HUSKY ENERGY
2016 ANNUAL MEETING TO SHAREHOLDERS
WEBCAST TRANSCRIPT

Date: Tuesday, April 26, 2016
Time: 10:30 AM MT

Speakers:
Asim Ghosh
President & Chief Executive Officer

Frank Sixt
Director

James Girgulis
Senior Vice President, General Counsel and Company Secretary
ASIM GHOSH:
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 need to be a Shareholder of the Corporation or a proxyholder to be able to vote in this Meeting. I presume there are no objections to our invited guests remaining as observers.

FRANK SIXT:
Good morning ladies and gentlemen. I ask that the Meeting now come to order. It appears to be in order. My name is Frank Sixt. I am a Director of the Company and I have been asked to chair this Meeting. I bring apologies on behalf of the Co-Chair, Mr. Canning Fok. He had a mechanical problem with a flight which caused him to meet a flight so could not be with us. So with your permission, I’m chairing the Meeting today. On behalf of the Board of Directors, of course I would like first to welcome you to our Annual General Meeting of Shareholders. On my far left is Mr. Asim Ghosh who is a Director and our President and our Chief Executive Officer and he is joined by Jim Girgulis to my immediate left, our Senior Vice President and General Counsel and Company Secretary.

I would like to take a moment before we begin the formal proceedings to introduce our Board of Directors. So would you please join me in welcoming in alphabetical order, Mr. Stephen Bradley, Mr. Martin Glynn, Ms. Koh Poh Chan, Mrs. Eva Kwok, Mr. Stanley Kwok, Mr. Fred Ma, Mr. Neil McGee, Mr. Colin Russel, Mr. Wayne Shaw, and Mr. William Shurniak.

I would like to thank all of you for your service during this past year. This obviously has not been the easiest year the Company has ever seen and your Board has worked very hard to handle the many things that we have needed to handle during this period, so I am very grateful to all the Members of the Board. I am going to ask Jim Girgulis to act as Secretary of the Meeting and our transfer agent Computershare to act as scrutineers.

I have received the 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 of Husky Energy for the period ended 31st December 2015 and 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. With the consent of this Meeting, therefore, we will dispense with the reading of the Notice of the Meeting.

In accordance with the by-laws of the Corporation, the quorum for the carrying on of business of the Meeting of Shareholders is at least two persons present and the 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 the scrutineers that there is a quorum present. I direct that a copy of the scrutineers’ report be annexed to the minutes of this Meeting. I now declare then that this Meeting is regularly and properly constituted for the transaction of business.

We’ll conduct a ballot vote on two items today. The election of Directors and the appointment of auditors. Employees who hold shares or proxies have agreed to move or second the motions that will be submitted to the Meeting today. I would now ask for a motion dispensing with the reading of the financial statements and of the Auditor’s Report.

**LOIS GARRETT:**
Good morning, my name is Lois Garrett. I’m an employee of Husky Oil Operations Limited and a proxyholder. I move that the reading of the financial statements for the fiscal year ended December 31, 2015, together with the Auditor’s Report thereon, be dispensed with.

**FRANK SIXT:**
Thank you, Lois. Do we have a seconder?

**RANDY MARINESCU:**
Good morning. My name is Randy Marinescu and I’m an employee of Husky Oil Operations Limited and a proxyholder. I second the motion.

**FRANK SIXT:**
Thank you Randy. All those in favour of the motion? Are there any opposed? I see none opposed so I declare the motion to dispense with the reading of the financial statements and the Auditor’s Report is carried by this Meeting.
It is now in order to proceed with the election of Directors as set forth in the Management Information Circular accompanying the Notice to this Meeting. I will now entertain nominations for Directors of the Corporation.

ROBERTO BENZAN:
Good morning, my name is Roberto Benz. I am an employee of Husky Oil Operations Limited and a proxyholder. 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. Li, Canning K.N. Fok, Stephen E. Bradley, Asim Ghosh, Martin J.G. Glynn, Poh Chan Koh, Eva L. Kwok, Stanley T.L. Kwok, Frederick S.H. Ma, George C. Magnus, Neil D. McGee, Colin S. Russel, Wayne E. Shaw, William Shurniak, Frank J. Sixt.

FRANK SIXT:
Thank you Roberto. Are there any other nominations? Thank you. If there are no further nominations, I will now declare the nominations closed and I will ask for a motion to elect the Directors for the coming year.

FRANK VANDONGEN:
Good morning. My name is Frank Vandongen. I am an employee of Husky Oil Operations Limited and a proxyholder. I move that each of those persons nominated as Directors, be elected as Directors of the Corporation for the ensuing year.

FRANK SIXT:
Thank you Frank. Do we have a seconder?

KEN MISLAN:
Good morning, my name is Ken Mislan. I am an employee of Husky Oil Operations Limited and a proxyholder. I second the motion.

FRANK SIXT:
Thank you. Is there any discussion on this motion? In accordance with the majority voting policy for Directors of the Corporation then, we will conduct the vote for the election of Directors individually. If you are a registered Shareholder or proxyholder, you should have a ballot for the election of Directors. Please complete it now and the scrutineers will collect the ballots.
I believe there are no more ballots to collect and so we’ll declare the voting closed at this point. The scrutineers will inform the Secretary as soon as they are ready to present the results of the vote and whilst the counting of the ballots goes on, we will continue with the other business of this Meeting.

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

**NICK GEIB:**
Good morning, my name is Nick Geib. I am an employee of Husky Oil Operations Limited and a proxyholder. 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. Do we have a seconder?

**KAREN GRAHAM:**
Good morning, my name is Karen Graham. I am an employee of Husky Oil Operations Limited and a proxyholder. I second the motion.

**FRANK SIXT:**
Thank you, Ms. Graham. Is there any discussion on this motion? If not, then we will proceed. If you are a registered Shareholder or a proxyholder, you should have a ballot for the appointment of the auditors. Please complete it now and the scrutineers will then collect them.

I don’t see that there are any more ballots to collect, so if there are no more ballots to collect, I will declare the voting closed on this motion. Again, the scrutineers will inform the Secretary as soon as they are ready to present the results.

Good. I have been handed now the results of the ballots. Based on these results, I can declare that all those persons nominated have been elected as Directors of the Corporation and I can also declare that KPMG LLP have been appointed as auditors of the Corporation to hold office.
until the next Annual General Meeting. Unless there are any other matters that may properly be brought before the Meeting, I’ll ask for a motion to terminate the formal part of our Meeting.

**ELAINE HONSBERGER:**
Good morning, my name is Elaine Honsberger. I am an employee of Husky Oil Operations Limited and a proxyholder. I move that the Meeting be terminated.

**FRANK SIXT:**
Thank you. Do we have a seconder?

**PATRICK AHERNE:**
Good morning. My name is Patrick Aherne. I am an employee of Husky Oil Operations Limited and a proxyholder. I second the motion.

**FRANK SIXT:**
Thank you. Could all those in favour of the motion please signify? Are there any opposed? If not, then the motion is carried and the Meeting is adjourned. Thank you very much ladies and gentlemen.

**JAMES GIRGULIS:**
Ladies and gentlemen, this concluded the formal portion of the Meeting. I will now ask Asim to present an update on the Company’s operations. Asim.

**ASIM GHOSH:**
Thank you Jim and thank you Mr. Chairman. Before I get started, I’d be remiss if I did not take a moment to speak to the larger picture impacting the global energy sector now for almost two years. The last time—last year, about this time, we gathered together to talk about the dramatic fall in oil prices from over a hundred dollars to about $60 per barrel. Today, that $60 is like Valhalla. The (inaudible 12:24) has developed over the last 18 months was lower for longer, however, the price collapse only tells part of the story. Coupled with the unprecedented commodity price rout is increased volatility in daily oil trading, the likes of which we have not experienced in more than a decade. For many oil and gas companies, this volatility makes business planning quite challenging, as it highlights the market’s uncertainly in the direction of oil prices. We’ve already seen several false spring (phon 13:04).
Over the past year, and during various Investor calls, we have spoken about a concept called the Asymmetry of Consequence. It may sound like an abstract concept, however, it has extraordinary relevance to our industry and indeed to our Company. One can make the case for near-term price recovery and tailor one’s business plan accordingly. Or, one could create an equally plausible case that sees prices remaining low for several years, and manage the business with that latter scenario. If you bet on the first case, i.e., a near-term recovery and get that call wrong, the consequences could be severe, to say the least, for the Company. Or, if you plan for an extended lower-for-longer price environment and get that call wrong, all we’ve done is foregoing some near-term production. It is easily correctible and reversible.

At Husky, we continue to adopt a prudent stance and indeed manage a balance sheet very well where prices and margins could possibly stay low for a long time. In guiding our business, we have set out three simple principles. First, balancing capital spending with cash flow at our price planning assumption for the year. Second, continuing our long-term transformation into low sustaining capital business. Finally, and most importantly, strengthening our balance sheet. Let me speak to each in turn.

The first principle in balancing capital spending with cash flow at a US$30 WTI and CDN$0.70 price planning assumption. As prices stabilize at a higher threshold, we will direct any additional capital towards our three stated business priorities. (Inaudible 15:12) that, investing in low sustaining capital projects and restoring sustainable cash dividend. In regard to the dividend, we understand it’s important to our Shareholders. The Board does and will continue to review this matter on a quarterly basis, with the objective of restoring a cash dividend. In making a decision, they will look at a number of factors including a stable commodity price environment, and the overall health of the business. Essentially, as I’ve said before, we will look for trend lines, not short-term headlines.

The second principle in our ongoing transformation is our transition into a low sustaining capital business. By the end of this year, we will have over 40% of our total production coming from this bucket of low sustaining capital projects, compared to only 8% in 2010. This has two significant outputs. It has helped reduce our annualized earnings breakeven and it lowers our sustaining and maintenance capital costs, meaning we can now do more with less. The
objective isn’t simply to grow the number of barrels produced, but qualitatively, is to improve the quality of every barrel.

Finally, principle three’s paramount; strengthening our balance sheet. It hit a target of around two times debt to cash flow at our price planning assumption. We will not take on any new debt; rather, our aim is to significantly reduce it. The balance sheet is our buffer. It gives us the capacity to manage our business in an even lower-for-longer price environment. As you saw in yesterday’s announcement, we’re making significant progress in this area with the sale of our Midstream assets. This transaction unlocks substantial value that will be used to further strengthen the balance sheet.

Six years ago, we set out our strategy which included several key elements, mainly, to remain diversified, to remain integrated, and to begin the transition into low sustaining capital business. Some of you will recall that keeping a diverse and integrated portfolio was not exactly in fashion at the time. The mantra then was pure play. Our choice of strategy has stood the test of time. The decisive steps we have taken will allow us to emerge from the cycle as a more resilient and profitable Company. In 2015, we delivered a number of significant accomplishments despite being in unprecedented market conditions. One of the more important results was improving the quality of every barrel we produce and by improving the quality of production, we mean lowering unit operating costs, reducing our sustaining and maintenance costs, and bringing on a higher proportion of longer life fields.

On the financial front, while our Upstream financial results reflected the challenging business environment, strong contributions from our Downstream operations reflected the resilience of our integrated model.

I would be remiss if I don’t talk about safety. Our safety performance remains strong. In fact, last year we recorded the lowest ever total recordable incident rate number in Husky’s history. We had less than one critical and serious incident for every 200,000 hours worked. But we recognize our work in this area is never complete and we will always strive to keep improving.

We took steps to enhance our financial resilience throughout the year. The partial sale of Midstream assets in the Lloydminster region unlocked full value. In regard to our credit ratings, you may have read about numerous oil and gas company ratings which have been
downgraded, with many reduced to junk status. In fact, some sovereign jurisdictions have been downgraded. There are only two Canadian companies that have maintained their investment grade rating unchanged, of which Husky is one.

Speaking of reserves replacement, we continue the seven-year trend of outpacing production. Reserves replacement for 2015 was 166%. The three-year reserves replacement average which is the measure we focus on, is 151% and you know, reserves is not something you look at just year-to-year; you really have to look at it over a longer trend. This affected new adds (phon 20:00) from our Lloyd thermals, Sunrise, Liwan and our gas fields in the Madura Strait offshore Indonesia.

I’ll now turn to some operational highlights. Let’s first look at our foundation business. Back in 2010, our Heavy Oil production was primarily of the CHOPS variety; that’s cold, Heavy Oil production with sand. It’s a high cost, high decline asset base which was absorbing substantial capital just to stay in the same place. Today, our Heavy Oil business has been completely transformed by our thermal technology. It’s not exactly your father’s Heavy Oil business. In March, I was at that Eden East Project to mark the start of steaming. That project is already on production and truly demonstrates the expertise we have developed in bringing these projects on with predictable execution.

Lloyd Thermal production will go to 80,000+ barrels per day by the end of the year. A four-fold increase since 2010. The progress we have been making at the Tucker Project is another proof point of our growing thermal expertise and indeed if I may say, of our spirit of tenacity at Husky. Not too long ago, Tucker was struggling at 4,000 barrels a day. We expect it to top 20,000 barrels a day towards the end of this year. Invest in Canada of tickets (phon 21:34) to transition the portfolio into lower cost, more efficient, more focused business focused on fewer plays. Our overall resource play production averaged 40,000 barrels per day in 2015. This compares to 14,000 barrels a day in 2010.

We are continuing to advance a limited disposition program of legacy assets that are no longer core to our business. We believe there are better options for capital investment that are more (phon 22:03) strong and diverse portfolio. A successful disposition program would allow us to realize around $3.5 billion in capital and operational efficiencies in this business unit over the next decade.
Our Downstream business made a solid contribution last year. Several areas, including our Asphalt business, achieved record or near record results in 2015. We completed an expansion at Hardisty which included increased pipeline connectivity, blending capacity and additional storage, and we are in the final stages of building out the Saskatchewan Gathering System which supports a growing thermal portfolio. Another bright light of course was our Retail business which notched its second best year on record.

The Liwan Project continued to provide steady performance in 2015 and it required little additional capital for the next number of years. In addition, we have been advancing our development opportunities, offshore Indonesia in the Madura Strait. In the oil sands, we brought our landmark Sunrise Energy Project on stream about a year ago. We had a successful winter startup. Not an easy thing to do in this industry. Since that time, we’ve seen a steady ramp-up. Current volumes are running around 30,000 barrels per day. We continue to see strong reservoir performance with the steam chambers building up in line with our expectations.

Coming to the final part of our portfolio, our strategy in the Atlantic region has been to extend the life of the White Rose field as we look to breach to our next phase of development at West White Rose, and eventually longer term at Bay du Nord. I remind you, the original development was sanctioned in 2002, based on recoverable reserves of about 230 million barrels. Near-field development has nearly doubled the original estimates and we have many more years of production still ahead. In 2015, we successfully started up two satellite extension wells at South White Rose and we continue to progress development planning for West White Rose. The wells will be tied up to the SeaRose FPSO, making this a very capital efficient project once we see some signs of improved pricing. West White Rose is an excellent development opportunity that can bridge the period between late life West White Rose and production from the Flemish Pass. In addition, we resumed appraisal work in the Flemish Pass in the middle of discovery area which is expected to complete this summer and we will have more to say on this soon.

You heard me speak of it earlier, in the beginning of this presentation actually, about this concept of the Asymmetry of Consequence and how that applies to our business. At Husky, we will never base our decisions on a bet, but rather the sound business fundamentals that have guided us over the decades. We are managing for the long term and the principles you have
set out will continue to guide our costs. We are improving our resiliency in this low price environment by unlocking value and strengthening the balance sheet. Most importantly, we have a rich and diverse portfolio of high quality opportunities in which to continue to invest. Thank you.

JAMES GIRGULIS:
Thank you Asim. The Meeting is now open for questions. We have four volunteers in the aisles with microphones. I’d like to remind you that only Shareholders or proxyholders are eligible to ask a question. So before we begin, please introduce yourself and identify if you’re either a Shareholder or proxyholder. Thank you. Now I invite your questions.

MARK DEBOW:
Hello, Mark Debow (phon 26:30), currently a Shareholder. One part I didn’t hear about is your hedging plans. Has Husky ever or currently have a hedging plan in place to protect their cash flow?

ASIM GHOSH:
Historically, we have not hedged except on specific occasions. This was one of those specific occasions when we had some covenants in a low price environment that were a bit risky and we chose to undertake the hedging program essentially as an insurance policy. We gave guidance to that period of insurance so it expires in the middle of this year. It’s something we will look at tactically if the situation requires, but broadly, our policies, our best hedge is a strong balance sheet, and we are working towards building that fundamental hedge. So you are focused on that (inaudible 27:37), we’ve given you the results of the first asset disposition and in the fullness of time, we hope to have more news to share with you.

BILL KAUFMAN:
Good morning Sir, Bill Kaufman (phon 27:56), a Shareholder. Could you give us some idea at what price of oil you would need to develop the Flemish Pass discoveries?

ASIM GHOSH:
It’s work in progress here. As I said, we haven’t completed the appraisal fully yet so really a lot will develop on that. But I believe we have given guidance before. Broadly speaking, we would
be—we would not be in favour of developing projects that do not have a fully-loaded breakeven at US$35 Brent. This would have to pass a test similar to that.

**JAMES GIRGULIS:**

Are there any other questions? I'm not seeing anything else. So ladies and gentlemen, if there are no other questions, this concludes the Annual Meeting of Husky Energy. Thank you for taking the time to come out today. Bye now.