

**Husky Energy Inc.**  
**Annual Information Form**  
**For the Year Ended December 31, 2015**  
**February 26, 2016**

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## **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.

See also “Reader Advisories” at the end of this AIF.

## ABBREVIATIONS AND GLOSSARY OF TERMS

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

### Units of Measure

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bbbl	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
mbbls	thousand barrels
mbbls/day	thousand barrels per calendar day
mboe	thousand barrels of oil equivalent
mboe/day	thousand barrels of oil equivalent per calendar 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
tcf	trillion cubic feet
tCO <sub>2</sub> e	tons of carbon dioxide equivalent

### Acronyms

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AER	Alberta Energy Regulator
AIF	Annual Information Form
ARO	Asset Retirement Obligations
ASC	Alberta Securities Commission
ASP	Alkaline Surfactant Polymer
BACT	Best Available Control Technology
CAPP	Canadian Association of Petroleum Producers
CEPA	Canadian Energy Pipeline Association
CFA	Canadian Fuels Association
CHOPS	Cold Heavy Oil Production with Sand
CEMA	Calgary Emergency Management Agency
CNOOC	China National Offshore Oil Corporation
CO <sub>2</sub>	Carbon dioxide
CO <sub>2</sub> e	Carbon dioxide equivalent
COGEH	Canadian Oil and Gas Evaluation Handbook
COSIA	Canadian Oil Sands Innovation Alliance
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	U.S. 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
GSA	Gas Sales Agreement
HCSS	Horizontal Cyclic Steam Stimulation
HOIMS	Husky Operational Integrity Management System
HSB	Husky Synthetic Blend
H <sub>2</sub> S	Hydrogen sulfide
IFRS	International Financial Reporting Standards
IPIECA	International Petroleum Industry Environmental Conservation Association
LARP	Lower Athabasca Regional Plan
LNG	Liquefied Natural Gas
MD&A	Management's Discussion And Analysis
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
REC	Reduced Emissions Completions
SAGD	Steam Assisted Gravity Drainage
SEC	Securities and Exchange Commission of the United States
SEDAR	System for Electronic Document Analysis and Retrieval
SO <sub>2</sub>	Sulfur dioxide
TSX	Toronto Stock Exchange
U.S.	United States
USDOT	United States Department of Transportation
WTI	West Texas Intermediate
2-D	two-dimensional
3-D	three-dimensional

The Company uses the terms barrels of oil equivalent ("boe"), which is consistent with other oil and gas companies' disclosures, and is calculated on an energy equivalence basis applicable at the burner tip whereby one barrel of crude oil is equivalent to six thousand cubic feet of natural gas. The term boe is used to express the sum of the total company products in one unit that can be used for comparisons. Readers are cautioned that the term boe may be misleading, particularly if used in isolation. This measure is used for consistency with other oil and gas companies and does not represent 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.

#### **Best estimate**

As it relates to resources, 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.

**Bitumen**

Bitumen is a naturally occurring solid or semi-solid hydrocarbon consisting mainly of heavier hydrocarbons with a viscosity greater than 10,000 millipascal-seconds or 10,000 centipoise measured at the hydrocarbon's original temperature in the reservoir and at atmospheric pressure on a gas-free basis, and that is not primarily recoverable at economic rates through a well without the implementation of enhanced recovery methods.

**Canadian Shelf Prospectus**

The universal short form base shelf prospectus filed by the Company on February 23, 2015 with applicable securities regulators in each of the provinces of Canada.

**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.

**Contingent resources**

Are those quantities of petroleum estimated, as at 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. There is uncertainty that it will be commercially viable to produce any portion of the resources.

**Development on hold**

A project maturity sub-class where there is a reasonable chance of development, but there are major non-technical contingencies to be resolved that are usually beyond the control of the operator.

**Development pending**

A project maturity sub-class where resolution of the final conditions for development is being actively pursued (with high chance of development).

**Development unclarified**

A project maturity sub-class when the evaluation is incomplete and there is ongoing activity to resolve any risks or uncertainties.

**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 facilitate the transmissibility of the oil through a pipeline.

**Economic contingent resources**

Those contingent resources that are currently economically recoverable.

**Economic status undetermined**

Where evaluations are incomplete, such that it is premature to identify the economic viability of a project, it is acceptable to note that the project economic status is "undetermined".

**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.

**Exploration 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 exploration 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.

**Feedstock**

Raw materials which are processed into petroleum products.

**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.

**Gross/net acres/wells**

Gross refers to the total number of acres/wells in which a working interest is owned. Net refers to the sum of the fractional working interests owned by a company.

**Gross reserves/production**

A company's working interest share of reserves/production before deduction of royalties.

**Heavy crude oil**

Crude oil with a relative density greater than 10 degrees API gravity and less than or equal to 22.3 degrees API gravity.

**Hi-TAN**

A measure of acidity. Crude oils with a high content of naphthenic acids are referred to as high total acid number (TAN) crude oils or high acid crude oil. The TAN value is defined as the milligrams of Potassium Hydroxide required to neutralize the acidic group of one gram of the oil sample. Crude oils in the industry with a TAN value greater than one are referred to as Hi-TAN crudes.

**Horizontal Cyclic Steam Stimulation**

A recovery process that applies alternating cycles of steam injection and bitumen production within the same horizontal well.

**Horizontal drilling**

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

**Light crude oil**

Crude oil with a relative density greater than 31.1 degrees API gravity.

**Liquefied petroleum gas**

Liquefied propanes and butanes, separately or in mixtures.

**Medium crude oil**

Crude oil with a relative density that is greater than 22.3 degrees API gravity and less than or equal to 31.1 degrees API gravity.

**Natural gas**

Natural gas is a naturally occurring hydrocarbon gas mixture consisting primarily of methane, but commonly including varying amounts of other higher alkanes, and sometimes a small percentage of carbon dioxide, nitrogen, and/or hydrogen sulfide.

**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.

**Operating netback**

Net revenues after deduction of operating costs, transportation and royalty payments.

**Polymer**

A substance which has a molecular structure built up mainly or entirely of many similar units bonded together.

**Petroleum coke**

A carbonaceous solid delivered from oil refinery coker units or other cracking processes.

**Plan of Development**

As it relates to the Company's operations in Indonesia, a Plan of Development represents development planning on one or more oil and gas fields in an integrated and optimal plan for the production of hydrocarbon reserves considering technical, economical and environments aspects. An initial Plan of Development in a development area needs both SKK Migas and the Minister of Energy and Mineral Resources approval. Subsequent Plans of Development in the same development area only need SKK Migas approval.

**Production licence**

Confers, with respect to the portions of the offshore area to which the licence applies, the right to explore for, and the exclusive right to drill and test for petroleum, the exclusive right to develop those portions of the offshore area in order to produce petroleum, the exclusive right to produce petroleum from those portions of the offshore area, and title to the petroleum produced.

**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.

**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.

**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.

**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 well**

A geologically directed test well to obtain information. These wells are usually drilled without the intention of being completed for production.

**Sulphur**

An element that occurs in natural gas and petroleum.

**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.

**Thermal**

Use of steam injection into the reservoir in order to enable the heavy oil to flow to the well bore.

**Turnaround**

Performance of plant or facility maintenance.

**U.S. Shelf Prospectus**

The U.S. universal short form prospectus filed by the Company on December 22, 2015 with the Alberta Securities Commission and filed as part of a U.S. registration statement with the SEC.

**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**

A percentage of ownership in an oil and gas lease granting its owners the right to explore, drill and produce oil and gas from a property.

**2-D seismic survey**

A vertical section of seismic data consisting of numerous adjacent traces acquired sequentially.

**3-D seismic survey**

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

## 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.<sup>(1)(2)</sup>

<i>(Cdn \$ per U.S. \$)</i>	<b>Year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Year-end	1.384	1.160	1.064
Low	1.173	1.059	0.982
High	1.399	1.167	1.074
Average	1.279	1.104	1.030

<sup>(1)</sup> The year-end exchange rates were as quoted by the Bank of Canada for the noon buying rate as at the last day of the relevant period.

<sup>(2)</sup> The high, low and average rates were either quoted or calculated within each of the relevant periods.

# 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"); 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"); effective March 9, 2015, to create Cumulative Redeemable Preferred Shares, Series 5 (the "Series 5 Preferred Shares") and Cumulative Redeemable Preferred Shares, Series 6 (the "Series 6 Preferred Shares"); effective June 15, 2015, to create Cumulative Redeemable Preferred Shares, Series 7 (the "Series 7 Preferred Shares") and Cumulative Redeemable Preferred Shares, Series 8 (the "Series 8 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, 2015.<sup>(1)</sup> All of the following companies and partnerships, except as otherwise indicated, are 100 percent beneficially owned or controlled or directed, directly or indirectly by Husky.

<b>Name</b>	<b>Jurisdiction</b>
<b>Subsidiary of Husky Energy Inc.</b>	
Husky Oil Operations Limited	Alberta
<b>Subsidiaries and jointly controlled entities of Husky Oil Operations Limited</b>	
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 percent)	Alberta
BP-Husky Refining LLC (50 percent)	Delaware
Lima Refining Company	Delaware
Husky Marketing and Supply Company	Delaware

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

## GENERAL DEVELOPMENT OF HUSKY

### Three-year History of Husky

#### 2013

During February 2013, the limit on the Company's \$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 continued to be no differences 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 kilometres from Qingdao, China to the South China Sea and installed onto the

jacket. In addition, the 261 kilometres 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 is expected to 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.

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 kilometres offshore Newfoundland. The evaluation of well results at the Harpoon and Bay du Nord discoveries are ongoing, with further appraisal drilling required to assess the potential of the prospects. The two discoveries made in the year brought the total number of significant discoveries in the region to three, including the 2009 Mizzen discovery of slightly heavier oil. Husky holds a 35 percent working interest in all three wells.

For the West White Rose extension, 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 Argientia, Newfoundland.

The North Amethyst G-25-9 multilateral well was completed and brought online in late November 2013. 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 Husky share) Sunrise Energy Project, the CPF was more than 75 percent 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, and steaming was underway.

In 2013, construction work continued at the 10,000 bbls/day Rush Lake heavy oil thermal development.

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 wells (gross) at the play.

## **2014**

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

On January 9, 2014, the Company sanctioned two new heavy oil thermal developments, 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.

On March 17, 2014, the Company issued U.S. \$750 million of 4.00 percent notes due April 15, 2024 pursuant to a shelf prospectus and U.S. registration statement. 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 conventional natural 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 heavy oil thermal development at Edam West.

On June 15, 2014, the Company repaid the maturing 5.90 percent 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 at the time of repayment, including interest of \$25 million.

On June 19, 2014, the \$1.6 billion revolving syndicated credit facility was increased to \$1.63 billion. 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, 2015 was 0.81 percent (December 31, 2014 - 1.24 percent).

On December 9, 2014, the Company issued 10 million Series 3 Preferred Shares at a price of \$25.00 per share for aggregate gross proceeds of \$250 million under a shelf prospectus. Holders of the Series 3 Preferred 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 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.

At the Sunrise Energy Project, steaming commenced in December 2014.

In the Atlantic Region, development drilling had commenced at the South White Rose extension. The Company continued drilling at the North Amethyst Hibernia formation which targeted a secondary deeper zone below the main North Amethyst producing field. 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. 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.

The liquids-rich gas formations at Ansell in west central Alberta continued to be a key area of focus, with 31 wells (gross) drilled and 23 wells (gross) completed in 2014.

Construction work continued at the 10,000 bbls/day Rush Lake heavy oil thermal development.

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 continued and was approximately 29 percent complete at the end of 2014. 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. The Plan of Development 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.

## **2015**

On February 23, 2015, the Company filed the Canadian Shelf Prospectus, which enables the Company to offer up to \$3.0 billion of common shares, preferred shares, debt securities, subscription receipts, warrants and other units in Canada up to and including March 23, 2017. At December 31, 2015, the Company had unused capacity of \$1.9 billion under its Canadian Shelf Prospectus.

The Sunrise Energy Project achieved first oil on Phase 1 in March 2015. Production from the Sunrise Energy Project is continuing to ramp-up, averaging 14,200 bbls/day (7,100 bbls/day net Husky share) in the fourth quarter of 2015

and is expected to increase to 60,000 bbls/day (30,000 bbls/day net Husky share) around the end of 2016.

On March 6, 2015, the limit on the \$1.6 billion facility expiring December 14, 2016 was increased to \$2.0 billion, and the limit on the \$1.63 billion facility expiring June 19, 2018 was increased to \$2.0 billion. The terms of the revolving syndicated credit facilities remained unchanged. As at December 31, 2015, the Company had no borrowings under its \$2.0 billion facility expiring December 14, 2016 and borrowings of \$499 million under its \$2.0 billion facility expiring June 19, 2018.

On March 12, 2015, the Company repaid the maturing 3.75 percent medium-term notes issued under a trust indenture dated December 21, 2009. The amount paid to noteholders was \$306 million, including \$6 million of interest.

On March 12, 2015, the Company issued \$750 million of 3.55 percent notes due March 12, 2025 by way of a prospectus supplement dated March 9, 2015 to the Canadian 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 on March 12 and September 12 of each year, beginning September 12, 2015. The notes are unsecured and unsubordinated and rank equally with all of the Company's other unsecured and unsubordinated indebtedness.

On March 12, 2015, the Company issued 8 million Series 5 Preferred Shares at a price of \$25.00 per share for aggregate gross proceeds of \$200 million, by way of a prospectus supplement dated March 5, 2015, to the Canadian Shelf Prospectus. Net proceeds after share issue costs were \$195 million. Holders of the Series 5 Preferred Shares are entitled to receive a cumulative quarterly fixed dividend yielding 4.50 percent annually for the initial period ending March 31, 2020 as declared by the board of directors. Thereafter, the dividend rate will be reset every five years at the rate equal to the five-year Government of Canada bond yield plus 3.57 percent. Holders of Series 5 Preferred Shares will have the right, at their option, to convert their shares into Series 6 Preferred Shares, subject to certain conditions, on March 31, 2020 and on March 31 every five years thereafter. Holders of the Series 6 Preferred 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 3.57 percent.

On June 17, 2015, the Company issued 6 million Series 7 Preferred Shares at a price of \$25.00 per share for aggregate gross proceeds of \$150 million, by way of a prospectus supplement dated June 10, 2015, to the Canadian Shelf Prospectus. Net proceeds after share issue costs were \$145 million. Holders of the Series 7 Preferred Shares are entitled to receive a cumulative fixed dividend yielding 4.60 percent annually for the initial period ending June 30, 2020 as declared by the board of directors. Thereafter, the dividend rate will be reset every five years at the rate equal to the five-year Government of Canada bond yield plus 3.52 percent. Holders of the Series 7 Preferred Shares will have the right, at their option, to convert their shares into Series 8 Preferred Shares, subject to certain conditions, on June 30, 2020 and on June 30 every five years thereafter. Holders of the Series 8 Preferred 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 3.52 percent.

Construction was completed at the Rush Lake thermal development with first oil achieved in July 2015. Production commenced ahead of schedule with production from the development reaching a year end exit rate of 13,900 bbls/day, exceeding its design capacity which was revised in 2015 from 10,000 bbls/day to 12,000 bbls/day to include 2,000 bbls/day from the Rush Lake Pilot Project.

Construction continued at the two 10,000 bbls/day Edam East and Vawn and the 4,500 bbls/day Edam West heavy oil thermal developments. Capacity at the Edam West heavy oil thermal development was increased from 3,500 bbls/day to 4,500 bbls/day in 2015 reflecting design and efficiency improvements. First production is expected from Edam East in the second quarter of 2016 and from Vawn and Edam West in the third quarter of 2016.

Production commenced in the year from the first two development wells at the South White Rose extension and reached peak production of 15,000 bbls/day (net Husky share) in September 2015.

In November 2015, the Company sanctioned Rush Lake 2, a 10,000 bbls/day heavy oil thermal development.

In November 2015, the Company sanctioned the development of the MDA, MBH and MDK gas fields having secured the GSA for the first tranche of gas from the MDA-MBH fields development. Combined net sales volumes from the BD, MDA, MBH and MDK fields are expected to approximate 100 mmcf/day of gas and 2,400 boe/day of associated NGL once fully ramped up. Production from the MDA, MBH and MDK gas fields is expected in the 2018 - 2019 timeframe.

On December 22, 2015, the Company filed the U.S. Shelf Prospectus, which 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 January 22, 2018. At December 31, 2015 the Company had unused capacity of U.S. \$3.0 billion under the U.S. Shelf Prospectus and related U.S. registration statement.

In December 2015, Husky signed a PSC for an exploration block offshore China. The 15/33 block covers approximately 155 square kilometres and is located in the Pearl River Mouth Basin in the South China Sea, about 140 kilometres southeast of the Hong Kong Special Administrative Region, in water depths of approximately 80 - 100 metres. Husky is the operator of the block during the exploration phase with a working interest of 100 percent. In the event of a commercial discovery, its partner CNOOC may assume a working interest of up to 51 percent during the development and production phase, with exploration cost recovery from production allocated to Husky.

Progress continued on the shallow water gas developments in the Madura Strait Block during 2015. Work related to the BD field engineering, procurement, installation and construction contract is ongoing and was 68 percent complete at the end of 2015. Construction of a FPSO to process gas and liquids production from the BD field is approximately 50 percent complete.

The Company is proceeding with the initial stages of a crude oil flexibility project at the Company's Lima Refinery. 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 will remain unchanged at 160,000 bbls/day.

A feedstock optimization project was recently sanctioned by the joint arrangement partners at the BP-Husky Toledo Refinery which is designed to improve the Refinery's ability to process Hi-TAN crude. Targeted completion of the required metallurgy changes will be performed during the Refinery's turnaround starting in the second quarter of 2016. Once the upgrades are complete, the Refinery will have the ability to process up to an additional 35,000 bbls/day of Hi-TAN crude. The Refinery's overall nameplate capacity remains at 160,000 bbls/day.



# 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). Infrastructure and Marketing markets and distributes products to customers on behalf of Exploration and Production and is grouped in the Upstream business segment based on the nature of its interconnected operations. 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) in Canada, refining in Canada of crude oil, 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). Upgrading, Canadian Refined Products and U.S. Refining and Marketing all process and refine natural resources into marketable products and therefore, were grouped together as the Downstream business segment due to the similar nature of their products and services.

## 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 (the "HS&E Committee") is responsible for oversight of health, safety and environment policy, audit results and monitoring compliance with the Company's environmental policies, key performance indicators and regulatory requirements. The mandate of the HS&E Committee is available in the Governance section of the Husky website at [www.huskyenergy.com](http://www.huskyenergy.com).

To reinforce the Health, Safety and Environment Policy, Husky holds an annual summit for leaders, attended by members of the HS&E Committee and led by the Chief Executive Officer and Chief Operating Officer. During the Summit, CEO awards are presented to the submissions that demonstrate the highest level of operational integrity (on average, about 40 submissions). Guest and internal speakers present on pertinent issues and the latest developments in the field of operational integrity.

Husky is committed to upholding high standards of business integrity and seeks to deter wrongdoing and to promote transparent, honest and ethical behaviour in all of its business dealings. The Company has a Code of Business Conduct policy that sets out the standards employees, contractors, officers and directors are expected to meet. The policy includes sections on compliance with laws, avoidance of conflict of interest, proper record-keeping, political contributions, safeguarding of company resources, fair competition, avoidance of bribery or other offering of improper payments, guidelines on accepting payments and entertainment and other matters. The policy is available on Husky's intranet with mandatory training. It is also available on the Husky website at [www.huskyenergy.com](http://www.huskyenergy.com).

Husky has established an anonymous and confidential online reporting tool and toll-free telephone numbers for employees, contractors and other stakeholders to report perceived breaches of the Company's Code of Business Conduct. The Ethics Help Line is hosted by EthicsPoint, an independent service provider. Information from submissions are captured and submitted anonymously to an Ethics Help Line Committee, made up of legal, audit, security, health safety and environment and human resources personnel.



Husky is committed to conducting business fairly, with integrity and in compliance with all applicable laws, and has an Anti-Bribery & Anti-Corruption Policy to reinforce the Code of Business Conduct with additional guidance regarding applicable anti-bribery and anti-corruption laws. All officers and employees, including temporary and contract staff, are to observe the highest standards of honesty, integrity, diligence and fairness in all business activities.

Husky is an equal opportunity employer committed to an environment that is free of harassment and violence, and where respectful treatment is the norm. The Husky Diversity and Respectful Workplace Policy applies to all employees and contractors and is updated annually, and mandatory training is required.

As a responsible and constructive member of the communities in which it operates, Husky's Community Investment Program supports charitable organizations in many communities. The Community Investment Policy provides guidance to ensure that contributions under the Community Investment Program are supported by a consistent and rigorous decision making process and reflect Husky's core corporate values and business strategy.

Husky has an External Scholarships and Educational Support Policy that encourages the pursuit of advanced education by providing financial assistance to qualified students pursuing studies at a number of post-secondary educational institutions, reinforcing Husky's commitment to support the communities where it conducts business. The policy includes Husky's Aboriginal Education Awards Program which assists Aboriginal people in achieving greater career success by encouraging them to pursue an advanced education.

Husky values continued education and professional development and provides employees with opportunities for development and continuing advancement of their skills, knowledge and experience. The Learning and Development policy sets out guidelines, eligibility and support for Husky employees.

Husky is committed to the security and protection of personnel, physical assets, property and information from criminal, hostile or malicious acts, consistent with the corporate Health, Safety and Environment Policy. The Husky Security Policy aims to reduce exposure to security risks and to ensure the consistent application of security measures within Husky.

Husky is committed to ensuring health and safety at work. The ability of every employee or contractor to perform his/her particular job duties satisfactorily and safely is critical to Husky's continued success. Husky recognizes that the use of illicit drugs and other mood altering substances, and the inappropriate use of alcohol and medications, can have serious adverse effects on job performance and ultimately on the safety and well-being of employees, contractors, customers, the public and the environment. In light of this, and the safety-sensitive nature of our operations, the Husky Alcohol and Drug Policy outlines the standards and expectations associated with alcohol and other drug use, consistent with Husky's overall safety culture.

The above policies are reviewed annually and are available to employees and contractors on the Company's intranet. Communication of the policies is provided through direct e-mail and through articles published on the Company's intranet. Mandatory training is provided as relevant to the policy and the individual's role via various mechanisms including in-class, web-based and self-serve.

### **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. See the Risk Factors and Industry Overview sections of this AIF for further details.

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 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<sub>2</sub> Action Network, which is working to improve deployment of carbon capture and storage technologies in Canada. As a member of PTAC, 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 recycles produced water and uses 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 3,500 well sites and facilities. In 2015, Husky spent approximately \$98.0 million on ARO, and the Company expects to spend approximately \$102 million in 2016 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 2015 audited consolidated financial statements.

At December 31, 2015, Husky had 485 retail locations in its light refined products operations, which consisted of 331 Husky controlled, owned or leased locations and 154 independent retailer locations. Husky has an ongoing environmental monitoring program at owned and leased locations and performs remediation where required. Husky also has ongoing monitoring programs at its Downstream facilities, such as refineries and the Lloydminster Upgrader.

Husky has several "legacy" (inactive facility) sites, ranging from former refineries to retail locations. Management and remediation plans are prepared for these sites based on current and future land use.

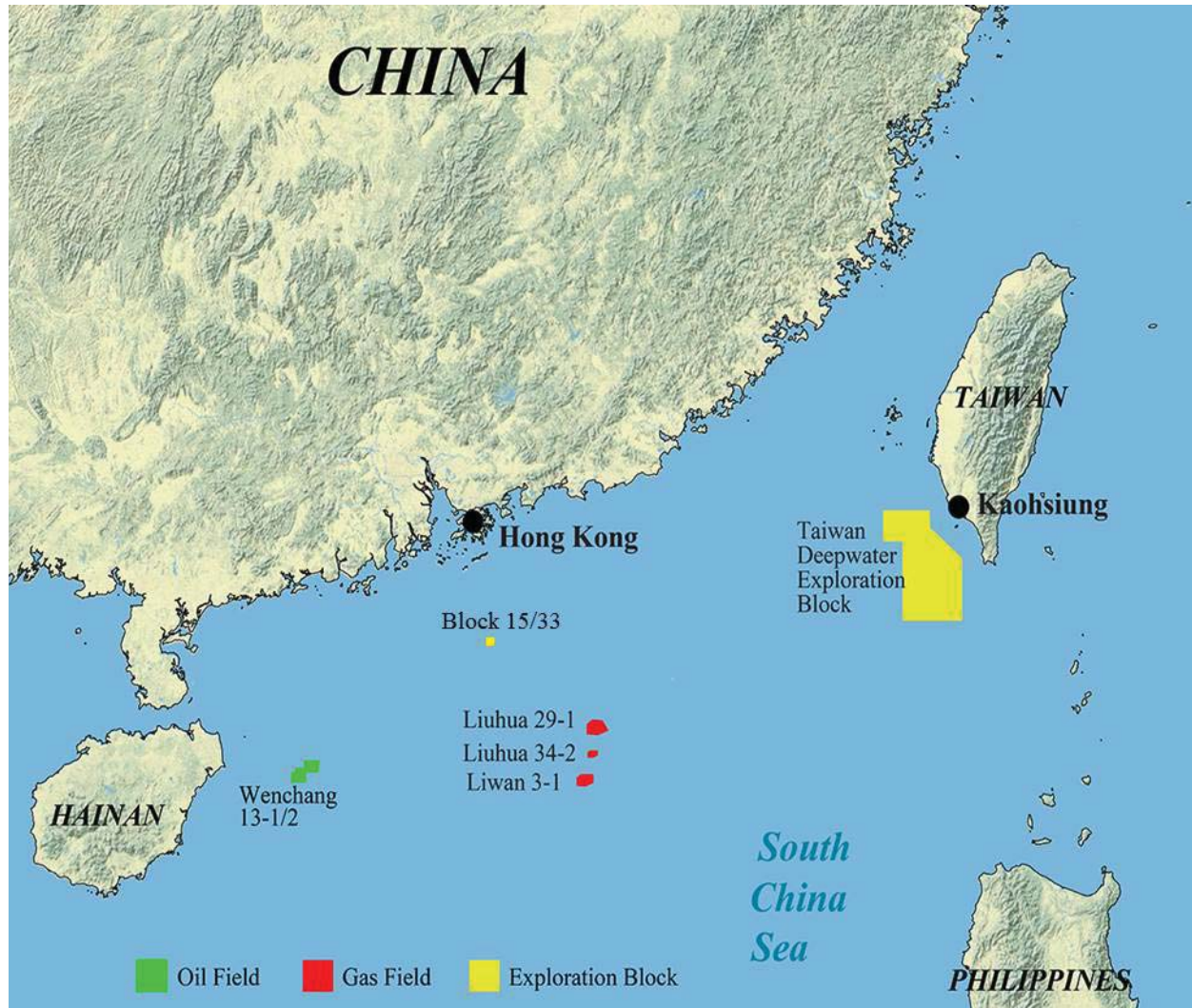
As part of the Company's review of proposed regulations that may affect its business and operations, the Company may from time to time prepare internal analyses of the possible or expected impact of new regulations which analyses are subject to various uncertainties. It is not possible to predict with 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 kilometres 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 percent 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 included the tie-in of the Liuhua 34-2 and Liuhua 29-1 fields into the shallow water infrastructure and that the three fields would 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 metres of water. The CNOOC-operated



shallow water development also includes a 261 kilometre shallow water 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 nine wells to the central platform and on through to the onshore Gaolan Gas Plant. The single production well in the 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 3-1 and Liuhua 34-2 averaged 256 mmcf/day and 30 mmcf/day (gross) respectively in 2015. Husky's share of conventional natural gas production was 175.1 mmcf/day. In May 2015, the Company's entitlement to Liwan gas and liquids sales was reduced from approximately 76 percent to its equity interest of 49 percent, reflecting the completion of exploration cost recoveries which were originally funded solely by the Company. In 2015, Husky's share of production from the two fields was 175.1 mmcf/day of conventional natural gas and 9.2 mbbbls/day of NGL. Negotiations for the sale of the gas from the Liuhua 29-1 field are being pursued.

### ***Wenchang***

The Wenchang field is located in the western Pearl River Mouth Basin, approximately 400 kilometres south of the Hong Kong Special Administrative Region and 100 kilometres east of Hainan Island. Husky holds a 40 percent 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 metres of water into an FPSO stationed between fixed platforms located in each of the two fields. Husky's share of production averaged 7.3 mbbbls/day and 0.2 mbbbls/day of light crude oil and NGL, respectively, during 2015. The PSC is due to expire in July 2017, after which Husky will no longer have a working interest in this field.

### ***Block 15/33***

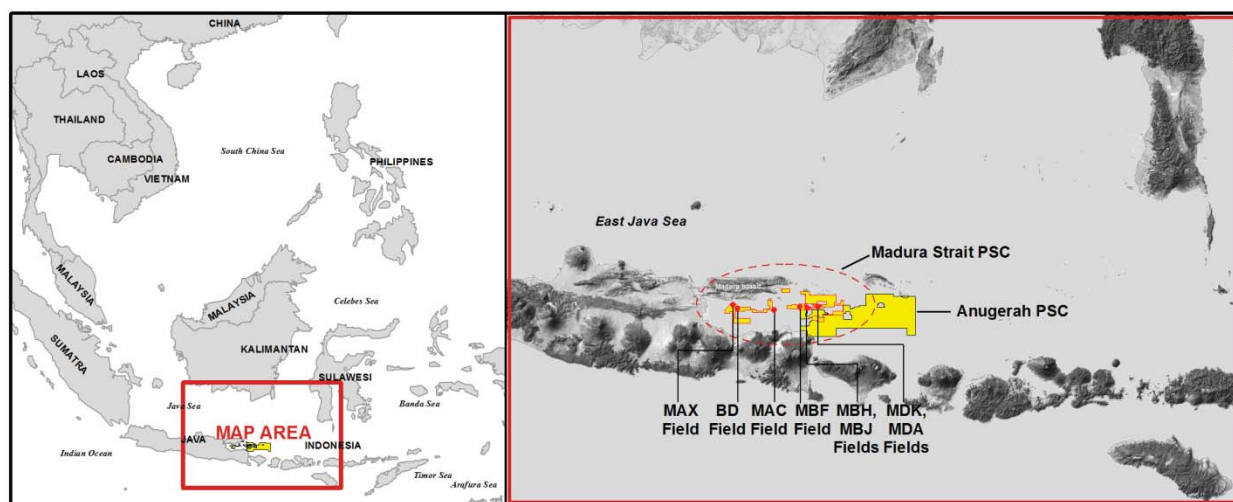
Husky executed a PSC in December 2015 for an exploration block offshore China. The 15/33 block is located in the Pearl River Mouth Basin in the South China Sea, about 140 kilometres southeast of the Hong Kong Special Administrative Region and covers an area of 155 square kilometres in water depths of approximately 80 - 100 metres. Husky is the operator of the block during the exploration phase, with a working interest of 100 percent. In the event of a commercial discovery, its partner CNOOC may assume a working interest of up to 51 percent during the development and production phase. Under the PSC, exploration cost recovery from production is to be allocated to Husky. Husky expects to drill two exploration wells in the 2017 timeframe.

### ***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 kilometres southwest of the island of Taiwan and covers approximately 10,000 square kilometres. Husky holds a 75 percent working interest during exploration, while CPC Corporation has the right to participate in the development program up to a 50 percent interest.

In 2013 and 2014, Husky completed the minimum 2-D seismic survey obligation required in the joint venture agreement and a number of significant structures have been identified on the block. The Company plans to acquire 3-D seismic survey data on the most attractive structures during 2017.

## Indonesia



### *Madura Strait*

Husky has a 40 percent interest in approximately 622,000 acres (2,516 square kilometres) 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 percent working interest, and Samudra Energy Ltd., which holds the remaining 20 percent interest through its affiliate, SMS Development Ltd.

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 Indonesian oil and gas regulator at the time, 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 was made.

In 2012, the exploration drilling program resulted in discoveries on the MAC, MAX, MDK and MBJ fields. The MDK field has been sanctioned for development while the remaining 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. Exploration drilling on the block in 2013 resulted in an additional discovery at the MBF field.

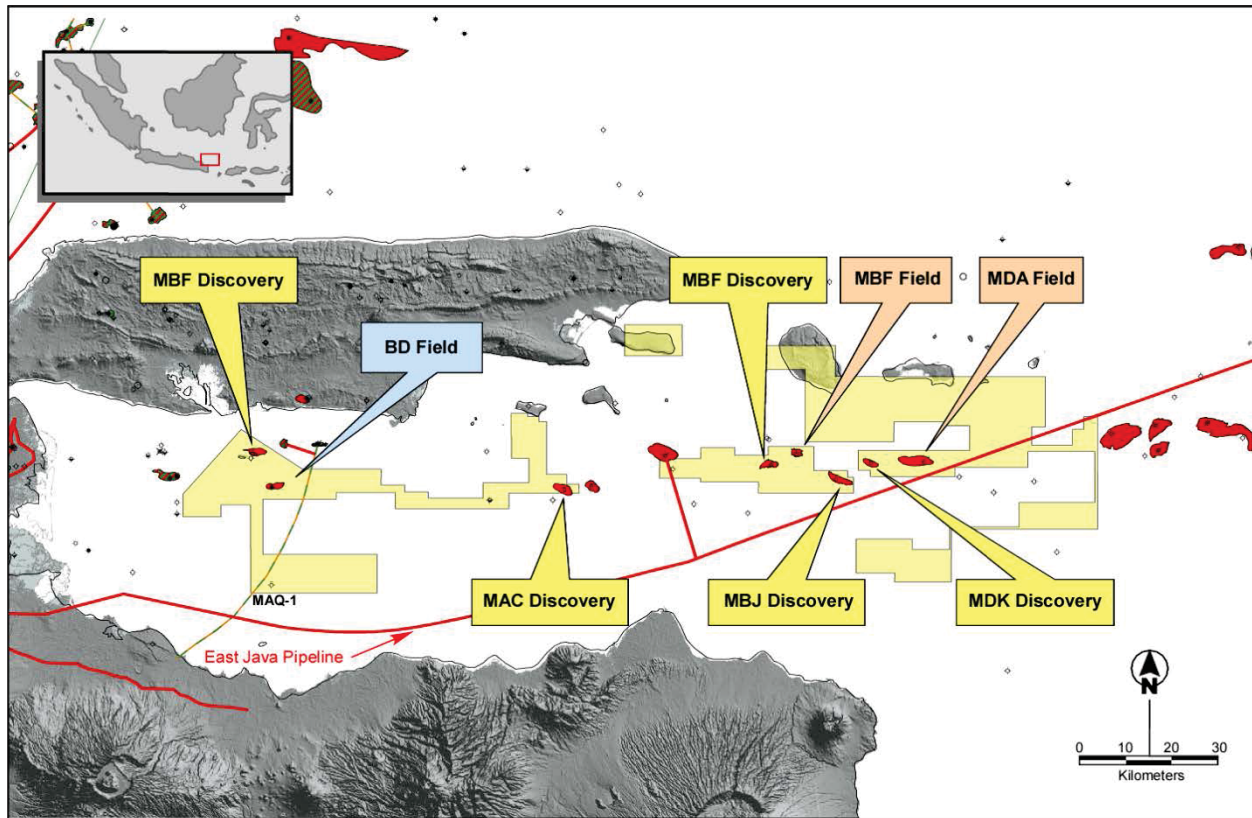
In 2014, the tender plans for the combined development project for the MDA-MBH fields were approved by SKK Migas. The Plan of Development for the MDK field to tie into the MDA-MBH combined development was approved by SKK Migas in July 2014. A contract for the lease of an FPSO for the BD field was signed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

In 2015, engineering and construction work continued at the liquids-rich BD field where the platform jacket and topsides were successfully set in approximately 55 metres of water in October 2015 and development drilling commenced in November 2015. Construction on the FPSO vessel is in progress and approximately 47 percent complete.

In November 2015, Husky sanctioned the development of the MDA, MBH and MDK gas fields as the GSA for the first tranche of gas from the MDA-MBH development has been signed. In December 2015, the Minister of Energy and Mineral Resources appointed the buyers for the remaining available tranches of gas sales from the three fields

and negotiation of the GSA is planned to commence in 2016. A tendering process is underway for a floating production vessel and related engineering, procurement, construction and installation contracts. Also in November 2015, SKK Migas approved the plan of development for the MAC gas field which was discovered in 2012.

Production from the Madura Strait Block is anticipated in the 2017 timeframe.



### ***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 percent interest in the North Sumbawa II Block, which is located in the East Java Basin approximately 300 kilometres east of the Madura Strait block and covers an area of 937,300 acres (3,793 square kilometres). In August 2014, Husky gave notice to the Government of Indonesia of its intention to relinquish the PSC. The Government of Indonesia has not yet issued an approval letter for the relinquishment.

### ***Anugerah***

Husky executed a PSC in February 2014 with the Government of Indonesia for the Anugerah contract area. Husky holds a 100 percent interest in the Anugerah Block, which is located in the East Java Basin approximately 150 kilometres east of the Madura Strait Block and 220 kilometres west of the North Sumbawa II Block. The block covers an area of 2,030,000 acres (8,215 square kilometres) with main prospective locations in water depths of 800 to 1,300 metres. The PSC requires the acquisition of 2-D and 3-D seismic data during the first three years of the contract. In 2015, such a seismic acquisition program was carried out and results are being evaluated to determine potential for future drilling opportunities.

### **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.

### ***White Rose Oil Field***

The White Rose oil field is located 354 kilometres off the coast of Newfoundland and Labrador and approximately 48 kilometres 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 percent working interest in the core field and a 68.875 percent 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 10 production wells, 10 water injection wells and three gas storage wells. During 2015, Husky's light crude oil production from the White Rose field was 18.69 mbbbls/day (net Husky share).

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 kilometres southwest of the SeaRose FPSO. Production flows from North Amethyst to the SeaRose FPSO through a series of subsea flow lines. During 2015, Husky's light crude oil production from North Amethyst was 6.88 mbbbls/day (net Husky share). As of December 31, 2015, the field had five production wells and four water injection wells, representing 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 the deeper Hibernia formation at North Amethyst utilizing existing infrastructure. Production from this well was deferred to a future drilling program and is scheduled to be completed in late 2016-early 2017.

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 light crude oil production from this satellite field was 4.46 mbbbls/day (net Husky share) during 2015.

In December 2014, Husky deferred a final investment decision on the West White Rose extension while it re-evaluates concept development plans including a wellhead platform and subsea options. During 2015, government and regulatory approvals were received for a wellhead platform concept, and a graving dock was completed in Argentia, Newfoundland.

Gas injection at the South White Rose extension commenced in the first quarter of 2014, with oil production equipment installed in summer 2014. Production commenced from the South White Rose extension drill centre during 2015, with first oil from the South White Rose extension achieved in June. As at December 31, 2015, the project had two production wells and one gas injection well. Additional wells are planned for full field development. Husky's share of light crude oil production from this satellite field was 2.12 mbbbls/day (net Husky share) during 2015.

### ***Terra Nova Oil Field***

The Terra Nova oil field is located approximately 350 kilometres 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 percent effective December 1, 2010.

As at December 31, 2015, 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.

Light crude oil production in 2015 from the Terra Nova field was 4.69 mbbbls/day (net Husky share).

Production at Terra Nova in 2015 was impacted by a 54-day turnaround associated with scheduled maintenance and welding in a number of tanks. The turnaround coincided with the major inspection of the Starboard Main Power Generator that was planned for 90 days but completed in 78 days. Production in the field resumed on July 5, 2015.

### ***East Coast Exploration***

Husky believes that the Atlantic Region has exploration potential, and that the Company's position 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 percent to 73.125 percent in 23 significant discovery areas in the Jeanne





## *Greenland*

Husky has decided not to elect to enter sub-Period 2 for either of its two ELs offshore West Greenland, and consequently, these licences will expire in 2016. As a result, licences to approximately 5,205,769 gross acres (4,555,048 net acres) of the Company's undeveloped landholdings in Greenland will be subject to expiry in 2016.

## 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 kilometres of the City of Lloydminster. The Company operates over 4,500 wells in the area, with a 100 percent 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.

The Company's horizontal drilling program in 2015 included the completion of 36 wells. In response to market conditions, Husky reduced the development activity in both the Horizontal and CHOPS programs and focused on retaining its land base. The 2015 program consisted of drilling three horizontal and three CHOPS wells in addition to the completion of 36 horizontal wells. The Company is planning to drill one horizontal oil well in 2016.

Production of heavy oil from the Lloydminster area uses a variety of techniques including CHOPS, horizontal well technology, CSS and SAGD production methods. Husky is pursuing a significant expansion of its Heavy Oil thermal production while ramping down its CHOPS production. Heavy crude oil production from the area comprised of 43.3 mbbbls/day using CHOPS technologies, 11.5 mbbbls/day from horizontal technologies, 48.4 mbbbls/day from Husky's thermal operations and 2.1 mbbbls/day from the heavy oil 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 crude oil wells. During 2015, Husky's gross conventional natural gas production from the Lloydminster region averaged 17.5 mmcf/day.

Production costs of heavy crude oil from thermal developments in Lloydminster averaged \$11.17/bbl in 2015. Heavy crude oil production averaged 56.7 mbbbls/day in the fourth quarter of 2015 and is expected to increase to 58.7 mbbbls/day by the end of 2016 with three new projects coming online throughout the year.

Construction was completed at the Rush Lake thermal development with first oil achieved in July 2015. Production commenced ahead of schedule with production from the development reaching a year end exit rate of 13,900 bbls/day, exceeding its design capacity which was revised in 2015 from 10,000 bbls/day to 12,000 bbls/day to include 2,000 bbls/day from the Rush Lake Pilot Project.

Construction continued at the two 10,000 bbls/day Edam East and Vawn and the 4,500 bbls/day Edam West heavy oil thermal developments. Production from Edam East is expected in the second quarter of 2016 and from Vawn and Edam West in the third quarter of 2016.

Husky's Lloydminster Heavy Oil and Gas thermal bitumen best estimate contingent resources consist of 250 million barrels of economic development pending contingent resources and 570 million barrels of economic status undetermined development unclarified contingent resources. The figures represent Husky's working interest volumes. The development pending category consists of seven SAGD projects and one combined SAGD and CSS project that have been scheduled for initial production starting in 2019 through to 2024. The first two projects have a total capital cost to first production of \$800 million based upon the pre-development studies. The economic status undetermined development unclarified projects require additional technical and commercial analysis of the conceptual SAGD or CSS studies. Of these, the first project requires \$0.4 billion to achieve commercial production in 2030. The remaining projects are to be developed over more than 50 years in accordance with the conceptual studies for this large resource. In total, 220 million barrels of heavy crude oil are based upon pre-development studies while an additional 600 million barrels of heavy crude oil are based upon conceptual plans.

Specific contingencies preventing the classification of contingent resources at the Company's Lloydminster Heavy Oil thermal contingent resources as reserves include the need for further reservoir studies, delineation drilling, verification of sub-zone continuity and quality that would enable feasible implementation of a thermal scheme, the formulation of concrete development plans and facility designs to pursue development of the large inventory of opportunities, the Company's capital commitment, development over a time frame much greater than the reserve timing window and regulatory applications and approvals. Positive and negative factors relevant to the contingent resource estimates include potential reservoir heterogeneity in sub-zones which may limit the applicability of thermal schemes, a higher level of uncertainty in the estimates as a result of lower drilling density in some projects and current lack of development plans in the unclarified contingent resources. The main risks are the low well

density and the associated geological uncertainties in certain projects, the production performance and recovery long term, future commodity prices and the capital costs associated with wells and facilities planned over an extended future period of time.

### ***Non-Thermal Enhanced Oil Recovery***

Husky operated five solvent EOR pilot programs in 2015 and a CO<sub>2</sub> capture and liquefaction plant at the Lloydminster Ethanol Plant. This liquefied CO<sub>2</sub> is used in the ongoing EOR piloting program.

### ***Tucker Oil Sands Project***

Tucker is an in-situ SAGD oil sands project located 30 kilometres northwest of Cold Lake, Alberta that commenced production at the end of 2006. Bitumen production from Tucker averaged 11.5 mbbbls/day in 2015 and 15.2 mbbbls/day in the fourth quarter. Several applications to the AER have been approved or are proceeding for additional drilling and field development through 2016.

Development of the newly identified Colony formation continued in the Cold Lake region at the Tucker thermal project. The Colony formation has similar characteristics to heavy oil reservoirs in the Lloydminster region and is suitable for development using thermal technology. First steam at the Colony formation commenced in the first quarter of 2016 with first production expected in the second quarter.

### ***McMullen Thermal Development***

Husky will commence oil sands evaluation drilling at McMullen in the first quarter of 2016 to further progress the play. McMullen is a thermal play in the Wabiskaw formation covering over 130 sections southwest of Wabasca. Husky has a working interest of 100 percent.

McMullen contains best estimate economic development pending contingent resources of 44 million barrels of bitumen for Phase 1 of the development with a further 1.3 billion barrels of bitumen of best estimate economic status undetermined development unclarified contingent resources. The cost to first production for Phase 1, based upon the pre-development study, is approximately \$512 million for the initial commercial demonstration facility and HCSS wells in 2025. The subsequent phases are based upon a conceptual development plan at this time and each has the same capital estimate with initial production scheduled for 2030 for Phase 2. The remaining commercial facilities and wells will be developed over more than 50 years in accordance with the conceptual study for this large resource. The development of these projects depends on the results of the technical analysis, future heavy oil prices and the Company's commitment to dedicate capital to this large inventory of projects.

Specific contingencies preventing the classification of contingent resources at the McMullen thermal development project as reserves include the need for further reservoir studies, delineation drilling, facility design, preparation of firm development plans, regulatory applications and approvals and Company approvals. Positive and negative factors relevant to the estimates of these resources include a higher level of uncertainty in the estimates as a result of lower core-hole drilling density. The main risks are the low well density and the associated geological uncertainties, the production performance and recovery long term and the capital costs associated with wells and facilities planned over an extended future period of time.

## **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. During 2010, 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 CPFs and field facilities was substantially completed in 2014. Steaming from Plant 1A commenced in late 2014, and first oil was achieved in the first quarter of 2015, with bitumen production from the project averaging 6,400 bbls/day gross

(3,200 bbls/day net Husky share) in 2015. Steaming commenced at Plant 1B in the third quarter of 2015 and construction was completed in the first quarter of 2016. As at the end of December 2015 there were approximately 55 producing well pairs. Bitumen production from the Sunrise Energy Project is expected to ramp up to 60,000 bbls/day (30,000 bbls/day net Husky share) around the end of 2016. Regulatory approval is in place to expand the project to a total of 200,000 bbls/day (100,000 bbls/day net Husky share).

### ***Undeveloped Oil Sands Assets***

Husky holds in excess of 600,000 acres in net undeveloped oil sands leases and has a 100 percent working interest in all except in Athabasca South, in which the Company has a 50 percent working interest. The undeveloped oil sands leases include the Saleski asset covering more than 241,000 acres located north of Wabasca, Alberta.

Saleski contains best estimate economic development on hold contingent resources of 10 billion barrels of bitumen in the Grosmont formation. Based on a pre-development study it is estimated that a total cost of approximately \$825 million would be required to develop the initial commercial facility and corresponding HCSS wells with first production scheduled in 2025. Due to the large extent of the resource, staged development of additional facilities and wells are included in the pre-development study and extend the overall estimated production life beyond 50 years. The development is on hold due to low bitumen prices and future development will depend on prices and the Company's commitment to dedicate capital to this project.

Specific contingencies preventing the classification of contingent resources at the Saleski oil sands project as reserves include the need for further reservoir studies, delineation drilling, facility design, preparation of firm development plans, regulatory applications and Company approvals. Positive and negative factors relevant to the estimate of contingent resources include a higher level of uncertainty in the estimates as a result of lower core-hole drilling density. The main risks are the low well density and the associated geological uncertainties, the production performance and long term recovery and the capital costs associated with wells and facilities planned over an extended future period of time.

### **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 percent working interest. Production in 2015 from the northwest operations consisted of approximately 5.6 mbbbls/day of light and medium crude oil, 4.9 mbbbls/day of heavy crude oil, 5.2 mbbbls/day of NGL and 254.8 mmcf/day of conventional natural gas.

The area is heavily weighted to natural gas production at approximately 73 percent. Husky is pursuing liquids-rich natural gas development opportunities within the existing asset portfolio including developments with emerging liquids-rich gas plays in the Strachan and Kakwa areas.

Conventional crude oil production primarily centers around heavy oil at McMullen which is located approximately 40 kilometres southwest of Wabasca, Alberta. The McMullen conventional development is currently producing approximately 4.0 mboe/day of heavy crude oil. No development was carried out in 2015.

Resource oil development centers around the 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. During 2015, production for the play averaged 1.4 mbbbls/day of light crude oil, 0.8 mbbbls/day of NGL and 5.0 mmcf/day of conventional natural gas. No development was carried out in 2015.

Husky also progressed development of two major liquids rich gas resource plays. During 2015, production from the Strachan Cardium play near Rocky Mountain House averaged 1.2 mbbbls/day of NGL and 19.5 mmcf/day of conventional natural gas with five new horizontal wells (gross) drilled and put on production in 2015.

The Kakwa Wilrich liquids rich gas resource play south of Grande Prairie is a non-operated asset with Husky's partner, where Husky has a 50 percent working interest. This is a new development play where four wells were drilled and five wells were completed and put on production during the year. During 2015, production for the play averaged 0.6 mbbbls/day and 26.2 mmcf/day of NGL and conventional natural gas, respectively (net Husky share). Plans for 2016 include drilling three additional wells to grow production to 7.5 mboe/d (net Husky share).

## ***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 2015 from these operations averaged 21.0 mbbbls/day of light and medium crude oil, 9.6 mbbbls/days of heavy crude oil, 0.7 mbbbls/day of NGL and 57.5 mmcf/day of conventional natural gas. 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 ASP EOR process at Warner in southern Alberta and at Gull Lake and Fosterton in southern Saskatchewan. In addition, Husky holds a 20.3 percent non-operated working interest in the Instow, Saskatchewan ASP flood. Production in 2015 from this ASP EOR process was approximately 1.2 mbbbls/day of medium crude oil, 1.8 mbbbls/day of heavy crude oil and 0.1 mmcf/day of conventional natural gas.

Development of the Bakken and Torquay formations was curtailed in 2015 for southeast Saskatchewan due to the economic conditions in the oil and gas industry. In this area, Husky tied in five oil wells and brought two wells on production, operated and monitored the gas injection pilot and completed infrastructure construction at Oungre East to support continued development. Light crude oil production from the Oungre property during 2015 was approximately 1.3 mboe/day.

## ***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 2015 from the Ansell/Galloway area averaged 2.2 mbbbls/day of NGL and 106.8 mmcf/day of conventional natural gas. To date, the Company has drilled and completed over 375 wells (gross) at Ansell including 25 wells (gross) drilled and 28 wells (gross) completed in 2015. In the Kaybob area, production averaged 0.3 mbbbls/day of NGL and 2.3 mmcf/day of conventional natural gas in 2015. Eleven wells (gross) have been drilled in the area with no drilling activity in 2015.

The Ansell liquids-rich natural gas resource play is located in the deep basin Cretaceous formations of west-central Alberta, and Husky has an average 92 percent working interest. Husky is actively developing Ansell. This producing property contains best estimate economic development pending contingent resources of 400 million barrels of oil equivalent, comprised of 2.2 tcf of natural gas and 48 million barrels of NGL. The initial contingent resource wells are scheduled to be drilled starting in 2023, following the development of the proved and probable reserves. The cost to achieve initial commercial production is the cost of the first well of \$7 million. The remaining wells (approximately 500 working interest wells) will be drilled over the next 10 to 20 years in accordance with the pre-development study for the resource play.

Specific contingencies preventing the classification of contingent resources in the Ansell liquids-rich resource play as reserves include the timing of development which is outside the timing allowed for booking as reserves and final Company approvals of capital expenditures. Positive and negative factors relevant to the estimate of Ansell contingent resources include a lower level of uncertainty in the estimates as a result of the large number of producing wells, extensive production history from the property, Husky's large contiguous land base and Husky's ownership of existing infrastructure in the area. Key risks include the performance of future wells when the play is expanded and reducing costs to achieve optimal results in a low gas and natural gas liquids price environment.

## ***Rainbow Development***

Rainbow Lake, located approximately 700 kilometres northwest of Edmonton, Alberta, is the site of Husky's largest light oil production operation in Western Canada. Husky's production for 2015 from the Rainbow Lake district averaged 7.6 mbbbls/day of light crude oil, 0.5 mbbbls/day of NGL and 75.0 mmcf/day of conventional natural gas.

The Company holds a 50 percent interest in a 90 megawatt 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. Husky holds licences to 483,000 gross acres (466,000 net acres) in the Northwest Territories. 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 kilometre multi-component 3-D seismic survey in 2012, and construction of an all season access road was completed in 2014. Husky continues to review options regarding this play.



## 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 Upgrader and Asphalt Refinery process the majority of 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 in addition to the BP-Husky Toledo Refinery. 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 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. In North America, natural gas is sold to end users and retail and wholesale distributors.

	Years Ended December 31,		
	2015	2014	2013
	(mmcf/day)		
<b>Sales Distribution</b>			
United States	218	183	141
Canada	113	138	198
	331	321	339
Sales to Aggregators	—	—	2
Internal Use <sup>(1)</sup>	183	186	172
	514	507	513

<sup>(1)</sup> Husky consumes natural gas for fuel at several of its facilities.



## Disclosures of Oil and Gas Activities

### Production History

Average Gross Daily Production	Year Ended	Three Months Ended			
	Dec 31, 2015	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
<b>Canada - Western Canada</b>					
Light and Medium Crude Oil (mbbls/day)	36.4	34.4	35.0	37.3	38.8
Heavy Crude Oil (mbbls/day)	69.1	66.7	67.9	70.0	71.9
Bitumen (mbbls/day) <sup>(1)</sup>	63.1	79.0	66.7	50.3	55.7
Conventional Natural Gas (mmcf/day)	513.9	507.9	505.0	518.8	524.2
NGL (mbbls/day)	8.8	8.6	8.4	8.7	9.7
<b>Canada - Atlantic Region</b>					
Light and Medium Crude Oil (mbbls/day)	36.8	43.5	29.6	32.6	41.7
<b>China - Asia Pacific Region<sup>(2)</sup></b>					
Light and Medium Crude Oil (mbbls/day)	7.3	6.4	7.5	7.4	8.0
Conventional Natural Gas (mmcf/day)	175.1	152.8	152.7	202.8	192.8
NGL (mbbls/day)	9.4	8.3	8.3	10.3	10.7
<b>Total Gross Production (mboe/day)</b>	<b>345.7</b>	<b>357.0</b>	<b>333.0</b>	<b>336.9</b>	<b>356.0</b>

Average Gross Daily Production	Year Ended	Three Months Ended			
	Dec 31, 2014	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
<b>Canada - Western Canada</b>					
Light and Medium Crude Oil (mbbls/day)	41.8	40.7	41.4	40.5	44.9
Heavy Crude Oil (mbbls/day)	76.8	77.5	76.1	78.1	75.5
Bitumen (mbbls/day) <sup>(1)</sup>	54.6	55.7	56.2	54.6	52.0
Conventional Natural Gas (mmcf/day)	506.8	521.3	509.3	490.6	505.9
NGL (mbbls/day)	9.8	10.2	9.1	9.6	10.2
<b>Canada - Atlantic Region</b>					
Light and Medium Crude Oil (mbbls/day)	44.6	43.4	37.3	47.6	50.3
<b>China - Asia Pacific Region<sup>(2)</sup></b>					
Light and Medium Crude Oil (mbbls/day)	4.8	7.4	2.7	0.3	8.6
Conventional Natural Gas (mmcf/day)	114.2	180.2	161.0	113.0	—
NGL (mbbls/day)	4.2	7.8	6.6	2.3	0.1
<b>Total Gross Production (mboe/day)</b>	<b>340.1</b>	<b>359.6</b>	<b>341.1</b>	<b>333.6</b>	<b>325.9</b>

Average Gross Daily Production	Year Ended	Three Months Ended			
	Dec 31, 2013	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<b>Canada - Western Canada</b>					
Light and Medium Crude Oil (mbbls/day)	43.7	44.1	43.4	42.6	44.5
Heavy Crude Oil (mbbls/day)	74.5	75.9	75.3	72.3	74.4
Bitumen (mbbls/day) <sup>(1)</sup>	47.7	46.7	48.0	48.3	47.9
Conventional Natural Gas (mmcf/day)	512.7	503.8	505.5	504.7	537.3
NGL (mbbls/day)	9.2	9.4	9.0	8.9	9.2
<b>Canada - Atlantic Region</b>					
Light and Medium Crude Oil (mbbls/day)	44.1	40.9	41.7	46.1	47.9
<b>China - Asia Pacific Region</b>					
Light and Medium Crude Oil (mbbls/day)	7.2	7.1	6.7	7.5	7.6
NGL (mbbls/day)	0.1	0.2	0.1	0.1	0.2
<b>Total Gross Production (mboe/day)</b>	<b>312.0</b>	<b>308.3</b>	<b>308.5</b>	<b>309.9</b>	<b>321.3</b>

<sup>(1)</sup> Bitumen includes production from heavy oil thermal developments and the Tucker thermal development located near Cold Lake, Alberta. Bitumen production includes heavy oil thermal average daily gross production of 48.4 mbbls/day, 43.8 mbbls/day and 37.4 mbbls/day for the years ended December 31, 2015, 2014, and 2013, respectively.

<sup>(2)</sup> Reported production volumes include the Company's entitlement share of production from the Liwan Gas Project which was approximately 76 percent up until late May 2015 and then reduced to its equity interest of 49 percent, reflecting the completion of exploration cost recoveries from the Liwan 3-1 field which were originally funded solely by the Company.

## Netback Analysis

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

Average Per Unit Amounts	Year Ended	Three Months Ended			
	Dec 31, 2015	Dec 31, 2015	Sept 30, 2015	June 30, 2015	Mar 31, 2015
<b>Company Total</b>					
Sales volume (mboe/day)	345.7	357.0	333.0	336.9	356.0
Price Received (\$/boe)	\$41.06	\$34.89	\$39.45	\$49.50	\$40.84
Royalties (\$/boe)	\$3.43	\$2.60	\$2.70	\$4.37	\$4.04
Production Costs (\$/boe)	\$15.14	\$14.51	\$15.52	\$15.72	\$14.87
Transportation Costs (\$/boe)	\$0.49	\$0.50	\$0.51	\$0.48	\$0.48
Operating netback (\$/boe)	\$22.00	\$17.28	\$20.72	\$28.93	\$21.45
<b>Light and Medium Crude Oil (\$/bbl)</b>					
Canada - Western Canada					
Price Received	\$48.49	\$42.60	\$45.33	\$61.55	\$42.98
Royalties	\$5.30	\$4.86	\$4.74	\$5.90	\$5.61
Production Costs	\$26.92	\$27.96	\$25.04	\$27.04	\$27.58
Operating netback	\$16.27	\$9.78	\$15.55	\$28.61	\$9.79
Canada - Atlantic Canada					
Price Received	\$65.89	\$54.12	\$64.98	\$79.25	\$68.55
Royalties	\$7.43	\$5.26	\$4.39	\$10.55	\$9.48
Production Costs	\$16.76	\$15.31	\$20.94	\$19.20	\$13.36
Transportation Costs <sup>(1)</sup>	\$2.58	\$2.19	\$3.14	\$2.69	\$2.50
Operating netback	\$39.12	\$31.36	\$36.51	\$46.81	\$43.21
Canada - Total					
Price Received <sup>(1)</sup>	\$55.94	\$47.81	\$52.87	\$68.55	\$54.92
Royalties	\$6.37	\$5.08	\$4.57	\$8.07	\$7.61
Production Costs	\$21.81	\$20.90	\$23.17	\$23.39	\$20.22
Operating netback	\$27.76	\$21.83	\$25.13	\$37.09	\$27.09
China <sup>(2)</sup>					
Price Received	\$60.80	\$52.69	\$53.54	\$71.75	\$64.00
Royalties	\$3.12	\$3.78	\$0.73	\$4.10	\$3.40
Production Costs	\$11.71	\$13.53	\$11.64	\$9.67	\$12.13
Operating netback	\$45.97	\$35.38	\$41.17	\$57.98	\$48.47
Total					
Price Received <sup>(1)</sup>	\$56.37	\$48.18	\$52.94	\$68.85	\$55.73
Royalties	\$6.07	\$4.99	\$4.17	\$7.69	\$7.23
Production Costs	\$20.90	\$20.34	\$21.97	\$22.12	\$19.49
Operating netback	\$29.40	\$22.85	\$26.80	\$39.04	\$29.01
<b>Heavy Crude Oil (\$/bbl)</b>					
Canada - Western Canada					
Price Received	\$37.16	\$28.71	\$36.51	\$50.21	\$32.97
Royalties	\$4.44	\$2.62	\$4.02	\$6.11	\$4.93
Production Costs	\$18.16	\$18.30	\$18.09	\$17.57	\$18.88
Operating netback	\$14.56	\$7.79	\$14.40	\$26.53	\$9.16
<b>Bitumen (\$/bbl)</b>					
Canada - Western Canada					
Price Received	\$34.47	\$25.67	\$33.86	\$48.45	\$34.97
Royalties	\$2.92	\$1.39	\$3.30	\$4.33	\$3.40
Production Costs	\$14.94	\$12.14	\$15.19	\$18.75	\$15.16
Transportation Costs <sup>(1)</sup>	\$1.20	\$1.08	\$1.14	\$1.46	\$1.22
Operating netback	\$15.41	\$11.06	\$14.23	\$23.91	\$15.19

Average Per Unit Amounts	Year Ended	Three Months Ended			
	Dec 31, 2015	Dec 31, 2015	Sept 30, 2015	June 30, 2015	Mar 31, 2015
<b>Conventional Natural Gas (\$/mcf)</b>					
Canada - Western Canada					
Price Received	\$2.67	\$2.43	\$2.77	\$2.76	\$2.81
Royalties	(\$0.08)	(\$0.03)	(\$0.23)	(\$0.04)	\$0.00
Production Costs	\$2.08	\$2.01	\$2.10	\$2.05	\$2.13
Operating netback	\$0.67	\$0.45	\$0.90	\$0.75	\$0.68
China <sup>(2)</sup>					
Price Received	\$14.98	\$15.76	\$15.51	\$14.50	\$14.43
Royalties	\$0.81	\$0.96	\$0.81	\$0.75	\$0.76
Production Costs	\$0.77	\$0.81	\$0.90	\$0.92	\$0.51
Operating netback	\$13.40	\$13.99	\$13.80	\$12.83	\$13.16
Total					
Price Received	\$5.80	\$5.51	\$5.76	\$6.09	\$5.96
Royalties	\$0.13	\$0.18	\$0.04	\$0.19	\$0.21
Production Costs	\$1.74	\$1.72	\$1.82	\$1.75	\$1.69
Operating netback	\$3.93	\$3.61	\$3.90	\$4.15	\$4.06
<b>Natural Gas Liquids (\$/bbl)</b>					
Canada - Western Canada					
Price Received	\$34.08	\$32.46	\$32.53	\$38.84	\$32.66
Royalties	\$7.75	\$7.55	\$8.41	\$7.96	\$7.18
Production Costs	\$12.26	\$11.99	\$12.25	\$12.26	\$12.55
Operating netback	\$14.07	\$12.92	\$11.87	\$18.62	\$12.93
China					
Price Received	\$56.99	\$52.91	\$53.92	\$62.55	\$56.71
Royalties	\$3.19	\$2.99	\$2.75	\$3.46	\$3.16
Production Costs	\$4.78	\$5.09	\$5.36	\$5.58	\$3.24
Operating netback	\$49.02	\$44.83	\$45.81	\$53.51	\$50.31
Total					
Price Received	\$45.88	\$42.46	\$43.18	\$51.97	\$45.29
Royalties	\$5.39	\$5.31	\$5.74	\$5.51	\$5.07
Production Costs	\$8.39	\$8.60	\$8.82	\$8.58	\$7.66
Operating netback	\$32.10	\$28.55	\$28.62	\$37.88	\$32.56

<sup>(1)</sup> Transportation costs are shown separately from price in Canada – Atlantic Region and the Sunrise Energy Project. Transportation costs for Canada – Atlantic Region and the Sunrise Energy Project are netted against price when calculating Canada - Total and Total Light and Medium Crude Oil.

<sup>(2)</sup> Reported production volumes include the Company's entitlement share of production from the Liwan Gas Project which was approximately 76 percent up until late May 2015 and then reduced to its equity interest of 49 percent, reflecting the completion of exploration cost recoveries from the Liwan 3-1 field which were originally funded solely by the Company.

Average Per Unit Amounts	Year Ended	Three Months Ended			
	Dec 31, 2014	Dec 31, 2014	Sept 30, 2014	June 30, 2014	Mar 31, 2014
<b>Company Total</b>					
Sales volume (mboe/day)	340.1	359.6	341.1	333.6	325.9
Price Received (\$/boe)	\$67.38	\$55.53	\$68.35	\$74.70	\$72.21
Royalties (\$/boe)	\$8.30	\$5.35	\$8.33	\$9.97	\$9.87
Production Costs (\$/boe)	\$16.12	\$15.07	\$16.61	\$15.68	\$17.21
Transportation Costs (\$/boe)	\$0.33	\$0.27	\$0.36	\$0.35	\$0.32
Operating netback (\$/boe)	\$42.63	\$34.84	\$43.05	\$48.70	\$44.81
<b>Light and Medium Crude Oil (\$/bbl)</b>					
Canada - Western Canada					
Price Received	\$89.65	\$72.15	\$88.49	\$94.27	\$88.61
Royalties	\$11.66	\$8.13	\$14.07	\$13.24	\$12.79
Production Costs	\$32.29	\$29.01	\$28.62	\$28.83	\$27.37
Operating netback	\$45.70	\$35.01	\$45.80	\$52.20	\$48.45
Canada - Atlantic Canada					
Price Received	\$107.50	\$77.49	\$105.24	\$122.62	\$121.27
Royalties	\$18.43	\$6.17	\$18.28	\$25.15	\$22.87
Production Costs	\$13.38	\$13.55	\$17.86	\$10.52	\$12.59
Transportation Costs <sup>(1)</sup>	\$2.49	\$2.27	\$3.32	\$2.48	\$2.07
Operating netback	\$73.20	\$55.50	\$65.78	\$84.47	\$83.74
Canada - Total					
Price Received <sup>(1)</sup>	\$95.34	\$72.23	\$94.85	\$108.25	\$104.75
Royalties	\$15.61	\$8.02	\$16.14	\$19.74	\$18.16
Production Costs	\$20.35	\$19.96	\$23.52	\$18.94	\$19.57
Operating netback	\$59.38	\$44.25	\$55.19	\$69.57	\$67.02
China <sup>(2)</sup>					
Price Received	\$95.69	\$67.40	\$102.45	\$115.85	\$117.20
Royalties	\$18.64	\$4.23	\$29.20	\$21.26	\$28.29
Production Costs	\$12.97	\$12.50	\$14.54	\$84.10	\$9.72
Operating netback	\$64.08	\$50.67	\$58.71	\$10.49	\$79.19
Total					
Price Received <sup>(1)</sup>	\$95.37	\$71.61	\$95.11	\$108.27	\$105.81
Royalties	\$15.78	\$7.73	\$16.58	\$19.74	\$19.00
Production Costs	\$19.96	\$19.12	\$23.21	\$19.22	\$18.75
Operating netback	\$59.63	\$44.76	\$55.32	\$69.31	\$68.06
<b>Heavy Crude Oil (\$/bbl)</b>					
Canada - Western Canada					
Price Received	\$71.91	\$58.86	\$77.29	\$79.45	\$72.18
Royalties	\$9.07	\$7.72	\$9.79	\$9.88	\$8.59
Production Costs	\$20.89	\$19.43	\$21.50	\$20.03	\$22.70
Operating netback	\$41.95	\$31.71	\$46.00	\$49.54	\$40.89
<b>Bitumen (\$/bbl)</b>					
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
Operating netback	\$51.17	\$40.71	\$56.01	\$58.33	\$49.68

Average Per Unit Amounts	Year Ended	Three Months Ended			
	Dec 31, 2014	Dec 31, 2014	Sept 30, 2014	June 30, 2014	Mar 31, 2014
<b>Conventional Natural Gas (\$/mcf)</b>					
Canada – Western Canada					
Price Received	\$4.41	\$3.99	\$4.00	\$4.86	\$4.82
Royalties	\$0.22	\$0.11	\$0.19	\$0.39	\$0.18
Production Costs	\$2.07	\$2.08	\$2.02	\$2.17	\$2.03
Operating netback	\$2.12	\$1.80	\$1.79	\$2.30	\$2.61
China <sup>(2)</sup>					
Price Received	\$13.03	\$13.18	\$12.78	\$13.04	—
Royalties	\$0.64	\$0.69	\$0.55	\$0.68	—
Production Costs	\$1.16	\$1.07	\$1.58	\$0.60	—
Operating netback	\$11.23	\$11.42	\$10.65	\$11.76	—
Total					
Price Received	\$5.99	\$6.37	\$6.11	\$6.42	\$4.82
Royalties	\$0.30	\$0.26	\$0.28	\$0.44	\$0.18
Production Costs	\$1.90	\$1.88	\$1.89	\$1.87	\$2.03
Operating netback	\$3.79	\$4.23	\$3.94	\$4.11	\$2.61
<b>Natural Gas Liquids (\$/bbl)</b>					
Canada - Western Canada					
Price Received	\$67.85	\$50.27	\$65.13	\$71.02	\$85.27
Royalties	\$15.14	\$10.74	\$15.47	\$15.66	\$18.84
Production Costs	\$12.18	\$12.15	\$11.95	\$12.79	\$11.84
Operating netback	\$40.53	\$27.38	\$37.71	\$42.57	\$54.59
China					
Price Received	\$83.16	\$71.00	\$95.25	\$98.45	\$100.01
Royalties	\$4.40	\$3.89	\$4.60	\$5.75	\$5.60
Production Costs	\$7.34	\$7.97	\$8.95	\$3.33	\$9.72
Operating netback	\$71.42	\$59.14	\$81.70	\$89.37	\$84.69
Total					
Price Received	\$72.61	\$59.42	\$77.85	\$76.26	\$85.16
Royalties	\$11.89	\$7.77	\$10.83	\$13.70	\$18.75
Production Costs	\$10.71	\$10.32	\$10.69	\$10.98	\$11.83
Operating netback	\$50.01	\$41.33	\$56.33	\$51.58	\$54.58

<sup>(1)</sup> Transportation costs are shown separately from price in Canada – Atlantic Region. This cost category is netted against price when calculating Canada – Total and Total Light and Medium Crude Oil.

<sup>(2)</sup> Reported production volumes include the Company's entitlement share of production from the Liwan Gas Project which was approximately 76 percent up until late May 2015 and then reduced to its equity interest of 49 percent, reflecting the completion of exploration cost recoveries from the Liwan 3-1 field which were originally funded solely by the Company.

## Producing and Non-Producing Wells <sup>(1)(2)(3)</sup>

### Producing Wells

	Oil Wells		Natural Gas Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
<b>Canada</b>						
Alberta	3,929	3,157	5,220	3,774	9,149	6,931
Saskatchewan	5,380	4,535	1,262	1,139	6,642	5,674
British Columbia	195	57	297	263	492	320
Newfoundland	21	6	—	—	21	6
	9,525	7,755	6,779	5,176	16,304	12,931
<b>International</b>						
China	32	13	10	5	42	18
Libya	3	1	—	—	3	1
	35	14	10	5	45	19
<b>As at December 31, 2015</b>	<b>9,560</b>	<b>7,769</b>	<b>6,789</b>	<b>5,181</b>	<b>16,349</b>	<b>12,950</b>
<b>Canada</b>						
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
<b>International</b>						
China	28	11	10	5	38	16
Libya	3	1	—	—	3	1
	31	12	10	5	41	17
<b>As at December 31, 2014</b>	<b>10,732</b>	<b>8,875</b>	<b>6,963</b>	<b>5,331</b>	<b>17,695</b>	<b>14,206</b>
<b>Canada</b>						
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
<b>International</b>						
China	29	11	—	—	29	11
Libya	3	1	—	—	3	1
	32	12	—	—	32	12
<b>As at December 31, 2013</b>	<b>11,170</b>	<b>9,293</b>	<b>7,123</b>	<b>5,483</b>	<b>18,293</b>	<b>14,776</b>

### Non-Producing Wells

	2015					
	Oil Wells		Natural Gas Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
Canada	8,180	7,463	1,918	1,558	10,098	9,021

<sup>(1)</sup> 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, 2015.

<sup>(2)</sup> The above table does not include producing wells in which Husky has no working interest but does have a royalty interest. At December 31, 2015, Husky had a royalty interest in 4,297 wells, of which 1,633 were oil producers and 2,664 were gas producers.

<sup>(3)</sup> 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 2015, there were 1,243 gross and 1,105 net oil wells and 294 gross and 184 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)*

	<b>Gross</b>	<b>Net</b>
<b>As at December 31, 2015</b>		
<b>Western Canada</b>		
Alberta	4,552	2,904
Saskatchewan	814	647
British Columbia	184	144
Manitoba	2	—
	5,552	3,695
<b>Atlantic Region</b>	54	20
	5,606	3,715
<b>China</b>	17	7
<b>Libya</b>	7	2
<b>Total</b>	<b>5,630</b>	<b>3,724</b>
<b>As at December 31, 2014</b>		
<b>Western Canada</b>		
Alberta	4,574	2,924
Saskatchewan	806	638
British Columbia	185	145
Manitoba	3	—
	5,568	3,707
<b>Atlantic Region</b>	57	20
	5,625	3,727
<b>China</b>	17	7
<b>Libya</b>	7	2
<b>Total</b>	<b>5,649</b>	<b>3,736</b>
<b>As at December 31, 2013</b>		
<b>Western Canada</b>		
Alberta	4,554	2,917
Saskatchewan	818	648
British Columbia	187	146
Manitoba	3	—
	5,562	3,711
<b>Atlantic Region</b>	57	20
	5,619	3,731
<b>China</b>	17	7
<b>Libya</b>	7	2
<b>Total</b>	<b>5,643</b>	<b>3,740</b>

**Landholdings - Undeveloped Acreage***(thousands of acres)*

	<b>Gross</b>	<b>Net</b>
<b>As at December 31, 2015</b>		
<b>Western Canada</b>		
Alberta	4,231	2,978
Saskatchewan	1,467	1,329
British Columbia	644	506
Manitoba	2	1
	6,344	4,814
<b>Northwest Territories and Arctic</b>	483	466
<b>Atlantic Region</b>	2,675	1,278
	9,502	6,558
<b>United States</b>	2	—
<b>China</b>	72	35
<b>Indonesia</b>	3,589	3,216
<b>Greenland</b>	5,205	4,555
<b>Taiwan</b>	1,904	1,428
<b>Total</b>	<b>20,274</b>	<b>15,792</b>
<b>As at December 31, 2014</b>		
<b>Western Canada</b>		
Alberta	4,529	3,247
Saskatchewan	1,708	1,550
British Columbia	743	583
Manitoba	3	1
	6,983	5,381
<b>Northwest Territories and Arctic</b>	483	466
<b>Atlantic Region</b>	2,698	1,295
	10,164	7,142
<b>United States</b>	89	29
<b>China</b>	56	27
<b>Indonesia</b>	1,559	1,186
<b>Greenland</b>	5,205	4,555
<b>Taiwan</b>	2,545	1,909
<b>Total</b>	<b>19,618</b>	<b>14,848</b>
<b>As at December 31, 2013</b>		
<b>Western Canada</b>		
Alberta	4,694	3,422
Saskatchewan	1,567	1,403
British Columbia	826	634
Manitoba	3	1
	7,090	5,460
<b>Northwest Territories and Arctic</b>	483	466
<b>Atlantic Region</b>	5,500	3,269
	13,073	9,195
<b>United States</b>	110	74
<b>China</b>	56	27
<b>Indonesia</b>	1,559	937
<b>Greenland</b>	8,471	5,983
<b>Taiwan</b>	2,545	1,909
<b>Total</b>	<b>25,814</b>	<b>18,125</b>



## 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 442,577 acres, or less than seven percent of the Company's net undeveloped landholdings in Canada, will be subject to expiry in 2016.

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.

## Abandonment and Reclamation Costs

There are no significant abandonment or reclamation costs and no unusually high expected development costs or operating costs that have affected or that the Company reasonably expects to affect anticipated development or production activities on properties with no attributed reserves. For further information on abandonment and reclamation costs in respect of the Company's properties, please refer to Note 16 of the Company's audited consolidated financial statements for the year ended December 31, 2015.

## Drilling Activity - Number of Wells Drilled

	Year Ended December 31,					
	2015		2014		2013	
	Gross	Net	Gross	Net	Gross	Net
<b>Canada - Western Canada</b>						
Exploration						
Oil	5	4	53	44	39	24
Gas	4	1	9	6	19	14
Dry	1	1	3	3	—	—
	10	6	65	53	58	38
Development <sup>(1)</sup>						
Oil	121	105	469	403	768	709
Gas	34	24	78	67	68	41
Dry	—	—	3	3	1	—
	155	129	550	473	837	750
	165	135	615	527	895	788
<b>Canada - Atlantic Region</b>						
Development						
Oil	2	1.4	1	0.1	2	1.1
<b>China</b>						
Development						
Oil	1	0.4	—	—	3	1.2
Gas	—	—	—	—	—	—
	1	0.4	—	—	3	1.2
<b>Indonesia</b>						
Development						
Oil	—	—	—	—	—	—
Gas	—	—	—	—	—	—
	—	—	—	—	—	—

<sup>(1)</sup> Prior period net oil development was revised to reflect Husky's 50 percent working interest in the Sunrise Energy Project.

## Stratigraphic Test Wells

	2015		2014		2013	
	Gross	Net	Gross	Net	Gross	Net
Canada - Western Canada	—	—	6	6	4	4
Canada - Atlantic Region	5	1.8	2	1.0	6	2.8
China	—	—	—	—	—	—
Indonesia	—	—	1	0.4	2	0.9

## Service Wells

	2015		2014		2013	
	Gross	Net	Gross	Net	Gross	Net
Canada - Western Canada	38	35	121	121	126	102
Canada - Atlantic Region	—	—	2	0.9	1	0.7
China	—	—	—	—	—	—
Indonesia	—	—	—	—	—	—

## Costs Incurred

	Total	Western Canada	Atlantic Region	Total Canada	United States	China	Indonesia	Libya
<i>(\$ millions)</i>								
Property acquisition								
Unproven	—	—	—	—	—	—	—	—
Proven	56	56	—	56	—	—	—	—
Exploration	249	38	208	246	—	(1)	4	—
Development	1,932	1,525	342	1,867	—	31	34	—
<b>2015</b>	<b>2,237</b>	<b>1,619</b>	<b>550</b>	<b>2,169</b>	<b>—</b>	<b>30</b>	<b>38</b>	<b>—</b>

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

	Total	Western Canada	Atlantic Region	Total Canada	United States	China	Indonesia	Libya
<i>(\$ millions)</i>								
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	—	—
<b>2013</b>	<b>4,361</b>	<b>3,050</b>	<b>625</b>	<b>3,675</b>	<b>—</b>	<b>670</b>	<b>16</b>	<b>—</b>

## **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"). All of Husky's oil and gas reserves are prepared by internal reserves evaluation staff using a formalized process for determining, approving and booking reserves. 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 dated February 26, 2016 has been prepared in accordance with NI 51-101 effective December 31, 2015. The reserves information prepared in accordance with the rules of the United States FASB and the SEC ("U.S. Rules") is included in the Company's Form 40-F, which is available at [www.sec.gov](http://www.sec.gov) or on the Company's website at [www.huskyenergy.com](http://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, 2015.

### **Independent Audit or Evaluation of Oil and Gas Reserves**

Sproule Associates Ltd. ("Sproule"), an independent firm of qualified oil and gas reserves evaluation engineers, was engaged to conduct an audit of Husky's crude oil, natural gas and NGL reserves estimates. Sproule issued an audit opinion stating 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 COGEH.

### **Disclosure of Oil and Gas Information**

Unless otherwise noted in this document, all provided reserves estimates have a preparation date of January 29, 2016 and an effective date of December 31, 2015 and are Husky's total reserves. 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.

Note that all heavy oil thermal reserves are classified as bitumen.

### **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 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, 2015**  
**Forecast Prices and Costs**

**Canada**

	Light & Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)		Conventional Natural Gas (bcf)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Proved</b>								
Developed Producing	108.8	92.6	101.5	92.9	127.6	118.7	1,335.9	1,185.8
Developed Non-producing	2.0	1.8	6.1	5.5	29.5	28.7	41.7	36.7
Undeveloped	10.4	9.2	5.0	4.7	467.8	422.5	343.5	345.7
<b>Total Proved</b>	<b>121.2</b>	<b>103.6</b>	<b>112.6</b>	<b>103.2</b>	<b>625.0</b>	<b>569.9</b>	<b>1,721.1</b>	<b>1,568.1</b>
<b>Probable</b>	<b>127.4</b>	<b>104.1</b>	<b>34.3</b>	<b>30.9</b>	<b>1,279.9</b>	<b>1,050.6</b>	<b>476.9</b>	<b>457.0</b>
<b>Total Proved Plus Probable</b>	<b>248.6</b>	<b>207.8</b>	<b>146.9</b>	<b>134.1</b>	<b>1,904.8</b>	<b>1,620.6</b>	<b>2,198.0</b>	<b>2,025.1</b>

	Coal Bed Methane (bcf)		Natural Gas Liquids (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net
<b>Proved</b>						
Developed Producing	11.9	11.1	47.3	33.9	609.9	537.6
Developed Non-producing	—	—	0.4	0.3	44.9	42.5
Undeveloped	—	—	3.2	2.9	543.7	496.9
<b>Total Proved</b>	<b>11.9</b>	<b>11.1</b>	<b>50.9</b>	<b>37.0</b>	<b>1,198.5</b>	<b>1,077.0</b>
<b>Probable</b>	<b>0.7</b>	<b>0.6</b>	<b>11.8</b>	<b>9.0</b>	<b>1,533.0</b>	<b>1,270.9</b>
<b>Total Proved Plus Probable</b>	<b>12.5</b>	<b>11.8</b>	<b>62.7</b>	<b>46.0</b>	<b>2,731.5</b>	<b>2,347.9</b>

**China**

	Light & Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)		Conventional Natural Gas (bcf)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Proved</b>								
Developed Producing	3.8	3.5	—	—	—	—	339.4	322.2
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
<b>Total Proved</b>	<b>3.8</b>	<b>3.5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>339.4</b>	<b>322.2</b>
<b>Probable</b>	<b>0.2</b>	<b>0.2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>190.1</b>	<b>179.5</b>
<b>Total Proved Plus Probable</b>	<b>4.0</b>	<b>3.7</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>529.5</b>	<b>501.7</b>

	Coal Bed Methane (bcf)		Natural Gas Liquids (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net
<b>Proved</b>						
Developed Producing	—	—	13.3	11.3	73.7	68.5
Developed Non-producing	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—
<b>Total Proved</b>	<b>—</b>	<b>—</b>	<b>13.3</b>	<b>11.3</b>	<b>73.7</b>	<b>68.5</b>
<b>Probable</b>	<b>—</b>	<b>—</b>	<b>6.2</b>	<b>5.1</b>	<b>38.2</b>	<b>35.3</b>
<b>Total Proved Plus Probable</b>	<b>—</b>	<b>—</b>	<b>19.6</b>	<b>16.4</b>	<b>111.8</b>	<b>103.8</b>

Indonesia <sup>(1)</sup>

	Light & Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)		Conventional Natural Gas (bcf)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Proved</b>								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	268.2	197.4
<b>Total Proved</b>	—	—	—	—	—	—	268.2	197.4
<b>Probable</b>	—	—	—	—	—	—	91.5	48.0
<b>Total Proved Plus Probable</b>	—	—	—	—	—	—	359.7	245.4

	Coal Bed Methane (bcf)		Natural Gas Liquids (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net
<b>Proved</b>						
Developed Producing	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—
Undeveloped	—	—	7.2	4.7	51.9	37.6
<b>Total Proved</b>	—	—	7.2	4.7	51.9	37.6
<b>Probable</b>	—	—	1.7	0.4	16.9	8.4
<b>Total Proved Plus Probable</b>	—	—	8.8	5.1	68.8	46.0

Libya

	Light & Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)		Conventional Natural Gas (bcf)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Proved</b>								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	0.0	0.0	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
<b>Total Proved</b>	0.0	0.0	—	—	—	—	—	—
<b>Probable</b>	—	—	—	—	—	—	—	—
<b>Total Proved Plus Probable</b>	0.0	0.0	—	—	—	—	—	—

	Coal Bed Methane (bcf)		Natural Gas Liquids (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net
<b>Proved</b>						
Developed Producing	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	0.0	0.0
Undeveloped	—	—	—	—	—	—
<b>Total Proved</b>	—	—	—	—	0.0	0.0
<b>Probable</b>	—	—	—	—	—	—
<b>Total Proved Plus Probable</b>	—	—	—	—	0.0	0.0

**Total**

	Light & Medium Crude Oil (mmbbls)		Heavy Crude Oil (mmbbls)		Bitumen (mmbbls)		Conventional Natural Gas (bcf)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Proved</b>								
Developed Producing	112.6	96.1	101.5	92.9	127.6	118.7	1,675.3	1,507.9
Developed Non-producing	2.0	1.9	6.1	5.5	29.5	28.7	41.7	36.7
Undeveloped	10.4	9.2	5.0	4.7	467.8	422.5	611.7	543.1
<b>Total Proved</b>	<b>124.9</b>	<b>107.1</b>	<b>112.6</b>	<b>103.2</b>	<b>625.0</b>	<b>569.9</b>	<b>2,328.7</b>	<b>2,087.7</b>
<b>Probable</b>	<b>127.7</b>	<b>104.3</b>	<b>34.3</b>	<b>30.9</b>	<b>1,279.9</b>	<b>1,050.6</b>	<b>758.5</b>	<b>684.5</b>
<b>Total Proved Plus Probable</b>	<b>252.6</b>	<b>211.5</b>	<b>146.9</b>	<b>134.1</b>	<b>1,904.8</b>	<b>1,620.6</b>	<b>3,087.2</b>	<b>2,772.2</b>

	Coal Bed Methane (bcf)		Natural Gas Liquids (mmbbls)		Total (mmboe)	
	Gross	Net	Gross	Net	Gross	Net
<b>Proved</b>						
Developed Producing	11.9	11.1	60.6	45.1	683.5	606.0
Developed Non-producing	—	—	0.4	0.3	44.9	42.5
Undeveloped	—	—	10.4	7.6	595.6	534.5
<b>Total Proved</b>	<b>11.9</b>	<b>11.1</b>	<b>71.5</b>	<b>53.0</b>	<b>1,324.0</b>	<b>1,183.1</b>
<b>Probable</b>	<b>0.7</b>	<b>0.6</b>	<b>19.7</b>	<b>14.6</b>	<b>1,588.1</b>	<b>1,314.6</b>
<b>Total Proved Plus Probable</b>	<b>12.5</b>	<b>11.8</b>	<b>91.1</b>	<b>67.6</b>	<b>2,912.1</b>	<b>2,497.7</b>

<sup>(1)</sup> Husky's beneficial interest in the Madura Strait Block is held by way of a 40 percent 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.



**Summary of Net Present Values of Future Net Revenue - Before Income Taxes and Discounted  
As at December 31, 2015  
Forecast Prices and Costs**

**Canada**

(\$ millions)	Before Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
<b>Proved</b>				
Developed Producing	4,979	4,727	4,150	3,648
Developed Non-producing	1,011	855	736	641
Undeveloped	5,101	2,969	1,903	1,277
<b>Total Proved</b>	<b>11,091</b>	<b>8,550</b>	<b>6,789</b>	<b>5,567</b>
<b>Probable</b>	<b>14,232</b>	<b>7,039</b>	<b>4,083</b>	<b>2,594</b>
<b>Total Proved Plus Probable</b>	<b>25,324</b>	<b>15,590</b>	<b>10,873</b>	<b>8,161</b>

**China**

(\$ millions)	Before Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
<b>Proved</b>				
Developed Producing	3,492	3,280	3,090	2,920
Developed Non-producing	—	—	—	—
Undeveloped	—	—	—	—
<b>Total Proved</b>	<b>3,492</b>	<b>3,280</b>	<b>3,090</b>	<b>2,920</b>
<b>Probable</b>	<b>2,230</b>	<b>1,495</b>	<b>996</b>	<b>649</b>
<b>Total Proved Plus Probable</b>	<b>5,722</b>	<b>4,775</b>	<b>4,086</b>	<b>3,569</b>

**Indonesia**

(\$ millions)	Before Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
<b>Proved</b>				
Developed Producing	—	—	—	—
Developed Non-producing	—	—	—	—
Undeveloped	540	372	256	174
<b>Total Proved</b>	<b>540</b>	<b>372</b>	<b>256</b>	<b>174</b>
<b>Probable</b>	<b>257</b>	<b>183</b>	<b>134</b>	<b>101</b>
<b>Total Proved Plus Probable</b>	<b>797</b>	<b>555</b>	<b>391</b>	<b>275</b>

**Libya**

(\$ millions)	Before Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
<b>Proved</b>				
Developed Producing	—	—	—	—
Developed Non-producing	0	0	0	0
Undeveloped	—	—	—	—
<b>Total Proved</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Probable</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Proved Plus Probable</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Total**

(\$ millions)	Before Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
<b>Proved</b>				
Developed Producing	8,471	8,006	7,240	6,568
Developed Non-producing	1,011	855	736	641
Undeveloped	5,642	3,341	2,160	1,451
<b>Total Proved</b>	<b>15,124</b>	<b>12,203</b>	<b>10,136</b>	<b>8,661</b>
<b>Probable</b>	<b>16,719</b>	<b>8,717</b>	<b>5,214</b>	<b>3,344</b>
<b>Total Proved Plus Probable</b>	<b>31,843</b>	<b>20,920</b>	<b>15,350</b>	<b>12,005</b>

**Summary of Net Present Values of Future Net Revenue - After Income Taxes and Discounted  
As at December 31, 2015  
Forecast Prices and Costs**

**Canada**

(\$ millions)	After Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
<b>Proved</b>				
Developed Producing	3,684	3,471	3,037	2,663
Developed Non-producing	760	639	546	473
Undeveloped	3,607	2,026	1,240	781
<b>Total Proved</b>	<b>8,051</b>	<b>6,136</b>	<b>4,823</b>	<b>3,917</b>
<b>Probable</b>	<b>10,066</b>	<b>4,838</b>	<b>2,706</b>	<b>1,644</b>
<b>Total Proved Plus Probable</b>	<b>18,117</b>	<b>10,973</b>	<b>7,529</b>	<b>5,562</b>

**China**

(\$ millions)	After Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
<b>Proved</b>				
Developed Producing	3,046	2,859	2,693	2,544
Developed Non-producing	—	—	—	—
Undeveloped	—	—	—	—
<b>Total Proved</b>	<b>3,046</b>	<b>2,859</b>	<b>2,693</b>	<b>2,544</b>
<b>Probable</b>	<b>1,875</b>	<b>1,256</b>	<b>835</b>	<b>541</b>
<b>Total Proved Plus Probable</b>	<b>4,922</b>	<b>4,116</b>	<b>3,528</b>	<b>3,084</b>

**Indonesia**

(\$ millions)	After Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
<b>Proved</b>				
Developed Producing	—	—	—	—
Developed Non-producing	—	—	—	—
Undeveloped	408	275	182	115
<b>Total Proved</b>	<b>408</b>	<b>275</b>	<b>182</b>	<b>115</b>
<b>Probable</b>	<b>179</b>	<b>128</b>	<b>94</b>	<b>70</b>
<b>Total Proved Plus Probable</b>	<b>587</b>	<b>403</b>	<b>276</b>	<b>185</b>

**Libya**

(\$ millions)	After Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
<b>Proved</b>				
Developed Producing	—	—	—	—
Developed Non-producing	0	0	0	0
Undeveloped	—	—	—	—
<b>Total Proved</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Probable</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Proved Plus Probable</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Total**

(\$ millions)	After Income Taxes and Discounted at (%/year)			
	5%	10%	15%	20%
<b>Proved</b>				
Developed Producing	6,730	6,330	5,730	5,207
Developed Non-producing	760	639	546	473
Undeveloped	4,016	2,301	1,422	897
<b>Total Proved</b>	<b>11,506</b>	<b>9,270</b>	<b>7,698</b>	<b>6,577</b>
<b>Probable</b>	<b>12,120</b>	<b>6,222</b>	<b>3,634</b>	<b>2,255</b>
<b>Total Proved Plus Probable</b>	<b>23,626</b>	<b>15,492</b>	<b>11,332</b>	<b>8,831</b>

**Total Future Net Revenue for Total Proved Plus Probable Reserves - Undiscounted**  
**As at December 31, 2015**  
**Forecast Prices and Costs**

(\$ millions)	Revenue	Royalties	Operating Costs	Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
<b>Canada</b>								
<b>Proved</b>								
Developed Producing	29,203	4,117	13,890	982	9,264	950	141	809
Developed Non-producing	2,242	160	642	212	6	1,222	297	925
Undeveloped	35,945	3,993	13,798	7,162	235	10,757	2,919	7,838
<b>Total Proved</b>	<b>67,390</b>	<b>8,270</b>	<b>28,330</b>	<b>8,356</b>	<b>9,505</b>	<b>12,929</b>	<b>3,357</b>	<b>9,572</b>
<b>Probable</b>	<b>119,213</b>	<b>21,914</b>	<b>38,239</b>	<b>19,826</b>	<b>647</b>	<b>38,587</b>	<b>10,676</b>	<b>27,911</b>
<b>Total Proved Plus Probable</b>	<b>186,603</b>	<b>30,184</b>	<b>66,569</b>	<b>28,183</b>	<b>10,152</b>	<b>51,516</b>	<b>14,033</b>	<b>37,483</b>
<b>China</b>								
<b>Proved</b>								
Developed Producing	5,024	—	755	339	199	3,730	528	3,202
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	—	—	—	—	—	—	—	—
<b>Total Proved</b>	<b>5,024</b>	<b>—</b>	<b>755</b>	<b>339</b>	<b>199</b>	<b>3,730</b>	<b>528</b>	<b>3,202</b>
<b>Probable</b>	<b>3,643</b>	<b>—</b>	<b>295</b>	<b>—</b>	<b>—</b>	<b>3,348</b>	<b>536</b>	<b>2,812</b>
<b>Total Proved Plus Probable</b>	<b>8,667</b>	<b>—</b>	<b>1,050</b>	<b>339</b>	<b>199</b>	<b>7,079</b>	<b>1,064</b>	<b>6,015</b>
<b>Indonesia</b>								
<b>Proved</b>								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	—	—	—	—	—	—	—	—
Undeveloped	2,179	—	1,147	241	—	792	185	606
<b>Total Proved</b>	<b>2,179</b>	<b>—</b>	<b>1,147</b>	<b>241</b>	<b>—</b>	<b>792</b>	<b>185</b>	<b>606</b>
<b>Probable</b>	<b>609</b>	<b>—</b>	<b>178</b>	<b>54</b>	<b>—</b>	<b>377</b>	<b>118</b>	<b>259</b>
<b>Total Proved Plus Probable</b>	<b>2,789</b>	<b>—</b>	<b>1,325</b>	<b>295</b>	<b>—</b>	<b>1,168</b>	<b>303</b>	<b>866</b>
<b>Libya</b>								
<b>Proved</b>								
Developed Producing	—	—	—	—	—	—	—	—
Developed Non-producing	1	—	1	—	—	0	—	0
Undeveloped	—	—	—	—	—	—	—	—
<b>Total Proved</b>	<b>1</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>0</b>	<b>—</b>	<b>0</b>
<b>Probable</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Proved Plus Probable</b>	<b>1</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>0</b>	<b>—</b>	<b>0</b>
<b>Total</b>								
<b>Proved</b>								
Developed Producing	34,227	4,117	14,645	1,321	9,463	4,680	669	4,011
Developed Non-producing	2,243	160	643	212	6	1,223	297	925
Undeveloped	38,124	3,993	14,945	7,403	235	11,549	3,104	8,445
<b>Total Proved</b>	<b>74,594</b>	<b>8,270</b>	<b>30,233</b>	<b>8,936</b>	<b>9,704</b>	<b>17,451</b>	<b>4,070</b>	<b>13,381</b>
<b>Probable</b>	<b>123,465</b>	<b>21,914</b>	<b>38,712</b>	<b>19,880</b>	<b>647</b>	<b>42,312</b>	<b>11,329</b>	<b>30,982</b>
<b>Total Proved Plus Probable</b>	<b>198,060</b>	<b>30,184</b>	<b>68,945</b>	<b>28,817</b>	<b>10,351</b>	<b>59,763</b>	<b>15,400</b>	<b>44,364</b>

**Future Net Revenue by Product Type**  
**As at December 31, 2015**  
**Forecast Prices and Costs**

	Future Net Revenue Before Income Taxes (discounted at 10%/year) <sup>(1)</sup>									
	Canada		China		Indonesia		Libya		Total	
	(\$ millions)	(\$/boe)	(\$ millions)	(\$/boe)	(\$ millions)	(\$/boe)	(\$ millions)	(\$/boe)	(\$ millions)	(\$/boe)
<b>Total Proved</b>										
Light & Medium Crude Oil	2,068	12	96	27	—	—	0	0	2,165	12
Heavy Crude Oil	1,121	11	—	—	—	—	—	—	1,121	11
Natural Gas	413	2	3,184	49	372	10	—	—	3,969	12
Coal Bed Methane	8	4	—	—	—	—	—	—	8	4
Bitumen	4,940	9	—	—	—	—	—	—	4,940	9
<b>Total Proved Plus Probable</b>										
Light & Medium Crude Oil	3,657	13	108	28	—	—	0	0	3,766	13
Heavy Crude Oil	1,635	12	—	—	—	—	—	—	1,635	12
Natural Gas	835	3	4,667	47	555	12	—	—	6,057	13
Coal Bed Methane	8	4	—	—	—	—	—	—	8	4
Bitumen	9,454	6	—	—	—	—	—	—	9,454	6

<sup>(1)</sup> By-products, including solution gas, natural gas liquids and other associated by-products, are included in their main product group (natural gas or oil).

## Pricing Assumptions

Except as noted below, the pricing assumptions disclosed in the following table were derived using the industry averages prescribed by McDaniel and Associates Consultants Ltd., Sproule Associates Limited, and GLJ Petroleum Consultants Ltd. China and Indonesia gas prices are derived from the gas sales agreements specific to each set of projects. For historical prices realized during 2015, see the section “Disclosure of Oil and Gas Activities” in this AIF.

			Light Crude Oil	Medium Crude Oil	Heavy Crude Oil	Bitumen
	WTI (U.S. \$/bbl)	Brent (U.S. \$/bbl)	Edmonton (Cdn \$/bbl)	Bow River Hardisty (Cdn \$/bbl)	Hardisty Heavy API (Cdn \$/bbl)	Hardisty WCS (Cdn \$/bbl)
<b>Forecast</b>						
2016	44.67	45.83	55.89	45.21	39.20	44.64
2017	55.20	56.73	66.47	55.20	48.55	54.52
2018	63.47	65.33	73.21	61.05	53.85	60.32
2019	71.00	72.90	81.35	68.23	60.36	67.42
2020	74.77	76.67	84.57	71.34	63.29	70.47
2021	78.24	80.17	87.88	74.38	66.11	73.50
2022	81.75	83.68	92.01	78.16	69.59	77.25
2023	85.37	87.34	96.24	81.92	73.02	80.95
2024	87.32	89.46	98.17	84.07	75.12	83.09
2025 <sup>(1)</sup>	88.90	91.10	99.94	85.59	76.49	84.56

	Natural Gas		Natural Gas Liquids		Inflation rates <sup>(2)</sup>	Exchange rates <sup>(5)</sup>
	NIT (Cdn \$/GJ)	Edmonton Propane (Cdn \$/bbl)	Edmonton Butane (Cdn \$/bbl)	Edmonton Condensate (Cdn \$/bbl)		
<b>Forecast</b>						
2016	2.57	9.76	38.73	60.16	1.17	0.74
2017	3.14	15.88	46.91	70.95	1.83	0.77
2018	3.47	24.09	52.58	78.05	1.83	0.80
2019	3.80	30.49	59.42	86.58	1.83	0.82
2020	3.99	33.69	62.81	90.00	1.83	0.83
2021	4.13	34.95	65.25	93.46	1.83	0.84
2022	4.30	36.45	68.33	97.79	1.83	0.84
2023	4.48	38.06	71.46	102.23	1.83	0.84
2024	4.60	38.79	72.90	104.29	1.83	0.84
2025 <sup>(1)</sup>	4.70	39.50	74.22	106.16	1.83	0.84



	China	Indonesia	
	Daqing Crude Oil (U.S. \$/bbl)	Natural Gas <sup>(4)</sup> (U.S. \$/mcf)	Natural Gas <sup>(5)</sup> (U.S. \$/mcf)
<b>Forecast</b>			
2016	43.83	12.23	0.00
2017	54.70	12.23	6.00
2018	63.26	12.23	6.27
2019	70.79	12.91	6.37
2020	74.52	14.27	6.52
2021	77.98	14.50	6.62
2022	81.45	12.23	6.73
2023	85.07	12.23	6.88
2024	87.14	12.23	6.95
2025 <sup>(1)</sup>	88.74	12.23	6.97

<sup>(1)</sup> Prices thereafter are escalated at 1.83 percent per annum except for in Gas Sales Agreements where prices are not escalated.

<sup>(2)</sup> Inflation rates represent a percentage for forecasting prices and costs.

<sup>(3)</sup> Exchange rate used to generate the benchmark reference prices are quoted in U.S. dollar to Canadian dollar.

<sup>(4)</sup> Natural gas prices are the weighted average based on various Gas Sales Agreements in China.

<sup>(5)</sup> Natural gas prices are the weighted average based on various Gas Sales Agreements in Indonesia.

## Reconciliation of Gross Proved Reserves<sup>(1)</sup>

	Light & Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Bitumen (mmbbls)	Conventional Natural Gas (bcf)	Coal Bed Methane (bcf)	Natural Gas Liquids (mmbbls)	Total (mmboe)
<b>Canada - Western Canada</b>							
End of 2014	154.2	106.0	420.2	2,134.3	19.3	67.9	1,107.3
Technical Revisions	(68.7)	42.5	45.9	(217.1)	(2.3)	(13.4)	(30.3)
Economic Factors	(2.1)	(13.0)	—	(125.2)	(1.1)	(2.0)	(38.0)
Acquisitions	—	0.1	—	8.6	—	—	1.6
Dispositions	(4.6)	—	—	(7.3)	—	(0.1)	(5.9)
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	0.4	2.2	181.8	111.5	—	1.7	204.6
Production	(13.3)	(25.2)	(23.0)	(183.6)	(4.0)	(3.2)	(96.0)
<b>End of 2015</b>	<b>65.9</b>	<b>112.6</b>	<b>625.0</b>	<b>1,721.1</b>	<b>11.9</b>	<b>50.9</b>	<b>1,143.2</b>
<b>Canada - Atlantic Region</b>							
End of 2014	63.1	—	—	—	—	—	63.1
Technical Revisions	(0.1)	—	—	—	—	—	(0.1)
Economic Factors	—	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	5.8	—	—	—	—	—	5.8
Production	(13.4)	—	—	—	—	—	(13.4)
<b>End of 2015</b>	<b>55.3</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>55.3</b>
<b>China</b>							
End of 2014	6.3	—	—	341.0	—	10.2	73.3
Technical Revisions	0.1	—	—	62.3	—	6.6	17.1
Economic Factors	—	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	—	—	—	—	—	—	—
Production	(2.6)	—	—	(63.9)	—	(3.4)	(16.7)
<b>End of 2015</b>	<b>3.8</b>	<b>—</b>	<b>—</b>	<b>339.4</b>	<b>—</b>	<b>13.3</b>	<b>73.7</b>
<b>Indonesia</b>							
End of 2014	—	—	—	167.2	—	7.2	35.0
Technical Revisions	—	—	—	—	—	—	—
Economic Factors	—	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	101.0	—	—	16.8
Extensions & Improved Recovery	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—
<b>End of 2015</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>268.2</b>	<b>—</b>	<b>7.2</b>	<b>51.9</b>

	Light & Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Bitumen (mmbbls)	Conventional Natural Gas (bcf)	Coal Bed Methane (bcf)	Natural Gas Liquids (mmbbls)	Total (mmboe)
<b>Libya</b>							
End of 2014	0.1	—	—	—	—	—	0.1
Technical Revisions	0.0	—	—	—	—	—	0.0
Economic Factors	—	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—
<b>End of 2015</b>	<b>0.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0.0</b>
<b>Total</b>							
End of 2014	223.7	106.0	420.2	2,642.5	19.3	85.3	1,278.8
Technical Revisions	(68.9)	42.5	45.9	(154.9)	(2.3)	(6.8)	(13.5)
Economic Factors	(2.1)	(13.0)	—	(125.2)	(1.1)	(2.0)	(38.0)
Acquisitions	—	0.1	—	8.6	—	—	1.6
Dispositions	(4.6)	—	—	(7.3)	—	(0.1)	(5.9)
Discoveries	—	—	—	101.0	—	—	16.8
Extensions & Improved Recovery	6.2	2.2	181.8	111.5	—	1.7	210.4
Production	(29.4)	(25.2)	(23.0)	(247.6)	(4.0)	(6.7)	(126.2)
<b>End of 2015</b>	<b>124.9</b>	<b>112.6</b>	<b>625.0</b>	<b>2,328.7</b>	<b>11.9</b>	<b>71.5</b>	<b>1,324.0</b>

<sup>(1)</sup> Prior year product types have been updated in accordance with the 2015 amendments to NI 51-101 F1.

Major changes to proved reserves in 2015 include:

- The extension through additional drilling locations and technical revisions at the Sunrise Energy Project that resulted in the booking of an additional 123 mmbbls of bitumen in proved undeveloped reserves;
- Extensions, improved recovery and strong performance in Lloydminster Heavy Oil and Gas thermal projects that resulted in the booking of an additional 105 mmbbls of bitumen in proved reserves;
- Strong performance from Liwan 3-1 that resulted in the booking of an additional 14 mmboe of natural gas and natural gas liquids in proved developed producing reserves;
- The signing of the gas sales contract for the Madura MDA and MBH fields resulted in the booking of an additional 17 mmboe of natural gas in proved undeveloped reserves; and
- Technical revisions as a result of changes to the long range development plan and annual technical reviews in Western Canada.

**Reconciliation of Gross Probable Reserves<sup>(1)</sup>**

	Light & Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Bitumen (mmbbls)	Conventional Natural Gas (bcf)	Coal Bed Methane (bcf)	Natural Gas Liquids (mmbbls)	Total (mmboe)
<b>Canada - Western Canada</b>							
End of 2014	44.9	55.5	1,497.2	480.8	3.0	16.4	1,694.6
Technical Revisions	(29.3)	(19.9)	0.2	(111.2)	(1.2)	(6.8)	(74.6)
Economic Factors	(0.4)	1.0	(4.1)	(1.3)	(1.1)	0.3	(3.5)
Revisions – Transfer to Proved	(0.7)	(2.7)	(213.9)	(17.6)	—	(0.2)	(220.4)
Acquisitions	—	—	—	—	—	—	—
Dispositions	(1.0)	—	—	(2.5)	—	—	(1.4)
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	(0.2)	0.3	0.5	128.7	—	2.1	24.5
Production	—	—	—	—	—	—	—
<b>End of 2015</b>	<b>13.7</b>	<b>34.3</b>	<b>1,279.9</b>	<b>476.9</b>	<b>0.7</b>	<b>11.8</b>	<b>1,419.3</b>
<b>Canada - Atlantic Region</b>							
End of 2014	114.1	—	—	—	—	—	114.1
Technical Revisions	4.9	—	—	—	—	—	4.9
Economic Factors	—	—	—	—	—	—	—
Revisions – Transfer to Proved	(5.3)	—	—	—	—	—	(5.3)
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—
<b>End of 2015</b>	<b>113.7</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>113.7</b>
<b>China</b>							
End of 2014	0.7	—	—	171.9	—	4.8	34.1
Technical Revisions	(0.4)	—	—	18.3	—	1.5	4.1
Economic Factors	—	—	—	—	—	—	—
Revisions – Transfer to Proved	—	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—
<b>End of 2015</b>	<b>0.2</b>	<b>—</b>	<b>—</b>	<b>190.1</b>	<b>—</b>	<b>6.2</b>	<b>38.2</b>
<b>Indonesia</b>							
End of 2014	—	—	—	155.8	—	1.7	27.6
Technical Revisions	—	—	—	9.8	—	—	1.6
Economic Factors	—	—	—	—	—	—	—
Revisions – Transfer to Proved	—	—	—	(101.0)	—	—	(16.8)
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	26.8	—	—	4.5
Extensions & Improved Recovery	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—
<b>End of 2015</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>91.5</b>	<b>—</b>	<b>1.7</b>	<b>16.9</b>

	Light & Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Bitumen (mmbbls)	Conventional Natural Gas (bcf)	Coal Bed Methane (bcf)	Natural Gas Liquids (mmbbls)	Total (mmboe)
<b>Libya</b>							
End of 2014	—	—	—	—	—	—	—
Technical Revisions	—	—	—	—	—	—	—
Economic Factors	—	—	—	—	—	—	—
Revisions – Transfer to Proved	—	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—
<b>End of 2015</b>	—	—	—	—	—	—	—
<b>Total</b>							
End of 2014	159.6	55.5	1,497.2	808.6	3.0	22.8	1,870.4
Technical Revisions	(24.8)	(19.9)	0.2	(83.1)	(1.2)	(5.4)	(63.9)
Economic Factors	(0.4)	1.0	(4.1)	(1.3)	(1.1)	0.3	(3.5)
Revisions – Transfer to Proved	(6.0)	(2.7)	(213.9)	(118.6)	—	(0.2)	(242.5)
Acquisitions	—	—	—	—	—	—	—
Dispositions	(1.0)	—	—	(2.5)	—	—	(1.4)
Discoveries	—	—	—	26.8	—	—	4.5
Extensions & Improved Recovery	0.2	0.3	0.5	128.7	—	2.1	24.5
Production	—	—	—	—	—	—	—
<b>End of 2015</b>	<b>127.7</b>	<b>34.3</b>	<b>1,279.9</b>	<b>758.5</b>	<b>0.7</b>	<b>19.7</b>	<b>1,588.1</b>

<sup>(1)</sup> Prior year product types have been updated in accordance with the 2015 amendments to NI 51-101 F1.

Major changes to probable reserves in 2015 include:

- Extensions through additional drilling locations and technical revisions at the Sunrise Energy Project that resulted in the transferring of 116 mmbbls of bitumen from probable to proved undeveloped reserves;
- Extensions, improved recovery and strong performance in Lloydminster Heavy Oil and Gas thermal projects that resulted in the transferring of 98 mmbbls of bitumen from probable to proved reserves;
- Extensions and revisions in Ansell, resulting in the booking of an additional 30 mmboe of probable reserves;
- The transfer of 68 bcf of gas in Madura MDA and MBH from probable to proved undeveloped reserves, as well as the initial discovery of 4 mmboe of gas in Madura MDK booked as probable reserves; and
- Technical revisions as a result of changes to the long range development plan and annual technical reviews in Western Canada.

**Reconciliation of Gross Proved Plus Probable Reserves<sup>(1)</sup>**

	Light & Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Bitumen (mmbbls)	Conventional Natural Gas (bcf)	Coal Bed Methane (bcf)	Natural Gas Liquids (mmbbls)	Total (mmboe)
<b>Canada - Western Canada</b>							
End of 2014	199.1	161.5	1,917.4	2,615.1	22.3	84.3	2,801.9
Technical Revisions	(98.0)	22.7	46.1	(328.4)	(3.6)	(20.3)	(104.9)
Economic Factors	(2.5)	(12.0)	(4.0)	(126.5)	(2.2)	(1.6)	(41.6)
Revisions – Transfer to Proved	0.7	(2.7)	(213.9)	(17.6)	—	(0.2)	(220.4)
Acquisitions	—	0.2	—	8.6	—	—	1.6
Dispositions	(5.6)	—	—	(9.8)	—	(0.1)	(7.3)
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	(0.5)	2.5	182.3	240.2	—	3.8	229.1
Production	(13.3)	(25.2)	(23.0)	(183.6)	(4.0)	(3.2)	(96.0)
<b>End of 2015</b>	<b>79.6</b>	<b>146.9</b>	<b>1,904.8</b>	<b>2,198.0</b>	<b>12.5</b>	<b>62.7</b>	<b>2,562.5</b>
<b>Canada - Atlantic Region</b>							
End of 2014	177.2	—	—	—	—	—	177.2
Technical Revisions	4.8	—	—	—	—	—	4.8
Economic Factors	—	—	—	—	—	—	—
Revisions – Transfer to Proved	(5.3)	—	—	—	—	—	(5.3)
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	5.8	—	—	—	—	—	5.8
Production	(13.4)	—	—	—	—	—	(13.4)
<b>End of 2015</b>	<b>169.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>169.0</b>
<b>China</b>							
End of 2014	7.0	—	—	512.9	—	14.9	107.4
Technical Revisions	(0.3)	—	—	80.5	—	8.1	21.2
Economic Factors	—	—	—	—	—	—	—
Revisions – Transfer to Proved	—	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	—	—	—	—	—	—	—
Production	(2.6)	—	—	63.9	—	(3.4)	(16.7)
<b>End of 2015</b>	<b>4.0</b>	<b>—</b>	<b>—</b>	<b>529.5</b>	<b>—</b>	<b>19.6</b>	<b>111.8</b>
<b>Indonesia</b>							
End of 2014	—	—	—	323.0	—	8.8	62.7
Technical Revisions	—	—	—	9.8	—	—	1.6
Economic Factors	—	—	—	—	—	—	—
Revisions – Transfer to Proved	—	—	—	(101.0)	—	—	(16.8)
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	127.8	—	—	21.3
Extensions & Improved Recovery	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—
<b>End of 2015</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>359.7</b>	<b>—</b>	<b>8.8</b>	<b>68.8</b>

	Light & Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Bitumen (mmbbls)	Conventional Natural Gas (bcf)	Coal Bed Methane (bcf)	Natural Gas Liquids (mmbbls)	Total (mmboe)
<b>Libya</b>							
End of 2014	0.1	—	—	—	—	—	0.1
Technical Revisions	(0.0)	—	—	—	—	—	(0.0)
Economic Factors	—	—	—	—	—	—	—
Revisions – Transfer to Proved	—	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—	—
Discoveries	—	—	—	—	—	—	—
Extensions & Improved Recovery	—	—	—	—	—	—	—
Production	—	—	—	—	—	—	—
<b>End of 2015</b>	<b>0.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0.0</b>
<b>Total</b>							
End of 2014	383.3	161.5	1,917.4	3,451.0	22.3	108.1	3,149.2
Technical Revisions	(93.7)	22.7	46.1	(238.0)	(3.6)	(12.2)	(77.4)
Economic Factors	(2.5)	(12.0)	(4.0)	(126.5)	(2.2)	(1.6)	(41.6)
Revisions – Transfer to Proved	(6.0)	(2.7)	(213.9)	(118.6)	—	(0.2)	(242.5)
Acquisitions	—	0.2	—	8.6	—	—	1.6
Dispositions	(5.6)	—	—	(9.8)	—	(0.1)	(7.3)
Discoveries	—	—	—	127.8	—	—	21.3
Extensions & Improved Recovery	6.3	2.5	182.3	240.2	—	3.8	234.9
Production	(29.4)	(25.2)	(23.0)	(247.6)	(4.0)	(6.7)	(126.2)
<b>End of 2015</b>	<b>252.6</b>	<b>146.9</b>	<b>1,904.8</b>	<b>3,087.2</b>	<b>12.5</b>	<b>91.1</b>	<b>2,912.1</b>

<sup>(1)</sup> Prior year product types have been updated in accordance with the 2015 amendments to NI 51-101 F1.

### 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 55 percent of Husky's gross proved undeveloped reserves are assigned to the Sunrise Energy Project. Production from Phase I of the project started in March 2015. Approximately 22 percent of Husky's gross proved undeveloped reserves are assigned to heavy oil thermal bitumen projects. Approximately 10 percent of Husky's gross proved undeveloped reserves are assigned to the liquids-rich Ansell area, and approximately 9 percent of Husky's gross proved undeveloped reserves are assigned to the Madura area.

As at December 31, 2015, there were no material proved undeveloped reserves that have remained undeveloped for greater than five years except for the Company's thermal bitumen reserves. All of the proved and probable undeveloped reserves as at December 31, 2015 are scheduled for development within the next five and seven years, respectively, except for the Company's thermal bitumen reserves. The undeveloped thermal bitumen reserves are scheduled to be developed over the next one to forty years to fully utilize the steam plant capacity over the life of the facilities.



*Proved Undeveloped Reserves<sup>(1)</sup>*

<b>First attributed</b>	<b>Light &amp; Medium Crude Oil (mmbbls)</b>	<b>Heavy Crude Oil (mmbbls)</b>	<b>Bitumen (mmbbls)</b>	<b>Conventional Natural Gas (bcf)</b>	<b>Coal Bed Methane (bcf)</b>	<b>Natural Gas Liquids (mmbbls)</b>	<b>Total (mmboe)</b>
2013	13.6	13.0	41.3	216.5	0.0	4.3	108.3
2014	2.3	8.9	70.8	104.0	0.0	5.6	104.9
2015	4.5	0.1	180.7	172.5	0.0	0.7	214.8

<sup>(1)</sup> Prior year product types have been updated in accordance with the 2015 amendments to NI 51-101 F1.

*Probable Undeveloped Reserves<sup>(1)</sup>*

<b>First attributed</b>	<b>Light &amp; Medium Crude Oil (mmbbls)</b>	<b>Heavy Crude Oil (mmbbls)</b>	<b>Bitumen (mmbbls)</b>	<b>Conventional Natural Gas (bcf)</b>	<b>Coal Bed Methane (bcf)</b>	<b>Natural Gas Liquids (mmbbls)</b>	<b>Total (mmboe)</b>
2013	7.2	18.1	134.8	216.3	0.0	7.5	203.7
2014	54.5	7.6	41.5	71.6	0.0	3.2	118.7
2015	—	—	0.1	143.0	0.0	1.8	25.7

<sup>(1)</sup> Prior year product types have been updated in accordance with the 2015 amendments to NI 51-101 F1.

**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, 2015:

<b>Year</b>	<b>Canada</b>		<b>China</b>		<b>Indonesia</b>		<b>Libya</b>	
	<b>Proved Reserves (\$ millions)</b>	<b>Proved Plus Probable Reserves (\$ millions)</b>	<b>Proved Reserves (\$ millions)</b>	<b>Proved Plus Probable Reserves (\$ millions)</b>	<b>Proved Reserves (\$ millions)</b>	<b>Proved Plus Probable Reserves (\$ millions)</b>	<b>Proved Reserves (\$ millions)</b>	<b>Proved Plus Probable Reserves (\$ millions)</b>
2016	1,033	1,201	220	220	172	203	—	—
2017	681	1,266	109	109	68	92	—	—
2018	790	1,652	10	10	—	—	—	—
2019	522	1,101	—	—	—	—	—	—
2020	585	1,377	—	—	—	—	—	—
Remaining	14,250	31,738	199	199	—	—	—	—
<b>Total</b>	<b>17,861</b>	<b>38,334</b>	<b>539</b>	<b>539</b>	<b>241</b>	<b>295</b>	<b>—</b>	<b>—</b>

<b>Year</b>	<b>Total (\$ millions)</b>	
	<b>Proved Reserves</b>	<b>Proved Plus Probable Reserves</b>
2016	1,426	1,624
2017	859	1,467
2018	799	1,662
2019	522	1,101
2020	585	1,377
Remaining	14,450	31,937
<b>Total</b>	<b>18,640</b>	<b>39,168</b>

**Production Estimates**  
**Yearly Production Estimates for 2016**

	Light & Medium Crude Oil (mmbbls)	Heavy Crude Oil (mmbbls)	Bitumen (mmbbls)	Conventional Natural Gas (bcf)
<b>Canada</b>				
Total Gross Proved	26.4	19.3	29.7	134.3
Total Gross Probable	2.0	2.2	3.6	6.9
<b>Total Gross Proved Plus Probable</b>	<b>28.4</b>	<b>21.5</b>	<b>33.3</b>	<b>141.2</b>
<b>International</b>				
Total Gross Proved	2.6	—	—	51.7
Total Gross Probable	0.2	—	—	0.9
<b>Total Gross Proved Plus Probable</b>	<b>2.7</b>	<b>—</b>	<b>—</b>	<b>52.5</b>
<b>Total</b>				
Total Gross Proved	28.9	19.3	29.7	185.9
Total Gross Probable	2.2	2.2	3.6	7.8
<b>Total Gross Proved Plus Probable</b>	<b>31.1</b>	<b>21.5</b>	<b>33.3</b>	<b>193.7</b>

	Coal Bed Methane (bcf)	Natural Gas Liquids (mmbbls)	Total (mmboe)
<b>Canada</b>			
Total Gross Proved	2.3	2.6	100.8
Total Gross Probable	—	0.2	9.2
<b>Total Gross Proved Plus Probable</b>	<b>2.3</b>	<b>2.9</b>	<b>110.0</b>
<b>International</b>			
Total Gross Proved	—	2.2	13.4
Total Gross Probable	—	0.3	0.5
<b>Total Gross Proved Plus Probable</b>	<b>—</b>	<b>2.5</b>	<b>13.9</b>
<b>Total</b>			
Total Gross Proved	2.3	4.8	114.2
Total Gross Probable	—	0.5	9.7
<b>Total Gross Proved Plus Probable</b>	<b>2.3</b>	<b>5.3</b>	<b>123.9</b>

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

## Infrastructure and Marketing

The Company is engaged in the marketing of both its own and other producers' crude oil, natural gas, NGL, sulphur and petroleum coke production. The Company owns extensive infrastructure in Western Canada, including pipeline and storage facilities, and has access to capacity on third party pipelines and storage facilities in both Canada and the U.S. The Company is able to capture differences between the two markets by utilizing infrastructure capacity to deliver feedstock acquired in Canada to the U.S. market.

### 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 kilometres 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:

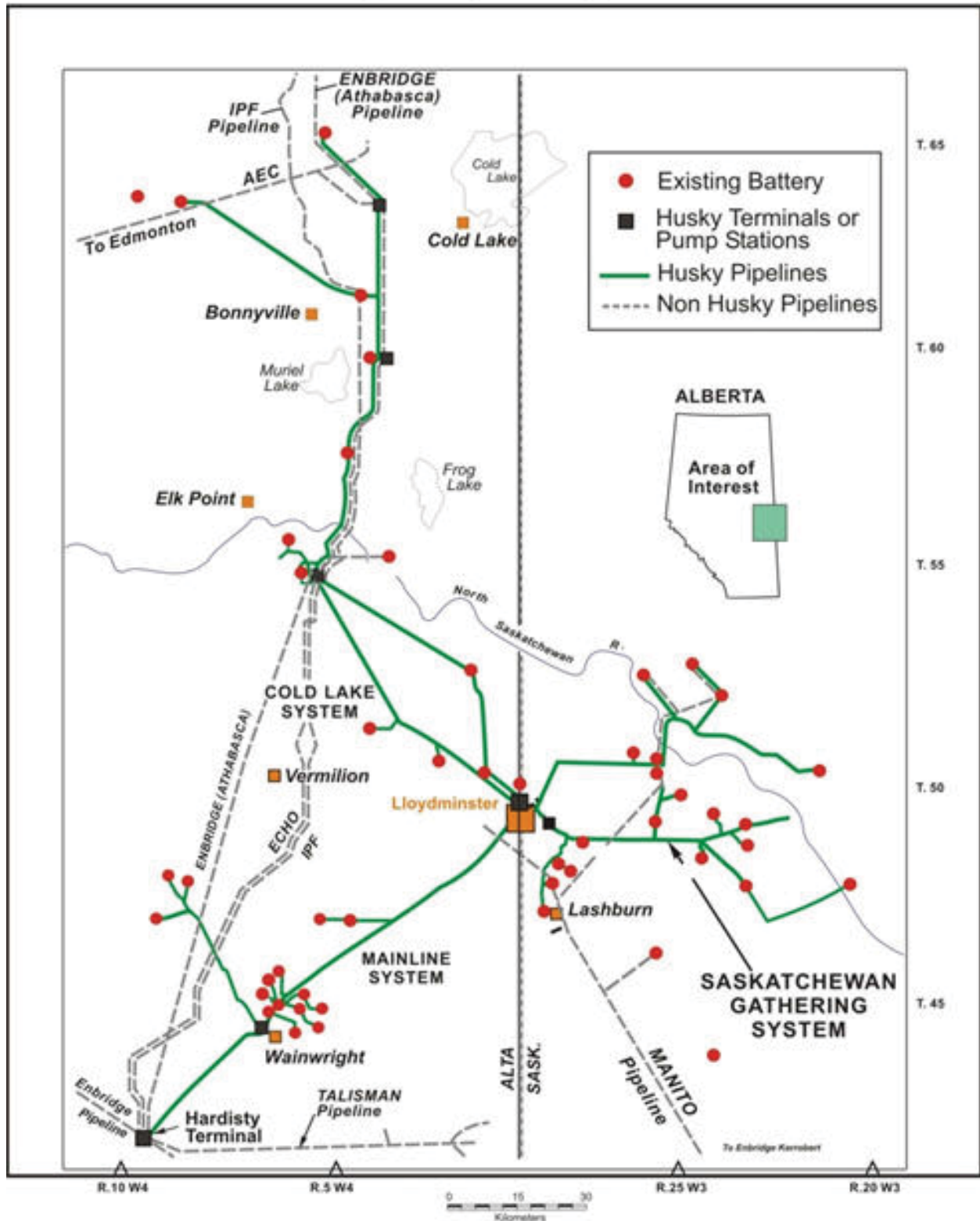
(mbbls/day)	Years Ended December 31,		
	2015	2014	2013
Combined Pipeline Throughput <sup>(1)</sup>	572	531	557

<sup>(1)</sup> 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 two additional 300,000-barrel storage tanks and the expanded piping and blending infrastructure was completed and started up in the first quarter of 2015. This is providing further flexibility to maximize realizations of our products.

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

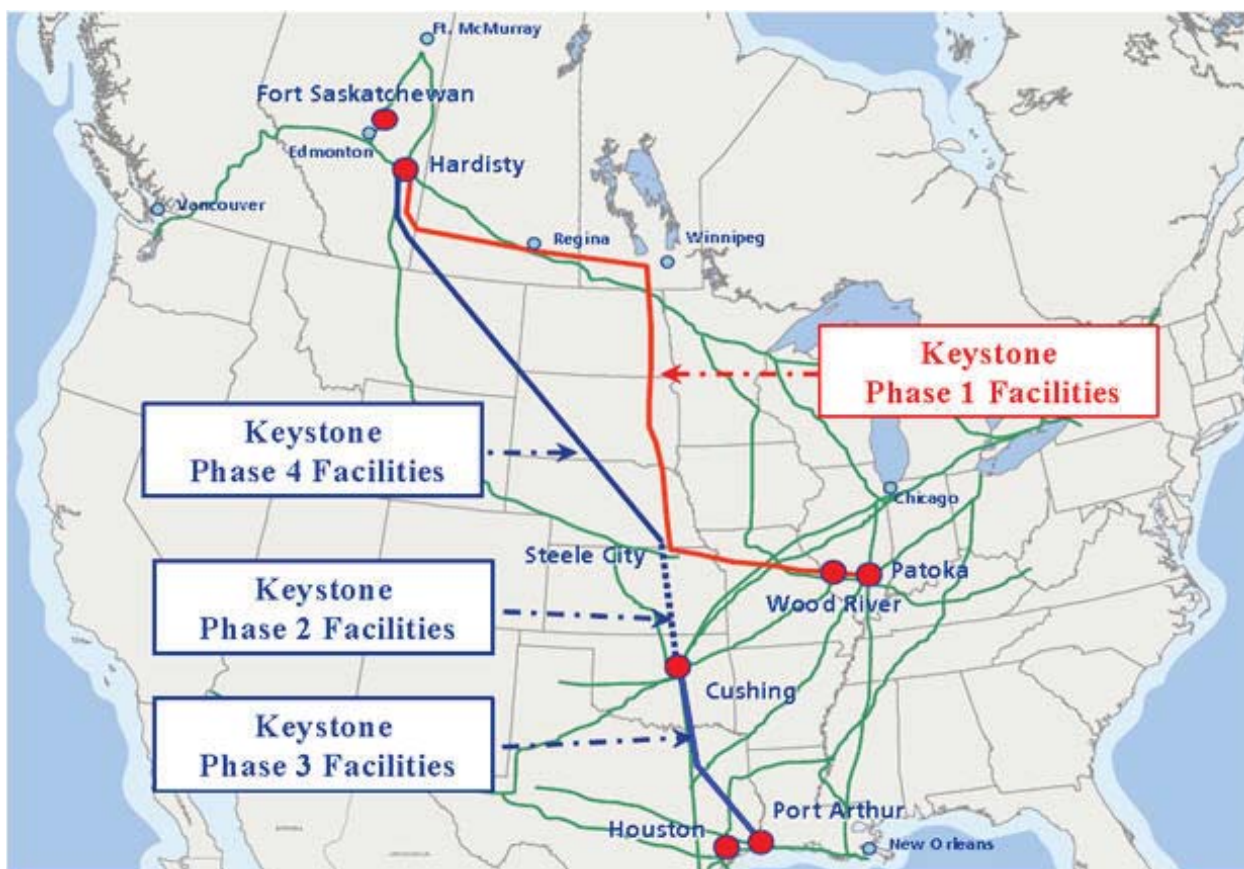
# Heavy Oil Pipeline Systems



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. The Keystone pipeline system continues to Cushing, Oklahoma and Husky holds long term firm capacity on the Flanagan South pipeline and Southern Access Extension pipeline which connects Enbridge's Mainline to the U.S. Gulf Coast and Patoka markets.

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 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 export pipelines and through Husky's demand for Canadian crude oil feedstock for 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 which has been priced at significant discounts to ocean imports. Husky has made 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, Husky has developed the capability to employ 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.

In 2015 Husky continued to pursue expansion opportunities including the Saskatchewan Gathering System leg extensions, Western Canadian Select capacity increase at the Hardisty terminal and a new Lloyd Blend direct pipeline.

#### *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 and its Ohio refineries. 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 Husky's refinery at Prince George, British Columbia and at Lima, Ohio. 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 aggregate do not exceed amounts forecasted to be deliverable from Husky's reserves. The natural gas sales contracted are primarily at market prices. 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 160,000 bbls/day and an operating capacity of 135,000 – 155,000 bbls/day on its current crude slate. 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, Inland, Sunoco Logistics and Teppco pipeline systems and by rail car to primary markets in Ohio, Illinois, Indiana, Pennsylvania, and southern Michigan.

During 2015, crude oil feedstock throughput at the Lima Refinery averaged 127 mbbbls/day. This throughput is down from normal operations due to the isocracker incident in January 2015. The unit remained down through 2015 and is expected to resume operations in the second quarter of 2016. Production of gasoline averaged 65 mbbbls/day, total distillates averaged 51 mbbbls/day and total other products averaged 18 mbbbls/day.

The Lima Refinery continues to progress reliability and profitability improvement projects. 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 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 percent interest, has a nameplate capacity of 160,000 bbls/day and an operating capacity of 135,000 - 145,000 bbls/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.

After the commissioning of the Continuous Catalytic Regeneration Reformer project in March 2015, the Refinery was subject to the EPA's New Source Performance Standard Subpart Ja which restricts continuous flaring of SO<sub>2</sub> and H<sub>2</sub>S waste gases. This new rule was promulgated by the EPA in November 2012 with a compliance deadline three years later. At the end of 2015 the Refinery had the necessary equipment in place to meet this updated regulatory monitoring and emission standard.

During the year ended December 31, 2015, Husky's share of crude oil feedstock throughput averaged 64 mbbbls/day, production of gasoline averaged 39 mbbbls/day, middle distillates averaged 21 mbbbls/day and other fuel and feedstock averaged 8 mbbbls/day.

The BP-Husky Toledo Refinery began processing bitumen from the Sunrise Energy Project in the second half of 2015.

A feedstock optimization project was sanctioned during the fourth quarter of 2015 which is designed to improve the Refinery's ability to process Hi-TAN crude. Targeted completion of the required metallurgy changes will be performed during the refinery's turnaround starting in the second quarter of 2016. Once the upgrades are complete, the Refinery will have the ability to process up to an additional 35,000 bbls/day of Hi-TAN crude. The Refinery's overall nameplate capacity will remain at 160,000 bbls/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 51 mbbls/day of synthetic crude oil, 13 mbbls/day of diluent and 5 mbbls/day of ultra low sulphur diesel in 2015. In addition, the Upgrader also produced, as by-products of its upgrading operations, approximately 319 long tons/day of sulphur and 849 long tons/day of petroleum coke during 2015. 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 percent 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 2015, refinery throughput averaged 10.7 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 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 28.1 mbbls/day of blended heavy crude oil feedstock during 2015. In 2015, daily sales volumes of asphalt averaged 15.4 mbbls/day and daily sales volumes of residual and other products averaged 12.6 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 strategies 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 allows Husky to run at or near full capacity throughout the year.

### **Asphalt Distribution Network**

In addition to sales directly from the Lloydminster Asphalt Refinery, Husky has an asphalt distribution network which consists of emulsion plants and asphalt terminals located at Kamloops, British Columbia, Edmonton and Lethbridge, Alberta, Yorkton, Saskatchewan and Winnipeg, Manitoba and two emulsion plants located at Lloydminster and Saskatoon, Saskatchewan. Husky also terminals asphalt at its Prince George Refinery and uses independently operated terminals in Vancouver, British Columbia and in Washington State.



The Company's sales to the United States and Eastern Canada accounted for over 50 percent of its total asphalt sales in 2015. Exported asphalt products are shipped as far as California and New York in the United States and Nova Scotia in Canada. Husky sold 5.9 mmbbls of asphalt cement in 2015.

Through the Pounder Emulsions division, Husky 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.

In 2016, Husky plans to increase retail capacity in U.S. markets by marketing residual products as refinery feedstock. Husky also plans to implement safety and reliability improvements and develop new products 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 2015, ethanol production averaged 794,928 litres/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<sub>2</sub> capture facility. The plant is currently capturing CO<sub>2</sub> 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 3.3 mmbbls/day and by the Husky Lloydminster Upgrader of 5.3 mmbbls/day in 2015, Husky has rack-based pricing purchase agreements for refined products with all major Canadian refiners. During 2015, Husky purchased approximately 29.2 mmbbls/day of refined petroleum products from refiners and acquired approximately 9.0 mmbbls/day of refined petroleum products pursuant to exchange agreements with third-party refiners.

### **Branded Petroleum Product Outlets and Commercial Distribution**

As at December 31, 2015, there were 485 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 provides a commercial payment card program that delivers universal card acceptance, 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 agricultural markets in Western Canada.

During 2015, Husky and Imperial Oil entered into a contractual agreement to create a single expanded truck transport network of approximately 160 sites. The agreement is subject to regulatory approval by Canada's Competition Bureau and other closing conditions.

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 fuel, propane services, and Chevron lubricants to customers. 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, 2015:

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	2015 Total	2014 Total
<b>Branded Petroleum Outlets</b>							
Retail Owned Outlets	52	62	12	15	73	214	215
Leased	35	36	4	11	31	117	118
Independent Retailers	48	73	11	5	17	154	157
<b>Total</b>	<b>135</b>	<b>171</b>	<b>27</b>	<b>31</b>	<b>121</b>	<b>485</b>	<b>490</b>
Cardlocks <sup>(1)</sup>	23	31	5	7	19	85	84
Convenience Stores <sup>(1)</sup>	80	88	15	23	103	309	315
Restaurants	8	10	4	2	13	37	40

<sup>(1)</sup> 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 2015, daily sales volumes of gasoline, diesel fuel and liquefied petroleum gas were 23.1 mbbls/day, 23.7 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:

<i>(mbbls/day)</i>	Years ended December 31,		
	2015	2014	2013
Gasoline	23.1	24.8	25.0
Diesel fuel	23.7	24.9	25.5
Liquefied Petroleum Gas	0.2	0.1	0.4
	47.0	49.8	50.9

## 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 the Company believes have the most significant impact on the short and long-term operations of the oil and gas industry.

### Crude Oil and Natural Gas Production

The global crude oil supply and demand imbalance persisted during 2015 and drove inventories higher by an estimated 1.9 mmbbls/day. Inventories surged higher in the U.S. and ended the year at approximately 487 mmbbls, excluding strategic reserves, the highest levels in at least 80 years. The increase in global crude oil supply was primarily attributable to growth from U.S. unconventional production and from OPEC. Total U.S. crude oil production averaged an estimated 9.4 mmbbls/day in 2015 and is expected to decrease to approximately 8.7 and 8.5 mmbbls/day in 2016 and 2017, respectively. Crude oil production from OPEC averaged an estimated 31.7 mmbbls/day in 2015 and is expected to increase to approximately 32.2 and 32.7 mmbbls/day in 2016 and 2017, respectively.<sup>1</sup>

In Canada, production continued to grow from the Western Canadian oil sands. However, growth was at a slower pace than anticipated primarily due to significant declines in benchmark crude oil prices. In the CAPP June 2015 publication, production in Canada was forecast to be 3.9 mmbbls/day in 2015, up from 3.7 mmbbls/day in 2014, and increasing to 4.6 mmbbls/day by 2020. The majority of production growth in Canada continues to be expected from the oil sands however the estimates acknowledge the uncertainty that exists surrounding the global price environment.<sup>2</sup>

Total U.S. natural gas production increased by approximately 5.7 percent in 2015 compared to 2014 and is forecast to grow by 0.7 percent in 2016. The EIA anticipates that U.S. natural gas production will remain high and will reduce demand for natural gas imports from Canada. Total Canadian natural gas production in 2015 was comparable to 2014.<sup>3</sup>

### 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 imbalance between global crude oil supply and demand, led primarily by the growth in U.S. unconventional and OPEC production, lower economic growth forecasts from emerging markets and corresponding growth in crude oil inventories, resulted in significantly lower crude oil benchmarks in 2015 compared to 2014. The price of WTI averaged U.S. \$48.80/bbl in 2015 compared to U.S. \$93.00/bbl in 2014 and the price of Brent averaged U.S. \$52.46/bbl compared to U.S. \$98.99/bbl in 2014. The EIA predicts that the benchmark price of WTI and Brent will average U.S. \$38/bbl and U.S. \$40/bbl, respectively in 2016.<sup>1</sup>

### Market Access

In order to accommodate the growing production of crude oil from Western Canada, the oil and gas industry continues to work with stakeholders to develop a strong network of transportation infrastructure for crude oil, including pipelines, rail, marine and trucks. The development of a strong infrastructure network continues to be an important challenge for the industry in order to obtain market access for the growing supply from the Canadian oil sands.<sup>2</sup>

Current pipeline capacity for crude oil exiting Western Canada totals 4.0 mmbbls/day. Several proposals have been announced that could increase current capacity by approximately 3.4 mmbbls/day during the next five years; however the in-service dates for many of the pipeline projects have already been delayed or could be further delayed due to extended regulatory processes<sup>2</sup> and/or regulatory and policy changes. The proposed pipeline projects, which are subject to various uncertainties, include the Keystone XL to the U.S. Gulf Coast, the Trans Mountain Expansion

to Burnaby, British Columbia, the Enbridge Northern Gateway to Kitimat, British Columbia, the TransCanada Energy East to the east coast of Canada and the restoration of Enbridge's Line 3.

Pipelines are widely accepted as the most efficient means of transporting crude oil; however, pipeline constraints in recent years have led to a sharp increase in the transportation of crude oil by rail. CAPP forecasts that 185 mbbls/day of crude oil was transported by rail in 2014 and estimates that between 500 – 600 mbbls/day of crude oil will be shipped by rail by 2018.

## **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 nine percent of gross revenues in 2015 compared to 12 percent in 2014 primarily due to lower commodity prices with a sliding scale price sensitivity rate. In the Company's Atlantic Region, the average royalty rate was 11 percent in 2015 compared to 17 percent in 2014 primarily due to lower crude oil prices.

In early 2016, the Alberta government adopted the recommendation of its Royalty Review Panel. The new royalty framework preserves the existing royalty structure and rates for oil sands. It also creates a harmonized royalty formula for crude oil, natural gas and liquids that emulates a revenue minus cost system. The new rates will be calibrated to match rates of returns that could be expected under the existing system. The royalty changes will take effect in 2017 and only apply to new wells. Royalties on existing wells will remain in place for 10 years.

The Canadian federal corporate income tax rate was 15 percent in 2015 and 2014. Provincial rates ranged between 10 percent and 16 percent in 2015 and 2014.

### ***Other Jurisdictions***

In the Company's Asia Pacific Region, the average royalty rate was 5 percent in 2015 compared to 8 percent in 2014 primarily due to lower crude oil prices which resulted in lower levies.

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.

## **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 licences, 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 licences, 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, including greenhouse gas emissions. 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 pertinent 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 existing environmental regulations and initiatives including but not limited to, water, air 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 are protected. Guidelines dictate 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, extraction, and disposal activities;
- baseline domestic water well testing;
- 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 and wetlands 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 regulatory changes, both directly and through industry associations, to ensure the Company's interests are recognized. Husky believes it is sufficiently prepared to fully comply when new water regulations come into force. Husky has a Corporate Water Standard that mandates Water Risk Assessments and Water Management Plans for its facilities, which include consideration of regulatory risks. Water Risk Assessments consider both known proposed water regulations and possible future regulations (not currently proposed). Husky has realized financial impacts due to recent regulation changes; proposed and future regulation changes could also have financial impacts. The purpose of the Water Risk Assessments is to identify and mitigate these risks. Mitigation could include minimizing financial impact.

### **Climate Change**

Husky operates in many jurisdictions that regulate or have proposed to regulate 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*

Canada has committed to an Intended Nationally Determined Contribution of reducing GHG emissions by 30 percent below 2005 levels by 2030 as part of the Paris Agreement at the United Nations Framework Convention on Climate Change Conference of the Parties held in Paris, France in December 2015. The Agreement includes non-binding pledges from 195 countries including all major emitters globally to reduce emissions such that temperature increases are limited to “well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C.” There is a binding commitment to review and increase pledges every five years under the Paris Agreement.

## *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 five percent of their gasoline supply come from renewable sources (such as ethanol) and to have an average of at least two percent 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.

The Canadian federal government has announced its intention to set a more stringent national target than the Paris Agreement.

## *Canadian Provincial Greenhouse Gas Regulations*

In 2015, Alberta announced a major shift in its climate regulations. Facilities that emit over 100,000 tonnes of CO<sub>2</sub>e per year will be required to reduce their emissions intensity by 15 percent over baseline conditions by January 1, 2016 (previously this was 12 percent) which will increase to 20 percent by January 1, 2017. The price of the carbon levy (which may be used to make up for any shortfall in actual emissions intensity reductions) will also increase from \$15/tCO<sub>2</sub>e to \$20/tCO<sub>2</sub>e for 2016 and \$30/tCO<sub>2</sub>e for 2017. As of January 1, 2018, these facilities will fall under a newly proposed product-based performance standard, the details of which have not yet been developed. As of January 1, 2017 Alberta will be implementing a broad-based carbon price designed to cover emissions across all sectors, starting at \$20 per tonne and moving to \$30 per tonne on January 1, 2018. The price will increase in real terms each year after that. Conventional oil and gas facilities emitting less than 100,000 tCO<sub>2</sub>e per year will be levied starting on January 1, 2023, to allow time for these facilities to reduce methane emissions under the newly proposed Joint Initiative on Methane Reduction and Verification. Consultations with industry and other stakeholders are ongoing to develop these regulations. Finally, total emissions from the oil sands will be capped at a maximum of 100 megatonnes in any year, with provisions for cogeneration and new upgrading capacity. The details of how this emissions limit will be implemented have not been finalized.

In British Columbia, regulations established in 2008 target a provincial reduction in GHG emissions of at least 33 percent below 2007 levels by 2020. In October 2014, British Columbia introduced Bill 2, the Greenhouse Gas Industrial Reporting and Control Act, which will limit emissions from LNG facilities to 0.16 tonnes of GHG emissions for each 1 tonne of LNG processed by the operator once implemented.

The British Columbia government released its Climate Leadership Plan Discussion Paper in July 2015. After considering the feedback provided during the consultation period, the B.C. Climate Leadership Team released its Recommendations to Government in November. The 32 recommendations focus largely on carbon pricing and measures to reduce GHG emissions, including increasing the rate of the existing carbon tax by \$10/tonne every year starting in July 2018, expanding the scope of the carbon tax to apply to all GHG emission sources (including non-combustion sources), as well as implementing targeted measures to protect emissions-intensive, trade-exposed sectors (e.g. refining industry). The B.C. government is currently conducting additional consultation on the Climate Leadership Plan and expects to release the final plan in the spring of 2016.

Manitoba’s Climate Change and Green Economy Action Plan was released in December 2015. Manitoba has pledged to start a carbon cap-and-trade system aiming to cut GHG emissions from 2005 levels by one-third by 2030 and by one-half by 2050. The province will seek to be carbon-neutral by 2080. Manitoba will cap GHG emissions



for certain sectors and link its cap-and-trade system with others in North America, including Ontario, Quebec and California.

In April 2015, the Ontario government signed an agreement with Quebec to create a joint cap-and-trade system that will be the primary tool for Ontario seeking to achieve its 2020 target of GHG emissions being 15 per cent below 1990 emission levels. The Cap and Trade Program Design Options were posted for comment in November. The document seeks input on various elements of the program including timing, scope of the program, setting the caps on GHG emissions, allowance distribution, price stability mechanisms and enforcement.

### ***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 EPA has and may continue to promulgate regulations concerning the reporting and control of GHG emissions. In 2009, the EPA enacted the GHGRP, which requires any facility releasing more than 25,000 tons per year of CO<sub>2</sub>e emissions to report those emissions on an annual basis, beginning with calendar year 2010. In addition to reporting direct CO<sub>2</sub>e emissions, the GHGRP requires refineries to estimate the CO<sub>2</sub>e emissions from the potential subsequent combustion of the refinery's products.

In May 2010, the 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 EPA will amend the Tailoring Rule in a way that imposes additional GHG requirements on Husky's U.S. operations.

The EPA has previously issued standards for the oil and gas production and transmission sector that, among other requirements, mandates the use of specified REC for hydraulically fractured natural gas wells. In August 2015, the EPA proposed methane emissions standards for the upstream oil and gas sector, including an extension of REC requirements to hydraulically fractured oil wells.

The 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 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 significant increase in exposure and expectation amongst the public, by governments and regulators and within industry.

Governments are setting new expectations for pipeline integrity management and spill response. The B.C. Government has outlined five minimum requirements that must be met for the province to consider the construction of heavy oil pipelines within its borders. Governments, through their regulators, have increased the number of inspections and reviews, and in parallel have put in place a series of new expectations for stronger pipeline integrity and spill management.

Industry, as a group, has responded by developing and implementing best practice guidelines to deliver the new expectations.

### **Abandonment Liability**

Over a three year period, the AER phased in parameter updates to the licensee abandonment liability program. These changes were fully implemented in May 2015 under Directive 006: *Licencee Liability Rating Program and Licence Transfer Process* ("Directive 6") and effected important changes to the Licencee Liability Rating Program. The Licencee 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 Licencee 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 Licencee 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.

If a licensee's deemed liabilities exceed its deemed assets, the licensee is required to post a security deposit with the AER to make up the shortfall. 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 or gas under high pressure down a well to crack the hydrocarbon bearing rock. In the case of water-based fractures, the fluid typically consists of water, sand, and a relatively small amount of chemicals. This mixture 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 provincial regulations. The wells are designed and installed to provide multiple barriers protecting fresh 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 response to concerns that hydraulic fracturing may induce seismic events, the AER has imposed seismic monitoring and reporting requirements in certain areas of the Province, including the Duvernay formation.

### **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 consider cumulative effects within the region using formal management frameworks; Air Quality, Surface Water Quality and Quantity, Groundwater Management and Biodiversity.

The use of each framework establishes approaches to ensure trends are identified and assessed, regional limits are not exceeded and that air, water, and biodiversity remain healthy for the region's residents and ecosystems during oil sands development. To date, the Biodiversity Framework under LARP has not been finalized.

### **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 and joint policy advocacy through CAPP and CFA.

Husky collaborates on water management and water risk mitigation through involvement in industry initiatives and committees. As a member of the joint-industry Water Technology Development Centre, Husky is committed to developing technologies that will reduce water and energy use for in-situ thermal heavy oil operations. Husky also participates in the CAPP Water Task Group and its specialty sub-committees, the COSIA Devonian Aquifer Working Group, the PTAC Water Innovation and Planning Committee, the PTAC Tight Oil and Gas Innovation Network Water Management 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 Industrial Fire Protection Association, Beaver River Watershed Alliance, Calgary Region Airshed Zone,

Canadian Association of Petroleum Producers, Canadian Fuels Association, Canadian Land Reclamation Association, CDP, China Offshore Environmental Services, China Offshore Oil Operation Safety Office, China's State Oceanic Administration, Clearwater Mutual Aid CO-OP, Clearwater Trails Initiative, Conference Board of Canada – Council on Emergency Management, Cumulative Environmental Management Association, Earth Rangers, Eastern Canada Response Corporation, Emergency Response Assistance Canada, Environmental Services Association of Alberta, Environmental Studies Research Funds, Faster Forests (part of COSIA), Foothills Research Institute – Grizzly Bear Program, Foothills Restoration Forum – Southwest Alberta Sustainable Community Initiative, Grasslands Air Zone, Hardisty Air Management Zone Association, Indonesian Petroleum Association, Integrated CO<sub>2</sub> Network, International Oil & Gas Producers Association, IPIECA, Lakeland Industry and Community Association, 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, Palliser Airshed Society, Parkland Airshed Management Zone, Peace Airshed Zone, Petroleum Research Newfoundland and Labrador, Petroleum Technology Alliance Canada, Plains CO<sub>2</sub> Reduction Partnership, Prince George Air Improvement Roundtable, Regional Aquatics Monitoring Program, Saskatchewan Petroleum Industry Government Environmental Committee, Saskatchewan Prairie Conservation Action Plan, Southeast Saskatchewan Airshed Association, Upstream Saskatchewan Spill Response Co-op Area 2, 3 & 4 Spill Response Cooperatives, Water Technology Development Centre – COSIA joint industry project, West Central Airshed, Western Canadian Spill Services, Western Yellowhead Air Management Zone, and the Wood Buffalo Environmental Association.

### **Husky's Sustainability Commitment**

Husky's sustainability is a key pillar of the financial well-being of the Company. 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, by taking steps to protect the environment, or in delivering lasting benefits to the communities. More information can be found in the Husky Energy 2014 Community Report, which can be accessed under both the Social Responsibility and Environment sections of [www.huskyenergy.com](http://www.huskyenergy.com).

- <sup>(1)</sup> "Short-Term Energy Outlook", January 2016, U.S. Energy Information Administration
- <sup>(2)</sup> "Crude Oil Forecast, Markets and Pipelines", June 2015, Canadian Association of Petroleum Producers
- <sup>(3)</sup> "Marketable Natural Gas Production in Canada", December 30, 2015, National Energy Board

## RISK FACTORS

The following summarizes what Husky believes to be the most significant risks relating to 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 HOIMS, its integrated management system that considers environmental requirements and process and occupational safety. Failure to manage the risks effectively could result in potential fatalities, serious injury, interruptions to activities or use of assets, damage to assets, environmental impact, or loss of licence to operate. 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 refined products, crude oil, NGL and natural gas production. Lower prices for crude oil, NGL 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. Wider price differentials between heavier and lighter grades of crude oil 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 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 refined products and 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, technological developments, prevailing weather patterns and the availability of alternate sources of energy.

Husky's natural gas production is currently located in Western Canada and the Asia Pacific Region. 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 of existing or accessible conventional or unconventional sources (such as from shale), or from storage facilities, technological developments, prevailing weather patterns, the U.S. and Canadian economies, the occurrence of natural disasters and pipeline restrictions.

The natural gas Husky produces in the Asia Pacific Region is sold to specific buyers with long-term contracts. For the Liwan 3-1 gas field, a price profile has been fixed for five years and then will be linked to local benchmark pricing for the years following subject to a floor and ceiling. For the Liuhua 34-2 field, the price is fixed with a single escalation step during the contract delivery period. In Asia or in North America, refined products and 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.

In certain instances, the Company uses derivative commodity instruments and futures contracts on commodity exchanges to manage exposure to price volatility on a portion of its refined product, oil and gas production, inventory or volumes in long distance transit.

The fluctuations in refined products, 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

2015 commodity price sensitivities, refer to Section 3.0 of the 2015 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, shale oil 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 condition, short-term to long-term business strategy, cash flow, earnings 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 situations 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 condition, 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, unreasonable taxation and corrupt behaviour of public officials, joint venture partners or third-party representatives that could result in lost business opportunities for Husky. This could adversely affect the Company's interest in its foreign operations and future profitability.

### **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 decreases in product markets. 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 oil and gas properties. In general, estimates of economically recoverable crude oil and natural 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 government 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 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 and 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 climate 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 licences 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 has made projections of the impact of scenarios involving certain potential laws and regulations relating to climate change. Husky engages in 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:

- GHG emission regulations in jurisdictions where the Company has operations;
- increased restrictions on freshwater licensing;
- enhanced groundwater and surface water monitoring;
- enhanced water discharge criteria;
- provincial/state level calculation and regulation of carbon intensity for transportation fuels;
- fuel reformulation to support reduced transportation emissions;
- managing air pollutants at facility and equipment levels;
- potential for a moratorium on development in areas of particular value to species at risk; and
- the transportation of product by rail.

### **Transportation of Dangerous Goods Regulation**

New regulations amending the Canadian Transportation of Dangerous Goods Regulations were published on May 20, 2015. The regulatory package was made in coordination with the USDOT, the USDOT package having been developed by the USDOT's affiliate regulators, the Federal Railroad Administration and the Pipeline and Hazardous Materials Safety Administration ("PHMSA"). The new regulations unveiled a new, enhanced, class of tank car and were characterized by the USDOT as an aggressive, risk-based retrofitting schedule for older tank cars carrying, in particular, crude oil and ethanol. The new class of non-pressurized tank car (TC-117 in Canada and DOT-117 in the United States) adopts technical requirements for Class 3 flammable liquids service: jacketed and thermally insulated shells of 9/16-inch steel, full-height half-inch-thick head shields, re-closable pressure relief valves and rollover protection for top fittings.

The new regulations also provide a timeline for the retrofitting or retirement of existing DOT-111 cars and the newer industry-sponsored CPC-1232 cars that were constructed since 2011. Husky currently leases and operates a fleet of 1,534 tank cars, 314 or 20 percent of which are affected by the new regulations and will be replaced.

In December 2015, the U.S. congress passed the FAST Act, a federal transportation bill. Among other things, the FAST Act requires the phased implementation of new tank car standards previously finalized by PHMSA for all flammable liquids tank cars.

Husky loads, bills, and ships cars to destinations all over North America from five primary locations: Lloydminster Upgrader, Lloydminster Refinery, Prince George, Ram River and Lima. The new regulations may impact the Company's operations in North America.

### **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<sub>2</sub>e in a year to reduce their emissions intensity by up to 20 percent below an established baseline emissions intensity by January 1, 2017. These regulations currently affect the Company's Ram River Gas Plant and Tucker Thermal Facility. Husky's Sunrise Energy Project will not be impacted by the existing regulations before they expire in 2017. The Alberta Climate Leadership Plan will be implemented in 2017. The regulations under this plan are currently under development and will cover all of the Company's assets in Alberta. These regulations may materially impact the Company's current and future operations in the province.

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

British Columbia currently has a \$30 per tonne carbon tax that is in place 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 Renewable and Low Carbon Fuel Requirements Regulation in place that requires a reduction in the

allowable carbon intensities of all fuels, with penalties applied for intensities that do not meet targets. As a result of credits generated by the Company, it is anticipated that penalty payments will not begin to apply until the end of 2017. Beyond that, the cost of compliance with the regulation may become material.

At the Company's Prince George Refinery, certain biodiesel options are not feasible operationally or economically. With the current biodiesel option, it is not economically feasible to increase the blending percentages.

The B.C. government is currently conducting additional consultation on its Climate Leadership Plan. Future regulations may impact the Company's current and future operations in British Columbia.

Manitoba released its Climate Change and Green Economy Action Plan in December 2015 and pledged to start a carbon cap-and-trade system aiming to cut GHG emissions from 2005 levels by one-third by 2030 and by one-half by 2050. Manitoba has stated it will cap GHG emissions for certain sectors and link its cap-and-trade system with others in North America. Details on the plan will follow public consultations, and its implementation may impact Husky's operations in Manitoba.

The Federal Government of Canada has announced its intention to commence developing a new federal climate change plan in consultation with the provinces. It is not clear how this new plan will be structured and what impacts it will have on Husky's operations. Climate change regulations may become more onerous over time as governments implement policies to 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 and change in demand for refined products.

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. dollar denominated revenue 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 for which the U.S. dollar is the functional currency. At December 31, 2015, the amount that the Company designated was U.S. \$3.2 billion (December 31, 2014 - U.S. \$2.9 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.



### ***Counterparty 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 and equity capital markets under its shelf prospectuses. The availability of capital under its shelf prospectuses is dependent on market conditions at the time of sale.

### **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.

### **Credit Rating 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. Weather and climate affect demand, and therefore, 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 may 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.

## HUSKY EMPLOYEES

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

	As at December 31,		
	2015	2014	2013
	5,552	5,774	5,479

## DIVIDENDS

The following table shows the aggregate amount of the dividends per common share, Series 1 Preferred Shares, Series 3 Preferred Shares, Series 5 Preferred Shares and Series 7 Preferred Shares of the Company declared payable in respect of its last three years ended December 31:

	2015	2014	2013
Dividends per Common Share	\$0.90	\$1.20	\$1.20
Dividends per Series 1 Preferred Share	\$1.11	\$1.11	\$1.11
Dividends per Series 3 Preferred Share	\$1.19	—	—
Dividends per Series 5 Preferred Share	\$0.90	—	—
Dividends per Series 7 Preferred Share	\$0.62	—	—

## Dividend Policy and Restrictions

The declaration and payment of dividends are at the discretion of the Board of Directors, which will consider earnings, commodity price outlook, future 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.

### Common Share Dividends

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 had established a dividend policy that pays quarterly dividends of \$0.30 (\$1.20 annually) per common share. The third quarter dividend was declared in the amount of \$0.30 per common share, and paid to all shareholders of record on November 27, 2015, without any further action on their part, in the form of common shares at a price of \$13.98 per share on January 11, 2016. Given the persistent downward pressure on oil prices and the extended lower for longer outlook, the Board of Directors has suspended the Company's quarterly dividend on its common shares.

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 percent 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 percent. 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 90-day Government of Canada Treasury Bill yield plus 1.73 percent 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, payable on the last day of March, June, September and December in each year, yielding 4.50 percent annually for the initial period ending December 31, 2019 as declared by the Board of Directors. 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 Shares will have the right, at their option, to convert their shares into Series 4 Preferred Shares, subject to certain conditions, on December 31, 2019 and on December 31 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 yield plus 3.13 percent.

### **Series 5 Preferred Share Dividends**

Holders of the Series 5 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 4.50 percent annually for the initial period ending March 31, 2020 as declared by the Board of Directors. Thereafter, the dividend rate will be reset every five years at the rate equal to the five-year Government of Canada bond yield plus 3.57 percent. Holders of Series 5 Preferred Shares will have the right, at their option, to convert their shares into Series 6 Preferred Shares, subject to certain conditions, on March 31, 2020 and on March 31 every five years thereafter. Holders of the Series 6 Preferred 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 3.57 percent.

### **Series 7 Preferred Share Dividends**

Holders of the Series 7 Preferred Shares are entitled to receive a cumulative fixed dividend, payable on the last day of March, June, September and December in each year, yielding 4.60 percent annually for the initial period ending June 30, 2020 as declared by the Board of Directors. Thereafter, the dividend rate will be reset every five years at the rate equal to the five-year Government of Canada bond yield plus 3.52 percent. Holders of the Series 7 Preferred Shares will have the right, at their option, to convert their shares into Series 8 Preferred Shares, subject to certain conditions, on June 30, 2020 and on June 30 every five years thereafter. Holders of the Series 8 Preferred 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 3.52 percent.

## **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 five trading day period immediately prior to the payment date of the dividend on the common shares.

In the event the stock dividend is to be issued pursuant to Husky's Stock Dividend Program, 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 pursuant to Husky's Stock Dividend Program, 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 – Common Share Dividends."

## **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 and authorized the issuance of 10 million Series 4 Preferred Shares. In 2015, Husky issued 8 million Series 5 Preferred Shares and 6 million Series 7 Preferred Shares and authorized the issuance of 8 million Series 6 Preferred Shares and 6 million Series 8 Preferred Shares. See "Dividends - Dividend Policy and Restrictions - Series 1 Preferred Share Dividends" and "Dividends - Dividend Policy and Restrictions - Series 3 Preferred Share Dividends" and "Dividends - Dividend Policy and Restrictions - Series 5 Preferred Share Dividends" and "Dividends - Dividend Policy and Restrictions - Series 7 Preferred Share Dividends". None of the issued preferred shares are entitled to vote, except in accordance with the provisions of the Business Corporations Act (Alberta).

## **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 if certain adverse events occur with respect to credit ratings, and (ii) into and maintaining ordinary course contracts with customers and suppliers on acceptable terms.

	<b>Standard and Poor's Rating Services</b>	<b>Moody's Investor Service ("Moody's")</b>	<b>Dominion Bond Rating Services Limited</b>
<b>Outlook/Trend</b>	Negative - Issuer	Stable	Negative
<b>Senior Unsecured Debt</b>	BBB+	Baa2	A(low)
<b>Series 1 Preferred Shares</b>	P-2(low)		Pfd-2(low)
<b>Series 3 Preferred Shares</b>	P-2(low)		Pfd-2(low)
<b>Series 5 Preferred Shares</b>	P-2(low)		Pfd-2(low)
<b>Series 7 Preferred Shares</b>	P-2(low)		Pfd-2(low)
<b>Commercial Paper</b>			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 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. The Company pays an annual fee to Standard and Poor's, Moody's and Dominion Bond Rating Services Limited. Additionally, Husky pays a fee to credit rating agencies in order to receive a rating for debt or equity instruments upon issuance.

### **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 has assigned a negative outlook on Husky's corporate rating. This indicates that S&P's credit rating of Husky may change in the coming 6 to 24 months but does not mean that a rating change is inevitable.

Standard and Poor's began rating Husky's Series 1 Preferred Shares, Series 3 Preferred Shares, Series 5 Preferred Shares, and Series 7 Preferred Shares on its Canadian preferred share scale on March 18, 2011, December 9, 2014, March 12, 2015 and June 17, 2015, 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, Series 3 Preferred Shares, Series 5 Preferred Shares, and Series 7 Preferred Shares on its Canadian preferred share scale on March 18, 2011, December 9, 2014, March 12, 2015 and June 17, 2015, 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 quality. 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.

On January 29, 2016, Dominion Bond Rating Service announced the completion of a review of ratings on its entire oil and gas portfolio. Husky's credit ratings were affirmed; however, the trend associated with these ratings has been modified from Stable to Negative.



## MARKET FOR SECURITIES

Husky's common shares, Series 1 Preferred Shares, Series 3 Preferred Shares, Series 5 Preferred Shares, and Series 7 Preferred Shares are listed and posted for trading on the Toronto Stock Exchange under the respective trading symbols "HSE", "HSE.PR.A", "HSE.PR.C", "HSE.PR.E" and "HSE.PR.G". 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 Series 5 Preferred Shares began trading on the Toronto Stock Exchange on March 12, 2015. The Series 7 Preferred Shares began trading on the Toronto Stock Exchange on June 17, 2015.

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, 2015:

	High	Low	Volume (000's)
January	27.80	24.32	23,455
February	29.48	27.01	31,464
March	28.24	24.48	23,021
April	28.06	25.81	15,503
May	27.25	24.08	16,195
June	25.04	23.22	27,729
July	24.23	22.08	21,269
August	24.41	21.05	17,155
September	22.81	20.43	24,867
October	23.50	17.37	33,406
November	19.50	16.80	38,135
December	18.18	14.03	35,692

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, 2015:

	High	Low	Volume (000's)
January	21.79	16.84	195
February	18.60	16.33	217
March	18.04	16.70	196
April	16.80	15.20	1,606
May	17.99	16.22	429
June	17.12	15.40	255
July	16.52	15.07	210
August	15.29	12.75	198
September	14.50	13.10	147
October	14.48	13.00	292
November	15.76	13.01	317
December	13.34	10.61	441

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, 2015:

	<b>High</b>	<b>Low</b>	<b>Volume (000's)</b>
January	25.30	24.70	377
February	25.65	24.65	216
March	25.31	24.36	332
April	24.85	23.48	135
May	25.33	24.52	327
June	25.00	23.54	236
July	23.69	21.45	151
August	22.99	20.00	130
September	21.49	20.20	151
October	23.45	20.53	175
November	22.37	19.35	233
December	20.20	16.00	483

The following table discloses the trading price range and volume of the Series 5 Preferred Shares traded on the Toronto Stock Exchange during Husky's financial year ended December 31, 2015:

	<b>High</b>	<b>Low</b>	<b>Volume (000's)</b>
March	25.25	24.85	1,274
April	25.45	25.00	750
May	25.80	25.25	279
June	25.64	23.90	318
July	24.75	22.36	139
August	23.77	21.33	104
September	23.21	21.36	124
October	24.99	21.33	185
November	23.21	20.45	310
December	21.66	17.51	613

The following table discloses the trading price range and volume of the Series 7 Preferred Shares traded on the Toronto Stock Exchange during Husky's financial year ended December 31, 2015:

	<b>High</b>	<b>Low</b>	<b>Volume (000's)</b>
June	24.73	24.25	1,616
July	24.58	22.02	442
August	23.28	21.75	270
September	22.99	22.05	164
October	24.20	22.07	202
November	23.52	20.99	178
December	21.73	17.36	435

## 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.

### Directors

<u>Name &amp; Residence</u>	<u>Office or Position</u>	<u>Principal Occupation During Past Five Years</u>
<p>Li, Victor T.K. Hong Kong Special Administrative Region</p>	<p>Co-Chair Director of Husky since August 2000</p>	<p>Mr. Li is Group Co-Managing Director and Deputy Chairman of CK Hutchison Holdings Limited. He is also the Managing Director and Deputy Chairman of Cheung Kong Property Holdings Limited. Mr. Li is also a Director (re-designated from Managing Director and Deputy Chairman to Director since June 3, 2015) of Cheung Kong (Holdings) Limited (whose listing status on The Stock Exchange of Hong Kong Limited was replaced by CK Hutchison Holdings Limited on March, 18, 2015) and a Director (re-designated from Deputy Chairman to Director since June 8, 2015) of Hutchison Whampoa Limited which was privatised by way of a scheme of arrangement on June 3, 2015. He is also the Chairman and Executive Director of Cheung Kong Infrastructure Holdings Limited and CK Life Sciences Int'l., (Holdings) Inc., a Non-Executive Director of Power Assets Holdings Limited and HK Electric Investments Manager Limited which is the trustee-manager of HK Electric Investments, a Non-Executive Director and the Deputy Chairman of HK Electric Investments 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, and a Non-Executive Director of The Hongkong and Shanghai Banking Corporation Limited.</p> <p>Mr. Li serves as 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. He is also a member of the Commission on Strategic Development of the Hong Kong Special Administrative Region and Vice Chairman of the Hong Kong General Chamber of Commerce. Mr. Li is the Honorary Consul of Barbados in Hong Kong.</p> <p>Mr. Li holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Civil 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.</p>
<p>Fok, Canning K.N. Hong Kong Special Administrative Region</p>	<p>Co-Chair and Chair of the Compensation Committee Director of Husky since August 2000</p>	<p>Mr. Fok is an Executive Director and Group Co-Managing Director (re-designated from Non-Executive Director to Executive Director and Group Co-Managing Director since June 3, 2015) of CK Hutchison Holdings Limited.</p>

Mr. Fok is a Director (re-designated from Non-Executive Director to Director since June 3, 2015) of Cheung Kong (Holdings) Limited (whose listing status on The Stock Exchange of Hong Kong Limited was replaced by CK Hutchison Holdings Limited on March 18, 2015) and a Director (re-designated from Executive Director and Group Managing Director since June 8, 2015) of Hutchison Whampoa Limited (which was privatized by a scheme of arrangement on June 3, 2015).

Mr. Fok is Chairman and a Director of 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 and an Alternate Director to a Director of Hutchison Telecommunications Hong Kong Holdings Limited. Mr. Fok was Chairman and an Executive Director of Hutchison Harbour Ring Limited (now known as China Oceanwide Holdings Limited) from 1992 to 2014.

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 (which amalgamated with the New Zealand Institute of Chartered Accountants to become Chartered Accountants Australia and New Zealand) since 1979 and became a Fellow of the Chartered Accountants Australia and New Zealand since 2015.

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., 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 has been on the Board of Directors of Husky Energy since May 2009 and President and CEO since June 2010.

He is the former Managing Director and Chief Executive Officer of Vodafone Essar Limited. Under his leadership the cellular phone company grew from a virtual start up in 1998 to become one of the largest mobile companies in the world by subscribers, creating substantial shareholder value. Today Vodafone India is among the ten largest stand-alone mobile companies in the world.

Mr. Ghosh started his career with Procter & Gamble in Canada and subsequently became a Senior Vice President of Carling O'Keefe. He later became co-founding Chief Executive Officer of Pepsi Food's start up operations in India.

He served in senior executive positions and as Chief Executive Officer of the AS Watson consumer packaged goods subsidiary of Hutchison Whampoa. From 1991 to 1998 he managed a group of 13 business units, and expanded the group's operations from Hong Kong to China and Europe.

Mr. Ghosh received his Master of Business Administration from Wharton School at the University of Pennsylvania, and obtained his undergraduate degree in Electrical Engineering from the Indian Institute of Technology.

He has chaired the National Telecom Committee of the Confederation of Indian Industries and the Cellular Operators Association of India. He was appointed to the Board of Directors of Husky Energy Inc. in 2009, and is also a member of the Board of Directors of Kotak Mahindra Bank Limited.

Mr. Ghosh is a Director of the Li Ka Shing (Canada) Foundation, and a member of the Board of Directors of the Business Council of Canada.

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.

<p>Koh, Poh Chan Hong Kong Special Administrative Region</p>	<p>Director of Husky since August 2000</p>	<p>Ms. Koh is Finance Director of Harbour Plaza Hotel Management (International) Ltd. (a hotel management company).</p> <p>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).</p> <p>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.</p>
<p>Kwok, Eva L. British Columbia, Canada</p>	<p>Member of the Compensation Committee and the Corporate Governance Committee Director of Husky since August 2000</p>	<p>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.</p> <p>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.</p> <p>Mrs. Kwok obtained a Master's degree in Science from the University of London in 1967.</p>
<p>Kwok, Stanley T.L. British Columbia, Canada</p>	<p>Chair of the Health, Safety and Environment Committee Director of Husky since August 2000</p>	<p>Mr. Kwok is a Director and President of Stanley Kwok Consultants (a planning and development company) and Amara Holdings Inc. He is an Independent Non-Executive Director of CK Hutchison Holdings Limited.</p> <p>Mr. Kwok is a Director of Cheung Kong (Holdings) Limited (whose listing status on The Stock Exchange of Hong Kong Limited was replaced by CK Hutchison Holdings Limited on March 18, 2015), the CTBC Bank of Canada and Element Lifestyle Retirement Inc.</p> <p>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.</p>
<p>Ma, Frederick S. H. Hong Kong Special Administrative Region</p>	<p>Member of the Audit Committee and the Health, Safety and Environment Committee Director of Husky since July 2010</p>	<p>Prof. 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.</p> <p>In addition to being a Director of Husky Energy Inc., he is currently the Non-Executive Chairman of MTR Corporation Limited (formerly Mass Transit Railway Corporation Limited). He is currently an independent Non-Executive Director and Chairman of the Audit Committee of the Agricultural Bank of China Limited and a Non-Executive Director of COFCO Corporation.</p>

In July 2002, Prof. 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. Prof. 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. Prof. 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.

Prof. 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 CK Hutchison Holdings Limited and Cheung Kong Infrastructure Holdings Limited and an independent Non-Executive Director of HK Electric Investments Limited and HK Electric Investments Manager Limited.

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.

Cheung Kong (Holdings) Limited's status on The Stock Exchange of Hong Kong Limited was replaced by CK Hutchison Holdings Limited on March 18, 2015 and Hutchison Whampoa Limited was privatized by way of a scheme of arrangement on June 3, 2015.

He also served as Chairman of Hongkong Electric Holdings Limited (now known as Power Assets Holdings Limited) from 1993 to 2005. He was a 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 with the CK Hutchison Holdings 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 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 G.E. Shaw Investments ULC. 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 was an independent Non-Executive Director of Hutchison Whampoa Limited until June 2015, when he became an independent Non-Executive Director of CK Hutchison Holdings Limited, a newly listed company in Hong Kong.. 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 an Executive Director, Group Finance Director and Deputy Managing Director (re-designated from Non-Executive Director to Executive Director, Group Finance Director and Deputy Managing Director since June 3, 2015) of CK Hutchison Holdings Limited.

Mr. Sixt is a Director (re-designated from Non-Executive Director to Director since June 3, 2015) of Cheung Kong (Holdings) Limited (whose listing status on The Stock Exchange of Hong Kong Limited was replaced by CK Hutchison Holdings Limited on March 18, 2015) and a Director (re-designated from Executive Director and Group Finance Director to Director since June 8, 2015) of Hutchison Whampoa Limited (which was privatized by way of a scheme of arrangement on June 3, 2015).

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 Hutchison Telecommunications Hong Kong Limited, Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust and Power Assets Holdings Limited, a Director of Hutchison Telecommunications (Australia) Limited (“HTAL”) and an Alternate Director to Directors of HTAL, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Mr. Sixt is also a Director of Li Ka Shing (Canada) Foundation. He was previously 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. He is a member of the Bar and of the Law Society of the Provinces of Quebec and Ontario, Canada.

## Officers

<b>Name and Residence</b>	<b>Office or Position</b>	<b>Principal Occupation During Past Five Years</b>
Jonathan M. McKenzie Alberta, Canada	Chief Financial Officer	Chief Financial Officer of Husky since April 2015. Chief Commercial Financial Officer of Irving Oil Ltd. from April 2011 to April 2015. Vice President & Controller of Suncor Energy Inc. from March 2009 to May 2011.
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.

As at February 15, 2016, the directors and officers of Husky, as a group, beneficially owned or controlled or directed, directly or indirectly, 795,980 common shares of Husky, representing less than one percent 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 manager or trustee appointed to hold its assets, other than as follows. 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 was an independent Non-Executive Director of Hutchison Whampoa Limited until June 2015, when he became an independent Non-Executive Director of CK Hutchison Holdings Limited, a newly listed company on The Stock Exchange of Hong Kong Limited. 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).

Stephen E. Bradley - Mr. Bradley is a Director of Broadlea Group Ltd., Senior Consultant, 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 - Prof. 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. Prof. 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 is a Non-Executive Director of CK Hutchison Holdings Limited and Cheung Kong Infrastructure Holdings Limited and an independent Non-Executive Director of HK Electric Investments Manager Limited and HK Electric Investments 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:

<i>(\$ thousands)</i>	<b>2015</b>	<b>2014</b>
Audit Fees	3,446	3,771
Audit-related Fees	615	282
Tax Fees	69	266
	<b>4,130</b>	<b>4,319</b>

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 2015.

## LEGAL PROCEEDINGS

The Company is involved in various claims and litigation arising in the normal course of business, including two claims with the same contractor in which the Company is both defendant and plaintiff. 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 percent 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 1-800-564-6253 or 1-514-982-7555.

## INTERESTS OF EXPERTS

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, 2015 by Sproule. Sproule is an independent petroleum engineering consultant retained by Husky, and such reserves information has been so included in reliance on the opinion and analysis of Sproule, given upon the authority of said firm as experts in reserves engineering. The partners, employees and consultants of Sproule, as a group beneficially own, directly or indirectly, less than one percent 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 April 26, 2016.

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, 2015.

Additional information relating to Husky Energy Inc. is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).



# READER ADVISORIES

## Special Note Regarding Forward-Looking Statements

Certain statements in this document are forward-looking statements and information (collectively “forward-looking statements”), within the meaning of the applicable Canadian securities legislation, 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. The forward-looking statements contained in this document are forward-looking and not historical facts.

Some of the forward-looking statements may be identified by 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 result", "are expected to", "will continue", "is anticipated", "is targeting", "estimated", "intend", "plan", "projection", "could", "aim", "vision", "goals", "objective", "target", "schedules" and "outlook"). In particular, forward-looking statements in this document 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; the Company’s expected expenditures in 2016 on environmental site closure activities; expected effects of abandonment and reclamation costs, development costs, and operating costs on anticipated development or production activities on properties with no attributed reserves; scheduled timing of development of the Company’s proved and probable undeveloped reserves; anticipated effect of future development costs on the Company’s reserves and future net revenues; anticipated effects of and cost of compliance with certain future or proposed laws and regulations on the Company’s operations;
- with respect to the Company’s Asia Pacific Region: anticipated volumes of peak combined net sales volumes of gas and NGL from, and anticipated timing of first production at, the MDA, MBH, and MDK gas fields; expected timing of expiry of a PSC at the Wenchang field; exploration and drilling plans at Block 15/33; seismic surveying plans at the Taiwan exploration block; planned timing of commencement of negotiation of the GSA for the first tranche of gas from the MDA-MBH development; anticipated timing of first gas from the Madura Strait Block;
- with respect to the Company’s Atlantic Region: expected outcome of gas injection at the South White Rose field; drilling plans at the South White Rose field; scheduled timing of completion of a drilling program at the North Amethyst field; anticipated exploration and growth potential in the region; expected timing of an appraisal drilling program in the area of the Bay du Nord discovery; expected timing of expiry of two ELs offshore West Greenland;
- with respect to the Company’s Oil Sands properties: anticipated timing and volume of increase in production from the Company’s Sunrise Energy Project; development plans at the Sunrise Energy Project; costs and time frame to develop, and other factors affecting the development of, the Company’s best estimate contingent resources at its Saleski property in accordance with a pre-development study; expected timing of first production from the Colony formation at the Tucker project; planned timing of commencement of oil sands evaluation drilling at McMullen; costs and time frame to develop the Company’s best estimate economic pending contingent resources at McMullen in accordance with a pre-development study; scheduled timing of development of undeveloped bitumen reserves;
- with respect to the Company’s Heavy Oil properties: anticipated timing of first production from, and peak daily production volumes at, the Company’s Edam East, Edam West, and Vawn heavy oil thermal projects; expected increase in heavy crude oil production by the end of 2016; anticipated timing of construction and first production from, and peak daily production volumes at, the Company’s Rush Lake 2 heavy oil thermal project; costs and scheduled timing of initial production from the Company’s economic development pending resources in the Lloydminster area; costs and time frame to develop the Company’s undetermined unclarified resource projects in accordance with a conceptual study; drilling plans for 2016 in the Lloydminster area;
- with respect to the Company’s Western Canadian oil and gas resource plays: drilling plans for 2016, including expected increases in production resulting from such drilling; costs and time frame to develop the Company’s best estimate contingent resources at the Ansell play in accordance with a pre-development study; and
- with respect to the Company’s Downstream operating segment: outcome, and benefits of a feedstock optimization project at the BP-Husky Toledo Refinery; anticipated timing, outcome, and benefits of a crude oil flexibility project at the Company’s Lima Refinery; anticipated timing of resumption of operations at the

isocracker unit at the Lima Refinery; the Company's plans in 2016 for increasing retail capacity in U.S. markets, implementing safety and reliability improvements, and developing new products and specifications.

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, 2015; 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 foreign currency risk relating to the Block 29/26 gas and liquids sales agreements which are denominated in Chinese Yen; 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; the continued availability of third-party owned equipment for operations; 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; regulatory (environmental, license to operate, social and political) and 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, loss of containment, 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, 2015 available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://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 been prepared by internal qualified reserves evaluators in accordance with the Canadian Oil and Gas Evaluation Handbook, have an effective date of December 31, 2015 and represent Husky's share. Unless otherwise noted, historical production numbers given represent Husky's share.

### **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 may use certain terms in that disclosure that U.S. oil and gas companies generally do not include or may be prohibited from including in their filings with the SEC.

All currency is expressed in Canadian dollars unless otherwise directed.

## 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 evaluator's 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. Our staff has evaluated Husky’s reserves data as at December 31, 2015. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2015, estimated using forecast prices and costs.
2. The reserves data are the responsibility of Husky’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. 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). Our internal reserves evaluators are not independent of Husky, within the meaning of the term “independent” under those standards.
4. 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.
5. The following table shows the net present value of 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 Husky evaluated for the year ended December 31, 2015, and identifies the respective portions thereof that we have evaluated and reported on to the Husky Audit Committee of the Board of Directors.

Internal Qualified Reserves Evaluator	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (Before Income Taxes, 10% Discount Rate) Evaluated
Husky	December 31, 2015	Canada	\$ 15,590 million
		China	\$ 4,775 million
		Indonesia	\$ 555 million
		Libya	\$ 0 million
			\$ 20,920 million

6. 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.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.
8. Because, the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.
9. 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 29, 2016

## 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, 2015, 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 of Husky has:

- (a) reviewed Husky’s procedures for providing information to the Internal Qualified Reserves Evaluator and the independent qualified external reserves auditor;
- (b) met with the Internal Qualified Reserves Evaluator and the independent qualified external reserves auditor to determine whether any restrictions affected the ability of the Internal Qualified Reserves Evaluator or the independent qualified external reserves auditor to report without reservation and, in the event of a proposal to change the independent qualified reserves auditor and evaluator, to inquire whether there had been disputes between the previous independent qualified reserves auditor and evaluator and management; and
- (c) reviewed the reserves data with management, the Internal Qualified Reserves Evaluator and the independent external reserves auditor.

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, on the recommendation of the Audit Committee, approved:

- (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  
Asim Ghosh  
*President & Chief Executive Officer*

February 26, 2016

/s/ Robert J. Peabody  
Robert J. Peabody  
*Chief Operating Officer*

February 26, 2016

/s/ William Shurniak  
William Shurniak  
*Director*

February 26, 2016

/s/ Colin S. Russel  
Colin S. Russel  
*Director*

February 26, 2016

## Husky Energy Inc.

### Independent Engineer's Audit Opinion

#### Husky Energy Inc.

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

Attention: Mr. Richard Leslie, Manager Reserves

Re: Audit of Husky Energy Inc.'s 2015 Year-End Reserves

As requested by Husky Energy Inc. ("Husky" or the "Company"), Sproule has conducted an audit of Husky's reserves estimates and the respective net present values as at December 31, 2015. Husky internally evaluates all of their properties. Husky's detailed reserves information was provided to us for this audit. Sproule's responsibility is to express an independent opinion on the reasonableness of the reserves estimates and the respective net present value estimates, in the aggregate, based on our audit tests and to assess the quality of the Company's processes and guidelines applied in the preparation of the reserves information.

We conducted our audit in accordance with generally accepted audit standards as recommended by the Society of Petroleum Engineers and the Canadian Oil and Gas Evaluation Handbook (COGEH) Volume 1 Section 12. As part of our audit, Sproule reviewed and assessed the policies, procedures, documentation and guidelines the Company has in place with respect to the estimation, review, documentation, and approval of Husky's reserves information. The audit included confirming on a test basis 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. As well, the audit also included 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 COGE 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:

<b>Husky Energy Inc.</b> <b>Internally Evaluated Reserves and Net Present Values</b> <b>Forecast Prices and Costs</b> <b>As of December 31, 2015</b>		
	<b>Working Interest Before Royalty Company Share of Remaining Reserves (mmboe)</b>	<b>Company Share of Net Present Value Before Income Tax (MM\$) @ 10%</b>
<b>Total Proved</b>	1,324	12,203
<b>Total Proved Plus Probable</b>	2,912	20,920

Sincerely,

#### Sproule Associates Limited

/s/ Cameron P. Six, P. Eng.

Cameron P. Six, P. Eng.

*Vice-President Engineering, Chief Engineer and  
Director*

Calgary, Alberta

January 15, 2016