HUSKY ENERGY
2017 ANNUAL MEETING OF SHAREHOLDERS WEBCAST TRANSCRIPT

Date: Tuesday, May 9, 2017
Time: 11:00 AM MT
Speakers: James Girgulis  
Senior Vice-President, General Counsel and Corporate Secretary  
Frank Sixt  
Director  
Robert Peabody  
President and Chief Executive Officer
JAMES GIRGULIS:
Good morning, the Annual Meeting of the Shareholders of Husky Energy Inc. is about to commence. Please be seated. We welcome invited members of the media and the financial community who are in attendance. As you know, you must be a shareholder of the Corporation or proxy holder to be able to vote at this meeting. I presume there are no objections to our invited guests remaining as observers.

I would like now to introduce the chair of the meeting, Mr. Frank Sixt.

FRANK SIXT:
Good morning ladies and gentlemen, the meeting should now come to order. My name is Frank Sixt. I am a director of the Corporation and I will be chairing this meeting. On behalf of the Board of Directors, I would like to welcome you to Husky’s Annual General Meeting of Shareholders. On my far left is Mr. Robert Peabody a director and our President and CEO and he is of course, joined by Jim Girgulis our Senior Vice-President, General Counsel and Secretary.

I would like, before we start to take a moment to introduce the members of our Board of Directors who are here with us today and I would appreciate if you would join me in welcoming Mr. Steven Bradley, Mr. Martin Glynn, Ms. P.C. Koh, Mr. Stanley Kwok, Mr. Neil McGee, Mr. Colin Russel, Mr. Wayne Shaw, and Mr. William Shurniak.

To all of you and on behalf of the meeting I would like to express our thanks for your service in this past year. It had been a very busy year for Husky and for the Board and the service of all the directors is much appreciated.

I am going to ask Jim Girgulis to act as Secretary of the meeting and our transfer agent Computershare to act as its scrutineers. I have received a Declaration of Mailing from Computershare as to the due mailing of the notice of this meeting, the Management Information Circular, the Form of Proxy, and the Annual Report to Shareholders, which includes the financial statements for Husky Energy for the year ended December 31, 2016, as well as the auditor’s report thereon.

This Declaration of Mailing together with copies of the documents mailed to shareholders will be kept with the minutes of this meeting.

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With the consent of this meeting, we will dispense with the reading of the Notice of the Meeting. In accordance with the bylaws of the Corporation, a quorum for the carryon of business at a meeting of shareholders is at least two persons present and holding or representing by proxy not less than 5% of the outstanding shares of the corporation entitled to vote at the meeting. I have been advised by our scrutineers that there is a quorum present. I direct that a copy of the scrutineers’ report be annexed to the minutes of this meeting.

So, I can now declare that this meeting is regularly and properly constituted for the transaction of business. We will be conducting a ballot on two items today, the election of directors and the appointment of our auditors.

Employees who hold shares or proxies have agreed to move or second the motions that will be submitted today and I am now going to ask for a motion dispensing with the reading of the financial statements and the auditor’s report thereon.

**Karen Graham:**
My name is Karen Graham. I am an employee of Husky Oil Operations Limited and a proxy holder. I move that the reading of the financial statements for the Fiscal Year End December 31, 2016 together with the auditor’s report therein be dispensed with.

**Frank Sixt:**
Thank you, Ms. Graham. Is there a seconder for the motion?

**Nick Geib:**
My name is Nick Geib. I am an employee of Husky Oil Operations Limited and a proxy holder. I second the motion.

**Frank Sixt:**
Thank you, Mr. Geib. All those in favour of the motion, please say, “Aye”. Any contrary? Then I can declare the motion to dispense with the reading of the financial statements and the auditor’s report carried.
It’s now in order to proceed with the election of directors as set forth in the management information circular accompanying the notice of this meeting. I will now entertain nominations for directors of the corporation.

**ROBERTO BENZAN:**
My name is Roberto Benzan. I am an employee of Husky Oil Operations Limited and a proxy holder. I nominate the following persons who have consented to act as Directors of the Corporation until the next annual meeting or until their successors are duly elected; Victor T.K. Lee, Canning K.N. Fok, Steven E. Bradley, Asim Ghosh, Martin J.G. Glynn, Poh Chan Koh, Eva L. Kwok, Stanley T.L. Kwok, Frederick S.H. Mah, George C. Magnus, Neil D. McGee, Robert J. Peabody, Colin S. Russel, Wayne E. Shaw, Frank J. Sixt.

**FRANK SIXT:**
Thank you. Are there any other nominations? Thank you. If there are no further nominations, I now declare that the nominations are closed. I will ask for a motion to elect the directors for the ensuing year.

**BRENT RATHGEBER:**
Good morning, my name is Brent Rathgeber. I am an employee of Husky Oil Operations Limited and a proxy holder. I move that each of the persons nominated as Directors be elected as Directors of the Corporation for the ensuing year.

**FRANK SIXT:**
Thank you Mr. Rathgeber. Is there a seconder?

*(INAUDIBLE) NAHIM (PHON):*
Good morning, my name is (Inaudible) Nahim. I am an employee of Husky Oil Operations and a proxy holder. I second the motion.

**FRANK SIXT:**
Thank you Mr. Nahim. Is there any discussion on this motion? If not, then in accordance with the majority voting policy for Directors of the Corporation, we will conduct a vote for the election of Directors individually. If you are a registered shareholder or proxy holder, you should have a ballot for the election of Directors. Please complete it now and the scrutineers will collect them.
Are there any remaining ballots to collect? No, we are good. So, if there are no more ballots to collect then I will declare the voting closed. The scrutineers will inform the secretary as soon as they are ready to present the results. While they are counting the ballots, we will continue with the other business of the meeting.

The next item of business is to appoint KPMG LLP as the auditors of the corporation for the ensuing year. I would now ask for a motion appointing the auditors of the Company for the ensuing year.

**Patrick Aherne:**
Good morning, my name is Patrick Aherne. I am an employee of Husky Oil Operations Limited and a proxy holder. I move that the firm of KPMG LLP be appointed auditors of the Corporation to hold office until the next Annual Meeting of Shareholders.

**Frank Sixt:**
Thank you Mr. Aherne. Is there a seconder for the motion?

**Elaine Honsberger:**
Good morning, my name is Elaine Honsberger. I am an employee of Husky Oil Operations Limited and a proxy holder. I second the motion.

**Frank Sixt:**
Thank you Ms. Honsberger. Is there any discussion on this motion? If you are a registered shareholder or a proxy holder, you should then have a ballot for the appointment of auditors. Please complete it now and the scrutineers will collect them.

Again, are there any ballots to collect? No, none, there being no more ballots to collect I declare the voting closed. The scrutineers will inform the secretary as soon as they are ready to present the results.

I have been handed the results of the ballots and based on those results I declare that those persons nominated have been elected Directors of the Corporation and I also declare that KPMG LLP has been appointed auditors of the Corporation to hold office until the next Annual General Meeting.
Unless there are other matters that may properly be brought before the meeting, I will now ask for a motion to terminate the formal part of the meeting.

**FRANK VANDONGEN:**
My name is Frank Vandongen. I am an employee of Husky Oil Operations Limited and a proxy holder. I move that the meeting be terminated.

**FRANK SIXT:**
Thank you Mr. Vandongen. Is there a seconder for the motion?

**LOIS GARRETT:**
Good morning, my name is Lois Garrett. I am an employee of Husky Oil Operations and a proxy holder. I second the motion.

**FRANK SIXT:**
Thank you, Ms. Garrett. Could all of you in favour of the motion please signify? Are there any opposed? If not then the motion is carried and the formal part of the meeting is terminated.

Thank you very much.

**JAMES GIRGULIS:**
So, ladies and gentlemen, this does conclude the formal part of the meeting. I will now ask Rob Peabody to present an update on the Company’s operations, Rob.

**ROBERT PEABODY:**
Okay, thanks Frank and thanks Jim. Good morning and thanks for joining us today. Two thousand and sixteen proved to be another challenging year for many companies in our sector as well as ourselves. But as you know, Husky’s transformation into a more resilient business was already well underway before the year began. As a result, we are in a good position to ride out the markets and transition to a footing where we’re able to grow again.

From our legacy heavy oil foundation, we have developed a global competitive thermal business integrated with our downstream asset base. Our streamlined Western Canada portfolio is now gas focused and this provides a natural hedge for our energy requirements at our thermal
projects and our refiners. Our new focus areas in this Western Canada business are capable of earning competitive returns at current gas prices.

In the downstream, we have positioned our tightly integrated assets to capture greater margins and our offshore business in the Asia Pacific and the Atlantic is providing high netback production growth.

Here is the tale of the tape for 2016. Average annual production was within guidance at 321,000 barrels' oil equivalent per day. This doesn't take into account our asset sales in Western Canada nor our differed gas sales volumes at Liwan. If we were to include these items, we would have been at the high end of our guidance range.

Total capital spending was $1.9 billion and it was a couple of hundred million below the low end of our guidance that we gave you for last year. This largely reflects on our ongoing cost reduction program and the improved capital productivity we're achieving. Even with lower spend we were able to expand the scope of the work completed. This included the accelerating the construction of Rush Lake 2 which is our latest 10,000 barrel a day thermal project in Lloydminster.

Funds from operations were $2.1 billion and this was above our level of capital spending resulting in free cash flow generation for the year. We closed the year with positive net earnings of $922 million including gains from dispositions.

In terms of the targets, we set last year, which were to strengthen our balance sheet, further improve our cost structure, and build out an inventory of projects in which to invest. We checked all three boxes.

Just going through those in a little more detail, first we achieved our debt target and significantly strengthened our balance sheet. Proceeds from the midstream partnership and the asset sales in Western Canada made a big contribution. We cut our debt from $7 billion to $4 billion over the course of the year. Furthermore, we kept spending below cash flow and this is an approach we intend to continue as we go forward. Liquidity remains strong with $4 billion in undrawn credit facilities and $1.3 billion of cash in hand.
Second, we further improved our cost structure. We increased the percentage of our production coming from longer life, lower cost projects. As a result, we have significantly reduced both our sustaining capital requirements and our breakeven oil price. Sustaining capital requirements and overall operating costs are both about 25% lower than they were two years ago. The oil price we need to breakeven on earnings continues to come down.

Third, we continued to build our strong lineup of projects in which to invest. The depth of this portfolio gives us many investment options to reduce our cost structure even further. Any new investments must provide a minimum of 10% IRR at a WTI price in the low forties and breakeven at a WTI price in the low thirties. Today we have about $20 billion worth of projects that clear this hurdle. We really believe this sets us apart from much of the competition.

All these factors contribute to improving margins and increasing our ability to generate free cash flow. As free cash flow continues to grow it will be allocated towards three priorities. First, further investments in projects that can deliver growth and improve margins and continue to drive down our breakeven, will maintain the strength of our balance sheet going forward, and as markets come back into balance, we will move to returning cash to shareholders.

Now I just want to take a deeper dive into our business operations last year. Starting first with our strong commitment to safe and reliable operations, we strengthened our safety culture in 2016 with a focus on process and occupational safety. To us this is more than a line on a chart, good safety is good business. In addition, we provided more disclosure on environmental, social, and governance metrics. Because of this increased level of disclosure, we were added to the Jantzi Social Index.

Last year we were challenged by a significant event with the pipeline release in Saskatchewan. We worked closely with governments, regulators, and downstream communities. Findings from this investigation have been implemented to further improve our operations.

In terms of our capital spending for this year, we expect to spend about $2.6 billion to $2.7 billion. This level of spending provides for growth and can be entirely funded from cash flow at our price planning assumption of $48 WTI.
In regards to our production plans, we have guided for year-over-year production growth of around 4%.

Our thermal program is at the leading edge of the next phase of our growth. This includes our series of Lloyd thermals as well as Tucker and Sunrise. We are now producing more than 120,000 barrels per day using thermal technology or about one third of our entire production. These thermal operations offer longer life, lower cost, and higher netback production. In particular, we have seen good results from our three newest Lloyd thermals at Edam East, Vaughan, and Edam West. This includes capital efficiencies of around $25,000 per flowing barrel with average operating costs of about $823 Canadian per barrel. If you convert that to U.S. these days, that is only about $600 something.

We've been applying our heavy oil expertise at Tucker, which is also now running at more than 23,000 barrels per day. We expect it to continue ramping up this year and through 2018 towards its full capacity of 30,000 barrels a day.

We have a long runway of opportunities ahead. In the heavy oil segment alone, we have identified 18 new Lloyd thermal projects. That together represents more than 150,000 barrels a day of potential development. The first 40,000 barrels a day of this capacity is under construction at Rush Lake 2 and the three recently sanctioned thermals at Dee Valley, Spruce Lake North, and Spruce Lake Central.

In the downstream, we are focusing on improving margins. The investments we've been making at the Lima and Toledo refineries have improved efficiency, reliability, and increased processing capacity for our heavy crude feedstock. At Toledo, the upgrades we completed last year increased the amount of high-TAN crude we can run from 30,000 barrels a day to 65,000 barrels a day. For those of you who do not know what high-TAN crude is, it doesn't really matter. What I will tell you is what that allows us to do is add $3 per barrel of margin for every barrel that runs through that refinery.

Similarly, in Lima the crude oil flexibility project will increase our heavy crude processing capacity to 40,000 barrels a day by the end of 2018. In 2016, we brought on the first 10,000 barrels per day of this project online. This is also adding to improved underlying margin capture at Lima.
At Lloyd, we’re looking very closely at a project to double our asphalt capacity. Margins in this business have been consistently strong for a long period of time. It will also provide another outlet for our growing heavy oil thermal production that does not rely on pipeline takeaway capacity.

In Western Canada, the game plan is to focus on fewer, more efficient resource plays. We’ll be drilling 16 wells this year in the Wilrich formation in the Ansell and Kakwa areas. In Wembley and Karr areas, we have started an exploration-drilling program in the oil and liquids rich portion of the Montney formation.

As I mentioned earlier, this business is now gas weighted which provides the supply and natural hedge for our thermal projects and refineries.

In the Asia Pacific, we’re continuing to advance a series of fixed price gas projects that provide strong and growing funds from operations and free cash flow. Offshore Indonesia last year, we made good progress in the Madura Straits. The first one of these projects is the liquids rich BD Project. We expect to bring it online in the next few weeks. It will ramp up towards its full sales gas rate in the second half of this year. The next three Madura fields will be brought on production in 2018 and 2019 and at the Liwan gas project, we’re working towards a sales/gas agreement that will allow us to tie-in Liuhua 29-1 in future years.

In the Atlantic Region, we continued to add infill wells in 2016 to support our production levels and by tying these back to the Sea Rose, these wells are providing some of the best returns in our portfolio. Last year, we also drilled a Hibernia formation well beneath the main North Amethyst field opening up a new horizon in the area and we spudded a third infill well at South White Rose.

We have two White Rose infill wells planned this year one of which is already online and the second one will start up towards the end of the year. West White Rose is in the wings and we are continuing to advance this towards a final investment decision.

Finally, in the Flemish Pass, which remains an excellent long-term opportunity for us, we’ll be drilling two exploration wells later this year.
So, to wrap up, 2016 was a transformative year for the Company. We strengthened our balance sheet, we improved our cost structure, and we deepened our inventory of projects that work in the current price environment. All in all, we’re now well positioned for the next phase of growth while continuing to increase our ability to generate free cash flow at the same time.

Thank you very much.

**JAMES GIRGULIS:**
Thank you, Rob. The meeting is now open for questions. We have volunteers in the aisles with microphones. I’d like to remind you that only shareholders or proxy holders are eligible to ask a question. So, before you begin, please introduce yourself and identify if you are either a shareholder or a proxy holder. Thank you. I now invite your questions.

Well, if there are no questions, then this concludes the Annual Meeting of Husky Energy. Thank you for taking the time to come out today. Bye, now.