

Extractive Sector Transparency Measures Act Report

Reporting Year From: 1-Jan-16 To: 31-Dec-16
Reporting Entity Name Husky Energy Inc.

Reporting Entity ESTMA Identification Number E791464

Subsidiary Reporting Entities (if necessary) Husky Oil Operations Limited E035441, HOI Resources Ltd. E794173, Husky Oil Limited Partnership E483488, Husky Energy International Sulphur Corporation E206499, Husky Energy International Corporation E602104, Husky Oil China Branch of HEIC E908878, Husky Oil Sands Partnership E945280, Sunrise Oil Sands Partnership E653397

Attestation: Please check one of the the boxes below and provide the required information

Attestation (by Reporting Entity)

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Attestation (through independent audit)

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.

The auditor expressed an unmodified opinion, dated 5/24/2017 , on the ESTMA report for the entity(ies) and period listed above. The independent auditor's report can be found [here](#) .

Director or Officer of Reporting Entity Full Name: Jonathan M. McKenzie
Position Title: Chief Financial Officer

Date: 5/24/2017

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Subsidiary Reporting Entities (if necessary)

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Payments by Payee

Country	Payee Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes
Canada	Government of Canada	\$ 58,550,000	\$ 111,690,000	\$ 5,060,000	\$ -	\$ -	\$ -	\$ -	\$ 175,300,000	4
Canada	Government of Alberta	\$ 50,730,000	\$ 39,100,000	\$ 23,450,000	\$ -	\$ -	\$ -	\$ -	\$ 113,280,000	2, 5
Canada	Government of Saskatchewan	\$ 21,080,000	\$ 58,080,000	\$ 5,950,000	\$ -	\$ -	\$ -	\$ -	\$ 85,110,000	6
China	China National Offshore Oil Corporation	\$ -	\$ 81,650,000	\$ -	\$ -	\$ 350,000	\$ -	\$ -	\$ 82,000,000	2, 3
China	Zhanjiang Offshore Oil Tax Bureau	\$ 50,740,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,740,000	3
Canada	Regional Municipality of Wood Buffalo	\$ 13,020,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,020,000	
Canada	Rural Municipality of Eldon No. 471	\$ 10,130,000	\$ -	\$ 270,000	\$ -	\$ -	\$ -	\$ -	\$ 10,400,000	
Canada	Province of British Columbia	\$ 1,970,000	\$ 2,900,000	\$ 3,010,000	\$ -	\$ -	\$ -	\$ -	\$ 7,880,000	7
Canada	Rural Municipality of Frenchman Butte No. 501	\$ 7,390,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,390,000	
Canada	County of Vermilion River	\$ 6,470,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,470,000	
Canada	Rural Municipality of Britannia No. 502	\$ 3,970,000	\$ -	\$ 2,220,000	\$ -	\$ -	\$ -	\$ -	\$ 6,190,000	
Canada	Rural Municipality of Wilton No. 472	\$ 6,120,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,120,000	
Canada	Municipal District of Bonnyville No. 87	\$ 5,330,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,330,000	
Canada	Mackenzie County	\$ 5,320,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,320,000	
Canada	Municipal District of Opportunity No. 17	\$ 4,330,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,330,000	
Canada	Municipal District of Wainwright No. 61	\$ 3,880,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,880,000	
Canada	Rural Municipality of Turtle River No. 469	\$ 3,820,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,820,000	
Canada	Yellowhead County	\$ 3,460,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,460,000	
Canada	Clearwater County	\$ 3,350,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,350,000	
Canada	Municipal District of Provost No. 52	\$ 2,810,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,810,000	
Canada	Flagstaff County	\$ 2,580,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,580,000	
Canada	Rural Municipality of Manitou Lake No. 442	\$ 2,160,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,160,000	
Canada	Rural Municipality of Mervin No. 499	\$ 1,860,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,860,000	
Canada	Rural Municipality of Paynton No. 470	\$ 1,820,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,820,000	
Canada	Starland County	\$ 1,760,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,760,000	
Canada	Municipal District of Greenview No. 16	\$ 1,580,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,580,000	
Canada	City of Lloydminster	\$ 1,330,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,330,000	
Canada	Vulcan County	\$ 1,200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,200,000	
Canada	Wheatland County	\$ 1,160,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,160,000	
Canada	Rural Municipality of Hillsdale	\$ 1,060,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,060,000	
Canada	Northern Rockies Regional Municipality	\$ 1,030,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,030,000	
Canada	Red Deer County	\$ 1,030,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,030,000	
Canada	County of Warner No. 5	\$ 990,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 990,000	
Canada	The City of Calgary	\$ 930,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 930,000	
Canada	Kneehill County	\$ 910,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 910,000	
Canada	Special Areas Board	\$ 840,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 840,000	
Canada	Rural Municipality of Senlac No. 411	\$ 820,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 820,000	
Canada	County of Two Hills No. 21	\$ 820,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 820,000	
Canada	County of Grande Prairie No. 1	\$ 810,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 810,000	
Canada	Lamont County	\$ 770,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 770,000	
Canada	Rural Municipality of Eye Hill No. 382	\$ 690,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 690,000	
Canada	Westlock County	\$ 660,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 660,000	
Canada	Government of the Northwest Territories	\$ -	\$ -	\$ 550,000	\$ -	\$ -	\$ -	\$ -	\$ 550,000	
Canada	Municipal District of Taber	\$ 530,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 530,000	

Canada	County of Athabasca No. 12	\$ 510,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 510,000	
Canada	Lac La Biche County	\$ 510,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 510,000	
Canada	Municipal District of Lesser Slave River No. 124	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000	
Canada	Town of Rainbow Lake	\$ 470,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 470,000	
Canada	Rural Municipality of Grass Lake	\$ 460,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 460,000	
Canada	Technical Safety Authority of Saskatchewan	\$ -	\$ -	\$ 370,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370,000	
Canada	County of Forty Mile No. 8	\$ 330,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330,000	
Canada	Cypress County	\$ 320,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 320,000	
Canada	Mountain View County	\$ 310,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,000	
Indonesia	Kas Negara	\$ 270,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 270,000	3
Canada	County of St. Paul No. 19	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,000	
Canada	Brazeau County	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,000	
Canada	Saddle Hills County	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000	
Canada	Town of Placentia	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000	
Canada	County of Newell No. 4	\$ 190,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,000	
Canada	Rural Municipality of Lac Pelletier No. 107	\$ 160,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,000	
Canada	Ponoka County	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	
Canada	Rural Municipality of Meota	\$ 140,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,000	
Canada	Kananaskis Improvement District	\$ 140,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,000	
China	Shenzhen Offshore Oil Tax Bureau	\$ 130,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,000	3
Canada	Municipal District of Bighorn No. 8	\$ 130,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,000	
Canada	County of Stettler No. 6	\$ 120,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,000	
Canada	County of Paintearth No. 18	\$ 110,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,000	
Canada	District of Tumbler Ridge	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	
Canada	Lacombe County	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	
Total		\$ 295,980,000	\$ 293,420,000	\$ 40,880,000	\$ -	\$ 350,000	\$ -	\$ -	\$ -	\$ 630,630,000	

Notes:

- (1) All reported payments have been rounded to the nearest CDN \$10,000.
- (2) Includes royalties taken in kind, converted to the cash basis using the same methodology as Husky Energy Inc.'s 2016 consolidated financial statements.
- (3) Includes payments made in foreign currencies. Where payments have been made in a local currency they have been converted to Canadian dollars using the prevailing exchange rate at the time of the payment. The average exchange rates for the reporting period were:
 - \$1 CAD: \$1.3248 USD
 - \$1 CAD: \$0.0001 IDR
 - \$1 CAD: \$0.1995 CNY
- (4) Payments made to the Government of Canada include the following government bodies: (a) Natural Resource Canada; (b) Receiver General for Canada; (c) Innovation, Science and Economic Development Canada; and (d) National Research Council Canada.
- (5) Payments made to the Government of Alberta include the following government bodies: (a) Government of Alberta; (b) Alberta Energy Regulator; and (c) Alberta Petroleum Marketing Commission.
- (6) Payments made to the Government of Saskatchewan include the following government bodies: (a) Saskatchewan Ministry of the Economy; (b) Government of Saskatchewan Revenue Division; and (c) Ministry of Agriculture Lands Branch
- (7) Payments made to the Province of British Columbia include the following government bodies: (a) Province of British Columbia; (b) Mineral, Oil and Gas Revenue Branch; (c) Ministry of Finance and Corporate Relations; (d) Minister of Finance; (e) BC Transportation Financing Authority; (f) Surveyor of Taxes; and (g) Ministry of Energy and Mines.

Extractive Sector Transparency Measures Act - Annual Report

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From: 1-Jan-16 To: 31-Dec-16
Husky Energy Inc.
E791464

Subsidiary Reporting Entities (if
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Husky Oil Operations Limited E035441, HOI Resources Ltd. E794173, Husky Oil Limited Partnership E483488, Husky Energy International Sulphur Corporation E206499, Husky Energy International Corporation E602104, Husky Oil China Branch of HEIC E908878, Husky Oil Sands Partnership E945280, Sunrise Oil Sands Partnership E653397

Payments by Project

Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
Canada	Corporate	\$ 132,570,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,570,000	
China	Corporate - China	\$ 50,740,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,740,000	3
Canada	White Rose Oil Field	\$ 250,000	\$ 111,430,000	\$ 170,000	\$ -	\$ -	\$ -	\$ -	\$ 111,850,000	
China	Liwan Gas Project	\$ 130,000	\$ 81,650,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,780,000	2, 3
Canada	Lloydminster Thermal Developments	\$ 45,060,000	\$ 14,150,000	\$ 2,290,000	\$ -	\$ -	\$ -	\$ -	\$ 61,500,000	
Canada	Plains Operations	\$ 17,690,000	\$ 21,430,000	\$ 14,930,000	\$ -	\$ -	\$ -	\$ -	\$ 54,050,000	
Canada	Non-Thermal Oil Production	\$ 8,810,000	\$ 33,280,000	\$ 9,210,000	\$ -	\$ -	\$ -	\$ -	\$ 51,300,000	
Canada	Foothills Operations	\$ 14,370,000	\$ 14,560,000	\$ 5,880,000	\$ -	\$ -	\$ -	\$ -	\$ 34,810,000	
Canada	Sunrise Energy Project	\$ 19,150,000	\$ 2,650,000	\$ 640,000	\$ -	\$ -	\$ -	\$ -	\$ 22,440,000	
Canada	Rainbow Lake Development	\$ 1,600,000	\$ 12,990,000	\$ 2,680,000	\$ -	\$ -	\$ -	\$ -	\$ 17,270,000	
Canada	Tucker Lake Oil Sands Thermal Development	\$ 5,340,000	\$ 1,280,000	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ 6,880,000	
Canada	East Coast Exploration	\$ -	\$ -	\$ 4,140,000	\$ -	\$ -	\$ -	\$ -	\$ 4,140,000	
Canada	Northwest Territories	\$ -	\$ -	\$ 550,000	\$ -	\$ -	\$ -	\$ -	\$ 550,000	
China	Block 15/33	\$ -	\$ -	\$ -	\$ -	\$ 350,000	\$ -	\$ -	\$ 350,000	3
Indonesia	Anugerah	\$ 270,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 270,000	3
Canada	McMullen Willow Creek Thermal Development	\$ -	\$ -	\$ 130,000	\$ -	\$ -	\$ -	\$ -	\$ 130,000	
Total		\$ 295,980,000	\$ 293,420,000	\$ 40,880,000	\$ -	\$ 350,000	\$ -	\$ -	\$ 630,630,000	

Notes:

- (1) All reported payments have been rounded to the nearest CDN \$10,000.
- (2) Includes royalties taken in kind, converted to the cash basis using the same methodology as Husky Energy Inc.'s 2016 consolidated financial statements.
- (3) Includes payments made in foreign currencies. Where payments have been made in a local currency they have been converted to Canadian dollars using the prevailing exchange rate at the time of the payment. The average exchange rates for the reporting period were:
 - \$1 CAD: \$1.3248 USD
 - \$1 CAD: \$0.0001 IDR
 - \$1 CAD: \$0.1995 CNY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Husky Energy Inc. and the Minister of Natural Resources Canada

We have audited the accompanying Schedule of Payments by Payee totaling \$630,630,000 and the Schedule of Payments by Project totaling \$630,630,000 of Husky Energy Inc. for the year ended December 31, 2016 and notes, comprising a summary of significant accounting policies and other explanatory information (together "the schedules"). The schedules have been prepared by management in accordance with the financial reporting provisions in Section 2, 3, 4 and 9 of the Extractive Sector Transparency Measures Act, Section 2.3 of the Extractive Sector Transparency Measures Act – Technical Reporting Specifications and Sections 3.1 to 3.6 of the Extractive Sector Transparency Measures Act – Guidance (collectively, the "financial reporting framework").

Management's Responsibility for the Schedules

Management is responsible for the preparation of the schedules in accordance with the financial reporting framework referred to above, and for such internal control as management determines is necessary to enable the preparation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these schedules based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule of Payments by Payee amounting to \$630,630,000 and the Schedule of Payments by Project amounting to \$630,630,000 of Husky Energy Inc. for the year ended December 31, 2016 are prepared, in all material respects, in accordance with the financial reporting framework referred to above.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the schedules, which describes the basis of accounting. The schedules are prepared to provide information to the Board of Directors of Husky Energy Inc. and the Minister of Natural Resources Canada to assist in meeting the requirements of the Extractive Sector Transparency Measures Act. As a result, the schedules may not be suitable for another purpose.

Our report is intended solely for the Board of Directors of Husky Energy Inc. and the Minister of Natural Resources Canada and should not be used by parties other than the Board of Directors of Husky Energy Inc. and the Minister of Natural Resources Canada.

KPMG LLP

Chartered Professional Accountants

May 24, 2017

Calgary, Canada

Extractive Sector Transparency Measures Act (“ESTMA”) Annual Report

Reader Advisories

In this document, the terms "Husky" and the "Company" mean Husky Energy Inc. and its subsidiaries and partnership interests on a consolidated basis, including information with respect to predecessor corporations.

Overview

ESTMA was enacted by the Government of Canada on December 16, 2014, and made effective on June 1, 2015. This Act delivers on Canada’s international commitments to contribute to global efforts to increase transparency and deter corruption in the extractive sector. The Act requires extractive entities active in Canada to publicly disclose, on an annual basis, specific payments made to all governments in Canada and abroad. As a Reporting Entity, Husky will meet ESTMA reporting requirements.

Reporting Entity

Husky Energy Inc. (“HEI”), a reporting entity under ESTMA, has prepared and filed a consolidated report on behalf of its subsidiary reporting entities. HEI’s ESTMA ID number is: E791464.

Subsidiary Reporting Entities

Included in the consolidated report are the following subsidiary reporting entities of HEI:

1. Husky Oil Operations Limited, ESTMA ID number: E035441
2. HOI Resources Limited, ESTMA ID number: E794173
3. Husky Oil Limited Partnership, ESTMA ID number: E483488
4. Husky Energy International Sulphur Corporation, ESTMA ID number: E206499
5. Husky Energy International Corporation, ESTMA ID number: E602104
6. Husky Oil China Branch of HEIC, ESTMA ID number: E908878
7. Husky Oil Sands Partnership, ESTMA ID number: E945280
8. Sunrise Oil Sands Partnership, ESTMA ID number: E653397

Reporting Principles

1. Scope

The Company, a reporting entity under ESTMA has prepared and filed a consolidated report on behalf of its subsidiary reporting entities. This report includes reportable payments to payees for activities related to the exploration or extraction of oil, gas or minerals and the acquisition or holding of a permit, license, lease or any other authorization to carry out any exploration or extraction of oil, gas or minerals. The report discloses payments made to payees by the Company and/or by any entity controlled by Husky and payments made on behalf of the Company to a payee.

2. Basis for Preparation

The Schedule of Payments by Payee and the Schedule of Payments by Project (collectively, the “Schedules”) prepared by the Company for the year ended December 31, 2016 has been prepared in accordance with the financial reporting provisions in Section 9 of the ESTMA, Section 2.3 of the ESTMA – Technical Reporting Specifications and Sections 3.1 to 3.6 of the ESTMA – Guidance. The Schedules are prepared to meet the requirements of the ESTMA. As a result, the Schedules may not be suitable for another purpose.

Payments are reported on a cash accounting basis. In-kind payments are reported at cost; if the cost is not determinable, then the fair market value is reported.

3. Commercial Development of Oil and Gas

Commercial development does not include post-extraction activities. Husky is one of Canada’s largest integrated energy companies with both Upstream and Downstream operations.

The Company’s Downstream segment which includes upgrading of heavy crude oil feedstock into synthetic crude oil in Canada, refining in Canada of crude oil, marketing of refined petroleum products including gasoline, diesel, ethanol blended fuels, asphalt and ancillary products, and production of ethanol and refining in the U.S. of primarily crude oil to produce and market gasoline, jet fuel and diesel fuels that meet U.S. clean fuels standards, is out-of-scope of the report.

Additionally, the Company’s Infrastructure and Marketing business within the Upstream segment, which markets and distributes the Company’s and other producers’ crude oil, natural gas, natural gas liquids, sulphur and petroleum coke, manages pipeline transportation, the blending of crude oil and natural gas, and storage of crude oil, diluent and natural gas, is out-of-scope of this report.

4. Joint Operations and Joint Control

The report includes payments to payees made by the Company, its subsidiaries and joint ventures or joint operations of which the Company is the operator. In situations of joint control in which the Company is not the Operator; payments are made and reported by the operator.

5. Payee

In the context of this report, a payee is:

- i. any government in Canada or in a foreign state at a national, regional, state/provincial or local/municipal level;
- ii. a body that is established by two or more such governments; or
- iii. any trust, board, commission, corporation, body or other authority established to exercise or perform, or that exercises or performs, a power, duty or function of a government for a government referred to in paragraph (i) above or a body referred to in paragraph (ii) above

Payees include crown corporations, and other state-owned enterprises that are exercising or performing a power, duty or function of government. Payments made to crown corporations, and other state-owned enterprises operating in Canada are considered to be on normal commercial terms and therefore are not reportable. If a vendor becomes an ESTMA payee during the period due to acquisition or change of control, the payments made to the payee during the fiscal year are included in the report.

6. Reportable Payment Categories

Payments are presented in seven categories:

- taxes, other than consumption taxes and personal income taxes;
- royalties;
- fees, including rental fees, entry fees and regulatory charges, as well as fees or other consideration for licences, permits or concessions;
- production entitlements;
- bonuses, including signature, discovery and production bonuses;
- dividends other than dividends paid as ordinary shareholders; and
- infrastructure improvement payments.

7. Project Definition

A “project” means the operational activities that are governed by a single contract, licence, lease, concession or similar legal agreements and form the basis for payment liabilities with a government. If multiple such agreements are substantially interconnected, this shall be considered a project. “Substantially interconnected” means a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities.

The reportable projects of the Company are as follows:

Country	Type	Project
China	Offshore	Liwan Gas Project
China	Offshore	Block 15/33
Taiwan	Offshore	Taiwan
Indonesia	Offshore	Anugerah
Greenland	Offshore	Greenland
Canada	Offshore	White Rose Oil Field
Canada	Offshore	East Coast Exploration (Operated)
Canada	Oil Sands	Sunrise Energy Project
Canada	Oil Sands	Undeveloped Oil Sands Assets
Canada	Heavy Oil	Lloydminster Thermal Developments
Canada	Heavy Oil	Tucker Lake Oil Sands Thermal Development
Canada	Heavy Oil	Non-Thermal Oil Production
Canada	Heavy Oil	Non-Thermal Enhanced Oil Recovery
Canada	Heavy Oil	McMullen Willow Creek Thermal Development
Canada	Onshore	Foothills Operations
Canada	Onshore	Plains Operations
Canada	Onshore	Rainbow Lake Development
Canada	Onshore	NW Territories

China

Liwan Gas Project

The Liwan Gas Project includes the natural gas discoveries at the Liwan 3-1, Liuhua 34-2 and Liuhua 29-1 fields within the Contract Area 29/26 exploration block located in the Pearl River Mouth Basin of the South China Sea, approximately 300 kilometres southeast of the Hong Kong Special Administrative Region. The Company has a 49 percent working interest in the project and CNOOC has a 51 percent interest. The project was separated into deep water and shallow water development projects, with the Company acting as deep water operator and CNOOC acting as shallow water operator. The deep water infrastructure includes production wells and trees, subsea pipelines and manifolds that produce to twin 22-inch deepwater pipelines running approximately 78 kilometres to a shallow water central platform. The shallow water infrastructure includes the central platform standing in approximately 120 metres of water, a 261 kilometre shallow water pipeline running from the central platform to the onshore Gaolan Gas Plant and the onshore gas plant with liquids separation facilities, 10 spherical NGL storage tanks, an export jetty, control facilities as well as administrative and accommodation buildings.

Block 15/33

The Company executed a PSC in December 2015 for an exploration block offshore China. The 15/33 block is located in the Pearl River Mouth Basin in the South China Sea, about 140 kilometres southeast of the Hong Kong Special Administrative Region and covers an area of 155 square kilometres in water depths of approximately 80 - 100 metres. The Company is the operator of the block during the exploration phase, with a working interest of 100 percent. In the event of a commercial discovery, its partner CNOOC may assume a working interest of up to 51 percent during the development and production phase. Under the PSC, the corresponding CNOOC share of exploration cost recovery from production is to be allocated to the Company. The Company expects to drill two exploration wells in the 2017/2018 timeframe.

Taiwan

In December 2012, the Company signed a joint venture agreement with CPC Corporation. The Company and CPC Corporation have rights to an exploration block in the South China Sea covering approximately 7,700 square kilometres located southwest of the island of Taiwan. The Company holds a 75 percent working interest during exploration, while CPC Corporation has the right to participate in the development program up to a 50 percent interest. Husky is acting as the operator of the joint venture.

Indonesia

Anugerah

Husky executed a PSC in February 2014 with the Government of Indonesia for the Anugerah contract area. Husky holds a 100 percent interest in the Anugerah Block, which is located in the East Java Basin approximately 150 kilometres east of the Madura Strait Block. The block covers an area of 8,215 square kilometres with main prospective locations in water depths of 800 to 1,300 metres.

Greenland

The Company had decided not to elect to enter sub-Period 2 for either of its two exploration licenses offshore West Greenland, and consequently, these licences expired in 2016.

Canada

White Rose Oil Field

The White Rose oil field is located 354 kilometres off the coast of Newfoundland and Labrador and approximately 48 kilometres east of the Hibernia oil field on the eastern flank of the Jeanne d'Arc Basin. The Company is the operator of the main White Rose field and satellite tiebacks, including the North Amethyst, West White Rose and South White Rose extensions. The Company has a 72.5 percent working interest in the main field and a 68.875 percent working interest in the satellite extensions. The White Rose field and satellite tiebacks are considered as one project as they are all governed by the same formal agreement signed with the Government of Newfoundland.

East Coast Exploration (Operated)

Husky presently holds working interests ranging from 5.8 percent to 73.125 percent in 23 significant discovery areas in the Jeanne d'Arc Basin, Flemish Pass Basin, offshore Newfoundland and Labrador and Baffin Island. In June 2016, the Company and its partner announced two oil discoveries at the Bay de Verde and Baccalieu prospects in the Flemish Pass Basin, which add to the resource base for a potential development at the Bay du Nord discovery. The Company holds a 35 percent non-operated working interest in each of the Bay du Nord, Bay de Verde, Baccalieu, Harpoon and Mizzen discoveries. The discovery areas include multiple agreements with substantially similar terms which are operationally and geographically integrated. Some areas are not operated by Husky. Only areas in which Husky is the Operator are included in this report.

Sunrise Energy Project

In 2008, Husky and BP completed a transaction that created an integrated North American oil sands business. The business is comprised of a 50/50 partnership to develop the Sunrise Energy Project, operated by Husky. The Sunrise Energy Project is an in-situ SAGD oil sands project located in the Athabasca region of northern Alberta.

Undeveloped Oil Sands Assets

Husky holds in excess of 550,000 acres in undeveloped oil sands leases and has a 100 percent working interest in all leases except in Athabasca South, in which it has a 50 percent working interest. The undeveloped oil sands leases include the Saleski asset covering more than 241,000 acres located north of Wabasca, Alberta. The leases are a set of operationally and geographically integrated licenses with substantially similar terms.

Lloydminster Thermal Developments

The majority of Husky's Thermal Development assets are located in the Lloydminster region of Alberta and Saskatchewan, with lands consisting of approximately two million acres. This extensive land position spans most of the productive oil fields in the area, all within 100 kilometres of the City of Lloydminster. Lloydminster Thermal production consists of 10 thermal plants located in the Lloydminster region of Saskatchewan: Bolney, Celtic, Edam East, Edam West, Paradise Hill, Pikes Peak, Pikes Peak South, Rush Lake, Sandall, and Vawn. Each plant has numerous production pads and utilizes SAGD technology. Husky's Lloydminster Thermal Developments are operationally and geographically integrated.

Tucker Lake Oil Sands Thermal Development

Tucker is an in-situ SAGD oil sands project located 30 kilometres northwest of Cold Lake, Alberta that commenced bitumen production at the end of 2006. Tucker is operating under one single agreement.

Non-Thermal Oil Production

The majority of Husky's Thermal Development assets are located in the Lloydminster region of Alberta and Saskatchewan, with lands consisting of approximately two million acres. This extensive land position spans most of the productive oil fields in the area, all within 100 kilometres of the City of Lloydminster. The Company operates over 4,500 wells in the area, with a 100 percent working interest in the majority of these wells. The Company operates approximately 3,500 CHOPS heavy oil vertical wells, 550 horizontal heavy oil wells and 300 waterflood medium crude oil wells. Husky's Non-Thermal Oil Production is operationally and geographically integrated.

Non-Thermal Enhanced Oil Recovery

The majority of Husky's Thermal Development assets are located in the Lloydminster region of Alberta and Saskatchewan, with lands consisting of approximately two million acres. This extensive land position spans most of the productive oil fields in the area, all within 100 kilometres of the City of Lloydminster. The Company operated five carbon dioxide ("CO₂") injection EOR pilot projects in 2016 and a CO₂ capture and liquefaction plant at the Lloydminster Ethanol Plant. The liquefied CO₂ is used in the ongoing EOR pilot program. Husky's Non-Thermal Enhanced Oil Recovery program is operationally and geographically integrated.

McMullen Willow Creek Thermal Development

The Company will commence oil sands evaluation drilling of 19 wells at McMullen Willow Creek in the first quarter of 2017 and progress towards an Alberta Energy Regulator ("AER") application in the second quarter of 2017. First oil for the 10,000 bbls/day Phase I plant based on the development plan is 2024 with a conceptual plan to progress up to nine additional plants by 2040. The McMullen Willow Creek Thermal Development agreements and licenses are operationally and geographically integrated.

Foothills Operations

Foothills operations are located primarily in Western Alberta. Primary areas of operations consist of Rocky Mountain House, Edson and Grande Prairie. This operations area is centered on a gas resource growth strategy. Within Foothills operations, the Company operates 300 facilities, including the Ram River Gas Plant in which the Company has an average 85 percent working interest. The agreements and licenses are operationally and geographically integrated in the area.

Plains Operations

The Company's Western Canada Plains operations are located in Central Alberta, Northern Alberta and Southwest Saskatchewan. As at December 31, 2016, the Company operated 30 crude oil and 20 natural gas facilities with approximately 4,000 active wells throughout the area. The agreements and licenses are operationally and geographically integrated in the area.

Rainbow Lake Development

Rainbow Lake, located approximately 900 kilometres northwest of Edmonton, Alberta, is the site of the Company's largest light oil production operation in Western Canada. The agreements and licences are operationally and geographically integrated in the area.

Northwest Territories

The Company acquired two exploration licenses in 2011 in the Northwest Territories at the Slater River Canol shale play. These were consolidated as one exploration license in 2015 and cover 483,000 gross acres (466,000 net acres).

8. Breakdown of Payments

Payments are broken down to indicate which payee received the payment, and to the project level when attributed to a specific project.

Corporate income tax payments are reported at the entity level without allocating the payment to specific projects as this would require artificially splitting and disaggregating the payment.

9. Penalties and Interest

Interest and penalties are out-of-scope of this report.

10. Refunds, Credits and Incentives Received from Payees

If a refund, credit, or incentive is received via an offset against another reportable payment to the same payee, then that refund, credit, or incentive is included, in order to report the net cash payment amount made by the Company to the payee.

11. Acquisitions and Divestitures

The Company may acquire or divest properties during the reporting year. Regardless of being subsequently reimbursed or making a payment via an ISOA or FSOA, whichever party to the transaction made the reportable payment will include the respective payment within their report.

12. Social or Corporate Social Responsibility Payments

The Company has only included social or corporate social responsibility payments that are directly related to commercial development. The Company views any social or corporate social responsibility as reportable if they are a condition of the commercial development of oil and gas (i.e. they are expressly required in a legal agreement or are a condition to operate).

13. Infrastructure Improvement Payments

Infrastructure payments are reported in the period in which the payment is incurred, when the infrastructure is transferred to the government or when the infrastructure is brought into use.

Infrastructure improvement payment made on infrastructure that is primarily used for operational purposes during the useful life, are excluded from the report. The Company views any infrastructure improvement payments as primarily for operational purposes, if the infrastructure will be reclaimed or decommissioned at the end of the lease term. In the case of maintenance to existing infrastructure (e.g. roads), if the Company will stop performing the maintenance activity after the lease term and/or when the Company stops operating in that area, then it relates primarily to operational purposes and is out-of-scope of the report.

14. Royalties

Alberta Crown Taken-in-Kind oil royalties are reported by the Operator (refer to section 4 above) under the “Royalties” payment category and are converted to a cash-basis consistent with the methodology the Company uses for external financial reporting purposes.

15. Reporting Currency

The report is prepared in Canadian dollars (“CAD”). Payments to governments in foreign currencies are translated based on the foreign exchange rate at transaction date.

16. Materiality

Payments made to the same payee as a single payment or multiple payments, over CAD \$100,000 within one of the reporting categories during the year are disclosed.