



# HUSKY ENERGY INVESTOR DAY TRANSCRIPT

**Date:** Monday, December 5, 2011

**Time:** 9:00 AM Eastern Time

**Speakers:** **Asim Ghosh**

President & Chief Executive Officer

**Alister Cowan**

Chief Financial Officer

**Rob Peabody**

Chief Operating Officer

**John Meyer**

Vice President, Oil Sands

**Rob Symonds**

Vice President Western, Canada Production

**Robert Hinkel**

Chief Operating Officer, Asia Pacific

**Rob McInnis**

Manager, Investor Relations

**ROB MCINNIS:**

My name is Rob McInnis and I'm the Manager of Investor Relations for Husky. I'd like to welcome you to Toronto, for those who have travelled in. A few things I'd like to point out before we get started today. If there is a fire alarm the exits are here and please just use the stairs which are across the hall and down and follow the hotel staff direction.

These presentations do contain forward-looking information, the advisories are at the back of your presentation deck, if you want further clarification on that. The other thing is we've also included a survey in your pack so at the end of the day if you could please complete that survey that would be helpful for us in gaining your feedback.

I just want to quickly walk you through the agenda today. So we've structured it with some presentations and followed by Q&A sessions. First off, we'll have Asim Ghosh our CEO, he'll give an update on the strategy. Followed by Rob Peabody our Chief Operating Officer who will talk to you about the upstream business. John Myer our head of our Oil Sands business and then lastly Bob Hinkel who is head of our Asian Pacific business.

And with that, I'll turn it over to Asim.

**ASIM GHOSH:**

Good morning again, and thank you for joining us. It's been a year since we had our first Investor Day. It's been an eventful year. In the next few slides and then in the presentations by the rest of the team will give you a more granular sense of what went on. But before I get to the actual presentation, I just want to -- we've got a very full house from Calgary today and I just want to introduce some of the key members of our team.

First of all, the next presenter, Rob, our COO, Rob Peabody. We've got our head of legal, Jim Girgulis. We've got our head of Downstream, Bob Baird head of Midstream Terrence Kutryk, head of exploration, Brad Allison, our Heavy Oil man, Ed Connolly, our head of -- our COO of Asia-Pacific Bob Hinkel. We've got our head of Oil Sands, John Meyer, Vice President of Atlantic Region, Paul McCloskey, then new head of Western Canada, Rob Symonds, our Treasurer Darren Andruko, our Comptroller, Angela Butler, and then the lady you all know Sharon Murphy our head of Corporate Communications.

We also have with us one of our Directors, Wayne Shaw, Wayne, thank you for joining us. He's in addition to Jim Girgulis, he's also keeping an eye on us. So on that I'll go on to our presentation but in a nutshell we outlined our strategy to you last year and a year later we have no reason to revisit that strategy that strategy is standing the test of time and we're delivering against our targets.

I'll start with a quick refresher on that strategy. You'll recollect that we'd outlined that we had a foundation of our business in Western Canada and Heavy Oil and on that we were building

three pillars of growth, respectively in chronological order, the Asia-Pacific, the Oil Sands and the Atlantic Region and that the investments in our Midstream and Downstream business existed to support that business. So we were not actually integrated in the classical sense of the term but we were integrated in as much as has become very specific upstream needs that required an outlet to the general market which are our investments in Heavy Oil and Oil Sands.

So revisiting that strategy and looking at the progress against that, I'll start with Western Canada. I'll refresh your memory that Western Canada for us is a business unit, it's not Western Canada geographically because Heavy Oil which also exists in Western Canada, separate business unit.

So in Western Canada I said to you last year that Western Canada in conventional terms is a declining basin. But before our very eyes this is a basin that is being regenerated by new technology. The new technology basically of resource plays. And as a result we are repositioning this foundation, this part of our foundation, to focus more on oil and liquids-rich gas resource plays and we already had a substantial land base to work with that but in fact in the year we have built further on that land base and now we've built up that potential position on resource plays from 1.3 million acres which is what we said last year to you, to 1.6 million acres.

We accelerated our Ansell development which is liquids-rich gas resource play and most importantly, we've expanded our organizational capability to develop such plays. Early days yet, but we are seeing positive results and we are very encouraged about our land position and the future potential here.

Moving on to Heavy Oil, again, like Western Canada, business in transition. It's been a key part of the Husky story for the last 70 years and in the last two decades the principal technology driver for us has been CHOPS which is cold -- an acronym for Cold Heavy Oil Production with Sand. CHOPS is now a maturing technology, still very profitable, still very productive but maturing. And we've made significant progress in the last few years in laying the foundation for the next transition in this basin which for us is secondarily horizontal wells, but primarily thermal horizontal wells. And we already have one successful -- well, two successful thermal projects that are producing now and giving substantial production in that division. But we've now progressed construction of two additional thermal projects and we have increased the number of horizontal wells so Rob will tell you more about that in his presentation. But in summary, we expect thermal to deliver in the range of 35,000 barrels a day by the end of the planned period and that will help stabilize this part of our foundation.

So in summary, again, looking both at Western Canada and Heavy Oil, we expect that we will be able to achieve our objective of having a stable base but that stability masks the fact that it's actually coming from substantial transition.

I'll move on to our pillars of growth and I'll start first with Asia-Pacific, and Bob Hinkel, our COO will talk to you in greater detail about that, after Rob's presentations. But, there are two significant parts to this project, the first part of course is our South China Sea position in Liwan. The Liwan gas project, very significant progress in the year. We sanctioned the project, we formed the overall development plan, we have signed a gas sales agreement and we've put out press releases at various points on each of these. But again, Bob will answer any specific questions you've got.

We have commenced fabrication of our deepwater and our shallow water facilities and so far we are on schedule for 2013 end, early 2014 for production and I think when Bob talks to you about this part of the project you'll realize what a massive undertaking this is, it's one of the biggest projects of its kind in the world, actually.

In Indonesia, we were successful in having the Madura PSC extended for 20 years to 2032 and again, there are several subsets to the Indonesia project, there's the BD Field which is going through initial tendering. We're delineating the MVA field, there's a new discovery at MVH. So in summary, again, as far as Southeast Asia is concerned we are well on our way to laying the foundation and actually substantially advancing commercialization towards building a 50,000 barrel a day equivalent business in the region by 2015.

I'll move on to Oil Sands and there of course our star project is Sunrise, it's just up there a few days ago, middle of last week and is very, very heartened by on-the-ground progress. You can get all of the reports you want sitting in Head Office, but when you actually touch and feel and see the well heads all closed up waiting to be activated. More than half of the SAGD well players have already been completed and most encouragingly, our evaluations of the wells have confirmed our hypothesis about the quality of the resource. The major construction activity on the field facilities and the central plant facilities is commenced and is on progress. And my colleague will give you a greater fence of our cost certainty around that project.

And in fact, we are now progressing -- doing, starting to do the initial work on Phase II of Sunrise just to give us optionalities further down the road. A brief word on Tucker. We have now been consistently at production levels between 9,000 and 10,000 barrels a day for the last month and that's contributing positively now to cash flow and earnings and we are targeting for a further improvement in the upcoming year.

Finally, on Oil Sands, just a brief word on emerging Oil Sands. We put out a press release recently outlining that we've added 10,000 barrels a day of best estimate, contingent resource to our [Saleski], [Saleski] is again, one of those amorphous concepts on paper when you talk about it. But I actually was out inspecting the core samples again last week, it's been a busy week I guess, but this is incredible. I mean, we had several wells of 100 meters, core samples each and you can actually see the oil, you can see the oil dripping out. We recognize the

technology isn't fully cracked yet but when we do this is a mind boggling resource because the contingent resource in this alone is 10 billion barrels of oil.

So without question, we have one of the star positions in oil carbonates. If you see where Oil Sands were two decades ago and you look forward in terms of the potential for Husky further down the road this is one mind boggling position to have, for any company. 10 billion barrels is the stuff of full industries, it's the stuff of full countries, but that's what we've got in this one resource alone. And John will talk to you more about that.

Finally, the Atlantic Region which is a very high value production area for us. It's very sweet oil. We actually get a premium to Brent and in that we've got the foundation -- we talk about the pillars of growth but in a sense the Atlantic Region is a little bit of both it's a part of our present and a part of our future.

So the Whiterose facility is a high-reliability facility and production from our North Amethyst satellite field reached its design target of 37,000 barrels a day gross, in the year. But in the growth part of the Atlantic Region we've got the White, the West Whiterose pilot which is now in production. We're studying the well head platform concept to extend the life of this field and the satellite fields. And in summary, this continues to be a key contributor to our foundation but with strong prospects.

So I'll just pull up this next slide which actually puts, encapsulates everything that we've done in the year and as you can see we've achieved a number of milestones to accomplish our targets over the short term, the medium term and the long term. So we are looking at our portfolio both in terms of the business units but more in terms of a chronological resource allocation and I think this slide encapsulates what our underlying score sheet for the Company is and how we are basically ticking the boxes against that.

In addition to all of this of course is, we are in top three of financial markets, every conversation of the analysts reminds me of that. I was just having a conversation a little while ago as to why oil company share prices are performing the way they are and there was some talk about the fact that there's backwardation in oil prices reflecting the fact that we have this topsy-turvy financial markets. And recognizing that we undertook a comprehensive refinancing plan which we've outlined to you last year. It's pretty well done now with the exception of the continuation of the drip but basically we've rebuilt our balance sheet. We have the funds to execute against this plan and to ride through any glitches the market may throw on us and that balance sheet will basically enable us to meet our desired targets.

What I've spoken to you about so far really is kind of actions undertaken on strategy. A brief word at the end of the day, actions are interim steps is what we do but I think I should talk to you about the results. We ended the year with our production up 9% versus our stated CAGR target of 3.5%. I'll just remind you as I've done on a number of occasions that that is a CAGR target, it

does not mean we'll get 3% to 5% every year because it will be affected by A, off stations and B, the fact that some of our projects are lumpy so they won't come in a straight line.

Reserve replacements, we expect this year to be at 170% against our stated ramp-on target for the period of 140%. We did say that we are -- we were focused on net backs and that we're focused on F&D and on OpEx, but what we really watched as a Company was net backs, what we stated last year. And in the year our net backs were up 20% year-over-year driven by strong prices of course, but most importantly the fact is our production was there to take advantage of the prices. So it was underpinned by solid execution.

And finally, our return on capital employed, we had given a target of 5 percentage points in return on capital employed over the planned period. In fact, we received 4 percentage points already. Again, underpinned by strong oil prices but most importantly the fact that the execution was there to take advantage of that. So as you can see in a challenging year we have executed and achieved our targets.

Looking forward to the future, we've announced a \$4.7 billion capital program. The cash outlay part of that is actually \$4.1 billion because as you know some of those are coming out of joint ventures. And about 85% of the total budget is focused towards upstream and within that this basically -- Upstream will basically sustain a foundation in Western Canada in Heavy Oil. It will provide substantial investment in our growth pillars, so 60% of that 85% in turn really goes towards the growth pillars. And we are giving a production guidance of 290,000 to 315,000 barrels a day equivalent. This is effected by upcoming turnaround in Terra Nova and the Searose FPSOs which will both occur, which are at this point expected to occur next year, which will effect production to the tune of 15,000 barrels a day. Offsetting that of course is we have a number of growth pillars, growth in our foundation, more specifically thermal production in Heavy Oil will be a major offset.

So in summary, it's kind of nice to look back. We communicated the strategy to you a year ago, but really internally we formulated that strategy a year and a half ago and it's reassuring that a year later, since talking to you last we have no reason to revisit the strategy. That strategy to us seems absolutely sound.

We are progressing our steps to execute against the strategy. We are achieving our interim milestones and basically we look forward to several years of progress against that. On that note let me hand you over now to Rob to start taking you through the Upstream part of the presentation.

**ROB PEABODY:**

Thanks Asim. Just so that no one gets alarmed or anything. I noticed a slight oversight in our introductions where we forgot to introduce our CFO, Alister. And since people tend to panic

when they think the CFO might have done a runner, I thought we'd just point out that Alister is still here, still in there pitching.

Well, thank you very much and thanks everyone for coming today.

Asim outlined our strategy. As he says, the interesting thing about our strategy is it really remains the same as we set out last year. Our tasks remains to execute against the strategy. And in 2011 we saw substantial progress.

Today I want to give you an update of where we are and what the next steps are. First, just to remind you of our targets; excellence in process and operational safety. Production growth of 3% to 5% cumulative average growth rate and towards the top end of this in the period of 2010 to 2015, focusing on improving net backs and reserve replacement of greater than 140%. We aim to achieve this by firstly, deploying our resources on the best plays with higher net backs. And in practice this leads us to focus on oil and liquids-rich gas resource plays or plays or gas plays where we can obtain oil like pricing, as in the Asia-Pacific region.

Secondly, we'll achieve it by disciplined execution backed by technological excellence. Overall, this will allow us to extract value at a faster pace from our large portfolio of resources. This results, as we saw in 2011 in production growth with expanding net backs and strong reserve replacement.

Turning to our first priority, we have always had health, safety and environmental standards. But as events have shown, even over the last five years, what was good enough for five years ago is not good enough for today.

The introduction of Husky's operational integrity management system creates a single set of rigorous standards and processes company-wide, in the Upstream, Midstream and the Downstream. By all speaking the same language this has allowed us to move much quicker and share best practices much quicker across the different parts of our company.

In 2011 we rolled out six company-wide standards covering leadership, risk management, competency and training, incident management, documentation and continuous improvement. These replace a range of standards previously in use. But standards are only effective if they actually change the way we do business and the roll out of each of these standards ultimately has involved the engagement of our staff from the very top of the company all the way down to the front line.

Now, turning to our remaining priorities, starting first in our Western Canada foundation business, Western Canada currently produces about 160,000 barrels of oil equivalent per day. Through 2016 we expect to maintain production volumes at about this level. However, as I

described last year major changes are underway in this business. As Asim said, before our eyes we are seeing the basin being totally transformed by technology.

We've made large strides in creating a new future for this business, during 2011. We continue to move from a business based on mature, conventional plays to one based on oil and liquids-rich gas resource plays. Our first step was to build the team. We now have a first-class team in place, team members have extensive experience in delivering a range of oil and gas resource plays across North America.

Taking a high-level overview of our resource play activity, our strategy, just to remind you, first, to high grade and grow oil resource plays and in terms of gas plays, focus on liquids-rich plays while maintaining our dry gas holdings with minimal investment in the near term.

This is an update, this slide is an update, of a slide we used last year that shows the plays we're currently working on. The blue on the map shows our extensive land base in Western Canada. The maturity of our resource portfolio covers the spectrum from currently producing assets like Ansell and the Viking to newly captured assets like the two parcels in the Northwest Territories.

In 2011 we continued to develop our properties at Ansell. In the Baaken at Oungre and in the Viking in Alberta and Saskatchewan. In total, we expect to drill about 115 wells this year. Next year in the plays that are focused on our existing land base we expect to expand our drilling program to about 150 wells.

The transition in our Western Canada portfolio from conventional to resource plays will not occur over night. Currently, less than 10% of our production is from these plays but we will steadily increase that percentage in years to come. By 2016 we anticipate that about one-third of our Western Canada production will come from resource plays.

The chart on the bottom corner of this slide shows some of our Western Canada properties and resource plays. I'll expand on this chart more in the next few slides. What you're going to see is a steady pipeline of projects and play types moving from the prospect phase through delineation and commercial development into production.

This chart shows some highlights from our expanding oil resource play activities this year as well as some of our plans for 2012. During 2011 we increased our land position targeting oil resource plays to approximately 800,000 acres from approximately 500,000 acres at the start of the year. We drilled 65 wells and we expect to drill about 90 wells in 2012.

We continued development of our producing assets in the Baaken and in the Viking. We undertook delineation and evaluation activities at our Cardium and Shaunovan plays. We accumulated material land positions in emerging plays that we believe could be meaningful in terms of production growth towards the backend of the planned period.

We also moved forward in our planning and testing program for the Northwest Territory's Canol shale play which is a Muskwa equivalent that we expect to undertake in 2012. This is the same type of information for our gas resource play work. As I said, liquids-rich plays remained our focus in 2011. Ansell saw the most activity where we expect to exit the year with production capacity of about 10,000 barrels of oil equivalent per day. 2012 will also see a lot of activity in the Ansell area.

We also moved forward at Kakwa, another liquids-rich play where we have drilled three wells and expanded our land position. In the Kaybob Duvernay play, we expanded our land position and commenced drilling. These wells are expected to be completed next year.

In 2011 we drilled 58 wells to evaluate gas resource plays and we plan to drill around 60 wells in 2012. We have also previously accumulated positions in the Bivouac and Horn River plays, as well as the dry gas regions of the Montney and the Duvernay plays. But we've kept activity at a minimum in these areas due to the continued low net backs on dry gas productions.

Some of you had a chance to visit our Lloydminster facilities during our recent investor's tour. We've made good progress in transforming our Heavy Oil business in 2011. Recall, we are moving from CHOPS which makes up about 65% of our production today, to long-life thermal project where we plan to almost double production over the planned period from just under 20,000 barrels today.

Over time, this strategy is projected to reduce our F&D costs from this business to lower than \$20 a barrel while allowing us to contain our operating cost increases. In the year Pike's Peak South and Paradise Hill construction moved forward. These projects will start next year and we anticipate them reaching 11,000 barrels per day in 2013. This will take our total thermal production to about 30,000 barrels per day in that year.

At the same time, we increased our horizontal well drilling programs where production has reached about 5,000 barrels per day, today. And is expected to reach around 15,000 barrels per day by the end of the planned period.

We're also progressing a number of solvent EOR projects to sustain our long-term production. this is one of a number of technologies that we are developing to increase production from our CHOPS production base. We have four cold EOR pilots operating and in 2011 we have completed a project to recover the CO<sub>2</sub> from our ethanol plant in Lloydminster. And the CO<sub>2</sub> is one of the solvents we use in these cold EOR projects.

These developments along with the benefits of our integrated position that allows us to capture the full value chain should continue to deliver strong net backs from this business for many years to come.

The Atlantic Region remains a significant contributor of high net back production. In 2011 we continued to see exceptional uptime from our production facilities, approaching 98% year-to-date. Further, we did what we said we were going to do, at this time last year, we brought on North Amethyst in record time, 3.5 years from discovery to first production. And its performance to date has been as expected reaching our target of about 37,000 barrels per day gross with three producers and three injectors currently online.

Our first priority for 2012 is to execute the Sea Rose off station successfully and that is expected to last about 125 days. there will also be a 15-week maintenance off station for the Terra Nova FPSO. The total impact of these two off stations to annual production is expected to be approximately 15,000 barrels per day on average when you average that over the course of the year.

Looking forward, we are currently evaluating the development of the White Rose expansion project in the Jeanne d'Arc basin. Our aim of this project is to increase production from the White Rose area while lowering F&D costs. The project is built around the development of the West White Rose Field and as part of finalising the design we started production from the West White Rose pilot project in Q3 of this year and the initial results from that pilot project are good.

We also confirmed the feasibility of the well head drilling platform concept with technical experts in the field. The key to the capital efficiency of this project is that we will continue to use the Sea Rose for oil processing, and also at the same time remove the need to drill wells from mobile drilling rigs which cost up to \$1 million per day. The platform concept also allows us to increase reservoir recovery through ongoing well intervention capacity. The net impact is expected to reduce F&D costs by about a third from historical levels.

We're also looking at the next stages of development and continue exploration activities in the Jeanne d'Arc basin in the Flemish Pass basin and longer-term exploration, offshore Greenland.

Asim has emphasized the need to accelerate value creation from our extensive resource base. As I said before, we think about this as the delivery of a pipeline of projects and development activities from the prospect phase through delineation and derisking into commercial development and then finally into production. These include development of plays, discreet projects and the application of new technologies that unlock recovery and additional production from existing assets.

This chart shows our producing assets at the beginning of 2011. During 2011 the Oungre Baaken play began producing. The West White Rose pilot began production and production was increased substantially from the horizontal well program in Heavy Oil and from the North Amethyst, Ansell and Tucker projects.

In terms of commercial development this is what our portfolio looked like at the beginning of the year. While we continued to exploit our best conventional opportunities this activity continues to decline year-over-year in Western Canada. John Meyer when he gets up will give you some more detail on the Sunrise project, one of our largest projects, and a project now well into commercial development.

In terms of commercial development, during the year we added Paradise Hill, another thermal project in Heavy Oil and the Liwan 31 and 34-2 projects and the Madura BD and MDA projects, and Bob Hinkel will get up here and describe those in a lot more detail, shortly.

As we enter 2011 these were our assets in the delineate, derisk phase of maturity. And this is what it looks like at the end of the year and it now includes the Sandell, Edam East and Edam West Heavy Oil thermal projects, Sunrise Phase II and in the Asia-Pacific we made the Madura MBH discovery.

Finally, this was our prospect inventory at the beginning of the year. And in 2011 we added the Rainbow Muskwa and the Canol play in the Northwest Territories.

The message I want to leave you with is that as we told you last year, we have a wealth of projects across each of our businesses to add production and improve earnings quality. Further, during 2011 we made good progress delivering value from the existing resource base while adding to the long-term development pipeline.

In the case of Western Canada and Heavy Oil, these new developments continue the transformation of our foundation businesses. We have a great pipeline to work with, the key to achieving our objectives is execution. 2011 has been a year of solid execution and execution remains our focus for 2012.

Okay, now I'm going to ask Rob Symonds, the head of our Western Canada business and Brad Allison the head of Global Exploration to join me and we'll be pleased to take questions on our programs in Western Canada. In Heavy Oil, [Ed Connolly] is sitting at the table there but I'm sure he'll help us if we get to some good questions on Heavy Oil. [Paul McClosky] is sitting beside him and so we'll be happy to take questions on Atlantic Canada and exploration in this phase. Clearly, we're going to have another Q&A session after Bob Hinkel speaks and after John speaks. So I'd save your Oil Sands and Asia-Pacific questions for then.

I think many of you will remember Brad from last year's Investor Day. Rob just joined us over the past year so I thought just before we got into any questions I'd ask Rob to say a few words about his past experience and his -- I guess you can't call them first impressions any more, but his impressions of Husky.

**ROB SYMONDS:**

So it's super really to be here today and be part of a really exciting team here at Husky. Me, I've worked in the Canadian and International oil patch for more than 30 years. The bulk of my experience was with Shell.

So working with Shell in Western Canada meant I actually was familiar with a lot of the Husky assets because Husky and Shell had done a lot of things together over the years. Looking at Husky, Western Canada is integral to the strategy going forward. In 30 years I've heard this talk of the demise of the basin more than once. And as you've heard and as you all well know, what we're seeing before our eyes is a transformation in the basin driven by technology. And our assets at Husky both the long held and newly acquired are providing tremendous investment opportunities going forward to sustain the production base that we have and that's what drew me to come to Husky.

And I would say to you that in the six-months plus that I've been here, everything is as I expected or better. My team from the field and plant operators, all the way up to my leadership team, top notch people. We have top notch assets. I'm looking forward and I'm very confident that we can successfully execute the transition that's required within our portfolio to maintain that production and move ourselves from those conventional plays to the oil and gas resource plays that are now so important to the industry and the basin going forward. So that would be my early views.

**ROB PEABODY:**

So, happy to take any questions.

**ERIC BUTLER:**

[Eric Butler with Meritt]. On the earlier slides you guys cited a zero to two-year outlook add positions. Could you give us some thoughts on what types of assets you're looking at, is it M&A, is it A&D, which areas, which geographies, your general thoughts on how you would finance it?

**ROB PEABODY:**

This is the acquisitions question, isn't it. Did you want to take that Asim or I -- I mean, either way.

**ASIM GHOSH:**

The core of our story is organic and there will be -- we are open to what I'd call Husky being M&A with all rationalizations around divestiture of non-core assets which you'll never get down to developing which could make sense to somebody else. Or alternatively, additions around our core assets which synergize well with our existing facilities, our existing man power base, our existing pipelines and the like. But other than that I mean the way you should be looking at the business is really around the organic story which we outlined to you last year and which we

outlined to you today. So that's the bulk of it, this is not, we are not telling you an M&A story that we are going to perform surgery on this business and leave you a transformed beast with a different set of arms, a different set of legs.

We have outlined to you what our foundation is, we've outlined to you what our growth pillar is and that's basically our underlying message for the investment community.

**KATE MINYARD:**

It's Kate Minyard with JPMorgan. Looking at some of the resource plays in your Western Canada position, if you look at growing from 10% of production to a third of your production coming from the resource plays, how are you ranking the resource plays in terms of where to be most active? Currently it looks like you're investing in quite a few of them. So as you look forward over the next five years, are we still in an evaluation phase currently and would you anticipate a more concentrated focus as we move forward or are they all equally attractive?

**ROB PEABODY:**

Thanks Kate, I'll start off on that and then I'll let Rob take over. Just in terms of the sort of how are we thinking about resource play development. First, it's kind of twin-track strategy if you look at what we're doing. We had a -- because of our extensive land base in Western Canada it turns out we kind of -- once we started to understand how to go about developing resource plays we understood we had some good quality opportunities on our existing land base. And so we've immediately, and a good example of that is in the Baaken and in the Viking.

So we've taken advantage of that opportunity and moved forward on it pretty quickly. Those plays are useful because they'll add production in the near term with very good returns and good net backs. In the long term we're actually looking more towards plays that we think will be more material for us long term because of course the key here in any resource play is you need to get there before everybody else has gotten there. If you wait until land prices have reacted to the initial flush of industry activity then the returns drop dramatically.

So we've assembled what I believe is a very top flight technical team on resource plays and we really put them looking across the entire basin and looking at where they thought the real next wave of emerging plays are. And then we started an evaluation program on those plays and they're very deliberate on the way they go about it, it's not about just punching a whole bunch of holes in the ground there's a lot of science involved in actually understanding how the best way is to develop these plays.

So it is a bit twin tracked we're going after the near term stuff and getting immediate value from that and positioning ourselves in some plays that we think are going to be very material long term , to us.

Rob, I'll let you --

**ROB SYMONDS:**

Just to build on that, the portfolio as you saw has a good spread of assets across the lifecycle but clearly the assets that have material land positions are earlier on in the cycle. For us to grow, as we're targeting to do, we're expecting those more mature plays to start to deliver and with liquids-rich gas it's easier to see to because Ansell is there, it's the largest piece. I think you'll all be well aware that industry has proven up most of those zones. We've got a lot of wells, there's a lot of things going on and we're confident that piece will be there.

On the oil resource side, certainly our performance in the Baaken and the Viking, the Shaunovan is assisting with industry, we're very confident on that. Does not though, provide huge running room, very profitable and good for the next couple of years and we're looking to those larger emerging plays in the Canol and the Muskwa to be what will provide significant production in the back end of the plan.

**GEORGE TORIOLA:**

George Toriola from UBS. I have a three part question for you Rob. The first one is, as you look at your conventional asset base what is the breakeven price you need for that asset base today?

The second one is again, on the conventional asset base, what deplan rates are you currently seeing and I think the chart you showed there, holding your production at 160,000 barrels a day, that is inclusive of the growth that is to come from thermal. And I suppose liquids-rich as well. So just to get a better understanding of that.

And then I guess the third question is a follow up one, what Rob Symonds had said, it seems like you guys believe that you are going to materially grow your own conventional assets organically. I'm not sure if that's the message I'm getting but can you clarify that, that from here on you believe that the skill would come out of the asset base that you currently have, beyond replacing your declines. Or you think you're going to go outside to do that?

**ROB PEABODY:**

Okay I think I can capture that pretty quickly. I should answer a question you didn't ask, but anyways. I think that on the first one, just on conventional and break even prices, first I'd say is what we do -- what I'd give you assurance of, rather than give you a blanket number that it comes back as, is we analyze each play, play-by-play and we set targets of F&D which translates back to capital costs so we know what our targets are and then we monitor against whether we're achieving those targets and we know what we have to do on the operating costs. Very different for conventional gas assets and the conventional oil assets. In reality we're investing extremely little money in conventional gas assets at the moment so it's almost irrelevant on a go-forward basis.

We still invest a little bit of money in conventional oil where we have small step-out opportunities around our existing operations. But I can assure you those opportunities go forward when they're very profitable.

In terms of the conventional decline rates that we see in Western Canada, actually very close on the East coast as well. We're still seeing in common with the industry 25% to 30% decline. I think 25% decline in the more conventional assets and then as you get into more unconventional actually as you know decline rates tend to go up. You have to deal with that as part of the investment program. In terms of our businesses, just to be clear, Heavy Oil, what we're saying is over the planned period we're maintaining production so we're doing this big transformation but in aggregate we're maintaining production. And in Western Canada we're doing the transformation to unconventional and over the planned period we're saying that our target at the moment is really to keep that flat. We'll see as we move forward what -- we're confident that we can keep it flat now so that's what we're talking about and we'll go beyond that when we're confident we can go beyond that.

The growth in the portfolio is coming from Oil Sands, which you'll hear about shortly where we have substantial new production coming on-stream, and Asia-Pacific which Bob will talk about shortly, where we've got substantial new production coming on-stream.

So that's where the growth is between now and 2016, is coming out of those two pillars and the rest of the portfolio is broadly flat.

**GREG PARDY:**

Greg Parady with RBC Capital Markets. Maybe just around some housekeeping, Mizzen, Greenland, just interested in what the development programs might be there and then in terms of the implementation of platform drilling in the Grand Banks, how early could we see that and what additional risks does that pose?

**ROB PEABODY:**

I'll let Brad talk a little bit about Mizzen and Greenland and the stage we are there. I guess the only overview comment I'd say is we're still very encouraged by what we see in the Flemish Pass. We still think there's a lot of potential there and also if you look at some of the land sales that have just gone on there is clearly a couple of other world class players that are placing big bets all around us there. So I think there is a lot of potential there. The actual drilling results and that, it's still a tight hole and so we're not disclosing results but we feel that's an area of ongoing good potential for the Company.

Brad, did you want to -- you could talk a little bit about having Greenland maybe.

**BRAD ALLISON:**

Yes, maybe I'll just mention a little bit more on Greenland. I think Rob covered off with a couple of the main points on Mizzen. Just to reiterate the fact that there has been a lot of industry activity, probably in the order of \$400 million, \$500 million of work commitments in that region over the last few years in terms of land sales adjacent to the blocks that we have. So we are encouraged. Still evaluating the results of the recent appraisal well, F-09, but certainly encouraged by the greater play potential within the region as well.

With regards to Greenland, we -- Greenland is really a part of our Atlantic Region prospect portfolio there it continues to be, obviously, industry activity by what we saw last May with the bid rounds and some of the large companies that have partaked in that area. Certainly, with some of the recent drilling out there with Cairn, certainly we still see quite a bit of prospectivity in our own blocks. We are able to shoot the first 3Ds off of Greenland of any company and certainly through that level of activity and insight we're still encouraged. And currently we are working a process to acquire hopefully a partner as we go forward with the possibility of drilling in 2013 and the process will follow through on and with news -- any news there then we'll certainly be passing that on as well.

**ROB PEABODY:**

Maybe just the last part was just about any additional risk with this platform on the East coast I thought I might just pass that over to Paul so he had a --

**PAUL MCCLOSKEY:**

Yes, good morning. With respects to the well head platform we're in the very early stages right now. So you're probably aware that we've gone out for pre-feed and feed, expressions of interest. And we expect to be in a position to award a contract very early next year. So given that's the beginning of 2012 what we see in terms of our planning case is that this facility, if we can find the right levels of support, go through all of the approval processes and demonstrate to our own satisfaction that we have the resource base, then we see first production from that facility in 2016.

Now, in terms of risk, therefore, between now and 2016 it's really about execution risk. And even before you get to execution risk it's about resource risk. So you'll be aware from the earlier presentations that we've made good progress on West White Rose, we've got the pilot producer on line. And we do see that as a significant underpinning of the well head platform concept.

By about the middle of next year we should be in an even better position to determine that we have a strong resource base. That being the case, we're into execution. The technology that we're going to be applying for the well head are proven and proven in our environment.

Once we're in place actually from that point on, in many respects, we're derisking our development activity. The reason we're doing that is because we're taking out of the equation the weather risk which often interrupts our drilling operations and it will enable us to apply I think more technologies in our development wells which will ultimately drive higher recoveries.

We're very excited about this prospect. We think it's an interesting concept for our environment. And you'll hear more from us and hopefully from me, next year.

**ROB PEABODY:**

Thank you Paul.

**BARB BOTENSKI:**

[Barb Botenski, Denda Capital]. I have two questions. The first one is you've highlighted a couple of times that you've added staff in your Western Canada region and I wonder if you could detail that a little bit more in terms of how many people you've added there and any specific areas of focus?

And the second question is on the Duvernay shale, if you wouldn't mind perhaps a little more detail on the wells you've drilled, what you're targeting there, what opportunities you see and your program for next year?

**ROB PEABODY:**

Okay, super, first question, question just on staff, did you want to talk to that Brad, since you were --?

**BRAD ALLISON:**

I can maybe -- Rob maybe you can fill in some of the blanks here but, certainly early this year we were fortunate to add some key sub-surface technical capability to Husky's resource play focus within Western Canada and this was a number of folks previously with EOG Canada that were certainly involved in the early stages of Horn River identification and capture of opportunities there. And I think the unique skill sets afforded by that is certainly a lot more a focus on data mining and identifying sweet spots. A lot of companies focus on capturing the resource but it's critical that you -- obviously, well placement and a focus on the areas that are going to have the highest values. So that's certainly one area that we've added additional capability to. It's very complimentary with the other skill sets that we have in the Company.

**ROB PEABODY:**

Do you want to talk to the Duvernay play because you're quite close to that?

**ROB SYMONDS:**

Yes, just one other piece on staff, I'll add to that. We've also been hiring in terms of some stimulation and fracture expertise to augment that that we already had because clearly, going forward these plays it's all about the right frac in the right place.

So I'll say a couple of things on the Duvernay and Brad may choose to add. And our Duvernay position, as you see from our summary on gas, we hold some Duvernay that we believe is in the rich gas window. We also hold some Duvernay that is in the dry gas window. So in the rich we have begun drilling operations. We have now drilled a couple of vertical wells and horizontal well. Those wells though have not yet been completed. They will be completed in the first quarter and so at this point in time I have no results to share with you but clearly where we are in the window, we like the rest of industry now need to prove that it is the liquids yields we believe it is and get productivity and we'll have that information second quarter next year.

**UNIDENTIFIED AUDIENCE MEMBER:**

So for the planned period you said your production is going to be flat this year, yet you will transform your production from CHOPS to thermal oil and conventional. If you think about that, talk about the cash needs, would you have free cash coming out of the asset or will you need to invest on a net basis; and you have invested quite a bit of money over the last year. But talk about the next four or five years.

**ROB PEABODY:**

So this is really the cash flow, the company overall. I think I actually --

**UNIDENTIFIED AUDIENCE MEMBER:**

Inaudible question - microphone inaccessible.

**ROB PEABODY:**

Okay, okay, no problem. I think the first thing I would just say is both in the case of the Heavy Oil business and the Western Canada businesses, these still are generally strong cash generators over the course of the period. And of course, one of the things when you think about our Heavy Oil business you have to look at it a little bit year-to-year. One thing we saw this year is with the swing in the heavy/light differentials and with a relatively heavy spending program in Heavy Oil on these new thermal projects which of course when we bring them on we'll then operate for 25 years of production. But between those two effects the Heavy Oil business which normally is a very strong cash generator, became just a small cash generator, but the difference was we were making a very large amount of cash coming out of our refining system, the Midstream in the refining system.

So we actually captured most of that value anyways. And if you look at the Heavy Oil business from sort of the wells all the way through our Midstream and Downstream it remained a very

strong cash generator all this year, even including all of the capital investment we were putting into it.

And Western Canada again is still a reasonably good cash generator, it is one of the cash generating businesses. Of course they all pale a little bit in comparison to the Atlantic Region which has been a tremendous cash generator for us. But all of those three businesses are really -- keep their head above water.

**BRIAN DUTTON:**

Brian Dutton, Credit Suisse. Rob, could we just keep on that topic there that you were talking about, cash generating. So if we look at this business, it's 160,000 barrels a day. I think one of the key messages that you concluded with was that you have a wealth of projects here that you're going to improve the earnings quality. So how can we look at that, if this wedge of 160,000 isn't going to grow, how do we measure the improvement of the earnings quality in this slice of the business? And is the true measure then the amount of free cash that this business is going to throw up to fund the rest of the business? Or I guess the other question is, why keep it?

**ROB PEABODY:**

Well, let me answer your last point first is sort of why keep it? Actually, I think it's a phenomenal business, I think that was the question five years ago you weren't the only person to raise the idea, of is this a business we want to keep. It's a very mature business, thank goodness we kept it. Sometimes inaction is the right answer. Sometimes I think companies -- as someone who has done a lot of strategy in my life I'm very conscious that strategists have just about ruined as many businesses as they've improved. But in this case that inaction I think was inspired and certainly the land positions we retained in the business and even now looking at some of the mature plays the opportunity to go back to those plays with new technologies and recover significant accumulations of additional oil, it's quite impressive.

So we're very happy with the Western Canada business. It is -- I think the difference now is we really do think -- we present our strategy as a foundation and three pillars. Certainly there's people in Western Canada that want that business to be seen as a pillar. We're not willing to give them that yet, we're going to make them work a lot harder for it. But we see tremendous potential in that business going forward.

In terms of just understanding the improvement in net backs in the business, I think and I may let Rob have a go at this but it might be a little unfair given the timeframes. but if you look at next year, if you look at sort of the oil and gas swing as we move the business forward, because all the incremental investments are going into liquids-rich gas or oil and frankly oil is at the top of that heap and most of the liquids-rich gas is going into Ansell, investment that is going in is going into Ansell.

And next year we're seeing about a five point swing in the gas to oiliness of that business and so you see, I you take a 5% swing and look at that going from a typical gas net back to a typical oil net back it's quite a -- that's kind of the methodology I'd give you to look at that. We can certainly take that offline and give you some more information but that is the game plan in Western Canada, if you think about it in the near term it's maintaining production but swinging into higher net back production over time.

So everybody is fixated on production but we'd like to believe we're fixated on net backs.

**ROB SYMONDS:**

Certainly the goal in Western Canada is to move the percentage of oil and if you're looking for a simple metric, currently this year we'll be about 60% gas and so we all know where dry gas is and the net backs on dry gas are clearly challenged. As Rob says, the next year's plan we're looking to swing that to about 55% gas and going forward we continue to over invest in oil and liquids-rich gas, so yes, next year Ansell as a liquids-rich play is getting quite a bit of capital. I would though caution that Ansell is governed by -- is restricted by off take currently. So we're currently moving to fill the existing capacity, we're looking to expand that but we won't be seeing growth in productions there but we will be seeing production growth in some of the other areas like the Baaken, like the Shaunovan, like the Viking.

And while there is some operating cost pressure that comes with adding oil versus gas, the net back more than support us doing that so I think that's the way to have a look at the asset base.

**CAM SANDER:**

Cam Sander with Peters & Co. Just two questions, first of all, just wondering if you could talk a little bit more about your Muskwa oil play and what your results have been there, to date, given the size of your land position?

And then, the second question goes back to just A&D, if you look at some of your plays that you currently have in developments such as the Viking, Cardium, Kaybob, Duvernay, I'm just wondering if are these areas where you would look to expand or going back to Asim's point, are there other areas where you would look to get more larger scale resource given that some of the land positions in some of those plays are quite modest?

**ROB PEABODY:**

So in terms of the Muskwa the answer there is, as we described we've secured the land position, we're moving forward very quickly on initial evaluation there but -- and we're in a good position to do that, we have the agreements in place to operate up there locally, and so this winter we're going to go up there and drill a couple of vertical wells and do a seismic program. And this should allow us to get the information we need to really understand if that play is what we think it is. And so we won't really be in a position to really tell you the real view of that play

until for -- about this time next time year, based on that. And even then that will be to some degree preliminary results.

In terms of the other plays I think you're right. What's interesting about our portfolio and this is a bit because of the legacy positions we've had, is that a number of these plays have -- are reasonable plays to develop. We can make good money developing them but they don't have the huge running room as we look forward. In aggregate, together, they kind of add up to maybe a substantial position but it doesn't show up that way because it's in a lot of different buckets but because we have operations locally to these things we can develop them quite efficiently.

But in the long term, as you can see even from our land position that we've disclosed here, is a - - we are assembling some very material land positions in some plays that we think will be very important going forward which really have the running room long term. So there is this, as I said earlier, a bit of a twin track thing. Exploit what we have in our back yard because we can make good money on it now. Hone our skills on development and then move to the big plays that we think will be very material going forward.

There's going to be more chance for questions any ways so if you have one you can fit it into one of the other sessions here.

**JOHN MEYER:**

Thanks Rob. In my presentation I would like to discuss three areas; first I would like to present an update on Sunrise Phase I, both on the activities that we've conducted but also around the cost certainty of the project. Second, I would like to share some of my comments on why I think this thermal ratio of 3.0 for Sunrise is realistic and achievable. Thirdly, I'd like to present some more detail about our significant increase in best estimate of contingent recovered resource of close to 10 billion barrels.

Our overall goal is to produce about 100,000 barrels a day, net to Husky, of Oil Sands production by 2020. In 2011 we've accomplished a lot within our Oil Sands portfolio. We are executing on cost and on schedule at Phase I at Sunrise. We've commenced early engineering on Phase II and that's underway and Phase II is a project that will take us from the 60,000 barrels a day to our regulatory approval of 200,000 barrels a day.

We've also completed the third party independent resource evaluation of our whole Oil Sands portfolio. We're also doing some early planning on future phases beyond Phase II, with these phases we are actually developing a pretty significant reserve base from 3.7 billion barrels of 3P reserves on a gross basis or 1.9 billion barrels net to Husky.

It's tough to reach 10,000 barrels a day in line with our expectations for the year and we will continue to lever our Midstream and Downstream assets to minimize the risk and optimize the

value chain and drive our investment and project management through the use of a gated project management approach and have strategic contracting which will help us ensure cost certainty.

We have a strong portfolio of emerging Oil Sands properties. In addition to Sunrise and Tucker we have 15 other properties in our emerging Oil Sands portfolio. We completed a third-party, independent resource evaluation on our Oil Sands portfolio and all these properties were done for two reasons. The first one, we wanted an independent evaluation and second, we wanted this evaluation to be comparable to other properties where resource numbers have been established. The most significant result was the large increase in best estimate contingent recoverable resource at Saleski, of close to 10 billion barrels. And I'll describe more about that in the next slide.

All these properties will utilize insitu recovery technologies so we're not a mining company. But we will be focused primarily on SAGD but take a look at a few other technologies. But we will utilize technologies that give us the greatest returns. We'll learn from both internal and industry advancements and progress towards some pilots in certain properties.

Industry focus on the carbonates have increased recently and with it the knowledge base about the carbonates and their potential. We have one of the best land positions in the carbonates. Approximately 975 square kilometres. We are located 60 miles west of Fort McMurray and immediately north of the [Larosen] ongoing SAGD pilot.

Husky has a good number of well penetrations and seismic, as we can see on this slide, indicating that we are in one of the best geological positions. With 20 billion barrels of resource in place, and a contingent best estimate recoverable resource of close to 10 billion barrels the prize is significant.

We are making steps to progress the development of our Saleski carbonated resource. WE are setting up for a pilot by 2016 where we will test a number of different thermal recovery technologies including, but not solely, SAGD. This winter we're planning on drilling some wells, some vertical wells, so we can actually determine the optimum position for our pilot wells. We'll work on the field development plan looking to have that completed by 2012 and we're working towards the submission of a regulatory application for the pilot by 2014.

Sunrise is the crown jewel of our Oil Sands portfolio and we'll utilize SAGD technology with a established plant designs where we'll lever off both industry and internal knowledge and incorporate proven technologies to achieve our steam/oil ratio of 3.0. We have regulatory approvals in place for 200,000 barrels a day where Phase I is designed to produce 60,000 barrels a day, 30,000 barrels a day net to Husky.

We're also advancing Phase II where we're actually conducting the early engineering and now we've progressed into the design basis memorandum phase within Phase II. The execution of Phase I is on track and I'll give you some more detail on the next slide.

Our total cost is estimated at \$2.5 billion and that is significantly underpinned by lump sum and fixed unit price contracts. We're still on track for our first oil expectations of 2014.

But now I would like to make some comments on why I think the steam/oil ratio of 3.0 is realistic and achievable for Sunrise. This Phase is an east-west cross section through Sunrise and the adjacent Suncor operated property, Firebag. The first thing we can notice is that you have a continuous reservoir between the two properties indicating that Firebag is a good analog for Sunrise. But we're at shallower depths so we will develop the field through slant well technologies much like the lower SOR McKay River.

So really, our starting point for SOR expectations is in the 3.3 to 3.4 range and so we think that's more to the upper end of our steam/oil ratio expectations. We're actually looking to incorporate a number of enhancements from both internal and external learning's which will allow us to produce or improve the steam/oil ratio from the 3.3 to 3.4. So I would like to discuss a couple of those enhancements. The first one is really around the heavy focus that we put on the placement of the SAGD wells. The location of the SAGD wells is very critical and can have a significant impact on steam/oil ratios. It's great to have a top tier reservoir but you first have to have a great understanding of the geology. So in order to do that Sunrise has one of the highest stratigraphic, core well densities in the industry which gives us certainty around our geological mapping and allows us to put the critical information for us to position those wells.

We're also at the point in which what I think is some of the industry best practice in ensuring that we actually drill those wells in the most advantageous position. We monitor the drilling of the wells real time, with a cross functional team. We utilize measurement of well drilling technologies so activities occur onsite within seconds we get that information in Calgary, and our cross function team pounds through that information and makes those decisions as we're going along. So we put a lot of focus and a lot of effort on how we're drilling these wells, it's just a critical, critical aspect to us.

On the diagram we can see a display of what some of our drilling results have been. Over on the right here we can see the trajectories of these wells and so what started as a slant well as we come into the reservoir we can see this is the placement of our horizontal well itself. Where we have the yellow that creates very good sand, so good sandstone so we actually can see the demonstrated results of that heavy focus. So this validates our geological mapping and our drilling execution approach.

Low pressure SAGD is actually low temperature SAGD and is another technology that we will apply in order to reduce our steam/oil ratios. So what the low pressure SAGD means is that we

will not heat the reservoir up to the same kind of temperatures. We'll go with a lower temperature in order to get our wells to produce, this is one of the advantages of having some very high permeabilities in this reservoir. So we won't have to heat the reservoir up as much and therefore we'll use less steam.

In the closer spacing between our horizontal wells is the third tactic that we'll do to reduce our steam/oil ratios. So these are just three of the enhancements that we've put into place where we think we'll actually improve our steam/oil ratios from our analogue reservoirs. These expectations also are supported with the detailed geological mapping and the numerous reservoir simulation that we've done. So, all things considered, I believe the steam/oil ratio expectations for 3.0, for Sunrise is realistic and achievable.

We have recently completed a number of the milestones that I outlined last year at our last Investor Day. So let me give a progress, an update on our progress at Sunrise. Engineering is on schedule and the final purchasing of equipment is close to completion. We have drilled about half of our SAGD wells and we're more than 125 drilling days ahead of schedule, to date. Commencement of major construction activity at Sunrise started this summer on schedule. And the contractors for the central plant facility and field facility have been mobilized where we are driving piles, pouring concrete, and installing undergrounds for the process units.

The construction of the 1,500 person construction camp is well under way and in terms of infrastructure, Atco will provide the permanent power and they've also mobilized this site for a mid-2012 completion. Arrangements for the aerodrome are in place which will support our fly-in/fly-out operation. So at Sunrise Phase I remains on schedule and on budget for first production in 2014.

So let's talk a bit more about costs. One approach we've taken to control costs is to take a different contracting strategy. If we break down the contract and put the costs in contract terms, rather than in areas we can get a view on the certainty around the costs. Lump sum convertible contracts are really where you end up paying so much for a certain piece of the plant so at that point the contractor takes on all of the risk.

A fixed unit rate contract means we pay so much for a specific installed piece of equipment. An example of that would be a pile, just like the update I gave where we're drilling so many piles, we'll pay so much for an installed piece of pile. So that means that we don't take the labour or the material risks, but we actually do take the risk on quantitative, but because in essence we're building two Tucker Plants we have a fairly high degree of certainty on what those material quantities are.

And the last contract is reimbursable costs, that's where we have contracts in place but the productivity is at our risk. Examples of that would be purchasing of bulks or our drilling activities. Here we're certainly exposed to the over runs but we also benefit from better

performance. So our contracting strategy has significant lump sum and fixed unit pricing which I think gives us better cost control than what an all reimbursable approach would be. And yes, the contract might give us a bit more cost certainty, but more importantly, I believe that this approach allows us to align the contractor's interest with our interests.

Controlling costs is more than just a contract. We've actually put a number of examples into place as some critical strategies that we're using to control costs. The first one is that we're really maximizing work off site. So we actually like a lot of work to get done in fabrication yards or modulization yards. So an example, welding onsite, we'll actually have about 15% to 20% of the welding conducted onsite where most of it will be done offsite and thereby having a better cost structure. Early engineering with a focus on construction execution is another key piece and the third example would be us using and leveraging off our strong relationships with key suppliers due to the level of activities. So I think that's one of the great things about Husky and our level of activity, we can lever off all those relationships.

For a contract -- our contracting strategy is resulting in expectations of about two-thirds of the cost having a high degree of certainty as we can see in this pie chart. But we've progressed our activities through 2011 and we do have some additional certainty around some of those reimbursable and fixed unit price contracts. So we can see the darkening of the pie is where we have actually added additional certainty onto those costs. One example would be our drilling and completion costs which fall within that reimbursable category. Having half of the wells drilled also allows us to give certainty to those portions of the reimbursable cost, but also being ahead of schedule also means that we're actually currently running below that estimate. So as we stand today we expect more than four-fifths of our costs are within that high certainty area, up from two-thirds a year ago. So -- but it's still somewhat early in the project but I still believe that our costs are on track for a total installed cost of \$2.5 billion.

We are well positioned for Oil Sands development and we have both strategic Midstream and Downstream assets to give us flexibility. And Husky has significant Midstream assets. About a quarter of all Canadian oil exports move through our Midstream assets such as the Hardesty Terminal. Our refining and upgrading assets act as a natural hedge against heavy-light differentials. Sunrise is integrated with the Toledo Refinery which allows us to optimize the configuration between Sunrise production and the refinery at Toledo. And Toledo is located with an attractive PADD II region.

Our downstream involvement and expertise gives us operating flexibility and capabilities. So this integrated strategy minimizes risk and maximizes the capture of the value chain.

So in summary, Sunrise is a top tier asset utilizing established technologies. Phase I is on cost and on schedule. The engineering of Phase II is progressing and we believe the anticipated steam/oil ratio of 3.0 is realistic and achievable. Our contracting strategy and project approach enhances cost certainty. We will use an integrated solution to remove price volatility and allow

us to capture the full value chain and reduce risk. And we have a strong resource position to deliver both midterm and long-term production growth.

I would now like to pass it over to Bob Hinkel, our Chief Operating Officer of Asia-Pacific and we'll capture some questions after Bob does his presentation.

**BOB HINKEL:**

Ladies and gentlemen, my name is Bob Hinkel and I'm the COO of our Asia-Pacific business. To get started I would like to briefly describe my background. I started in the energy business in 1978 and worked for the first half of my career in engineering, operations and project management positions. More recently I've been running growth oriented business units and corporate subsidiaries. I've been a project manager for some of the initial off shore Arctic drilling projects, the corporate GM for global procurement and logistics and the Senior VP for Unocal's Indonesia business unit where we drilled 70 deepwater wells and developed the West Sino field which later became the first deepwater development in Asia.

I was the CEO also of Unocal's Molycorp subsidiary and Shales & Venture subsidiary and I've been with Husky for just over a year now. I found the Company to be a very vibrant company under Asim's leadership we're ethical and committed. It's a good company with a leadership team that I'm very proud to be part of.

Moving now to our presentation the first bullet in this slide states the goal we have set for ourselves in Asia, namely to build a sustainable, growth oriented and material oil and gas business with production of approximately 50,000 Boe per day by 2015. Our initial projects in China and Indonesia and they come with our existing acreage holdings.

In China, we also have the Wenchang producing fields and the Block 29-26 developments and during this presentation I will also refer to those as the Liwan development. In Indonesia we have the Madura Strait developments. We also hold a second production sharing contract in Indonesia which is called the North Simbowa II contract in the exploration phase.

To achieve our growth target of 50,000 Boe per day we need to safely, efficiently and cost effectively develop the Liwan and Madura projects. The progress we have made in those developments is the main topic of my presentation today and I'm going to endeavour to show you just how far those projects have come and how real those advances are. To further grow the business in Asia beyond 50,000 Boe per day we will also need to utilize our competitive advantages in the region. These include a strong technical team that includes a highly skilled workforce that just relocated from Calgary in the middle of this year. We have over 20 new, experienced ex-pats working in the region alongside a corps of experience Asian professionals who had also trained in Calgary as well.

We have long-term relationships in Asia, both through our management team and through our principal shareholders. I've worked primarily in Asia for most of the last 15 years and others like our country managers in Indonesia and China have been there even longer than that. We have the business experience and the track record of successfully growing profitable businesses in the Asia-Pacific region.

Finally, we have a very strong balance sheet and pending production it will produce very significant cash flows starting in 2014.

Husky has actually been active in Asia-Pacific since the 1980s however, our first significant production came from the Wenchang oil fields and started in 2002. This project is operated by CNOCC and Husky has a 40% share of the block. The quality of CNOCC's operations and the performance of these fields are among the key reasons that we see CNOCC as a core partner and a competent operator. Initially the Wenchang recoverable reserves were estimated at approximately 50 million barrels of oil, as of today these fields have produced over 120 million barrels of oil and they continue to produce at a rate of 20,000 Boe gross, which is about 8,000 barrels a day, net to Husky.

Also, as you can see from the figures at the bottom of this table, recoveries from the two major fields exceed 50% and 30% respectively, excellent performance for any offshore operation.

Moving forward to the Liwan gas project this slide shows the major components of our \$6.5 billion development. Cooperation and coordination are the keys to success in this project. Cooperation and coordination with our suppliers, with the community, with the government, and most importantly with our partner CNOCC. The facilities infrastructure are split into two major development components, as you see here. The deepwater segment which is operated by Husky includes the subsea wells, the deepwater flow lines, the control systems and manifolds and the MEG unit which actually sits on the shallow water platform and returns methyl ethylene glycol which is the major ingredient in antifreeze, into the flow lines to then hydrate formation in the lines during production.

The deepwater wells and infrastructure are located in about 1,500 meters of water and the distance between the fields to the shallow water platform is about 75 kilometres. Please note that there are actually three fields here, two of which are being developed right now which are the Liwan 3-1 and Liuhua 34-2 fields. The third field, Liuhua 29-1 has been delineated and is now being analyzed for reserves and produceability. The shallow water segment of the facilities is operated by CNOCC, this includes the shallow water platform, the 270 kilometre pipeline to shore and the onshore gas plant. All of these projects are well underway towards construction right now. CNOCC is funding more than 60% of the shallow water infrastructure because we're building excess capacity into this part of the project that will allow CNOCC to bring additional capacity into that platform from their 100%-owned field. However, our block, block 29 and 26 gas always has the first priority in the facilities.

Project development work is ramping up and is proceeding on schedule towards first production in late 2013 or early 2014. All of the development wells have now been drilled in the Liwan 3-1 and the Lihua 34-2 fields, which essentially derisks those reservoirs. We also just finished frac packing these wells which ensures sand free production over the life of the wells. These are extremely good reservoirs and the wells are capable of producing at very high rates. Husky has unilateral rights to proceed from 49% of the gas profit from the gas sales after cost recovery and royalties but before taxes.

We're showing here the global aspects of this project and how we were able to bring this project to fruition with the highest levels of quality and reliability. We are manufacturing the key components in the locations that make the most sense from a quality and timing standpoint. For instance, the complex and high technology control systems and umbilical cords are mostly being made in Europe where the experience and those factories are located. While the jackets and topsides which require large numbers of welders and construction workers are being fabricated in China. We manage this project with a core team of about 200 project professionals all of whom have major project experience and deepwater experience as well.

At this time, one key milestone we just passed is the testing of the subsea trees and the mating with the control systems. This work is being done in Kuala Lumpur, Malaysia which has the best facilities in Asia for this work.

The entire Liwan project from discovery to first production will take about seven years which is one of the fastest developments in the world for large-scale gas discoveries in deepwater. As this graph demonstrates its significantly faster than most others have been able to achieve with similar deepwater projects.

The cooperation between CNNOOC and Husky is one of the key factors that's allowed us to move quickly from discovery to first production in this field. Our goal is to have everything completed for first gas in the Liwan 3-1 and the Lihua 34-2 field, in late 2013 or early 2014. The Lihua 29-1 field is planned to come onstream about a year later.

The key message from the milestones shown on this slide dating back to 2009 is that we are on target and we are meeting the target dates that were set for the Liwan Project.

We completed delineation of the Liwan 3-2 field in 2009, which confirmed the field was a world-class development and could underpin the development infrastructure for the entire project. That gave us the confidence to move into the fee study and then to begin the tendering process for the longer lead-time items such as the pipelines.

As mentioned previously, we completed the development drilling earlier this year and all the lower frac-pack completions have been completed as well. The equipment for the shallow water

pipeline installation has been mobilized and the installation is expected to start later this month. I'll also cover more on these milestones in the next slide.

I just spoke about the engineering and drilling progress but I wanted to make one other point about the drilling operations. In addition to being a highly efficient team of continuous cost and tie improvement safety metrics for the drilling project have been excellent. The West Hercules deepwater rig has worked for over three years for Husky without a single lost-time injury.

With respect to procurement and fabrication all the major fabrication and procurement installation contracts were awarded earlier this year and signed. Most of these are on a fixed price basis and pricing was benchmarked extensively by third parties and found to be well to be within global standards, and our estimates were built into the project economics.

The onshore site has now been cleared to make ready for the gas plant at [Gowlan] and construction is underway. The top-size construction is underway in China and expect a completion date early in 2013. The installed weight of this top size is over 30,000 tons, which makes it one of the largest top size ever installed in Asia and one of the top 25 in the world.

As you can see from the computer design draw on the right, this top size will be installed via a float-over technique, which does not rely on crane barges. The barges in this case carry the top size over the jacket and set it in place. You can see the spacing here between the jacket sections here that allows that float-over to take place.

The jacket fabrication for the shallow water facilities is well underway, the photo you see below here on the right was taken over a month ago. This photo shows the middle section of the jacket being fabricated. This section is laying on its side and even so this part of the jacket is taller than a 30-story building. When the bottom section of the jacket is completed the base will be almost as long as the depth of the water in which it is being set, which is about 200 meters.

Regarding progress in the installation, the shallow water pipeline equipment is being mobilized now and expected to be started in length -- CNOOC will start laying pipe before the end of this year.

The deepwater pipeline will also be laid over two seasons in both 2012 and 2013. This gives us more flexibility to accommodate changes in weather conditions, so the major equipment -- major pipeline installing equipment will be out there for both seasons. Recent weather over the last year has been quite calm, but this is an active typhoon area and several storms come through the area each year. Finally, the gas plant completion is expected for mid-2013, which will put it in place in time for the first production later that year.

The overall capital expenditures in this project will be approximately \$6.5 billion with Husky's share at around \$3 billion. These costs have remained constant over the past year and we are

confident the figure is achievable, particularly since most of the contracting has been done on a fixed-price basis and the wells have been drilled already.

Slightly more than half of the project costs will be in deepwater, which includes the drilling that's already completed. The remaining amount is in the shallow water and the onshore facilities.

On the production side, gross production will start at about 350 million cubic feet per day and then ramp up to 500 million cubic feet per day once we bring on the Liuhua 29-1 field. The government take on a project like this is generally in the range of 20%. Operating costs are about 10% of cash flow, giving this project a very competitive full-cycle return.

High demand for clean energy and limited current onshore gas production in China makes for a high growth, high wealth coastal province that's dependent on costly overseas LNG imports in the West-East Gas Pipeline that comes in from Turkmenistan. The only competitor to that is our gas coming in from offshore at Gowlan. The Liwan gas is well placed to supply this premium gas market and supply the Pearl River Basin.

A very competitive price has been negotiated in RMB, which also gives us upside as the RMB appreciates. We expect to receive comparable pricing to the price that's been negotiated for the 3-1, for the 34-2 and the Liuhua 29-1 fields. We're negotiating right now for the 34-2 field pricing.

Husky and CNOOC market this gas jointly into China via a joint marketing group. For sales inside of China CNOOC takes the lead. For sales to the Hong Kong market and the other places outside of China Husky is the lead representative. For the purposes of gas marketing Hong Kong is considered outside the China grid.

Moving now to our Indonesia priorities, I'd like to talk about several very positive developments that have taken place there recently. Husky has a production sharing contract in place for the Madura Strait Block that was extended last year to 2032. CNOOC also operates this block with a 40% interest. We have a 40% interest and our local partner, SMS Industries, is at 20%.

Our first priority in Indonesia is to execute the BD Field development and bring production on line in the late 2014 timeframe. It's a liquids-rich gas field with an improved plan development already in place and well into the tender process.

In 2011 we drilled two successful wells in that same Madura Block. One is a delineation well for the MDA Field and the second an exploration well that proved to be a discovery for the new MDH Field. Both wells tested at equipment-constrained rates of over 18 million cubic feet per day.

Two of the most encouraging aspects of these discoveries are that, number one, they are close to enable clustered development so that both projects can be put on the same together and, number two, they are directly adjacent to the exist East Java Pipeline System and thus likely brought quickly to market.

The market in this area is one that is currently underserved with rising and competitive pricing. Additionally, we found a lot of remaining exploration potential in the Madura Strait Block with recent 3-D surveys. We have an extensive exploration program set for 2012 where we will drill at least six wells in the block.

So to summarize the Madura Strait program, the PSC extension has been granted to 2032. The BD Field has an improved POD in place and is now in the tender process. We've also increased the gas price now in that block to \$55.50 an Mcf. [Mithville] will produce a higher, a very significant liquids stream of about 2,500 barrels a day net to Husky.

The MDA Field was successfully appraised earlier this year and currently in the POD preparation stage, and the MBH Field is the third gas field to be discovered in the block and it will be developed together with the BDA Field. Plus, there are a number of new prospects in the Block we have found and these will be tested with a 2012 exploration program.

So to summarize our Asia-Pacific strategy and execution, the Liwan Project is a cornerstone towards building our Asia-Pacific business and it's now in the execution stage and well advanced. We've made very significant progress with our cornerstone development and the development well has been drilled and a gas price in place, first production expected in 2013, late 2013 or early 2014.

The Madura Strait PSC now has three commercial fields in the process of development. The BD Field has an improved POD and is already in the tender process. With these developments we expect to be able to achieve 50,000 Boe production net to Husky by 2015 with very strong netbacks to the Company. On this platform we'll be able to pursue future high growth, high potential opportunities in the region, in concert with our global strategy.

Thank you, and John Myer and I will now take questions from the audience.

**JOHN MYER:**

Ready if -- oh, a question right at the back?

**JOE CITARRELLA:**

Thanks. It's Joe Citarrella with Goldman Sachs, just two quick questions on Sunrise. If the SOR happened to come in above the three level, should we think of you investing in additional steam capacities, a facility design for three? And if the SORs were higher than three, should we

then think of the peak rate as being lower than the 60? Or, would the investments in additional steaming make sense?

And secondly, any update or early thoughts on downstream investments for the Toledo facility going forward? Thank you.

**JOHN MYER:**

All right, thanks for the question. So, I guess the first one around steam well ratio, we actually designed for lots of different kind of contingencies. One of this should the steam creep a little bit -- or requirements creep a little bit above three, so we've actually have a team in place. We call it an [obsexance] team. We've been able to recruit some of the best process engineers in this industry around SEG-D, so they are constantly taking a look at where those opportunities could be in place.

So, if we should have a steam a little higher than three, we do have a list of opportunities that we could pursue to do that. Those typically are some pretty good investments, but it's probably a little premature to kind of really paint what that whole picture looks like. But, we do have a great team of individuals put into place to drive both operations excellence but great looking for those opportunities that we're looking to do. So, that's how we would address those pieces.

The second part around the question around the downstream, we do have the partnership with BP that I think goes very well. So, we do have a sequence of activities that we do have in Toledo as far as some different kind of -- easier ways to get that capacity, so those things are put into place and I feel very comfortable about the volumes going from Sunrise at Toledo and having the synergies that we've captured on that relationship.

**ROB PEABODY:**

Hi. I'd just add one comment on the Toledo side. Actually, Bob may want to say something or Terrance, but I think the main thing about Toledo is we've done a lot of work with BP over the last couple of years looking at optimal development of Toledo and a lot of good things have come out of that I think.

And the net result is for a pretty modest investment now we think that Toledo will handle Sunrise Phase 1, so that's what we're configuring it for at the moment. So, that's been kind of a bit of win between BP and ourselves looking at a bit more effective ways to develop that refinery to keep the cost down overall.

**UNIDENTIFIED AUDIENCE MEMBER:**

Hi, thanks. Just a quick question on the economics of the Liwan development, you gave a little bit of color around the government take being about 20%. Can I just get some colour around whether that's 20% fully loaded in terms of, you know, royalties and tax or -- and if that's 20% of cash flow?

**BOB HINKEL:**

That's 20% of cash flow. It is fully loaded. Now, there are -- the way it's structured -- the way the PSCs are set up in China is you get back your -- you recover your capital and your expenses, but you recover your capital plus interest. So, there's a significant part of this project that actually is capital recovery to the partners that does include interest. Now, we're not -- and that is not -- CNOOC and Husky's share are not included in that 20% to the government. That's strictly their share.

**UNIDENTIFIED AUDIENCE MEMBER:**

How about these other -- invested?

**BOB HINKEL:**

We've spent about half the money so far, and through this year about the half of the money has been spent and about half of it is still to be spent. Our commitment for next year is about half of what's likely to be spent and the rest will be in 2013. So, it's pretty much evenly split from here on out.

**UNIDENTIFIED AUDIENCE MEMBER:**

Inaudible question - microphone inaccessible

**BOB HINKEL:**

I don't think we've -- well, the third field you have -- we have relative reserves we have to finish. We finished the OGIP, which is the gas in place. We haven't figured reserves figures for the third one yet. I don't think we've been disclosing reserves figures, have we?

**UNIDENTIFIED AUDIENCE MEMBER:**

All right.

**UNIDENTIFIED AUDIENCE MEMBER:**

Hi. Just a clarification on Liwan, you did mention your expectations for pricing as comparable to some other areas. But it was a little unclear, if you could just repeat that?

**BOB HINKEL:**

Sure. We expect it to be very competitive with the gas coming in right now from -- for instance from the Guangdong grid, from the East-West Pipeline too. Now, they don't have a published price on that but there are ways you can find out what that price is.

Really, CNOOC has asked us not to disclose the price at this time because they are looking for additional sources of gas for this grid right now. They're out shopping -- they're out looking for LNG to bring into here, and they'd rather not have this disclosed while they're out there shopping for additional sources of gas.

The price is in RMB though, which gives us appreciation for -- and -- if the RMB appreciates versus the US dollar or the Canadian dollar it will give us additional room for pricing in that too. I think we've -- the range we publish is \$11 to \$13 an Mcf.

**UNIDENTIFIED AUDIENCE MEMBER:**

John, with your capital cost estimate for Sunrise, \$2.5 billion, do you anticipate any savings in future phases for Sunrise? And secondly, what's the timeline for Phase II? When do you anticipate that you'll be in a position to sanction that?

**JOHN MYER:**

Yes. So Phase II, we're actually seeing some great opportunities to improve the capital intensity. We've finished -- we've really gone through our first gate as far as a concept piece, so we've actually advanced some of the very early engineering quite well and we're into the DBM phase here. But, we have actually identified a number of areas where we think the utilization of some of the best practices in the SEG-D business will give us some improvement in capital intensity.

We also, within this -- the Phase 1 cost, there's a bunch of money in there for some infrastructure, things like airstrips, camps, roads. So those investments are already behind us, so we won't have that going forward. So, we do anticipate some improvement in capital intensity.

As far as the timing, Rob, I guess we haven't disclosed any specifics around Phase II, have we, other than our overall guidance into that piece? But, we are -- we put a team together in 2011 focused around Phase II. The DBM work is actually being done by Bantrel. We've -- I think we've talked about that, releasing that, and I'm excited to do work with Bantrel and their very established SAGD team. So, we are pushing the project through and make sure we get the right balance of -- do it quickly but also we want to make sure we do it right.

**UNIDENTIFIED AUDIENCE MEMBER:**

Just a follow-up question on Sunrise, you talked about the extension from Suncor. But, we know that Oil Sands leases can do all kinds of funny things in terms of water saturation and [virt scalping ability] and things like that. Could you speak to what you've actually seen on Sunrise in terms of -- you know, just if you can talk about a couple of parameters that suggest that there is a void that actually continues?

**John Myer:**

Well, I guess there is. If you pull the map within the region you could actually show some mapping where the sand just continues across the whole way. So within that part of the

Athabasca sub-Basin the sand is quite continuous, so we actually feel pretty confident on the continuity of the reservoir between the two properties, if that was your question.

**UNIDENTIFIED AUDIENCE MEMBER:**

More around -- I understand that the sand is continuous. I'm just talking about the quality being continuous. Is the quality continuous, and what metrics have you seen to support that?

**JOHN MYER:**

Yes. So, we do a lot of focus around doing some great geological work-up. We apply some of what I'd say the best practices around the geological mapping and the geo statistics and all that. But, utilizing those tools in what is the highest drilling density of stratigraphic core wells within the area that does give us a significant amount of data points for us to come to our conclusions.

And everything that we've seen, we've seen good -- you know, great oil saturations, the same kind of quality of permeabilities that we're seeing within that area, so all the information we have we feel very comfortable about the quality that we're looking to pursue.

**UNIDENTIFIED AUDIENCE MEMBER:**

Okay, and then just finally, are you drilling -- can you just speak to how you're -- the first phase of wells? Is that from the best part of the reservoir? Is that -- are you in different? How does that sort of stack up with the first -- Sunrise Phase 1 as compared to the next phases?

**JOHN MYER:**

So, we do try to do a bit of high grading as we do the overall development, but we also want to have a very succinct development across the whole field itself. So, we see for a fairly good time period that we'll have very similar reservoir quality that we're developing within Phase 1 itself. So we feel very good about that, and certainly our drilling of the horizontal wells to date has helped validate both geological mapping and our reservoir expectations on SOR.

**GREG PARDY:**

Thanks, Greg Pardy at RBC again. I just need to dig in, a little bit more into Sunrise. John, would you expect to see a 12- to 18-month ramp-up to full rates, or do you think it would be more like 18 to 24? What is the down -- I'm just curious what the downhole temperature is just on the lease that you mentioned. And, will you go to ESPs right away? And, is the 60,000 -- is that a number that does take into account just regular maintenance and everything else, or is that kind of your stated capacity? Sorry, there's a lot of questions in there. But --

**JOHN MYER:**

No, that's it. So regarding the ramp-up, it will be more towards the later numbers that you're talking about. The 60,000 barrel-a-day project, we put a lot of focus around how do we execute the construction of that project. So in order to kind of best do that Phase 1 is really broken up into Phase 1(a) and 1(b), and so it's kind of like two 30,000 barrel-a-day plants and so it's really

around optimizing the execution of that piece. So that optimization means that the second plant will be coming on six months later than the first plant, so that pushes out to those later kind of numbers.

Regarding the quick deployment of an electrical submersible pumping, which I think is one of your question, so because we're shallower we do believe that a different production scheme like gas lift is viable. But, we will actually go and try a few different technologies, which is going to optimize that a bit. So, I feel very comfortable with both technologies, to be working through it, and we'll just kind of see which is the best one as far as production rates, steam well ratios and well capabilities.

60,000 barrel a day is a stream day number, so -- but we're very focused on reliability, so one of the things we're working really hard is to make sure we have great reliability in the project. So -- and that's not only as far as the designs but, even as we speak, we've -- actually already have the vast majority of my operating team and management working on this.

So, more than two years in advance for the project start-up I've got all my operations leads, my maintenance leads, the reliability people busy working on maintenance system design. So, we're doing a lot of effort in order to make sure that we can kind of get the kind or reliability numbers that we're looking to focus on.

So that caught three of them, and I apologize. I couldn't remember the fourth. Oh, downhole temperature, 6 to 7 degrees Celsius as it would be within the balance of the basin itself, yes.

**BRIAN DUTTON:**

Brian Dutton from Credit Suisse, John, you mentioned there is only going to be modest investment in the downstream side for Phase 1. Does that mean there's going to be an equalization payment for the joint venture?

**ALISTER COWAN:**

Yes. The joint venture agreements are that by the end of 2015 there's a true-up on both the Sunrise site and the Toledo side. We would see that at some point by the end of 2015 there would be a small, relatively small, equalization payment going forward.

**UNIDENTIFIED AUDIENCE MEMBER:**

Inaudible question microphone inaccessible

**ALISTER COWAN:**

Based on current plans we're probably looking around about the \$1 billion range.

**MIKE DUNN:**

Hi, Mike Dunn with First Energy, just another question on Toledo. I think, Rob, you had mentioned earlier about finding ways to debottleneck that facility to take the incremental Sunrise production. I just wanted to be clear if that -- would that be sort of an incremental capacity to take an incremental 60,000 barrels a day of bitumen equivalent? Or, would that be sort of offsetting some of the heavy oil that you're taking in the refinery right now? Thank you.

**ROB PEABODY:**

That is just -- we're not a -- we're not planning to expand the capacity, the throughput of Toledo overall. It's just to actually allow us to take about 90,000 barrels a day of dilbit, so 60,000 of bitumen.

**ROB MCINNIS:**

I guess if that's all the questions for John and Bob, I'll ask Asim, Alister and Rob to come up. Any questions?

**GEORGE TORIOLA:**

So George again, UBS, this question is for Asim. You've been at the helm for about one and a half years, I guess. What is the most significant learning that you've had in terms of repositioning the Company? What's the key thing that you found and have done differently? Thanks.

**ASIM GHOSH:**

Two things, first of all, this Company has got a lot of resource. And the second thing was a subset of the first, that if you've got a lot of resource and you've got a lot of good [physics] in the way, what it requires, some generalist disciplines, namely one of resource allocation, of portfolio management, of prioritization, both across types of plays and across time so that the hole ended up being a commercially viable hole.

And those really were generalist skills, but that essentially is what we have done. That is the essence of the strategy we've laid out before you and that is the essence of how we are executing.

**UNIDENTIFIED AUDIENCE MEMBER:**

I was looking at some of the targets that you set last year and then kind of comparing where you are now to where you had guided from a year ago. You've exceeded expectations in terms of -- or, you've exceeded your improvement in returns. You know, you've seen a good increase in netbacks, but you also talked about some of that being commodity price-driven. So, can you talk about the component about those increases that came from the commodity price improvement --?

**ASIM GHOSH:**

Sure.

**UNIDENTIFIED AUDIENCE MEMBER:**

Over a year ago? And in addition, can you just talk about how you think the portfolio is tracking in order to be where you thought you'd be 4 years from now on a 5-year outlook about a year ago?

**ASIM GHOSH:**

I'll let Alister answer the first part of the question.

**ALISTER COWAN:**

On the netbacks, the -- of the increase, about two-thirds comes from commodity price increases and a third from improvement in the underlying performance and of our assets are moving to more of an oil basis.

**ASIM GHOSH:**

Do you want to repeat the second question again?

**ROB PEABODY:**

What was the second -- Kate, what was the second?

**UNIDENTIFIED AUDIENCE MEMBER:**

When you set out a --?

**ALISTER COWAN:**

Sure.

**UNIDENTIFIED AUDIENCE MEMBER:**

Kind of a five-year plan a year ago, where do you see yourself four years from now relative to where that plan were just in terms of some -- a lot of the improvements have come from commodity prices. So, as you look forward another four years, how do you see the portfolio tracking relative to your original expectations.

**ASIM GHOSH:**

Basically I think at this stage, other things being equal, namely I'm taking commodity prices out of the equation, we are not changing the fundamental targets we set before you. So, we are well on track. There's nothing that we have not achieved this year that we set out to achieve.

If anything we have progressed the summation of the base in both areas slightly better than we would have hoped for a year ago, but it's early days yet. But broadly we are not changing the

trajectory other than what we said. I think after our last fund-raising we said we now expect to be towards the higher end of our guidance than not. Okay?

**UNIDENTIFIED COMPANY REPRESENTATIVE:**

Yes, and maybe just I'd add one comment, was -- I mean the targets are underpinned by delivery of those projects and plays and we're on schedule for the delivery of those projects and plays.

**MIKE DUNN:**

Hi, Mike Dunn again with First Energy, two questions, guys. The first is for Alister. Alister, how should we be thinking about current taxes for 2012? I know, certainly in the upstream business, the current taxes have been fairly low this year. So, I just -- wondering if I'm offside in assuming relatively high taxes next year in sort of a -- lag -- the one-year lag that you've historically seen?

And then the second question would be with regards to your targets for production growth and reserves replacement. Last year at this time -- you've given the same targets but you have -- you do have more shares than we thought you might have last year. So, how should we think about your production growth in terms of a per-share basis? Would it be fair to say that after that DRIP ends, maybe next year, with the majority shareholder that it should be on a per-share, 3% to 5% basis and then also in terms of reserve replacement basis as well on a per-share basis?

**ALISTER COWAN:**

Okay, thanks, Mike. On the current taxes issue you're right. We expect about a third of our total tax charge to be paid in cash. Next year we'd expect to see that increase to about 100% of our tax expense will be cash, really three reasons for that.

One is, as you all know, the partnership deferrals are no longer in place. Secondly, one-fifth of the deferral that we have enjoyed, it has to be paid in cash next year. It's paid over 5 years, per the legislation. And thirdly, because of the strong performance of our US downstream business in the last year we've actually utilized the majority of the tax losses down there, so we anticipate to be in a cash taxable position in our US business.

On your question around the charges for production growth, with a -- with the funding that we've done over the last year we still stick by our view that on a per-share basis we're very comfortable that we -- as we stated last year that we'll be in the 3% to 5% per share growth in both production and reserves.

As Asim said I think at the very beginning of today, it is lumpy affected by the off-stations that we have next year and also the larger projects that we have coming on stream in late 2013 and into '14 for Liwan and the Oil Sands. But, we still maintain that we can achieve on a per-share business, an overall sort of gross basis, 3% to 5%.

**MARK POLAK:**

Mark Polak with Scotia Capital, Alister, a question for you. Over the planning period through 2016 what does CapEx look like? Can we expect similar levels to 2012, or does that ramp up a bit in the middle part of that period with spending on Sunrise and Liwan?

And just internally when you're looking at funding that with the DRIP coming off next year, just how you guys think about that? Obviously the balance sheet in great shape and cash flow should pick up a bit, but I'm curious how you guys are planning out the financing of this plan.

**ALISTER COWAN:**

Yes. One of the -- you know, as we outlined when we did our last year, we said our plan for funding the major capital spend that we're doing in the Company around our two major projects, Liwan and Sunrise. We've executed that, as you all know, so we are in a very strong position from a balance sheet. And the last few months have certainly proved out the benefit to us of being well positioned with a strong balance sheet with volatile commodity markets and capital markets.

If we look forward the capital in the next couple of years, I think John and Bob have outlined fairly significant capital spend at both Sunrise and Liwan. There of course our partner, BP, will be funding the Sunrise capital. So on a cash basis it's about \$4 billion. You can expect to see that relatively consistent over the next several years.

Our ability to fund that is clearly based on the cash it will generate from our business, and we'd anticipate that over the next 5 years the cash generation will be very comparable to the funding that will be required from capital. Clearly, in the first two or three years there will be slightly more capital than cash generation. So hence, we have a very strong balance sheet to be able to ride through that.

**BRIAN DUTTON:**

Brian Dutton with Credit Suisse, Alister, just continuing along that line. So if you look at your capital program over the next several years, you're dividend obligation, your cash tax obligations, to have the dividend paid in cash as opposed to through the Dividend Reinvestment Plan, what do you think is the kind of oil price/gas price environment you have to be in to have all that come together and have the netbacks, the cash taxes, the dividend be equal to your cash flow?

**ALISTER COWAN:**

You know, we are looking at the continuation of the stock dividend until the end of 2012 and really that takes through, as Bob said, a lot of the major spend on Liwan. To be on a cash-neutral basis whereby we cover our cash generation, it covers CapEx, the dividend, you'd

expect to see -- we would be anticipating that oil prices in the low \$90s for WTI and about \$100 for [print] and gas not much different from today.

**UNIDENTIFIED AUDIENCE MEMBER:**

My question is what beyond 2015, and we are a long-term investor, as you know, so you need to plan ahead. So, what are you thinking beyond 2015, beyond these two, Sunrise and Liwan Projects?

**ASIM GHOSH:**

I think you can look at the portfolio as its outlined today. I think every one of those projects -- every one of the pieces of that building blocks actually has room for organic growth.

We outlined to you the situation in western Canada, and western Canada certainly has substantial room through the repositioning to move from being a stable state business in the 5-year timeframe to be at least a modest growth frame thereafter. Sunrise, we've already outlined to you the fact that there's a significant Phase II and Phase III thereafter.

There is -- on southeast Asia, we are constantly evaluating incremental step-out opportunities, but -- both in our partnership in the South China Sea as well as Indonesia and in -- we've outlined to you the repositioning of the Atlantic.

So therefore, if you were simply to take what is in the portfolio today within each of those there is a growth opportunity, and I'm not getting high in the sky about anything that's transformational. The scale of these is individually so large that some of these could be the basis of a single company, when you look at the potential of Sunrise Phase, when you look at the potential Southeast Asia.

And then beyond all of that, within our portfolio we've tried to give you a sneak preview of things such as Saleski but at this stage, as I said, we are working with letting other people track the technology and doing our own pilots to track the technology. But when that comes together it's completely transformational for a company our size.

Okay. I'll just thank you, all, again for coming. I'll just summarize at a very high qualitative level some of the key things we tried to communicate to you today.

As I said, a year ago we laid out our strategy and I think the test of the soundness of the strategy is that you're not zigging and zagging year to year and, as we look at where we stand today, we are very, very comfortable that we've got the key elements of the strategy right. And, if anything, through all of our examination in the last year, we are terribly comfortable that we have come out with a sound strategic plan for the Company.

The -- we have demonstrated that we are on course to execute against the strategy and, in fact, we have delivered on our interim milestones comfortably against the strategy and, if anything, we are building on the momentum.

So on that note, I would like to invite you to lunch, which is served outside, Sharon? Okay? And please stay, hope all of you have the time to stay and it will be a chance for us to mingle and address any other lingering issues that we might not have had the opportunity to do, to -- any afterthought that you've got.

Okay? Thank you very much for coming, delighted that you could all make it.

**ROB PEABODY:**

Thank you.