HUSKY ENERGY

INVESTOR DAY TRANSCRIPT

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DAN CUTHBERTSON:

Good morning and thank you all for coming. Before we begin, I'll go through a few housekeeping items. In the event of an alarm or any notice to leave the building, you'll hear directions over the intercom. All emergency exits are clearly marked, and staff will guide you as necessary. I'll remind you now to place your phones on silence, please. Also, we are going to have three Q&A sessions today, so there'll be one following the Foundation presentation, another after the Pillars and then there'll be a general Q&A at the end.

So, now let me introduce all the colleagues. I'll ask each of them to stand as their names are called. Asim Ghosh; Rob Peabody; Alister Cowen; Bob Hinkel, who heads up our Asia Pacific operations; Bob Baird leads our Downstream team; Rob Symonds is in charge of Western Canada; Ed Connolly is with Heavy Oil; John Myer heads our Oil Sands unit; Malcolm Maclean is here from the Atlantic region; Brad Allison leads our Exploration team; Jim Gurgilus oversees Legal; Roy Warnock is the head of our Lima Refinery; Terry Manning oversees our Safety and EPM Group; Angela Butler is Controller; Darren Andruko is our Treasurer; and Sharon Murphy is head of Corporate Affairs.

So, the agenda and copies of the presentation, along with a survey, are in the packages that you found on your table. Please note that today's presentation contains forward-looking information. We have a full morning so let's get started. Please join me in welcoming Asim Ghosh.

ASIM GHOSH:

Thank you and good morning, everybody. Thank you for coming. Some mostly familiar faces in the room, a handful of new ones. Almost four years ago, we had our first ever Investor Day at Husky. We mapped out a new course for Husky and unveiled what I called then a balanced growth strategy, and to remind you, this graphic illustrates the basis of that strategy. I mean, first, we set out to rejuvenate our Foundation business in Heavy Oil and Western Canada. Secondly, we began to advance our three growth pillars in the Asia Pacific, the Oil Sands and the Atlantic region, and to keep our course true, we created a portfolio management and capital allocation process to allow the best projects to rise to the top; and as importantly, as importantly, to deliver balance of near-, mid- and long-term opportunities. Along with this, we established clear performance targets to increase value for our shareholders and to allow us to continue to provide a top quartile dividend.

Let's take a moment to look back at our progress. Here is what our portfolio looked like in 2010 and you'll remember I described that then as being short on short and long on long. As you can see, our projects to deliver value across Western Canada, Heavy Oil, Atlantic and Asia-Pac were lagging, to say the least. That was then and this is now.

You can see how our queue of projects has grown. Most importantly, this was achieved while staying in our wheelhouse. These projects all build on our experience and success in heavy oil, in Western Canada, Downstream and offshore. Just as importantly, our capital allocation process means we now have the strong balance of near-, mid- and long-term projects. As a company, we actually have more high return possibilities than we've had in our budgeted capital spending profile. So the question, "What is next at Husky for the upcoming five years and beyond?" that's not something that keeps us awake at night anymore.

Let's take a look at our reserves. Back in 2009, our reserves replacement was not keeping up with production. That's not a good position for any oil and gas company. So in 2010, we set a reserve replacement target to exceed an annual average of 140% through 2017, and we are on pace to meet that target. A couple of strong drivers, success with an exploration portfolio and most importantly, is back to the wheelhouse point, we are digging deeper in our own backyard. A good example of this is Ansell, the liquids-rich gas resource play; as our understanding of the potential of this multi-stack play increases, so does the value and there are many more examples in the portfolio.

Over the past five—four years, we have made several subtle and some not so subtle changes in how we manage our business. When I first imposed myself on Husky, and indeed on all of you as shareholders, I found myself in a new industry with a different set of challenges and risks, everything from wild commodity price swings to multi-billion dollar cost overruns to frequent changes in strategy. To a mild-mannered telecom guy, it was like the Wild West, not only geographically but metaphorically. Since then, my colleagues will tell you I've climbed the pulpit many times to talk about how we must shape risk to deliver higher quality returns to our shareholders, and let me explain what I mean by high quality returns.

It means predictable outputs with less volatility. That's what I mean by high quality returns, and these are the things I pay attention to. I look at portfolio flexibility. I look at balancing towards longer wavelength projects. I look at focused integration. I look at shaping execution risk, and I look at oilier pricing. Let me walk through these quickly and then my colleagues will amplify on it.

So first of all, as I just mentioned, we've built an expansive portfolio of projects over the past four years and all of these pretty well have the capability of yielding 15% plus rates of return, with the exception of the Oil Sands, where we'll accept a slightly less return. When we face headwinds in a particular area of business, we are able to shift our capital to safer investments that provide comparable or higher quality returns. For example, in our legacy oil, Heavy Oil business, this CHOPS showed signs of decline, we reallocated capital towards higher netback, bite-sized thermal developments. That's the kind of flexibility that isn't available to a non-diversified oil and gas company.

When I talk about longer wavelength projects, over time, we've been investing more in longer wavelength projects such as Heavy Oil thermals such as resource plays, such as Oil Sands. By longer wavelength, I mean assets with lots of running room. They underpin our portfolio by providing a steady production base with more predictable cash flow to support higher octane plays such as the Asia Pacific and the Atlantic region. This more predictable cash flow is fundamental for steadying the investment in support of sustainable growth.

Our focused integration strategy is weatherproofing our business from price differentials, transportation and market volatility. Cash flow has remained stable through some exceptionally bumpy commodity market pricing for Husky, and Alister and Bob will talk about how this works in their sections in a minute, but essentially, our focused integration strategy ensures our landlocked production in Western Canada is landlocked in name only because this strategy helps us capture Brent or Brent-like pricing for our Western Canada products.

Just as we shape our managed portfolio risk, so are we trying to shape execution risk. I often tell my colleagues – this is a favourite theme of mine – "Strategy and execution are not independent imperatives." I see a culture that values execution as being, in itself, an element of strategy. A couple of examples, at Liwan, we delivered first production just over seven years after discovery and that's the top two or three major offshore projects in the world in terms of timing. In the Atlantic region, the SeaRose FPSO has a record of outstanding up time, which means buyers get more dependable feedstock and in return, we get a premium. In the

Downstream business again, reliable up time, strong performance provide for consistent dependable results.

At the same time, as a company, we are focusing on making big projects small through a modular development approach. Heavy Oil thermals, again good example of it. These are cookie cutter projects. They're based on previous successful projects that we keep replicating. Ansell is another good example which is now moving to factory drilling. The Flemish Pass will be an example of that approach. We are choosing to go with staged development, first at Bay du Nord and then stepping out from there rather than go after the mega project that creates its own execution risks. In short, repeatable, more bite-sized projects allow us to reduce costs, development time and execution risks, and that should contribute to higher quality returns.

The final point I'd like to make about higher quality returns is oilier pricing. As a company, we are becoming oilier and as you can see in the graphic, that's true actually of every segment of our business. In 2009, the year before our first Investor Day, our portfolio was 70% oil-weighted. By the end of this year, that figure will be 78%-ish close to 80%. By the end of this decade, that figure will be more 85%, and I include in that Liwan, which is really—it's priced effectively of oil and oil is better simply because it's influenced by global pricing and it's less prone to being stranded than gas.

So in summary, this is the dashboard we consider every day to produce higher quality returns and sustainable growth. Our expansive portfolio provides the flexibility we need to allocate capital to deliver the highest return. Our move to longer wavelength projects creates more predictable earnings and cash flow to sustain growth. Our focused integration mitigates earnings volatility and ensures we'll receive world prices for our landlocked barrels in Western Canada. Repeatable and reliable performance, combined with making big projects smaller, helps consistent execution. Finally, our increase to an oilier priced portfolio is driving a higher quality return.

So, we've been hearing a lot about balanced growth as the key to thrive in the volatile market nowadays and while this concept may be new to some, we've kind of been beating this drum for the past four years. Here, you can see how our balanced growth strategy is translating into returns for our shareholders. Not only have we generated the highest overall return amongst our peers for the past three years, but we have also returned the highest percentage of cash by way of a strong dividend.

More than anything else you will hear today, this clearly demonstrates how our balanced growth strategy is playing out and paying out and, as a result, Husky is in a materially different place today than it was four years ago.

Alister, why don't you start with the financial section now?

ALISTER COWAN:
Thanks, Asim. Good morning, everyone. You'll recall that in 2012, we established new targets for the 2012 to 2017 period, as you can see on the slide. Now, if you look at 2013 and the first quarter of 2014, our results did demonstrate good progress on the ramp up towards those targets and we do remain confident that we'll hit them by the end of 2017.

In terms of return on capital in use and return on capital employed, we are on pace to achieve the targets based on our rigorous capital allocation process. This is also going to drive our compound annual production growth rate of between 5% and 8% by 2017. Now all this, as Asim said, has been achieved within a framework of continued financial discipline and by maintaining a strong investment grade balance sheet. So quite simply, we are staying on our strategy and its execution is delivering against the targets we have set.

So, our strong financial discipline is further strengthened by the focused integration that we've talked about, which mitigates the volatility of our earnings and cash flow. Now, Asim showed you the chart that demonstrated how we achieved Brent pricing for our crude oil production, but there's another way of looking at how that integration strategy provides value and that is to look at individually how both the Upstream and Downstream net earnings delivered and how they combine to mitigate their overall volatility. So on this chart, I wanted to remind you for a moment that Husky is only an Upstream company and, as you can see, the earnings profile is quite uneven and quite volatile quarter-by-quarter. You can also see how direct the correlation is between our earnings and Western Canada Select pricing, or WCS pricing.

So, let's now layer on the infrastructure and marketing and the Downstream earnings for the same period, and we'll show you how we mitigate that volatility. So, from this slide, you can see that the focused integration certainly smoothes out the overall earnings and cash flow quarter-by-quarter, reducing volatility and provides a more constant and predictable earnings and cash flow profile. Now, we've also added, in the top line, the Brent pricing to the chart and it demonstrates that our earnings profile is much more correlated to Brent than WCS. Now, that makes sense because, as Asim showed you, we receive Brent pricing for our crude oil production once it's moved through the integration chain.

Last year, in 2013, when we ran our landlocked or Western Canada crude oil production through the integration chain, it cost us between $10 and $14 per barrel to realize an additional $37 to $49 per barrel in revenue. So, that's a net increase in our netback of approximately $30 per barrel of crude oil production from Western Canada. It's pretty significant.

Now, the chart certainly demonstrates that our earnings move up and down in the value chain depending on the location and product differentials but ultimately, at the end of the day, we capture the full value of world pricing which provides us with higher quality, more predictable returns and cash flow. Now, Bob is going to talk a little bit more about the integration strategy and how we make it work later on this morning.

So, let me turn now to portfolio management and capital allocation, which Asim said is a crucial element of our strategy. Now, Asim showed you that the rich queue of projects within our portfolio gives us plenty of choices on where to allocate our capital and when to allocate that capital. This means that we can ride—invest in opportunities that create the best value for the shareholders and ride through any uneven patches in different markets or different products at any point in time.

Now on the slide, it shows you the different ways we are diversified today from a geography and product type, and these are certainly important considerations in our capital allocation process that we go through. But we also consider capital required and timeline to first production from projects, the return on assets by year and as well as a project internal rate of return. We look at the reserve life index; is it a short, medium or long wavelength development? We look at the technologies being used; is it known, proven and has it been used before by Husky or others, or is it on the leading edge? Then, as Asim said, we look at execution risk of development; where, when and how are they going to be developed and what are the risks associated with that?

You're going to hear more about those factors as my colleagues take you through the different business units and opportunities later this morning.

So, just staying on the topic of capital allocation and results, I'm just going to take a moment to reaffirm both our CapEx and production guidance for 2014 that we issued last December in the News Release. We expect production to increase this year through a range of 330,000 to 350,000—355,000 BOEs per day, with capital expenditures of around $5 billion. Now, capital expenditures do reflect the Flemish Pass exploration and appraisal activities which will commence later this year as we have now secured the rig, and we had certainly noted that possibility last December.

On the production front, our broad and diverse asset portfolio allows us to mitigate issues in one production area or product, as I've said. While Liwan has come successfully on-stream as we expected, production will be a bit light this year due to some short-term customer demand issues. Specifically, we have reduced demand from three new gas-fired power plants in the region which have been delayed in their construction but are now in their commissioning start-up phase. This, however, has been offset by stronger than anticipated production in North America from our Heavy Oil thermals and from the Western Canada resource plays such as Ansell.

So, I want to take a moment to look at what underpins our growth, our investment grade balance sheets and our financial flexibility. We set conservative debt targets, as you know, of below 25% net debt-to-capital and less than 1.5 times net debt-to-cash flow. In fact, we – I – start to get uncomfortable if our debt level rises towards that 25% level. You can see from the charts here that we are comfortably below our targets, but we do acknowledge that our debt will rise slightly in the future with the BP payment due by the end of 2015. Even then, we'll remain within our targets as they have been factored in—as the payment has been factored in to our financial plans.

So, just take a moment to explain why a strong balance sheet is important to us. It gives us resiliency. It helps us weather cyclical downturns in commodity prices. It provides us discipline on our portfolio management and capital allocation process, and it gives us some flexibility to take advantage of attractive investment opportunities if they arise, are a strategic fit and they meet our return criteria. We are committed to maintaining a strong investment grade credit rating and being a financially strong counterparty in the market to support both our development opportunities and our marketing activities.

So, let me just sum up. Asim spoke about how we are shaping risk on the operations side. As you've seen, we also do this on the financial front. We maintain a strong investment grade balance sheet to underpin our ability to invest consistently over the long term in our many opportunities. Our focused integration strategy mitigates volatility and provides more predictability in our earnings and cash flow.

We have a rich and diversified development portfolio in terms of geography, product type, development timeline and cash flow and earnings profile. This includes, as Asim has showed you, a deep selection of short, medium and long wavelength options that allows us to predict and deliver consistent earnings and cash flow growth. We have a disciplined portfolio management and capital allocation process that will allow us to deliver our balanced growth strategy, and from this, it allows us to reinvest sustainably in our top tier projects and provide returns to the shareholders through a top tier, steady and reliable dividend.

So, now we're going to get Rob, in the Operations team, to take you through a deeper dive into their portfolio.

ROB PEABODY:
Okay. As Asim said, using slightly different words, four years ago, our foundation businesses were treading water. Today, we're in a materially different place. Our strategy for the foundation has been all about strengthening the base, in the case of the Heavy Oil and Gas business, by moving increasingly to thermal projects; in the case of Western Canada, to oil and liquids-rich resource plays; and in the Downstream, through deeper integration with our Upstream operations. Someone's right on the top of their game here, Sharon.

But first, before I get into that, I just want to reinforce something that Asim and Alister said about shaping risk and, specifically, talk about how we shape our risks in the area of process and occupational safety. Over the past three years, we've made steady progress in these areas. We have reduced our rate of critical and serious incidents, not only recordables—not all recordables are the same and we put a lot of focus on the ones that have the most serious potential. As you can see, we continue to improve from last year. Even though our incidents are going down, we do understand that process and occupational safety is more than a line on a chart. We look at getting our maintenance right, getting our training right and building operations integrity into our assets. As we often say at Husky, good safety is good business, and good results in process and occupational safety flow to the bottom line.

Now, we'll just take a look at the rest of the foundation and what we've been doing. Some highlights. In our Heavy Oil business, which has been delivering now for over 70 years, what continues to surprise us is just how much potential it continues to hold. Not only are we growing production volumes, as we grow our thermal production volumes, we are lengthening the stride of the business with longer life projects and improving earnings per barrel of production.

Ed's going to give you some more details but some key takeaways: First, we're raising our production target for Heavy Oil thermal to 80,000 barrels a day by 2019; second, embedded in the Heavy Oil business is more than a million acres of freehold land where we do not pay royalties on our production; and thirdly, beyond thermal, which has massive potential in itself, we have further technologies being tested today in the field that will keep this business producing for many decades to come.

Before I leave Heavy Oil, I do want to draw your attention to one other change we're making. Our Oil Sands group has determined we have a great opportunity to develop our McMullen lease through a series of 10,000 barrel-a-day thermal projects. We've moved these projects to Heavy Oil so that the same project teams developing our Heavy Oil thermals also are going to be the same teams that are going to develop those projects on McMullen.

Moving to Western Canada, the transformation of this business to the resource play space continues rapidly. Ansell is now growing strongly. We are now exploiting the Wilrich, the Falher and the Notikewin, in addition to the Cardium in the Ansell area. The Duvernay is also producing and delivering good results for us and we've had a good success in a number of oil resource plays, including the Oungre Bakken and the Viking, where production is growing strongly, and Rob Symonds will give you more details on all of this in a second.

In the Downstream, Bob Baird will give you a look under the covers of our Downstream business. What I think you'll take away from this is, firstly, after the work we've done in the past four years, Husky is now truly physically integrated—it's a physically integrated operation all the way from the reservoir to the refinery rack. As Asim and Alister have highlighted, this removes a lot of volatility and improves the quality of our earnings.

Just as importantly though, our Downstream is made up of a series of world class assets that are each very well-positioned competitively, and these assets have a large number of very high return incremental investment opportunities associated with them. They allow Husky to take advantage of changing market conditions through the flexibility embedded within our Downstream and Midstream system, and Bob will take you through that in a little more detail.

So, in summary, the foundation is performing well, more oil production, longer wavelength production and competitively advantaged assets in the Downstream which are set to generate value today and over the long run.

Now, I'll pass the baton to Ed, who will take you through the Heavy Oil business.

ED CONNOLLY:

Thanks, Rob. Well, the Lloydminster region has been the heart of our Heavy Oil business for almost 70 years. In the early years, Heavy Oil was key to Husky's growth. Today, Heavy Oil is a key part of our foundation. Heavy Oil is the original long wavelength play. All together, the block spans 20,000 square kilometres, with over two million acres net to Husky. As Rob mentioned, just over one million acres of that lease is held by one freehold lease, with no royalties. As long as we have one producing well, the entire block is held and today, we have over 4,000 producing wells.

The royalty benefit of the freehold lease adds about $4 a barrel netback to the total production in Lloyd. In the near- and the mid-term, we're focused on developing our thermal opportunities. As we increase the share of our production in thermals, we improve our overall quality of returns. Bob Baird will speak about how Heavy Oil is part of a fully integrated business, but it's important to note that all of our production has a home. It's either the refinery or the Lloydminster upgrader. Husky's infrastructure handles our oil all the way from the wellhead all the way through to the end market and that allows us to capture more of the value and better ride out the ups and downs of oil price and differentials.

Certainly, thermal production is the headline story within the Heavy Oil business unit. Thermals deliver long life with low decline and they're high return projects. They also have oil recovery rates that are typically over 50%, and that compares to CHOPS, or cold production, in the range of 8% to 10%. Pikes Peak, for example, has produced for more than 30 years with current recovery rates over 60% and we're now targeting 70%. This leads to low F&D and it allows us to exploit smaller targets. That opens up a huge opportunity in the Lloyd block.

Thermal operating costs are also more favourable than cold production and we're realizing higher quality of returns. Last year, 30% of the Heavy Oil business unit production came from thermals but they generated 80% of our operating earnings.

Husky set out a new, more focused strategy in 2010 and since that time, we've doubled our thermal production. We're currently producing 40,000 barrels a day – over 40,000 barrels a day – and we're now forecasting to double that by the end of the decade. This table shows a rundown of our extensive inventory of identified projects. The slide includes actual and planned production rates and outlines where each project is in the line-up and beyond this, we have an opportunity list with enough depth to sustain this program for years.

In the short term, we're focused on executing our Rush Lake project; 10,000 barrels a day and we're on track for first production in the second half of 2015. We're also building a 3,500 barrel-a-day Edam West project and it's on pace to come on in the first half of 2016 and we recently sanctioned two more 10,000 barrel-a-day projects, Edam East and Vawn, and both of these are targeted for completion in the second half of 2016.

Now, I want to highlight three fundamentals that drive our returns. First, project execution. As Asim commented, thermals are a great example of making big projects small. Build times are only two years and the projects are very controllable. This gives us good certainty on costs and delivery schedule. We use modularized designs to minimize field construction hours. Our on-site construction labour force is relatively small and many live in the Lloydminster area; no need for expensive camps to house our workers there and these projects are repeatable.

The second driver is reservoir quality. The reservoir lends itself to very efficient production ramp up and that allows us to achieve nameplate capacity within three months of start-up. Good steam/oil ratios. We design our plants for steam/oil ratio at 3; however, in the early life, we see steam/oil ratios less than 2. Pikes Peak South and Paradise Hill have both operated for more than two years and both are still running steam/oil ratio below 2.

Finally, the third driver is the oil itself. Heavy oil is much lighter than bitumen and, as such, it has a significantly higher value—is a significantly higher value product. So, in summary, the excellent capital efficiencies, the top quality reservoirs, combined with the higher realizations gives us returns north, well north of 20%.

Now I'm going to shift from Lloydminster to our McMullen lease. We're building on our thermal experience and applying it to other areas. The McMullen lease is a good example of where our Oil Sands team has laid the groundwork for success, by de-risking the subsurface and moving it over to the thermal team for development. This allows us to leverage on our expertise on small scale thermal projects. We already have infrastructure with about 6,000 barrels a day of production on the McMullen leases and our plan is to develop the asset by building multiple repeatable projects. We have one 10,000 barrel-a-day project identified, and we're looking to develop that between 2017 and 2020 and we're looking at several other 10,000 barrel-a-day prospects for development beyond that. The large scale oil deposits on McMullen – on that lease – they align with our new strategy of longer life and lower decline production.

Looking back at Lloydminster horizontal drilling technology, there are over one billion barrels in place suitable for horizontal development in the Lloyd block. We use horizontal wells where the reservoir characteristics don't support CHOPS or thermals. We've grown our production to 13,000 barrels a day and we have a target of 15,000 over the next year. We drilled 140 wells last year. I'm going to drill 120 wells this year and we see that—this level of activity continuing over the next several years. Horizontal operating costs are low. They're running about $13 a barrel and we're now using multilaterals to reduce our capital costs. We implemented waterflood over the last year and we expect waterflood to increase our recovery rates from 8% to 15%.

We're also making good progress with new technology development. We have several R&D initiatives underway and our cold solvent projects look encouraging. We're piloting a process that uses carbon dioxide to thin the oil and re-energize the reservoir and this allows us to extend the life of old CHOPS wells. This huff-and-puff, or cyclic method, uses a three- to six-month injection phase, followed by a nine- to 12-month production cycle. We've had very good technical success and in 2014, this year, we will produce our one millionth barrel, incremental barrel of oil using cold solvents. So, it's early days but the results look really encouraging.

So, to sum up, after being on the treadmill for the last decade, Heavy Oil is in rejuvenation. It's important to note that Husky's the sole owner of its Heavy Oil land and infrastructure. We choose what projects to develop, when to roll them out to capture the best value and how best to move the production through to our fully integrated Downstream business.

Thank you and now Rob Symonds is going to tell you more about the good progress that we've been making in transforming our Western Canada business.

ROB SYMONDS:
Thanks Ed, and I'll take you now through an overview of the top resource plays in Western Canada. I'd refer you to the appendix of the presentation for additional details on a number of these plays.

Looking back, since 2010, we've grown our resource play production from around 14,000 BOEs a day to over 32,000 BOEs a day currently. As you know, our target is 50,000 BOEs a day from resource plays by 2017, and we're well on our way to achieving this as we continue to work through our vast portfolio. Think it's important to know that we manage our resource play portfolio in a similar manner to what Alister described for the overall Company portfolio; that is by product, by geography, by scale and by maturity. We can quickly pivot, shift our focus, dial up or dial down capital and other resources to ensure the right projects accelerate or slow down at the right time. We coordinate our efforts to break down the silos across our teams. For example, we often use the same drilling team to drill from play-to-play. This helps us drive efficiency, improve productivity and reduce costs.

For those of you who study the slide carefully and are comparing it with previous versions, you'll notice we've added a new land position in southwest Saskatchewan to our medium-term portfolio, and I'll touch on there here shortly.

We're working to improve our metrics with a focus on integrated activity planning. We do this by coordinating the efforts of our teams to efficiently execute our capital projects. This results in improved costs, more predictable project delivery and quicker on-stream timing. We're improving our cycle time – that is the time from project start to it being on-stream – through concurrent operations and better planning. For example, this often entails drilling and completing wells while simultaneously building facilities all on the same pad. This takes careful hazard analysis and integrated work plans but the result is worth it. Practically, it means projects can be brought on several months earlier than the alternative.

Operating costs are an ongoing challenge and our assets and infrastructure continues to age. We look to apply the best integrated processes and technologies to mitigate these pressures. One success story is our Wapiti Cardium, where our horizontal program is helping offset the fixed costs in our mature operations. Our horizontal program is providing good results, production at or above type curve and ahead of budget. Integrated planning has enabled us to reduce costs, increase well productivity and cut our cycle time in half. We've recently expanded our land position on this resource play and this has added more locations so we can capitalize on our proven expertise and repeatable performance.

Another example is the Oungre Bakken asset in Saskatchewan. Here, we have strong economics due to reduced well costs and production above the type curve. Here, we're also developing the emerging Torquay formation on these lands. Earlier results are encouraging, and here too, we have recently acquired additional land. By maintaining capital discipline and with the flexibility of our portfolio, we can efficiently allocate capital to ensure the right projects move to the top at the right time. An example of this allocation is the Kakwa Wilrich play. This is a partner-operated liquids-rich gas resource play. We saw it was worthwhile to invest in it, but that required us to reallocate capital from elsewhere in the portfolio. We have realized great growth from our established resource plays. We have some 1,500 additional locations on these resources plays in our portfolio and several thousand more in the emerging plays.

Turning specifically to Ansell: since 2010, we've doubled our production to now over 17,000 BOEs a day, and we're on track to double that again in the next few years. We have a strong land position throughout the geological stack. The Cardium: the Cardium is a solid performer and we do continue to evaluate different frac types as we look to reduce costs and improve the IRRs. The Wilrich: we have some big wells with some big results. If you have a look at the slide here, you can see a couple of these wells, more than a bcf of gas produced in three months, or bcf and a half in four months; very strong wells. For those of you that like IP30s, that's IP30s of north of 15 million a day on these wells. This kind of result provides strong returns, even in the current gas price environment and, as a result, we're allocating more capital to this opportunity. The Falher Notikewin, the zone between the Cardium and the Wilrich, is under evaluation. It's early days yet but, again, we're seeing encouraging results.

We have a land base of 120,000 net acres, some 150 million barrels of 3P reserves, 75% of which is proven, plus another 397 million BOEs of best estimate contingent resource. I'll refer you to the appendix for the detailed breakdown. We have more than 800 well locations left to drill across the various zones, but this is bite-size. It's easy to accelerate or scale back, depending on our requirements. At $7 million to $10 million a well, it's easy to add new wells, bring them on quickly while continuing to optimize our results. Couple of examples. Currently planning a four-well Wilrich pad for the back half of this year using simultaneous operations. The prize for this is getting to full production 20 weeks sooner than we would otherwise. We're also continuing to test frac types on the Cardium wells, and we're currently doing a slick water and propane frac on side-by-side wells, so similar geology to evaluate where we can get the best results. So, in summary, Ansell is a fully scalable asset.

Turning to the Kaybob Duvernay, we do not hold a huge land position but we think we're in the sweet spot. We have enough running room to run this play up to 10,000 BOEs a day based on the 60 additional drilling locations that we currently have. We have positive production results from our four-well and two-well pads that have come on-stream recently. We have condensate yields that have exceeded our type curve and, overall, we're encouraged.

We continue to work the play for greater productivity and efficiency. We're using integrated planning to reduce costs. We believe we're amongst the lower cost developers today, and we're targeting to improve to sub-$13 million a well for drilling and completions. Our Duvernay asset provides an excellent example of the capital allocation choices within the Western Canada portfolio.

How do we decide whether to spend at Kaybob, at Ansell or somewhere else? We look to strike a balance between returns, risk, well characteristics, and we select the projects that create the best results. Clearly in the Duvernay, we continue to watch as industry develops the area and are assessing results from our peers as we move forward with our own development plans.

Now, let's talk about a couple of our mid-term opportunities. At Rainbow, we're continuing to de-risk this play and manage a modest capital spend and we'll do so until we're sure we can achieve the type of returns we want. In Saskatchewan, I mentioned we picked up a new land position here. This is a multi-zone play but it's prospective for Bakken, Torquay and Ratcliffe. We're mentioning this now as news of this purchase is already starting to get out and well licenses will be issued shortly; however, we have not yet tested this play. We have not drilled a single well. We do have 140,000 acres on the play and start—and plan to start drilling our first well later this year. It's very early days but we clearly think it has potential value.

So, to finish up, you see an extensive portfolio with near-, medium- and long-term resource play opportunities. To just sum up a few key points: first, we are being diligent. We're making sure the right projects reach the top of the pile at the right time. We're taking the time to understand the plays and having the patience and, indeed, the luxury to choose the rights ones at the right time. By doing so, we're looking to keep production levels about flat in the Western Canada foundation business. So, that's at about 150,000 barrels a day over our planned period while improving the quality of the returns, by increasing the proportionate share of production from resource plays. Ansell is a good example of how we've allocated capital to a project with almost double the netback of the conventional gas production that it is replacing.

Second, as you know, we have a diverse array of options within the broader Husky portfolio and we have the flexibility in Western Canada to develop our projects at an appropriate balanced pace. Finally, we're committed to project accountability and delivery, and this includes shaping risk. Our teams are focused on integrated activity plans. We see this as the biggest way we can drive results, increase our productivity and reduce our costs. The momentum we have established is delivering results.

Now, I'll ask Bob to address how the Downstream business is supporting our success.

BOB BAIRD:

Thanks, Rob. Before I get too deep into my section, I want to remind you that Downstream at Husky is everything from when the crude and gas get into the pipe until the cash gets into the bank. Specifically, our Downstream business is integrated a little bit different than other integrated companies. We have two main goals. First, to support Western Canada, Heavy Oil and bitumen growth and second, topping up the Upstream tanks so as to enable to capture a Brent-like pricing for all our crude.

To accomplish this day-after-day, our Downstream strategy is to build flexibility into three key areas. Firstly, flexibility of feedstocks. We can get crude into our refineries from across North America and offshore because of our access to extensive pipelines and storage, and we can take both light and heavy crude and switch in between them. Second, flexibility of product range. With our recent investments at our refinery in Lima, we have the ability to swing production between distillates and gasolines equally and to respond to market conditions; and thirdly, the flexibility of market access. We have a number of projects underway to increase our reach into the right markets at the right times.

Here's a quick snapshot of some of the projects either underway or in the hopper and the big story is our heavy crude flexibility project at Lima. For about $300 million, we are upgrading our coker, metallurgy and furnaces. This is a bite-size project that will allow us to process up to 40,000 barrels a day of heavy oil starting in 2017 and we'll still have the ability to swing over to light oil when needed. Because of the nature of the infrastructure and potential for shifting industry dynamics, we look for projects that position the business for a variety of circumstances, and as you can see, we have a number of high return, low cost projects on our plate, which brings me to our next slide, the value of integration.

Now, I'll tell you a bit about how Downstream position creates higher quality returns. Let's look at our Heavy Oil value chain. Looking at the top of the map, you can see the Lloydminster complex where we have our own gathering system, the upgrader and the asphalt refinery. This is the heart of the Heavy Oil integration story and a big piece in closing that gap between Brent and Western Canada Select price. These are legacy assets. This means that while the profits can go up and down in any given year, depending on differentials, over the long haul, these assets have paid for themselves and will continue to do so many times over. On that profit and loss movement, while Husky does work with transfer pricing, we don't fret over it; we trade the value back and forth along the value chain, and as you can see from the Solomon benchmarking chart, our upgrader is amongst the top performing upgraders in the world in terms of process utilization.

Looking south of the border, you can see our refineries at Lima and the joint venture at Toledo. Lima handles primarily sweet light, and as you know, we're positioning to take our heavy oil production from Western Canada. Toledo will take our Sunrise production as it comes online, and the real value is where they're located, right at the edge of PADD II. This speaks to our strategy to increase market flexibility. In this location, we are able to have access to three key markets, the Chicago base price market, the New York Harbor base price market and the Gulf Coast price base market. When we first bought the refinery in Lima, we were only Chicago base access. Now with the investments we've made, we're able to move product into the New York and Gulf Coast price markets as well. In other words, with a little elbow grease, this team is able to move a good chunk of our own product out of the Chicago market and into the New York Harbor and Gulf Coast markets, which means we are getting better prices and by better prices, I mean Brent-like prices.

To me, the proof is in the Solomon rankings. Solomon has ranked both refineries in the top quartile in both net cash margin and worldwide production cost. Again, the P&L moves around a bit in the US and while this is hard for you to model, it's a good news story for us in Husky.

Now, let's talk a bit more about the "I" in infrastructure and marketing, and as a 30-year plus Downstream guy – and that's 30 years, not 30 years old, as I wish – the things that help me sleep at night are all those pipelines. I like to say that Hardisty is the Cushing of the north, and all pipes end up in Cushing and Hardisty is where they start and where we have assets. Basically, we at Husky are plumbed right through to our markets. These are long-term commitments, and as Asim says, our cocktail approach to pipelines includes commitments on upcoming projects. We have the flexibility to move our barrels to the best priced markets and source barrels from the weakest. We dabble in rail to keep our understanding of the market, but we don't need it to run our crude to market and as you can see with strategy, we do not have to refine Husky's production molecule-by-molecule.

Pipelines are the most cost effective way to move landlocked crude. It's a fundamental principle and a key factor in our focus integration strategy, and while we have commitments in place for Sunrise Phase 2 and near-term production growth, we are also looking into the future. The lines on this map show a few of the major projects that are proposed or in progress that we have secured capacity on as options for our future growth.

Not only do we have pipelines, we also have storage, so let's take a look at our storage position and the tanks on this map. As you can see, if there is a hiccup anywhere in the system, we have a buffer. We can react quickly and store barrels at all of these locations, if need be, or rather than watching the value leak away, we can afford to be patient, store barrels and recapture the value once the system clears.

So, that's the full picture and I'll sum up a couple of quick points. We have pipeline and process and capacity at Lloydminster that has produced tremendous value over the years and will continue to do so for a very long time. Our US refining capability gives us Brent or Brent-like pricing. Our pipeline strategy gives us a transportation advantage and plenty of options for the future. We have all of this infrastructure and we also take advantage of third party physical arbitration opportunities which have historically been plentiful and look to continue that way. This too contributes to the quality of our returns. Finally, we have an organization that works in a seamless fashion up and down the value chain. Ultimately, there may be other companies as integrated as Husky, but in my 30 years of experience, I haven't come across very many of them that can match us physically on a barrel-for-barrel basis.

Now, I've worked for a lot of years for one of the biggest oil companies in the world and I came to learn that the holy grail for integration is getting the business units to operate as one unit. Lots of companies have tried but just don't seem to succeed to get out of their silo mentality. We have found that elusive balance. Our business is big enough to own world class assets but we're small enough to be nimble enough to run them as one business.

Asim often sits in our weekly meetings, so he knows that if the Lloyd upgrader has captured a better crack, it's because Ed's Heavy Oil business made it possible. You cannot capture value, nor realize the stabilizing effects it has on cash flow if you look at your business in isolation. It's our job to get Brent-like pricing for all our landlocked barrels and we're doing that job. Over the past three years, this part of our business has generated more than $2.5 billion in earnings. In fact, Ohio is kind of like beach-front property for us because we can capture those Brent-like barrels through our Lima refinery. We own and control the vast majority of these assets and this gives us the flexibility to make decisions happen.

Thanks, and I'll turn you back over to Rob.

DAN CUTHBERTSON:

Thanks, guys. So, before we stop for a break, we'll do the Q&A session for the Foundation. I'll remind you that we also have a separate Q&A for the growth pillars and then another general Q&A at the end of the presentation today. So, Caitlin and Justin will be circulating around the room with microphones and I would just ask that, before you pose your question, if you could please state your name and the company that you're with, just so that we can capture that on the transcript. So, if anyone has any questions, please raise your hand.

DOUG RAYMOND:

Doug Raymond at RBC Asset Management. I just had a question about the sequencing of the – I guess it's for Ed – of the thermal portfolio. What determines the sequencing of those projects? Do the returns degrade over time and what extent is that behind it and—or are these all, you know, similar types of returns?

If you could just maybe give us a little bit more elaboration around what you see beyond the timeframe you've given us here, say I guess 2020 and beyond. You've doubled production twice. Is there any chance that you can do that again beyond 2020?

MALE SPEAKER:

I'd like to hear the answer to that, Ed.

ED CONNOLLY:

Well, first of all, in my presentation, I talked about the drivers and one of the key drivers is project execution, so we focus on that and we make sure that we maintain that so that we're always in control, because capital efficiency is front and centre of making these projects work.

So, in terms of the reservoirs themselves, we're working up the plays. There are many plays. There's a multitude of reasons for why we pick what we choose, but as an overview, they're pretty much all the same. The oil saturations are about the same. The deposit sizes vary, so we have two standardized sizes that we build and we just put them into the queue, so there's not—it's just kind of how we get them worked up. We do have a strong portfolio of opportunities behind us that will keep us going for several years.

I think the best answer I can give you there is I would love to tell you all about those but Sharon won't let me because we don't have enough knowledge yet today; it's a little bit too forward-looking, so.

DAN CUTHBERTSON:

A question there from Mike.

MIKE DUNN:

Good morning. Mike Dunn with First Energy. Probably another question for Ed. Ed, you've talked about the McMullan properties this morning. Just wondering, can you remind me what reservoir that is? Is it McMurray? What's the API of that bitumen and what steam/oil ratios you're expecting. Thank you.

ED CONNOLLY:

It's a couple hours north of Edmonton; it's the Wabiska formation for the most part. The viscosities run in the range of 80,000 up to 200,000 across the block. It's really heavy oil; slightly heavier than Lloydminster but nothing like a million centipoise in Fort McMurray area.

DAN CUTHBERTSON:

Chris?

CHRIS FELTIN:

Hi. Chris Feltin from Macquarie. Just a follow-up to Mike's questions. Can you maybe just start to rank your capital efficiencies in terms of your construction costs for these thermal projects down Lloydminster McMullan, and then how that would rank with what you've been doing out at Sunrise?

ED CONNOLLY:

I can comment on, you know, the Lloydminster numbers. They're really our best in class. I mean, they're top shelf. You'd be hard pressed to beat these anywhere on this planet and certainly, Lloydminster's not Fort McMurray. I mean, we have a lot of infrastructure there; we have a lot of local people. We don't have camps. There's a lot of advantages.

So, you know, quick numbers – we've run anywhere from about $26,000 up to about $40,000 a barrel; a flowing barrel is kind of a capital efficiency number. I see that $40,000 continuing pretty close to the same through the rest of the decade.

CHRIS FELTIN:
Thank you.

PAUL CHENG:
Paul Cheng, Barclay's. Two quick questions. First, I think for Bob. In Downstream, you're talking about the storage capacity which is a huge advantage. Can you share with us, how much storage capacity you have in those four different regions?

The second question goes back to Ed. Looking at the opportunity and the growth projection that you've given on the Heavy Oil, it seems like from this point on is even better than what you considered the growth pillar in the Pacific area, so why that this is still considered as just a foundation but not being upgraded I mean, is it because the return on it is good or that you actually questioning whether the longer term opportunity's there? Thank you.

BOB BAIRD:
Let me answer the second part or do you—Asim, do you want to answer that.

ASIM GHOSH:
I think I want to answer the second part. First of all, we are sticking with the template we set three and a half years ago where we defined growth pillars in the foundation. The truth is that with the execution of the growth pillars, that template is now becoming out of date but you're not about a switch mid-course so possibly from now, you'll get a new template. We're just sticking with the terminology that we set three and a half years ago. We'll have to come up with a new terminology next year.

The second point – the second point is in terms of portfolio allocation, one of the themes we have discussed with you today is we will stay diversified. We've got a threshold of investment, which is 15%, and we have the luxury of not being forced to invest in projects below that, with one exception, which is Oil Sands. The reason we made that exception is because it is such a long cycle, such a long-life project that we have the luxury of riding out commodity pricing waves, and that's why we'll accept the lower return on that. But in all of the businesses, for the next several year project, Husky has the luxury of investing in projects that are 15% IRR.

The second thing we balance is life cycle of project; long wavelength versus short wavelength, and the third thing is we will always be diversified, so we are never going to put all our eggs into one basket. We will shape capital, we'll move capital around to one or the other, but we will never become a single-string banjo. I hope that answers your question.

Okay, and may I just take a shortcut, if I may? I didn't amplify as you wish, but I think we have given you a very good picture of what our infrastructure is but I think, for competitive reasons, we are not sharing with you what specific commitments we have on any individual pipeline or what volume of tankage we have in any particular area. But you have to—we want to be transparent with you to the extent that it's necessary for you to understand our business, but not to the point where we lose any competitive advantage.

Having said that, Bob, if you want to add anything more...

BOB BAIRD:
No, the only thing I would add is, you know, that we continue in our strategy to take commitments where it suits our growth profile. Like Asim says before, we prefer a cocktail approach rather than putting all our eggs in one basket, and that's the only thing I would add.

DAN CUTHBERTSON:
Greg? I think Greg had a question there.

GREG PARDY:
Thanks; Greg Pardy with RBC. You've laid out your growth targets. What do you see an annual capital spend to get you there into 2017? That's the first question. Then the second one is just with respect to your Western Canadian Resource Portfolio, I understand the dynamics around ramping up and ramping down. There's just—there's a lot of dots on that page, and what I'm trying to understand a little bit better is, beyond Ansell, what are the priorities that we should be thinking about in terms of marching forward? Thanks.

BOB BAIRD:

Okay, I—Alister would normally answer the first question, but I know the answer and it's pretty simple; $4.5 billion to $5 billion. That's our capital program, and we see it very consistent over this period. So—and Rob, do you want to...

ROB SYMONDS:

Yes, the—remind you that the Western Canada Resource Play Portfolio is just that; it's portfolio within a portfolio. So what we're doing, Greg, we're watching each individual play. Ansell's clearly working, and as we look out to other plays that go, we will go to the right play at the right time. There isn't a specific pecking order. We'll look at results. We'll see how it fits the portfolio and allocate capital accordingly.

DAN CUTHBERTSON:

Do we have any other questions out there? Okay, we'll take a 15-minute break and reconvene here just before 10:30.

ROB PEABODY:

If I could just please get everyone to take your seats, we're going to start in about half a minute here. Thanks.

Okay. We've got a little homework to do in this session because I want you to think up a question for Brad, because Brad is a brilliant explorationist with a phenomenal track record and so we need a question for him. Otherwise, Sharon's view of him as eye candy is going to be confirmed, and there's much more to him than that.

So welcome back and now we're going to move on to Husky's growth pillars; namely, our Asia Pacific business, our Oil Sands business and our Atlantic Region business. In our strategy, the growth pillars help underpin our 5% to 8% production growth rate. So, we're going to answer the question here of, “So how are we doing?” Again, I'm going to leave it to my colleagues to provide the details, but we're already seeing or on the edge of delivering this new production.

I'll just start in the Asia Pacific. Liwan continues to ramp up its production to the fastest-growing energy market in the world. Husky is proud to have played a critical role in both discovering and developing China's first deepwater gas project.

In terms of the portfolio, Liwan also brings a growing measure of revenue stability as the gas price is essentially fixed and delivers oil light netbacks to us. From this table you'll see we have a strong pipeline of future developments to bring online in Asia in the next few years that are expected to earn good returns.

In Oil Sands, Sunrise will start up later this year and we are planning Phase 2 as well. I'll remind you that we have regulatory approval for 200,000 barrels a day of gross production from Sunrise. Last winter we did new evaluation work on the southern third of the Sunrise lease, and we do see more potential there. Oil Sands delivers production that earn solid returns with essentially no decline and will provide an annuity-like cash stream to Husky for the next 40 to 60 years.

The Atlantic Region is a very busy place for Husky at the moment. South White Rose should commence production around the end of this year and pre-work for West White Rose is continuing. These projects will maintain our production in the near- and the medium-term. I'll let Malcolm tell you more about our approach to these developments, but as you'll see, we have been able to combine innovative development strategies with the right technologies to achieve strong returns as set out in this table. Now we're on the verge of a whole new chapter in the Atlantic Region with our discoveries in the Flemish Pass and we're expecting to be drilling on those discoveries later this year.

So, taking the growth pillars together, we have a strong pipeline of projects with good returns today and major identified potential for the future. With that, I'll turn this over to Bob. There seems to be a lot of Bobs and Robs in this Company. There's a message there, if you want good people.

BOB HINKEL:

Thanks, Rob. Okay, so let's first talk about how Asia Pac fits into the broader Husky portfolio. So we all hear a lot of talk about how companies are working to gain access into markets in Asia for the North American production in order to get better prices. We've already achieved that with our current projects. Our position in Asia Pac is somewhat unique amongst our Canadian peers. We have access to the largest and fastest-growing energy consuming country in the world and we're able to sell our gas at $13 an Mcf, which is about three times the price we'd get in North America.

Secondly, we actually have a strong track record in Asia Pac to build upon. Husky has been operating in China for over two decades and has been producing oil Wenchang field for Brent-priced oil for more than 10 years. Our partnership with CNOOC started with the Wenchang project, and that's helped lay the groundwork for other partnerships, both in Indonesia for Madura Strait Block and also, most importantly, in our multi-field Liwan Gas Project.

So, the Liwan 3-1 field is now flowing gas into one of the largest energy markets in the world, namely the regions served by the Guangdong gas grid, and we're very proud of some of the milestones that we hit along the way. We came online only seven years after first discoveries. The offshore platform is the largest ever built in Asia and at 65,000 tons, it's reputed to be the fourth largest ever built in the world. Liwan is the largest single capital expenditure item in Husky's history.

The Liwan 3-1 deepwater wells, the shallow water facilities, and the onshore gas terminal are all performing very well. This is one of the smoothest start-ups I've ever personally been associated with.

As mentioned, we started out producing approximately 175 million cubic feet a day of gas and 7,000 BOE per day of liquids and we're ramping that up when the third-party power plants come online in Guangdong and finish commissioning throughout the remainder of this year. We also have take-or-pay provisions that kick into our contract later on this year as well. We will tie in a second field, Liuhua 34-2, later this summer.

Also, we're putting into service a second deepwater pipeline during a planned six- to eight-week shutdown period in the fourth quarter. This pipeline gives us additional flow assurance and also allows for additional productive capacity from the field. We are still in talks for the third gas contract from the Liuhua 29-1 field, but we expect to reach an agreement shortly and expect to be able to flow gas from that field in the 2017 timeframe.

So, now we turn to Indonesia. We're making great progress on our three fields under development there in the Madura Block, namely the BD, the MDA, and the MBH fields. These are shallow water developments and they're using tried and tested methods. The MDA and MBH fields are being developed in tandem using a simple wellhead structure with a floating production unit. The BD field will have a single wellhead platform, which is already currently under construction. It will require an FPSO to handle liquids, which are substantial in this field. It's a deeper structure; a lot more liquids in place than there are in the shallow fields. The FPSO tender is complete and is only awaiting final government approval.

The pending presidential election in Indonesia slowed the pace of a number of projects in the country on approvals, but once again, this reinforces the importance of having a diversified portfolio of opportunities. But I'm pleased to say we're being paid to wait, as the gas pricing has now increased 25% more than previously. We're being paid more than $7 an Mcf as starting price, with regular price increases over time for that gas.

We have more in our play for Madura Block as well. In addition to these three fields, we've made five additional discoveries. These are all located in close proximity to the East Java Pipeline System, as you can see on the map. There are further leads on the Block as well, and we're shooting 380 kilometres of seismic later on this year to delineate some of those leads.

So, the next chapter we're approaching right now is the exploration side of it. So in addition to the developments and the remaining exploration in Madura Block, we've developed an exploration portfolio that builds on our local knowledge, our relationships, and our deepwater skills.

First, we have a new PSC in place on a block called Anugerah. It's located in East Java directly adjacent to our Madura Strait Block. It's about 8,200 square kilometres. There are already several large structures mapped in the block, and we plan to acquire some additional seismic later on this year.

Further afield, we have a large 10,000 square kilometre offshore exploration block in undisputed waters south of Taiwan. We shot our initial seismic last year and we're shooting an additional 2D seismic which just started last week.

So across the board, we're leveraging our expertise in deepwater operations and in high-end seismic processing from deepwater seismic acquisitions on these various blocks.

Now, as you know, there's been a lot of assets for sale in the Asia Pac Region. You've probably heard a number of companies that are selling those assets. You've also probably heard they're fetching pretty high prices. From our standpoint, we're going to look at everything that comes across the board, but we haven't seen anything yet at the prices being paid that approaches the rates of return we can get from our existing projects in Asia and also from existing projects in the other places in our portfolio. So we see opportunities, we look at them, but for the time being, we haven't seen anything that's been attractive for us to really make a run at.

So, to summarize for Asia Pac growth, Liwan gives us strong cash flow bump starting this year. Now, in line with our portfolio management approach, we give high importance to being a producer in Asia. We have real growth projects in progress and real opportunities for continued growth in the next decade and beyond. We have product in geographic diversification, material cash flow in the region and we have room to run with many lightly or unexplored areas.

I also want to explain in the first few years there, in 2015, you see a bump on the production curve. That's not actually a change in physical production; that is actually preferential production coming to us where we recover exploration costs preferentially. So, we get that money back in terms—we actually get it back in barrels of oil, or Mcf a day of gas, which we've actually paid money out for exploration over the last 10 years. We recover that preferentially and get it back very fast, which is one of the reasons that the IRRs are quite good in the Asia Pac Region. So, our diversification into Asia has enabled us to capture strong local market product pricing for both oil and gas and significantly higher than North America.

So, now I'd like to turn it—like to welcome John Myer to explain our latest developments in the Oil Sand projects.

JOHN MYER:

Thanks, Bob. Let's start with a high level overview of our Oil Sands business. We have a strong portfolio of Oil Sands leases in Northern Alberta. This includes 2,500 square kilometres of acreage in resource-rich areas in the Athabasca Region. We have 3.7 billion barrels of 3P reserves at Sunrise and about 10 billion barrels of best estimate contingent resources in other properties. This represents more than 150 years of life at 200,000 barrels per day.

So, where does Oil Sands fit in our portfolio? It provides predictable production over a long period with lower declines. In turn, this provides solid long-term baseline cash flow that can be reinvested in growth projects in our portfolio.

Now, let's do some number crunching for Sunrise. As you can see, we have competitive SORs with a design rate target of 3.0 and operating costs in the mid-teens. Sustaining capital's around $8 a barrel and I'd like to talk to you about what we're going to do about that, how to get there. The best part, an expected 40- to 60-year life span. We're looking to ramp up production over 18- to 24-months to 60,000 barrels per day gross. You've often heard us talk about our natural gas hedge leverage. We already use about 30% of our natural gas production internally, and with Phase 1 of Sunrise, that will move to 50%.

As we've mentioned before, we're seeing some development cost pressures on our $2.7 billion project estimate and as that information is finalized, we will bring it forward. However, our focus remains on returns. Over the life cycle of an Oil Sands project, two-thirds of the cost is sustaining capital and we are working to achieve gains on that side of the equation. There are more than 75 technologies and enhancements we're evaluating and I'd like to actually mention a couple.

We're seeing some real gains in the industry from vacuum-insulated tubing. We've adopted that technology which is all about reducing heat loss and improving steam efficiency. We are working with a contractor on a custom-designed drilling rig. It walks, which means we don't have to tear it down and rebuild it back up again every time we go to drill a well. It also has the ability to run on electricity, which means we don't have to move diesel to site all the time and it also allows us to space our wellheads closer, which means a smaller pad and less steel. A third technology is the use of multi-phase metres and submersible pumps, which eliminates a lot of equipment. So, all of this spells reduced sustaining capital.

I'll move on to Sunrise Phase 2 in a minute, but before I do, here's a few shots showing where we stand today on Phase 1. Let's zoom in a bit. Here's a bird's-eye view of Plant 1A which will produce the first 30,000 barrels per day at Sunrise. A reminder, there are two separate 30,000 barrel per day facilities staggered six months apart to provide for an efficient start-up, so Plant 1A is a bit ahead in development than Plant 1B.

So what's under our belts? The pads are pretty much ready for steam. The pipelines and third-party infrastructure is complete. What's remaining? The welding in Plant 1A is virtually complete and just like when you leave home, you put on your coat, we're busy putting insulation on the pipe. We're also into pre-commissioning and commissioning activities, also.

Here are a few more pictures: the water treatment plant, the MCC by the steam generators, and the well pads. We moved into the Operational Control Centre a few days ago. Current focus is on operations readiness. Our operations staff are in place and procedures are ready to go. All our regulatory approvals are in place and we are finalizing the MOP for Phase 1. We are confident we will soon receive our approval based on the extensive work to date, including 3D seismic and caprock integrity testing.

While we've become experts at 10,000 barrels a day thermal projects, the scale of the resource at Sunrise requires larger projects. Consistent with the objective of shaping risk, we are making big projects smaller. As we go forward in Phase 2, we would be building each 70,000 barrel a day project as four separate plants. This means reducing the size of the contracts we expect to award to any one contractor. This picks up on our continuing success in heavy oil, in managing more bite-sized several projects. We will copy the major equipment designs over from Phase 1 into Phase 2. This helps lower costs and improves operability and timing. We've also reduced the plant footprint's intensity by 35%. The identical equipment will be constructed closer, so we will need less pipe and we'll get the cost savings from the considerable infrastructure already built for Phase 1. Electricity, roads, pipelines and camps we will lever off for Phase 2.

Let's look ahead at additional opportunities at Sunrise. We have a significant opportunity to expand into the southern part of the lease; 3D seismic was completed this winter to help create our development strategy. We know the reservoir quality is very good as we have 209 wells in the area. We have great neighbours, Firebag on one side and Aspen on the other. Both are actually working towards development in this area.

So, moving on to the carbonates. We have one of the largest landholdings in the Oil Sands carbonates and we believe we are in one of the best geological positions. We have submitted a regulatory application for a 3,000 barrel a day pilot project. We're looking to use a cyclical steam process in both horizontal and vertical wells. There's already important infrastructure in the region. Roads, gas and power lines are in place, and a new pipeline is under construction to carry diluent and dilbit. So, pre-development work is ongoing.

Long-term production speaks to both longevity and offsetting decline rate of our overall production portfolio. It bears repeating: This represents more than 150 years of production at 200,000 barrels per day and since we're integrated, we have transportation and refining capacity lined up for Phase 1 and lots of options for future phases.

Thanks very much. Now, I'll ask Malcolm to add a little colour from the East Coast with a look at our Atlantic Region businesses.

MALCOLM MACLEAN:

Thank you, John. Before I start I'd like to take a minute to talk about applying technology to enhance returns in our Atlantic Region assets. In all of the following examples, Husky was a first mover in introducing these technologies to the region. We have taken existing global technologies such as intelligent completions and inflow control devices and adapted them to our harsh environment. When we tied North Amethyst back to the SeaRose FPSO, Husky was the first operator in the region to successfully use a subsea tie-back to—as a cost-effective way of bringing on new production. Our North Amethyst multi-lateral well was also a first. Our new wellhead platform, which I'll speak about in a moment, is another example of finding the right technology to meet local needs. It will also be a first for offshore Canada.

Four years ago, White Rose production was well into its decline phase. Today we've opened up a range of new opportunities, including satellite extensions at North Amethyst, South White Rose, and West White Rose to maintain our Atlantic Region production at around 50,000 barrels of oil per day in the near- and mid-terms. At North Amethyst, our fifth production well came on stream at the end of last year, and we will be bringing on our North Amethyst Hibernia well later this year. This well is targeting the Hibernia formation that lies beneath the main North Amethyst field. At South White Rose, we expect to be turning on the taps around the end of this year. For West White Rose, which we consider a mid-term project, we have started building a graving dock for construction of its wellhead platform. I'll touch more of it—on it in a moment. Longer term, for future growth, we're looking to development of our of our Bay du Nord discovery in the Flemish Pass. But first, let's take a look at what's underway at South White Rose and West White Rose.

I want to tell you a story about South White Rose that reflects how our portfolio management and capital allocation process drives our returns. South White Rose was actually the first satellite field we discovered. However, it lost its place in the development queue to North Amethyst. Why did we put it on the back burner? Simply because North Amethyst was larger and had better economics.

A couple of years ago, we were looking at options for additional gas storage. Initially, we looked at drilling new storage wells to the north. We also decided to take a fresh look at South White Rose and an elegant development plan evolved. Reservoir engineering studies show that gas injection would actually increase our recovery from both South White Rose and South Avalon. Gas would earn its keep. As you saw earlier, we now expected over 20% rate of return from this hybrid development. Gas injection started in February and we expect first oil from South White Rose around the end of this year.

We continue to make good progress at West White Rose. We concluded our benefits agreement with the Newfoundland and Labrador government last October. We are working closely with the regulator to secure development plan approval later this year. We will then sanction the project. To maintain our schedule to first oil in a 2017 timeframe, graving dock construction is now well underway at Argentia, Newfoundland.

In essence, the wellhead platform is all about improving drilling efficiency. To do this, its drilling rig will be bristling with the latest technologies. We aim to half well costs through drilling and completion efficiency and reduce weather downtime. Later life well interventions will also be much easier. The wellhead platform has also been designed to host other satellite field tie-backs.

Finally, we expect to realize considerable savings by continuing to use SeaRose for processing and storage and keeping her in first-class condition is a very high priority for us. Our objective is to maintain our current production level into the 2020s, thereby maximizing recovery and continuing to produce high netback barrels.

Continuing on the theme of adopting established technologies, we have a new drilling rig on the way. The West Mira, a sixth-generation harsh environment drilling rig, is currently under construction in Korea and will be with us—will be arriving on site next summer for the start of her initial five-year contract. With two blowout preventers and other customizations, we expect a step change in drilling efficiency and reduced well costs. We have a strong line-up of development and exploration wells to keep West Mira very busy.

This map shows the northern Flemish Pass where we have partnered with Statoil. You can see the kind of running room we have. The green areas are our Mizzen, Harpoon and Bay du Nord discoveries. The yellow areas are the prospects we have identified to date. Bay du Nord is a basin opener. Our partner has described it as the world's largest conventional oil discovery in 2013. With our extensive land position, we're in pole position.

Our initial focus is on the appraisal and delineation of the Bay du Nord structure. We're just about to launch an 1,100 square kilometre 3D seismic survey to better image this area. Later this year, the West Hercules will start an 18-month drilling program. We are very familiar with her, as she drilled most of Liwan's development wells. We're already looking at a phase development strategy with first oil from Bay du Nord in the early 2020s. We will continue to appraise Mizzen and Harpoon to quantify their full potential and we will also need to test our many prospects. So, a very busy time in store for us.

While exploration may seem romantic to some, you also need to pay the bills. That's where Husky's balanced growth strategy comes into play. Our near- and mid-term projects are being staged to not only provide dependable cash flows and returns for our investors, but also to fund our future projects and exploration activities. Over the next few years, you'll see us and our partner focusing on Bay du Nord. Importantly, we will be using proven technologies. We are very familiar with them from our White Rose and Liwan developments, not to mention Statoil's global experience. Our many years of ice management experience will also be invaluable to the project.

Finally, we are not neglecting the considerable exploration potential we see throughout the Atlantic Region. The Husky-operated Aster well will be spud in the southern Flemish Pass towards the end of this year.

The welcome challenge we face is the same as we have throughout our portfolio, that of ranking our development and exploration opportunities to maximize their long-term potential and value to the Company.

Thank you very much.

DAN CUTHBERTSON:
Thanks, guys. So, we'll now move on to the pillars Q&A. So, the same format as before with Justin and Caitlin, who will circulate the mics and, again, please state your name and the company before you pose your question. I'll also remind you that there's a general Q&A that we can do after Asim's wrap-up.

ARTHUR GRAYFER:
Hi, Arthur Grayfer from CIBC. This question's for Malcolm. In regards to the Flemish Pass, you talked about a development scenario occurring in the early 2020s. Can you talk a little bit about how that may look like? You touched on how it would not be a mega structure, but something—a smaller development. Can you provide a little bit more colour onto what that may look like?

MALCOLM MACLEAN:
It is early days, but the good thing is that both ourselves and Statoil are very much aligned on trying to move forward in a phased manner. So the first structure, as I mentioned, we'd like to focus on is Bay du Nord. I think you saw that our estimate is about 400 million barrels, so it is a large structure in its own right. So, that'll be probably the first in what we hope is a queue of development projects. As far as what the development will look like, really, it's early days. We're accelerating our appraisal program to better quantify the resource and get a good understanding of the subsurface and that will lead to a development concept. The things that I can say at the moment is that it'll certainly be floating and it'll be disconnecting, so if need be, it can dodge the icebergs.

DAN CUTHBERTSON:
There's a question at the front table here.

ANDY GUSTAJTIS:

Thank you. Andy Gustajtis with D&D Securities. This question's for Bob. You're one of the unique companies in China. I wondered if maybe you can share what opportunities Husky sees in China, and are you going to continue to expand your activities there if those opportunities materialize?

BOB HINKEL:

Yes, we are. There are a number of companies that have been operating quite successfully in China for quite a few years. They kind of do it pretty quietly, though, but there are quite a few people there. We see new opportunities being opened up. There was 24 blocks that were released last fall and right now, those are coming to bid stage, and of course, we're looking at those kind of things. There are other opportunities in other places in the country right now that are just starting to open up, so it's a bit of an emerging business model on the onshore.

You see Shell's made a big investment onshore and so has Chevron, and they've both kind of—about reaching the production stage now. So, we look at everything, but it's got to – from a return on investment standpoint – it's got to meet the thresholds of the Company before we'd invest in it.

DAN CUTHBERTSON:

There's a question from Greg.

GREG PARDY:

Thanks. Greg Pardy from RBC again. Just curious; it may be almost a better question for Asim, but when you look at Sunrise and then just the thermal projects right now, obviously, there's a significant difference in terms of the reserve life indexes and probably the resource. But from a returns perspective, and even a visibility perspective, it looks like the thermal projects look pretty good. So, I'm just trying to understand how those two would sort of compete in the portfolio and whether you would consider, you know, deferring the next couple of phases at Sunrise on that basis. Thanks.

ASIM GHOSH:

Yes. Actually, if you look at our present timing on Phase 2, it already is deferred from what we were talking earlier and I just go back to, to me it's a balance between competition for capital opportunities, investment opportunities, but at the same time keeping—avoiding capital concentration risk, if I would put it in strategic terms. So, we are there in Sunrise. As Oil Sands go, it is one of the best leases in the entire country and each additional phase becomes more capital efficient simply because it builds on existing infrastructure and also because it builds on existing learning. So therefore, Sunrise is a core, core part of our portfolio and so therefore, it's not something we will consider trading off an investment versus any of the others. We will just make sure that our overall capital profile stays within the discipline we have outlined, and we will definitely keep developing Sunrise, yes.

DAN CUTHBERTSON:

There was a question in the back from Chris.

CHRIS FELTIN:

Thanks. Chris Feltin from Macquarie. Just jumping back to the slide on the growth out of Southeast Asia; it looks to me like the Liuhua bumped towards the end of the decade from 29-1. You know, I could be mistaken here, but it looks like it's a little bit lower than what it would've been in the past. I think that in a combination Liwan and Liuhua was supposed to get to around 500 million a day gross. Just wondering if maybe it's my misinterpretation, but it looks like that's a little bit lower than what I would've expected. Is that a function of some of these negotiations going on in terms of the contracts and the gas? I believe with one of your potential outcomes with those gas agreements you can sell for a higher price but at a lower volume. Just looking for a little bit of colour on that front.

BOB HINKEL:

Yes, I think you hit it on the head when you just made that last comment there. We're balancing off price versus volume. There are some very, very high-priced markets in that area. Some people have taken out—you're basically replacing the LNG. Now, the LNG comes in at a slower rate. The power plants that feed like a Hong Kong—feed the Hong Kong market, they're paying $18 an Mcf right now for some of their gas. We could get into that, but it would probably be lower rates. So, we're balancing—that's actually a lot of the trade-off right now is balancing that off versus a higher rate; 150 million to 200 million a day coming into an $11 to $13 market.

DAN CUTHBERTSON:

Just for clarification, because in the chart we've put the 100 Mcf option in the chart, just to not over promise on the production.

MIKE DUNN:

Hi, just—it's Mike Dunn with First Energy again, just following up on Chris's question. Any thoughts on when you'll—timing of when you'll have that commercial agreement for Liuhua at 29-1 nailed down?

BOB HINKEL:

We'd like to shoot to get it done this year, so we're still at the—that's our attempt. We are not that far apart. I think we can get something done. So, our target is to get it done this year, which would give us 2017 first production.

DAN CUTHBERTSON:

Any other questions?

MALE SPEAKER:

Brad. Lots of success in the East Coast. In your view, forward-looking, what do you see by the way of potential exploration? You had one of the biggest in the world last year. Looking forward, what do you see?

BRAD ALLISON:

Well, we see a lot of running room in the Atlantic Region. There's really been, you know, three reasons, in my mind. I think it's been the portfolio approach, which is what you've heard today in terms of how we run our business fundamentally, and just the strong technical work. But the third thing is the good geology. So, with—when you combine those things, we're quite optimistic.

DAN CUTHBERTSON:

Then maybe I'll throw in, in speaking to someone during the break, they were enquiring about the status of the cost pressures at Sunrise. It might be worth, just for the benefit of the room, for either Rob or John to address that.

ROB PEABODY:

Yes, let me touch on that. I guess first I'd just say that, you know, as John mentioned earlier, three of the four legs of this project have gone very well. They've been on schedule, on or under budget, in great shape, and the project is on track for start-up in the second half of this year. So, that's the good news.

I'm not happy about the cost overrun on the Central Plant. That has been an area of considerable pressure. The plant is over 80% complete now, so that's good news as well, and the main focus between now and finishing up that plant is really to work closely with our contractor on that Saipem to really drive this to the right sort of cost to completion. I expect we're going to have final costs in the next few months and we'll update you with that when we get it. But I just don't want to be in this sort of monthly updating a cost estimate or something, so we'll have that data pretty quickly.

DAN CUTHBERTSON:
I think I saw a question pop up over there from Paul.

PAUL CHENG:
Thank you. Paul Cheng, Barclay's. Two questions. One, John, just as a clarification; in your presentation the two different charts seems to talking about Sunrise Phase 2A, one talking about '17 to '19; the other one talking about at the end of the decade. So, just want to clarify; is it the end of the decade or that you expect start-up is in the '17 to '19?

JOHN MYER:
Yes, so our approach on Phase 2 is we want it to really replicate a lot of equipment, come over and pick up all the design pieces. We really wanted to make sure we kind of made these big projects smaller. So, we broke it up into the two 70,000 and we want to actually optimize, you know, the staggering between those two to really—is really about execution and the best execution strategies. So, 2A in that timeframe; 2B will probably be about two years after that.

PAUL CHENG:
No, no, I understand, but I'm just saying that in two of the charts; one chart saying that 2A is '17 to '19. Another chart saying that 2A is end of the decade, so just trying to understand that are we talking about 2020 for 2A, or is '17 to '19 for 2A?

JOHN MYER:

Yes. So, I guess I've called end of the decade '17 to '19—they're kind of the same thing. So, it's by the end of the decade.

PAUL CHENG:
All right. The second question is for Rob. Rob, do you have an internal sort of capital allocation somewhere between Canada and the international market how much you want to spend? Also that is—do you have a percentage on average how much is your exploration budget should be for your total CapEx? Thank you.

ROB PEABODY:
So, let me just do the second one first. We spend about $500 million a year all in for exploration. That's just the—that's the framework we have and we're comfortable with that level, and we're getting great success out of that.

So, in terms of specific proportions based on geography, as Asim's previously mentioned, you know, we're looking for diversity. Across our investment horizon, geography's only one metric and I'd go back to the things we've mentioned before. We look at returns, we look at returns by year of projects; we look at maintaining a balance. Those are all the factors we continue to look at.

DAN CUTHBERTSON:
I think that's it for questions, so we'll call upon Asim to come up and wrap things up. Then after Asim speaks we'll have, again, a general question-and-answer period for everybody.

ASIM GHOSH:
So somehow, it may have to do with the fact that our Head of Corporate Affairs comes from Newfoundland, we ended up with something of a maritime theme for our Annual Reports for the last few years. If I would stay with that theme, I would say our balanced growth strategy has been something of a loadstar for us for the past four years. During the time when many in our industry globally, and indeed in Canada, have been retooling their strategies and cutting programs, I think my greater satisfaction comes from the fact that we have been able to stick with the strategy for the past four years where Husky is in the position where it can maintain its current capital spending profile and I think what we've added to in that basic skeleton of the

profile is we've added further flesh to the bones, and we are now getting to a stage where we can concentrate on delivering higher-quality returns, production, and cash flow growth.

This morning we've talked a lot about higher-quality returns and the dashboard we manage daily to deliver those returns and we do this through portfolio flexibility. You saw some of that in terms of how much more flexible our portfolio has become. We are balancing towards longer wavelength projects. We are working our focused integration theme for a lot of management of detail. We're working on shaping execution risk and we are moving towards an oilier rated portfolio. Those are the big themes running through our Company at this time.

As they say, the proof is in the pudding but when I stay on my execution theme, what I tell my colleagues is the proof is in the eating. It's not just about strategy. It's about execution. As noted earlier, we have not only generated the highest overall return amongst our peers over the past three years, we've also returned the highest percentage of cash by way of a strong dividend. So basically, what I'd say to you is Husky today is in a materially different place from where it was four years ago.

Now. we'll open up to questions as long as they don't talk about individual well costs, I'd be delighted to answer them.

DAN CUTHBERTSON:
I think we have our first question from Mike, in the middle of the room there.

MIKE DUNN:
Thank you. Mike Dunn with First Energy again; a question for Alister or Asim. With the Flemish Pass discoveries here, it's my understanding this could be—you could be seeing some development expenditures there later this decade and maybe even within the 2017 timeframe. Earlier Rob, I think, you'd mentioned the $4.5 billion to $5 billion a year in CapEx outlook, and I'm just wondering how we should think about spending on Flemish Pass, you know, post-2015 and how does that tie into your hopes for dividend growth in the next few years? Thank you.

ASIM GHOSH:

Are you trying to get to the second question by way of asking the first? Okay. Let me give you some high-level thoughts and let me get the dividend question out of the way because it keeps coming up. So, okay. So, first of all, I'll give you the cute answer, which is actually the true answer. Dividend is a Board decision, guys, okay? It's not a Management decision; it's a Board decision, but Management does have a say in it. We propose; we don't dispose.

I want to give you the overall strategic perspective. So, first point I want to make is I don't want to start thinking about dividend until we get our big cost consumption lumps out of the way and that means Liwan is substantially out of the way. We've got Sunrise Phase 1, and that'll be out of the way next year and then we've got the BP true-up.

The second point I want to make is that we're going to maintain our balanced growth strategy and at any point in time we will look at the balance between growth and return—and short-term return. We have a commitment to keeping with a top-tier dividend, but at the same time, I have to be mindful of the fact that we are not positioned at either extreme of the spectrum, you know? We are not a yield stock the way that Royalty Trusts used to be. We're not milking the business and squeezing it so that, you know, we're just giving it the highest dividend. At the same time, we're not a go-go growth stock, hell-bent for growth at any cost and then possibly some of them headed for a crash. I want to keep this Company in the middle and therefore, at all times. We will look at returning money to our shareholders on an ongoing basis because I see it as a mark of discipline of how you run a Company, but we will not be neglectful of the growth available of this opportunity. All of that growth, as you can see, is coming from areas we know well. We have that luxury and why would we give up on it? So, we're going to stay in that balance. In terms of where that specifically comes up, we will address it as we go.

As far as the Flemish Pass itself is concerned, remember for a company our size, to be a 35% shareholder—now if you look at the numbers in Exxon, Exxon is around 32%/33% of Hibernia. It's a (inaudible) of another defining projects in Canada. For a company our size to be a 35% working interest in a fairway this massive is one hell of a luxury. So, we will see how that evolves, okay? I mean, there may be farm-outs. There may be—and, you know, we certainly will have a lot of cash flow coming then out of having absorbed Sunrise and Liwan. So, those are Class A problems, okay, but we will overall, as a company, stay within that capital discipline of $4.5 billion to $5 billion range, give or take, in today's dollars. That's about as much as I can say in terms of strategic clarity. I hope it gives you a sense of how we are thinking.

DAN CUTHBERTSON:

Oh, there's a question by Randy.

RANDY OLLENBERGER:

Thanks. Randy Ollenberger with BMO Capital Markets. So, seeing this is a portfolio question for you, and I guess as you filled out these other columns here, essentially are you happy with the portfolio as it stands today or are there places where, for example, either due to maturity or lack of running room you'd think of maybe shrinking? On the flip side of that, are there places you'd like to deepen or add to within that portfolio and I guess the last part of that is, you know, what's your appetite for transformational acquisitions? Would you look at moving out of, say, Canada into the United States? Would you look at any corporate acquisitions? So, just kind of a portfolio question.

ASIM GHOSH:

Okay. Randy, that's several questions in one, but basically broadly, in the context of any reasonable planning timeframe, okay – and I'm not looking at where Husky will be in 2035, okay, because a lot may change between now and then – but in the context of a reasonable planning timeframe, I'm happy with the portfolio. I'm actually delighted that we've been able to put so much flesh on the skeleton we outlined four years ago. Anytime you go on a first Investor Day for a company and you lay out a strategy, there's always an element of sticking your neck out, and you hope on the day that you can deliver. I'm delighted that the team is substantially unchanged in the last four years and we've been able to deliver on our promises.

The part I'm—a lot of it we've identified, but it's got more flesh, as I said, on the bones. The part I'm most delighted about is we did stick our neck out. We had a deep conviction that the Atlantic Region, which we were then calling our growth portfolio – growth pillar – I'm delighted that that is actually starting to take shape as a growth pillar as opposed to something which is really part of our base that was masquerading as growth.

In terms of transformational acquisitions, we have looked at two very seriously in the time that I've been here and for one reason or the other, neither worked. Each had a problem which was defining for us. I think progressively more and more we are getting to the position where we don't need one. If I go back to the history of Husky, we had the Renaissance acquisition. Renaissance gave us short-term cash flow which allowed us to fund our East Coast development. Today we don't need that. Today we've got a sufficient internal cash flow to generate the investments in organic growth, and as a general proposition, organic growth will always give you a better return. It's more boring, it's more painful, it doesn't get you headlines, but it's actually a better investment for the shareholders.

If something comes along that is transformational, that competes in return with those sorts of returns which we are getting, obviously, I'd be a fool not to look at it, you know? We have the balance sheet and we have the—well, we have the dilution capability to be able to do that, but it would have to compete with that sort of return.

DAN CUTHBERTSON:
Okay, I think that—oh, we've got one question in the back from Chris.

CHRIS COX:
Thanks. Chris Cox with Raymond James. Kind of two questions here that may or may not be related. First is, Asim, maybe you could just discuss some of the options related to the BP true-up, and then to kind of follow on Randy's question there, what would be your level of interest in maybe acquiring some more US Downstream assets just as your Upstream production kind of grows in the next couple years?

ASIM GHOSH:
On the BP true-up, for modelling purposes for internal planning purposes, we are assuming it's a cash true-up. If they should be a transaction in time possibly, you know, we have a close working relationship. We have a working relationship with their Downstream; we have a working relationship with their Upstream. The two don't—are run more separately than they are in our company, but that's what there is, but we have a very good working relationship. If something should come our way which allows a inclined— or part inclined true-up, we would be open to it. But at this point, for modelling purposes or internal planning purposes, we are looking at a cash true-up.

In terms of Downstream assets, it's back to an extension of what I just told Randy. You know, we kick a lot of tires, but it's got to compete in return with what we can do organically. Now, if we take a simple example, Lima was originally a light oil refinery. We now have a plan in place where, $300 million range, we can process 40,000 barrels of heavy oil at a return that's 20%-ish. Any incremental money I'll have to put into refining assets in the US will have to compete with that kind of return objective. I don't see that. We haven't come across one yet, okay? So, it's simply a question of we are very, very boring. We're not in it to plant flags; we're in it for returns.

DAN CUTHBERTSON:
Any other questions? Oh, we have a question right there.

ASIM GHOSH:
I think we have one here.

ESTHER MUI:
Hi. Esther Mui, ACI Consulting. This is maybe—it's an old question, but just looking at from fresh light that you have met your production profile with strong balance sheet right now. A few years ago, you had a—saw a pretty major recapitalization with more commitment from the parent company and if you're paying out dividends, I wonder if special dividends be an option? Mr. Li Ka-shing always have other options for investment and whether you'll be doing some recapitalization going forward, even though the balance sheet really is in really good shape at this time.

ALISTER COWAN:
Sure.

ESTHER MUI:
The other question would be Husky, a few years ago, was kind of lots of rumours surrounding sale of the company by the parent and I suppose, at this time, I would presume Husky is core to the Li KA-shing enterprise. Would like to have your views on that. Thanks.

ASIM GHOSH:

Well, you're asking Management to speak for a shareholder, okay? It's normally the other way around, but—so anyhow. The—every indication that I have ever got from Mr. Li is that Husky is core to his holdings, okay? He has driven this business through some very difficult times and stayed with it and he's supported it in the one time we needed his support and he has not failed to remind me, on many occasions, that it is the only one of his listed businesses that he's had to recapitalize. So, I've been slapped around the wrist and the face a few times on that.

Having said that, I would say that people who did partake of that – the investment opportunity did benefit from it – so we've pulled it off and we've returned our commitment to the shareholders. So broadly, yes, I see him committed to the business and the best way I can—you know, best proof of intention is action. His actions certainly show that he has complete commitment to the business.

DAN CUTHBERTSON:

Any more questions? Okay, thank you very much for coming out today. I believe most of you are sticking around for lunch. There'll be Husky people kind of circulating. If you have any additional questions or want to have a one-off conversation with anyone, we'll be around and please enjoy the lunch.

ASIM GHOSH:

Yes, I just want to thank you all for coming. You've seen an evolution in the business over the four years, but basically it's an evolution; we've not had to have a revolution. We've—most importantly, we are staying—we're sticking true to our basic strategy and it's good to be able to do that. Thank you.