husky holds or may in the future, hold an interest. As a result, situations may arise where the interests of such directors and officers conflict with their interests as directors and officers of other companies. In the case of the directors, the resolution of such conflicts is governed by applicable corporate laws that require that directors act honestly, in good faith and with a view to the best interests of Husky and, in respect of the *Business Corporations Act* (Alberta), Husky's governing statute that directors declare, and refrain from voting on, any matter in which a director may have a conflict of interest.

Corporate Cease Trade Orders or Bankruptcies

None of those persons who are directors or executive officers of Husky is or have been within the past ten years, a director, chief executive officer or chief financial officer of any company, including Husky and any personal holding companies of such person that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or after such persons ceased to be a director, chief executive officer or chief financial officer of the company was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, which resulted from an event that occurred while such person was acting in such capacity.

In addition, none of those persons who are directors or executive officers of Husky is, or has been within the past ten years, a director or executive officer of any company, including Husky and any personal holding companies of such persons, that while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manger or trustee appointed to hold its assets, other than as follows. Victor T. K. Li was a director of Star River Investment Limited, a Hong Kong Special Administrative Region company, until June 4, 2005, which commenced creditors voluntary wind up on September 28, 2004. Star River Investments Limited was owned as to 50% by Cheung Kong (Holdings) Limited and a wholly owned subsidiary of Cheung Kong (Holdings) Limited was the petitioning creditor. The company was subsequently dissolved on June 4, 2005. Mr. Glynn was director of MF Global Holdings Ltd. when it filed for Chapter 11 bankruptcy in the United States on October 31, 2011. Mr. Glynn is no longer a director of MF Global Holdings Ltd.

Individual Penalties, Sanctions or Bankruptcies

None of the persons who are directors or executive officers of Husky (or any personal holding companies of such persons) have, within the past ten years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or were subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

None of the persons who are directors or executive officers of the Company (or any personal holding companies of such persons) have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or have entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE

The members of Husky's Audit Committee (the "Committee") are William Shurniak (Chair), Stephen E. Bradley, Colin S. Russel, Frederick S.H. Ma and George C. Magnus. Each of the members of the Committee is independent in that each member does not have a direct or indirect material relationship with the Company. Multilateral Instrument 52-110 - "Audit Committees" provides that a material relationship is a relationship which could, in the view of the Company's Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

The Committee's Mandate provides that the Committee is to be comprised of at least three members of the Board, all of whom shall be independent and meet the financial literacy requirements of applicable laws and regulations. Each member of the Committee is financially literate in that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows.

William Shurniak (Chair) - Mr. Shurniak is an independent, non-executive director and member of the audit committee of Hutchison Whampoa Limited and, from May 2005 to June 2011, a director and Chairman of Northern Gas Networks Limited, a private company in the U.K.. He has broad banking experience, and prior to his moving back to Canada in 2005, he spent five years in Australia where he was a director of a public company engaged in the distribution of natural gas. He was also a director and member of the audit committees of five other private companies, three of which are regulated electricity distribution companies.

Stephen E. Bradley - Mr. Bradley is a Director of Broadlea Group Ltd., Senior Representative (China), Grosvenor Ltd., Vice Chairman, ICAP (Asia Pacific) and a Director of Swire Properties Ltd. (Hong Kong).

Colin S. Russel - Mr. Russel is the founder and Managing Director of Emerging Markets Advisory Services Ltd. Mr. Russel is a director and an audit committee member of Cheung Kong Infrastructure Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc. and ARA Asset Management Pte. Ltd.

Frederick S.H. Ma - Mr. Ma has served in senior positions in the private sector and has held Principal Official positions (minister equivalent) with the Hong Kong Special Administrative Region Government. Mr. Ma is currently a member of the International Advisory Council of China Investment Corporation, China's Sovereign Fund, as well as an Honorary Professor of the University of Hong Kong.

George C. Magnus - Mr. Magnus has been a non-executive Director of Cheung Kong (Holdings) Limited since November 2005. He is also a non-executive Director of Hutchison Whampoa Limited, Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited (formerly Hongkong Electric Holdings Limited).

Husky's Audit Committee Mandate is attached hereto as Schedule "A".

External Auditor Service Fees

The following table provides information about the fees billed to the Company for professional services rendered by KPMG LLP, the Company's external auditor, during the fiscal years indicated:

($ thousands)	**2014**	**2013**
Audit Fees	3,771	3,218
Audit-related Fees	282	158
Tax Fees	266	134
All Other Fees	—	—
	4,319	**3,510**

Audit fees consist of fees for the audit of the Company's annual financial statements or services that are normally provided in connection with statutory and regulatory filings, including the Sarbanes-Oxley Act of 2002. Audit-related fees included fees for attest services not required by statute or regulation. Tax fees included fees for tax planning and various taxation matters.

The Company's Audit Committee has the sole authority to review in advance, and grant any appropriate pre-approvals, of all non-audit services to be provided by the independent auditors and to approve fees, in connection therewith. The Audit Committee pre-approved all of the audit-related and tax services provided by KPMG LLP in 2014.

LEGAL PROCEEDINGS

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favour, the Company does not currently believe that the outcome of adverse decisions in any pending or threatened proceedings related to these or other matters or amount which it may be required to pay by reason thereof would have a material adverse impact on its financial position, results of operations or liquidity.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the Company's directors, executive officers or persons or companies that beneficially own or control or direct, directly or indirectly or a combination of both, more than 10% of Husky's common shares, or their associates and affiliates, had any material interest, direct or indirect, in any transaction with the Company within the three most recently completed financial years or during the current financial year that has materially affected or would reasonably be expected to materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

Husky's transfer agent and registrar is Computershare Trust Company of Canada. In the United States, the transfer agent and registrar is Computershare Trust Company, Inc. The registers for transfers of the Company's common and preferred shares are maintained by Computershare Trust Company of Canada at its principal offices in the cities of Calgary, Alberta and Toronto, Ontario. Queries should be directed to Computershare Trust Company at 1-888-564-6253 or 1-514-982-7555.

INTERESTS OF EXPERTS

Excluding the reserves attributed to the Heavy Oil and Gas business unit, other than the Tucker property, certain information relating to the Company’s reserves included in this AIF has been calculated by the Company and audited and opined upon as at December 31, 2014 by McDaniel. Sproule evaluated and reported on the reserves attributed to the Company's Heavy Oil and Gas business unit, excluding the Tucker property, as at December 31, 2014, and that reserves information is included in this AIF. Both McDaniel and Sproule are independent petroleum engineering consultants retained by Husky, and such reserves information has been so included in reliance on the opinion and analysis of McDaniel and Sproule, respectively, given upon the authority of said firms as experts in reserves engineering. The partners, employees and consultants of McDaniel and Sproule, respectively, as a group beneficially own, directly or indirectly, less than 1% of the Company’s securities of any class.

KPMG LLP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to the Company under all relevant U.S. professional and regulatory standards.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, principal shareholders of Husky's common shares and a description of options to purchase common shares will be contained in Husky's Management Information Circular prepared in connection with the annual meeting of shareholders to be held on May 6, 2015.

Additional financial information is provided in Husky's audited consolidated financial statements and Management's Discussion and Analysis for the most recently completed fiscal year ended December 31, 2014.

Additional information relating to Husky Energy Inc. is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

READER ADVISORIES

Special Note Regarding Forward-Looking Statements

Certain statements in this AIF are forward-looking statements within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended, and forward-looking information within the meaning of applicable Canadian securities legislation (collectively “forward-looking statements”). The Company hereby provides cautionary statements identifying important factors that could cause actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will likely,” “are expected to,” “will continue,” “is anticipated,” “is targeting,” “estimated,” “intend,” “plan,” “projection,” “could,” “aim,” “vision,” “goals,” “objective,” “target,” “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks, uncertainties and other factors some of which are beyond the Company's control and difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

In particular, forward-looking statements in this AIF include, but are not limited to, references to:

- With respect to the business, operations and results of the Company generally: the Company’s general strategic plans and growth strategies, anticipated 2015 expenditures on environmental site closure activities; forecasted future development costs and anticipated sources of funding for such costs; and estimated abandonment and reclamation costs;

- with respect to the Company's Asia Pacific Region: expected timing of tie-in of the Liuhua 29-1 gas field; potential 3-D seismic work to be carried out on the Company’s Taiwan exploration block; anticipated timing of first gas from the Madura Strait Block; and planned timing of seismic work in the Anugerah contract area;

- with respect to the Company's Atlantic Region: expected timing of start-up of production from the Company’s South White Rose Extension project; expected peak production volumes from South White Rose; anticipated timing of production from the North Amethyst Hibernia Formation; expected peak production volumes from the North Amethyst Hibernia Formation; anticipated timing of completion of Seadrill’s West Mira rig; medium to long-term growth opportunities for light crude oil and natural gas development in the region; and the Company’s plans to participate in additional exploration and delineation wells in the region in 2015;

- with respect to the Company's Oil Sands properties: anticipated timing of first oil and volume of production at Plant 1A at the Company’s Sunrise Energy Project; expected timing of completion, commencement of steaming, anticipated timing of first oil and volume of production at Plant 1B of the Company’s Sunrise Energy Project; anticipated time frame for ramping up to full production capacity at the Sunrise Energy Project; and drilling and development plans at the Company’s Tucker Oil Sands Project;

- with respect to the Company's Heavy Oil properties: expected timing of first production and anticipated volumes of production at the Company’s Rush Lake heavy oil thermal development project; scheduled timing of construction and first production, and anticipated volumes of production, at the Company’s Edam East, Edam West and Vawn heavy oil thermal developments; 2015 drilling plans, including CHOPS drilling plans, in the region;

- with respect to the Company's Western Canadian oil and gas resource plays: 2015 drilling plans in the region; anticipated ability of drilling plans to grow production; and areas of focus for conventional oil development in Southern Alberta and Saskatchewan;

- with respect to the Company’s Infrastructure and Marketing operations: anticipated timing of start-up of two 300,000 barrel tanks currently under construction at the Hardisty terminal; and the Company’s plans to expand its marketing operations by continuing to increase marketing activities; and

- with respect to the Company's Downstream operating segment: the anticipated timing of completion and benefits from the Lima, Ohio Refinery feedstock flexibility project and the anticipated processing capacity of Western Canadian heavy oil once reconfiguration is complete; plans to expand the bitumen processing capacity of the BP-Husky Toledo Refinery; and anticipated benefits from the recent installation of the

Hydrotreater Recycle Gas Compressor Project at the BP-Husky Toledo Refinery; and 2015 plans with respect to the Company’s asphalt distribution network.

In addition, statements relating to "reserves" and "resources" are deemed to be forward-looking statements as they involve the implied assessment based on certain estimates and assumptions that the reserves or resources described can be profitably produced in the future. There are numerous uncertainties inherent in estimating quantities of reserves and resources and in projecting future rates of production and the timing of development expenditures. The total amount or timing of actual future production may vary from reserve, resource and production estimates.

Although the Company believes that the expectations reflected by the forward-looking statements presented in this AIF are reasonable, the Company's forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to the Company about itself and the businesses in which it operates. Information used in developing forward-looking statements has been acquired from various sources including third party consultants, suppliers, regulators and other sources. The material factors and assumptions used to develop the forward-looking statements include, but are not limited to:

- with respect to the business, operations and results of the Company generally: the absence of significant adverse changes to commodity prices, interest rates, applicable royalty rates and tax laws, and foreign exchange rates; the absence of significant adverse changes to energy markets, competitive conditions, the supply and demand for crude oil, natural gas, NGL and refined petroleum products, or the political, economic and social stability of the jurisdictions in which the Company operates; continuing availability of economical capital resources, labour and services; demand for products and cost of operations; the absence of significant adverse legislative and regulatory changes, in particular changes to the legislation and regulation governing fiscal regimes and environmental issues; and stability of general domestic and global economic, market and business conditions;

- with respect to the Company's Asia Pacific Region, Atlantic Region, Oil Sands properties, Heavy Oil properties, Western Canadian oil and gas resource plays and Infrastructure and Marketing operations: the accuracy of future production rates and reserve and resource estimates; the securing of sales agreements to underpin the commercial development and regulatory approvals for the development of the Company's properties; the absence of significant delays of the procurement, development, construction or commissioning of the Company's projects, for which the Company or a third party is the designated operator, that may result from the inability of suppliers to meet their commitments, lack of regulatory or third-party approvals or other governmental actions, harsh weather or other calamitous event; the absence of significant disruption of operations such as may result from harsh weather, natural disaster, accident, civil unrest or other calamitous event; the absence of significant unexpected technological or commercial difficulties that adversely affect exploration, development, production, processing or transportation; the sufficiency of budgeted capital expenditures in carrying out planned activities; and the absence of significant increases in the cost of major growth projects; and

- with respect to the Company's Downstream operating segment: the absence of significant delays of the development, construction or commissioning of the Company's projects that may result from the inability of suppliers to meet their commitments, lack of regulatory or third-party approvals or other governmental actions, harsh weather or other calamitous event; the absence of significant disruption of operations such as may result from harsh weather, natural disaster, accident, civil unrest or other calamitous event; the absence of significant unexpected technological or commercial difficulties that adversely affect processing or transportation; the sufficiency of budgeted capital expenditures in carrying out planned activities; and the absence of significant increase in the cost of major growth projects.

Because actual results or outcomes could differ materially from those expressed in any forward-looking statements, investors should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. Some of these risks, uncertainties and other factors are similar to those faced by other oil and gas companies and some are unique to Husky. The risks, uncertainties and other factors, many of which are beyond Husky's control, that could cause actual results to differ (potentially significantly) from those expressed in the forward-looking statements include, but are not limited to:

- with respect to the business, operations and results of the Company generally: those risks, uncertainties and other factors described under "Risk Factors" in this AIF and throughout the Company’s Management's Discussion and Analysis for the year ended December 31, 2014; the demand for the Company's products and prices received for crude oil and natural gas production and refined petroleum products; the economic conditions of the markets in which the Company conducts business; the exchange rate between the Canadian and U.S. dollar; the ability to replace reserves of oil and gas, whether sourced from exploration, improved recovery or acquisitions; potential actions of governments, regulatory authorities and other stakeholders that may impose operating costs or restrictions in the jurisdictions where the Company has operations; changes to royalty regimes; changes to government fiscal, monetary and other financial policies; changes in workforce demographics; and the cost and availability of capital, including access to capital markets at acceptable rates;

- with respect to the Company's Asia Pacific Region, Atlantic Region, Oil Sands properties, Heavy Oil properties, Western Canadian oil and gas resource plays and the Infrastructure and Marketing operations: the availability of prospective drilling rights; the costs to acquire exploration rights, undertake geological studies, appraisal drilling and project development; the availability and cost of labour, technical expertise, material and equipment to efficiently, effectively and safely undertake capital projects; the costs to operate properties, plants and equipment in an efficient, reliable and safe manner; prevailing climatic conditions in the Company's operating locations; regulations to deal with climate change issues; the competitive actions of other companies, including increased competition from other oil and gas companies; business interruptions because of unexpected events such as fires, blowouts, freeze-ups, equipment failures and other similar events affecting the Company or other parties whose operations or assets directly or indirectly affect the Company and that may or may not be financially recoverable; the co-operation of business partners especially where the Company is not operator of production projects or developments in which it has an interest; the inability to obtain regulatory approvals to operate existing properties or develop significant growth projects; risk associated with transportation of production or product to market or transportation of feedstock to processing facilities resulting from an interruption in pipeline and other transportation services both owned and contracted, due to calamitous event or regulatory obligation; and the inability to reach estimated production levels from existing and future oil and gas development projects as a result of technological or commercial difficulties; and

- with respect to the Company's Downstream operating segment: the costs to operate properties, plants and equipment in an efficient, reliable and safe manner; prevailing climatic conditions in the Company's operating locations; regulations to deal with climate change issues; the competitive actions of other companies, including increased competition from other oil and gas companies; business interruptions because of unexpected events such as fires, blowouts, freeze-ups, equipment failures and other similar events affecting Husky or other parties whose operations or assets directly or indirectly affect the Company and that may or may not be financially recoverable; risk associated with transportation of production or product to market or transportation of feedstock to processing facilities resulting from an interruption in pipeline and other transportation services both owned and contracted, due to calamitous event or regulatory obligation; and the inability to obtain regulatory approvals to operate existing properties or develop significant growth projects.

These and other factors are discussed throughout this AIF and in the Management's Discussion and Analysis for the year ended December 31, 2014 available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

In the discussions above, the Company has categorized the material factors and assumptions used to develop the forward-looking statements, and the risks, uncertainties and other factors that could influence actual results, by region, properties, plays and segments. These categories reflect the Company's current views regarding the factors, assumptions, risks and uncertainties most relevant to the particular region, property, play or segment. Other factors, assumptions, risks or uncertainties could impact a particular region, property, play or segment, and a factor, assumption, risk or uncertainty categorized under a particular region, property, play or segment could also influence results with respect to another region, property, play or segment.

Any forward-looking statement speaks only as of the date on which such statement is made and, except as required by applicable securities laws, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are dependent upon other factors, and the Company's course of action would depend upon its assessment of the future considering all information then available.

Disclosure of Oil and Gas Information

Unless otherwise stated, reserve and resource estimates in this document have an effective date of December 31, 2014 and represent Husky's share. Unless otherwise noted, historical production numbers given represent Husky's share.

The estimate of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

The Company has disclosed best estimate contingent resources of 12.1 billion boe, which is comprised of 2.1 billion boe of crude oil and 10.0 billion boe of bitumen. Of the total 10.2 billion boe is economic at year-end 2014. Contingent resources are reported as Husky's working interest in the following properties, Lloydminster heavy oil projects, Saleski oil sands project and the Bay du Nord and Mizzen discoveries in the Atlantic Region.

The Company has disclosed best-estimate contingent resources in this document. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or a lack of markets. There is no certainty that it will be commercially viable to produce any portion of the contingent resources.

Best estimate as it relates to resources is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. There is no certainty as to the timing of such development.

Specific contingencies preventing the classification of contingent resources at the Company's Oil Sands properties as reserves include further reservoir studies, delineation drilling, facility design, preparation of firm development plans, regulatory applications and company approvals. Development is also contingent upon successful application of steam-assisted gravity drainage and/or Cyclic Steam Stimulation. Positive and negative factors relevant to the estimate of oil sands resources include a higher level of uncertainty in the estimates as a result of lower core-hole drilling density.

Specific contingencies preventing the classification of contingent resources at the Company's Lloydminster Heavy Oil discoveries as reserves include: it may not be viable to develop the estimated volumes in an economic manner; the formulation of concrete development plans to pursue development of the large inventory of primary and EOR opportunities; Company commitment to dedicate the required capital to develop the inventory of opportunities; large inventory of contingent resource opportunities would likely necessitate development over a time frame much greater than the five-year reserve timing window; regulatory submissions and approval would be required for the thermal and major EOR projects to proceed; and verification of sustained economic productivity using CHOPS from zones with limited tests to date and zones with higher viscosity as well as verification of sub-zone continuity and quality that would enable feasible implementation of an EOR scheme. An economic evaluation has not been conducted on the contingent resource.

The Company has disclosed total heavy oil initially in place in this document. Total petroleum initially in place is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered. There is no certainty that any portion of the undiscovered petroleum initially in place will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the undiscovered petroleum initially in place.

The Company has disclosed discovered heavy oil initially in place in this document. Discovered petroleum initially-in-place is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially in place includes production, reserves, and contingent resources; the remainder is unrecoverable. There is no certainty that it will be commercially viable to produce any portion of the resources.

Positive and negative factors relevant to the estimation of Lloydminster Heavy Oil total heavy oil initially in place, discovered heavy oil initially in place and best estimate contingent resources include extensive well control, limited demonstrated sustained production in certain zones, potential reservoir heterogeneity in sub-zones which may limit the applicability of EOR schemes and current lack of development plans.

Specific contingencies preventing the classification of contingent resources at the Company's Atlantic Region discoveries as reserves include additional exploration and delineation drilling, well testing, facility design, preparation of firm development plans, regulatory applications, and company and partner approvals. Positive and negative factors relevant to the estimate of Atlantic Region resources include water depth and distance from existing infrastructure.

Note to U.S. Readers

The Company reports its reserves and resources information in accordance with Canadian practices and specifically in accordance with National Instrument 51-101, "Standards of Disclosure for Oil and Gas Disclosure", adopted by the Canadian securities regulators. Because the Company is permitted to prepare its reserves and resources information in accordance with Canadian disclosure requirements, it uses certain terms in this document, such as “possible reserves”, “best estimate contingent resources” and “heavy oil initially in place” that U.S. oil and gas companies generally do not include or may be prohibited from including in their filings with the SEC.

Husky Energy Inc.

Audit Committee Mandate

Purpose

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Husky Energy Inc. (the “Corporation”). The Committee's primary function is to assist the Board in carrying out its responsibilities with respect to:

1. the quarterly and annual financial statements and quarterly and annual MD&A, which are to be provided to shareholders and the appropriate regulatory agencies;
2. earnings press releases before the Corporation publicly discloses this information;
3. the system of internal controls that management has established;
4. the internal and external audit process;
5. the appointment of external auditors;
6. the appointment of qualified reserves evaluators or auditors;
7. the filing of statements and reports with respect to the Corporation's oil and gas reserves; and
8. the identification, management and mitigation of major financial risk exposures of the Corporation.

In addition, the Committee provides an avenue for communication between the Board and each of the Chief Financial Officer of the Corporation and other senior financial management, internal audit, the external auditors, external qualified reserves evaluators or auditors and internal qualified reserves evaluators. It is expected that the Committee will have a clear understanding with the external auditors and the external reserve evaluators or auditors that an open and transparent relationship must be maintained with the Committee.

While the Committee has the responsibilities and powers set forth in this Mandate, the role of the Committee is oversight. The members of the Committee are not full time employees of the Corporation and may or may not be accountants or auditors by profession or experts in the fields of accounting, or auditing and, in any event, do not serve in such capacity. Consequently, it is not the duty of the Committee to plan or conduct financial audits or reserve audits or evaluations, or to determine that the Corporation's financial statements are complete, accurate and are in accordance with applicable accounting or reserve principles.

This is the responsibility of management and the external auditors and, as to reserves, the external reserve evaluators or auditors. Management and the external auditors will also have the responsibility to conduct investigations and to assure compliance with laws and regulations and the Corporation's business conduct guidelines.

Composition

The Committee will consist of not less than three directors, all of whom will be independent and will satisfy the financial literacy requirements of securities regulatory requirements.

One of the members of the Committee will be an audit committee financial expert as defined in applicable securities regulatory requirements.

Members of the Committee will be appointed annually at a meeting of the Board, on the recommendation of the Corporate Governance Committee to the Co-Chairs of the Board and will be listed in the annual report to shareholders.

Committee members may be removed or replaced at any time by the Board, and will, in any event, cease to be a member of the Committee upon ceasing to be a member of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

The Committee Chair will be appointed by the Board, on the recommendation of the Corporate Governance Committee to the Co-Chairs of the Board.

Meetings

The Committee will meet at least four times annually on dates determined by the Chair or at the call of the Chair or any other Committee member, and as many additional times as the Committee deems necessary.

Committee members will strive to be present at all meetings either in person, by telephone or other communications facilities as permit all persons participating in the meeting to hear each other.

A majority of Committee members, present in person, by telephone, or by other permissible communication facilities will constitute a quorum.

The Committee will appoint a secretary, who need not be a member of the Committee, or a director of the Corporation. The secretary will keep minutes of the meetings of the Committee. Minutes will be sent to all Committee members, on a timely basis.

As necessary or desirable, but in any case at least quarterly, the Committee shall meet with members of management and representatives of the external auditors and internal audit in separate executive sessions to discuss any matters that the Committee or any of these groups believes should be discussed privately.

As necessary or desirable, but in any case at least annually, the Committee will meet the management and representatives of the external reserves evaluators or auditors and internal reserves evaluators in separate executive sessions to discuss matters that the Committee or any of these groups believes should be discussed privately.

Authority

Subject to any prior specific directive by the Board, the Committee is granted the authority to investigate any matter or activity involving financial accounting and financial reporting, the internal controls of the Corporation and the reporting of the Corporation's reserves and oil and gas activities.

The Committee has the authority to engage and set the compensation of independent counsel and other advisors, at the Corporation's expense, as it determines necessary to carry out its duties.

In recognition of the fact that the external auditors are ultimately accountable to the Committee, the Committee will have the authority and responsibility to recommend to the Board the external auditors that will be proposed for nomination at the annual general meeting. The external auditors will report directly to the Committee, and the Committee will evaluate and, where appropriate, replace the external auditors. The Committee will approve the fees and terms for all audit engagements and all non-audit engagements with the external auditors. The Committee will consult with management and the internal audit group regarding the engagement of the external auditors but will not delegate these responsibilities.

The external qualified reserves evaluators or auditors will report directly to the Committee, and the Committee will evaluate and, where appropriate, replace the external qualified reserves evaluators or auditors. The Committee will approve the fees and terms for all reserves evaluators or audit engagements. The Committee will consult with management and the internal qualified reserves evaluators group regarding the engagement of the external qualified reserves evaluators or auditors but will not delegate these responsibilities.

Specific Duties & Responsibilities

The Committee will have the oversight responsibilities and specific duties as described below.

Audit

1. Review and reassess the adequacy of this Mandate annually and recommend any proposed changes to the Corporate Governance Committee and the Board for approval.
2. Review with the Corporation's management, internal audit and the external auditors and recommend to the Board for approval the Corporation's annual financial statements and annual MD&A which is to be provided to shareholders and the appropriate regulatory agencies and any financial statement contained in a prospectus, information circular, registration statement or other similar document.
3. Review with the Corporation's management, internal audit and the external auditors and approve the Corporation's quarterly financial statements and quarterly MD&A which is to be provided to shareholders and the appropriate regulatory agencies.
4. Review with the Corporation's management and approve earnings press releases before the Corporation publicly discloses this information.
5. Be responsible for the oversight of the work of the external auditors, including the resolution of disagreements between management of the Corporation and the external auditors regarding financial reporting.

6. Review with the Corporation's management, internal audit and the external auditors the Corporation's accounting and financial reporting controls and obtain annually, in writing from the external auditors their observations, if any, on material weaknesses in internal controls over financial reporting as noted during the course of their work.
7. Review with the Corporation's management, internal audit and the external auditors significant accounting and reporting principles, practices and procedures applied by the Corporation in preparing its financial statements, and discuss with the external auditors their judgments about the quality (not just the acceptability) of the Corporation's accounting principles used in financial reporting.
8. Review the scope of internal audit's work plan for the year and receive a summary report of major findings by internal audit and how management is addressing the conditions reported.
9. Review the scope and general extent of the external auditors' annual audit, such review to include an explanation from the external auditors of the factors considered in determining the audit scope, including the major risk factors, and the external auditor's confirmation whether or not any limitations have been placed on the scope or nature of their audit procedures.
10. Inquire as to the independence of the external auditors and obtain from the external auditors, at least annually, a formal written statement delineating all relationships between the external auditors and the Corporation as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.
11. Arrange with the external auditors that (a) they will advise the Committee, through its Chair and management of the Corporation, of any matters identified through procedures followed for the review of interim quarterly financial statements of the Corporation, such notification is to be made prior to the related press release and (b), for written confirmation at the end of each of the first three quarters of the year, that they have nothing to report to the Committee, if that is the case, or the written enumeration of required reporting issues.
12. Review at the completion of the annual audit, with senior management, internal audit and the external auditors the following:
    - i. the annual financial statements and related footnotes and financial information to be included in the Corporation's annual report to shareholders;
    - ii. results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application;
    - iii. significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit;
    - iv. inquire about the cooperation received by the external auditors during their audit, including access to all requested records, data and information; and
    - v. inquire of the external auditors whether there have been any material disagreements with management, which, if not satisfactorily resolved, would have caused them to issue a non-standard report on the Corporation's financial statements.
13. Discuss (a) with the external auditors, without management being present, (i) the quality of the Corporation's financial and accounting personnel, and (ii) the completeness and accuracy of the Corporation's financial statements, and (b) elicit the comments of senior management regarding the responsiveness of the external auditors to the Corporation's needs.
14. Meet with management to discuss any relevant significant recommendations that the external auditors may have, particularly those characterized as 'material' or 'serious' (typically, such recommendations will be presented by the external auditors in the form of a Letter of Comments and Recommendations to the Committee) and review the responses of management to the Letter of Comments and Recommendations and receive follow-up reports on action taken concerning the aforementioned recommendations.
15. Review and approve disclosures required to be included in periodic reports filed with Canadian and U.S. securities regulators with respect to non-audit services performed by the external auditors.
16. Establish adequate procedures for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of those procedures.
17. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
18. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.
19. Review the appointment and replacement of the senior internal audit executive.
20. Review with management, internal audit and the external auditors the methods used to establish and monitor the Corporation's policies with respect to unethical or illegal activities by the Corporation's employees that may have a material impact on the financial statements or other reporting of the Corporation.

21. Reviewing generally, as part of the review of the annual financial statements, a report, from the Corporation's general counsel concerning legal, regulatory and compliance matters that may have a material impact on the financial statements or other reporting of the Corporation.
22. Review and discuss with management, on a regular basis, the identification, management and mitigation of major financial risk exposures across the Corporation. In addition, the Committee oversees the Corporation’s risk management framework and related processes.

Reserves

23. Review, with reasonable frequency, the Corporation's procedures relating to the disclosure of information with respect to the Corporation's oil and gas reserves, including the Corporation's procedures for complying with the disclosure requirements and restrictions of applicable regulatory requirements.
24. Review with management the appointment of the external qualified reserves evaluators or auditors, and in the case of any proposed change in such appointment, determine the reasons for the change and whether there have been disputes between management and the appointed external qualified reserves evaluators or auditors.
25. Review, with reasonable frequency, the Corporation's procedures for providing information to the external qualified reserves evaluators or auditors who report on reserves and data for the purposes of compliance with applicable securities regulatory requirements.
26. Meet, before the approval and release of the Corporation's reserves data and the report of the qualified reserve evaluators or auditors thereon, with senior management, the external qualified reserves evaluators or auditors and the internal qualified reserves evaluators to determine whether any restrictions affect their ability to report on reserves data without reservation and to review the reserves data and the report of the qualified reserves evaluators or auditors.
27. Recommend to the Board for approval of the content and filing of required statements and reports relating to the Corporation's disclosure of reserves data as prescribed by applicable regulatory requirements.

Miscellaneous

28. Review and approve (a) any change or waiver in the Corporation's Code of Business Conduct for the President and Chief Executive Officer and senior financial officers and (b) any public disclosure made regarding such change or waiver and, if satisfied, refer the matter to the Board for approval.
29. Act in an advisory capacity to the Board.
30. Carry out such other responsibilities as the Board may, from time to time, set forth.
31. Advise and report to the Co-Chairs of the Board and the Board, relative to the duties and responsibilities set out above, from time to time, and in such details as is reasonably appropriate.

Effective Date: May 6, 2014

Husky Energy Inc.

Report on Reserves Data by Internal Qualified Reserves Evaluator

To the Board of Directors of Husky Energy Inc. ("Husky"):

1. Other than the reserves data attributed to the Heavy Oil and Gas business unit (excluding the Tucker property), which was evaluated and reported on by an external independent reserves evaluator as at December 31, 2014, our staff has evaluated all remaining Husky reserves data as at December 31, 2014. Husky's staff has also reviewed the external independent reserves evaluation. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014, estimated using forecast prices and costs.

2. The reserves data are the responsibility of Husky's management. As the Internal Qualified Reserves Evaluator our responsibility is to certify that the reserves data has been properly calculated in accordance with generally accepted procedures for the estimation of reserves data.

   We carried out our evaluation in accordance with generally accepted procedures for the estimation of oil and gas reserves data and standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society). Our internal reserves evaluators are not independent of Husky, within the meaning of the term "independent" under those standards.

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with the principles and definitions presented in the COGE Handbook.

4. The following table sets forth the evaluated estimated future net revenue (before deducting income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of Husky evaluated for the year ended December 31, 2014 and reported to the Audit Committee of the Board of Directors.

Location of Reserves (Country or Foreign Geographic Area)	Proved Plus Probable Net Present Value of Future Net Revenue (Before Income Taxes, 10% Discount Rate)
Canada	$ 24,451 million
China	$ 4,491 million
Indonesia	$ 338 million
Libya	$ 2 million
	$ 29,282 million

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined in accordance with the principles and definitions presented in the COGE Handbook.

6. We have no responsibility to update our evaluation for events and circumstances occurring after the date of this report.

7. Because, the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

8. I have signed this report in my capacity as an employee of Husky and not in my personal capacity.

/s/ Richard Leslie
Richard Leslie, P. Eng
Manager, Reserves
Calgary, Alberta
January 28, 2015

Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor

Report on Reserves Data

To the Board of Directors of Husky Energy Inc. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2014. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014, attributed to the Company's Lloydminster Heavy Oil Group (excluding the Tucker property), estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook"), maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2014, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's management and Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Report	Location of Reserves (Country)	Net Present Value of Future Net Revenue Before Income Taxes (10% Discount Rate)			
			Audited (MM$)	**Evaluated (MM$)**	**Reviewed (MM$)**	**Total (MM$)**
Sproule	Evaluation of the P&NG Reserves of Husky Energy Inc. in the Lloydminster Heavy Oil Group (excluding the Tucker property), As of December 31, 2014, prepared June 2014 to January 2015	Canada				
Total			**Nil**	**8,765**	**Nil**	**8,765**

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update our report referred to in paragraph 4 for events and circumstances occurring after the effective date of our report(s).

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Sproule Unconventional Limited

/s/ James A. Chisholm,P.Eng.
James A. Chisholm, P.Eng.
Manager, Engineering and Partner

/s/ Alec Kovaltchouk, P.Geo.
Alec Kovaltchouk, P.Geo.
Manager, Geoscience and Partner

/s/ Cameron P. Six, P.Eng.
Cameron P. Six, P.Eng.
Senior Vice-President, Unconventional and Director

Calgary, Alberta
January 22, 2015

Husky Energy Inc.

Report of Management and Directors on Oil and Gas Disclosure

Management of Husky Energy Inc. (“Husky”) are responsible for the preparation and disclosure of information with respect to Husky’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014, estimated using forecast prices and costs.

Husky’s oil and gas reserves evaluation process involves applying generally accepted procedures for the estimation of oil and gas reserves data for the purposes of complying with the legal requirements of NI 51-101. Husky’s Internal Qualified Reserves Evaluator is the Manager of Reserves, who is an employee of Husky and has evaluated Husky’s oil and gas reserves data and certified that Husky’s Reserves Data Process has been followed. The Report on Reserves Data by Husky’s Internal Qualified Reserves Evaluator accompanies this report and will be filed with securities regulatory authorities concurrently with this report.

The Audit Committee of the Board of Directors has:

(a) reviewed Husky’s procedures for providing information to the Internal Qualified Reserves Evaluator and the external reserves auditors;
(b) met with the Internal Qualified Reserves Evaluator, the external reserves auditors and the external reserves evaluator to determine whether any restrictions placed by management affected the ability of the Internal Qualified Reserves Evaluator, the external reserves auditors and the external reserves evaluator to report without reservation; and
(c) reviewed the reserves data with management, the Internal Qualified Reserves Evaluator, the external reserves auditors and the external reserves evaluator.

The Audit Committee of the Board of Directors has reviewed Husky’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has approved, on the recommendation of the Audit Committee:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
(b) the filing of Form 51-101F2, which is the Report on Reserves Data of Husky’s Internal Qualified Reserves Evaluator; and
(c) the content and filing of this report.

Husky sought and was granted by the Canadian Securities Administrators an exemption from the requirement under National Instrument 51-101 “Standards of Disclosure for Oil and Gas Disclosure” to involve independent qualified oil and gas reserve evaluators or auditors. Notwithstanding this exemption, we involve independent qualified reserve auditors as part of Husky’s corporate governance practices. Their involvement helps assure that our internal oil and gas reserve estimates are materially correct.

In Husky’s view, the reliability of Husky’s internally generated oil and gas reserves data is not materially less than would be afforded by Husky involving independent qualified reserves evaluators or independent qualified reserves auditors to evaluate or audit and review the reserves data. The primary factors supporting the involvement of independent qualified reserves evaluators or independent qualified reserves auditors apply when (i) their knowledge of, and experience with, a reporting issuer’s reserves data are superior to that of the internal evaluators and (ii) the work of the independent qualified reserves evaluator or independent qualified reserves auditors is significantly less likely to be adversely influenced by self-interest or management of the reporting issuer than the work of internal reserves evaluation staff. In Husky’s view, neither of these factors applies in Husky’s circumstances.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

/s/ Asim Ghosh	February 27, 2015
Asim Ghosh *President & Chief Executive Officer*	
/s/ Robert J. Peabody	February 27, 2015
Robert J. Peabody *Chief Operating Officer*	
/s/ William Shurniak	February 27, 2015
William Shurniak *Director*	
/s/ Colin S. Russel	February 27, 2015
Colin S. Russel *Director*	

Husky Energy Inc.

Independent Engineer's Audit Opinion

Husky Energy Inc.
707 - 8th Avenue S.W.
Calgary, Alberta
T2P 3G7

To Whom It May Concern:

Pursuant to Husky's request we have conducted an audit of the Husky internally generated reserves estimates and the respective net present values as at December 31, 2014. Husky internally evaluates all their properties with the exception of the Lloydminster business unit. The Tucker Property is internally evaluated. Husky's detailed reserves information were provided to us for this audit. Our responsibility is to express an independent opinion on the reserves and the respective present worth value estimates, in the aggregate, based on our audit tests and procedures.

We conducted our audit in accordance with generally accepted audit standards as recommended by the Society of Petroleum Engineers and as recommended in the Canadian Oil and Gas Evaluation Handbook (COGEH) Volume 1 Section 12. Those standards require that we review and assess the policies, procedures, documentation and guidelines of the company with respect to the estimation, review and approval of Husky's reserves information. An audit includes examining, on test basis, to confirm that there is adherence on the part of Husky's internal reserve evaluators and other employees to the reserves management and administration policies and procedures established by the company. An audit also includes conducting reserves evaluation on a sufficient number of the company's internally evaluated properties as considered necessary in order to express an opinion.

Based on the results of our audit, it is our opinion that Husky's internally generated proved and probable reserves and net present values based on forecast and constant price assumptions are, in aggregate, reasonable, and have been prepared in accordance with generally accepted oil and gas engineering and evaluation practices as set out in the Canadian Oil and Gas Evaluation Handbook.

The results of the Husky internally generated reserves and net present values (based on forecast prices) supplied to us as part of the audit process are summarized below:

Husky Energy
Internally Evaluated Reserves and Net Present Values
Forecast Prices and Costs as of December 31st, 2014

	Company Share of Remaining Reserves (mmboe)	Company Share of Net Present Value Remaining Reserves Before Income Tax (MM$) @ 10%
Total Proved	1,094	10,875
Total Proved Plus Probable	2,697	20,517

Sincerely,

McDaniel & Associates Consultants Ltd.
/s/ B. J. Wurster, P. Eng.
B. J. Wurster, P. Eng.
Vice President
Calgary, Alberta
January 16, 2015